



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 15, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank  
Charter Number 17324**

**409 South Ellis  
Groesbeck, TX 76642**

**Office of the Comptroller of the Currency  
ADC-Austin  
8310 Capital Of Texas Highway North, Suite 250  
Austin, TX 78731**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## **INSTITUTION'S CRA RATING: This institution is rated "Outstanding."**

First National Bank's (FNB) lending performance reflects an outstanding responsiveness to community credit needs. The following highlights the bank's performance.

- The loan-to-deposit ratio (LTD) is more than reasonable given the bank's size, financial condition, and assessment area (AA) credit needs. FNB's LTD ratio has averaged 70% from September 1998 to June 2003.
- A large majority of FNB's loans have originated from within its AA.
- Borrower distribution data reflects an excellent penetration to low- and moderate-income (LMI) consumers and small agricultural borrowers.
- The bank's AA includes only middle-income census tracts; therefore, an analysis of geographic distribution would not be meaningful.
- There have been no complaints with respect to FNB's CRA performance.

## **DESCRIPTION OF INSTITUTION**

FNB opened in 1982. It is a locally owned and operated community bank with total assets of \$36 million, as of June 30, 2003. The bank's primary emphasis is providing local banking services to the predominantly rural area of southern Limestone County, which is 40 miles east of Waco, Texas. Lending efforts are focused on residential real estate, consumer, agricultural, and small business loans. FNB has one office and one automated teller machine (ATM) in its AA. The office is located at 409 South Ellis Street in Groesbeck, Texas and the ATM is located in the drive-through area. Groesbeck is the county seat of Limestone County.

FNB's earning asset mix consists of 74% loans and 26% investment securities. The bank's lending focus has remained consistent since the July 9, 1998 evaluation. The following table provides a breakdown of the bank's loan mix as of June 30, 2003.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Real Estate (RE) Residential (1-4)	9,376	37.6
Consumer	6,828	27.4
RE Agricultural and Production	4,273	17.1
RE Commercial and Industrial	4,091	16.4
Construction	336	1.3
RE Multifamily	27	0.1
Other	25	0.1
<b>Total</b>	<b>24,956</b>	<b>100%</b>

## DESCRIPTION OF ASSESSMENT AREA

FNB's AA consists of four census tracts covering the southern half of Limestone County. All of the census tracts are categorized as middle-income based on 1990 census data. The city of Groesbeck is centrally located in the AA and is surrounded by family-owned ranches. Based on limited population growth and a high level of housing vacancies (29%), demand for housing and retail development has not been strong. Some growth has been experienced in the area surrounding Lake Limestone. The local economy is supported by Reliant Energy Power Generation Facility, Northwest Resources mining lignite coal for the power plant, and oil and natural gas activity. Other major employers in the community are the Groesbeck Independent School District and the County Government offices. Specific demographic data for the AA is listed below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	2,416
Number of Households	3,260
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$26,012
2002 HUD-Adjusted MFI	\$36,100
<i>Economic Indicators</i>	
Unemployment Rate	2%
1990 Median Housing Value	\$41,401
% of Households Below Poverty Level	19%

BNA = Block Numbering Area

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted a local community leader during the examination. This contact stated that FNB is active in the community and responsive to local credit needs.

A review of FNB's lending practices revealed no evidence of illegal discrimination. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. Based on its financial condition, resources, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder the bank's ability to provide credit in its AA. FNB received an "Outstanding" rating at its previous CRA examination conducted in July 1998.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management is performing in an outstanding manner in meeting the credit needs of the AA, including LMI individuals, consistent with its resources and capabilities.

### Loan-to-Deposit Ratio

FNB's LTD ratio exceeds the standard for satisfactory performance given its asset size, financial condition, and the lending opportunities within its AA. The average LTD ratio over the twenty quarters since the last examination was 70%. To better understand the bank's performance, we conducted an LTD analysis on four other banks that are similarly situated. The LTD ratios for these banks ranged from 51% to 64%. The average LTD for these similarly situated banks was 57% during the same period.

<b>Institution</b>	<b>Assets As of 06/31/2003</b>	<b>Average LTD Ratio%</b>
Farmers State Bank, Groesbeck	93,620	50.8
Citizens State Bank, Buffalo	108,021	55.5
First National Bank, Fairfield	108,991	55.9
First National Bank, Mexia	73,305	63.7
<b>First National Bank, Groesbeck</b>	<b>35,674</b>	<b>70.3</b>

### Lending in Assessment Area

A large majority of FNB's loans have been extended within its AA. We performed an analysis of lending patterns within the AA using internal reports provided by management and county maps. These reports include loans that were originated since our last examination. This analysis indicates that 76% of the number and 73% of the dollar amount of total loans were made within FNB's AA.

<b>TOTAL LOANS REVIEWED</b>								
	<b>IN ASSESSMENT AREA</b>				<b>OUT OF ASSESSMENT AREA</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>Total Loans</b>	<b>1,691</b>	<b>76.2</b>	<b>18,754</b>	<b>73.8</b>	<b>528</b>	<b>23.8</b>	<b>6,646</b>	<b>26.2</b>

### Lending to Borrowers of Different Incomes and to Farms of Different Sizes

The loan distribution to individuals with different income levels within the AA is excellent. Our review included a sample of twenty residential loans and twenty consumer loans. The results indicate that lending activity to LMI families exceeds the demographic characteristics of the AA for consumer loans and meet the demographics for residential lending. The details of our review are reflected in the following tables.

<b>CONSUMER</b>								
<b>Borrower Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
% of AA Households	25.1%		15.0%		17.5%		42.5%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
<b>Total</b>	<b>35.0</b>	<b>43.4</b>	<b>30.0</b>	<b>30.5</b>	<b>25.0</b>	<b>17.7</b>	<b>10.0</b>	<b>8.4</b>

<b>RESIDENTIAL REAL ESTATE</b>								
<b>Borrower Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
% of AA Families	22.4%		16.6%		16.5%		44.6%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
<b>Total</b>	<b>20.0</b>	<b>6.3</b>	<b>15.0</b>	<b>5.9</b>	<b>20.0</b>	<b>16.4</b>	<b>45.0</b>	<b>71.4</b>

We also sampled twenty agricultural loans to determine the distribution of the bank's lending to farms of different sizes. The loan sample included loans originated since the last evaluation. Our analysis reflected a very good dispersion of small farm lending, with 100% of agricultural loans being granted to entities having gross revenues of less than \$1 million. Details of our review are reflected in the following table.

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95.1	4.9
% of Bank Loans in AA #	100.0	0.0
% of Bank Loans in AA \$	100.0	0.0

### **Geographic Distribution of Loans**

The bank's AA is comprised of middle-income tracts only. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

### **Responses to Complaints**

No CRA or unresolved consumer complaints have been identified since our prior examination.

### **Fair Lending Review**

A search for consumer complaint information was performed according to the OCC's risk-based fair lending examination approach. Based on the lack of any identified complaints, a comprehensive fair lending examination was not performed. The latest comprehensive fair lending examination was performed during the previous CRA examination in July 1998.