



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 3113**

**P. O. Box 1028
Marshall, Texas 75671-1028**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of September 24, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

First National Bank has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's quarterly average loan to deposit ratio of 46.21% is reasonable when compared to other area banks.
- ▶ A substantial majority of the bank's loans are extended within its assessment area.
- ▶ The distribution of loan originations reflects a reasonable penetration among individual borrowers and geographies of all income levels.

The following table indicates the performance level of First National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

First National Bank (FNB) is a \$292 million bank, which is wholly owned by Firstshares of Texas, Inc. The bank's main office is located at 100 North Bolivar Street, Marshall, Texas and is in a middle income census tract. In addition to the main office, the bank has four branch offices in the following locations: 1111 Judson Road, Longview, Texas; 909 ESE Loop 323, Tyler, Texas; 4605 Texas Boulevard, Texarkana, Texas; and, 222 South Ragsdale, Jacksonville, Texas. The Longview and Texarkana branch offices are located in middle income census tracts. The Tyler branch office is in an upper income census tract while the Jacksonville branch office is in a moderate block numbering area. The bank also has five automated teller machines (ATMs) located at each of the bank office sites with a sixth ATM located at 1302 Judson Road, Longview, Texas.

The institution is retail oriented and offers full service banking. Primary loan products offered include commercial loans, consumer loans, and real estate loans. Outstanding loans on June 30, 1997 totaled \$122 million and were distributed as follows: 54% commercial and commercial real estate loans; 20% consumer loans; and, 19% residential real estate. There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The prior CRA evaluation was conducted as of April 28, 1994.

DESCRIPTION OF ASSESSMENT AREAS:

The Board has designated four separate assessment areas based on the location of the various branches. These areas include Harrison, Gregg, Smith, Cherokee, and Bowie Counties in Texas and Miller County in Arkansas. Detailed below are descriptions of each assessment area included in our Evaluation.

MARSHALL/LONGVIEW ASSESSMENT AREA:

The Board has designated Harrison and Gregg counties as the Marshall/Longview Assessment Area. These counties are part of the Longview-Marshall Metropolitan Statistical Area (MSA). The Marshall/Longview Assessment Area has a total population of 162,431. Less than one percent of the population lives in census tracts designated as low income, while 20% live in a moderate income census tract, 54% live in a middle income census tract and 26% live in an upper income census tract. The

distribution of families by income level, regardless of location, consists of the following: 22% of the families are low income; 16% are moderate income; 20% are middle income; and, 42% are upper income. The median family income for the Longview-Marshall MSA is \$36,700. Local employment is centered in the following industries: services, retail trade, manufacturing and government.

As part of our evaluation, we contacted an official from a local business group. While he/she could not identify the primary community credit need, they did state there are no credit needs which are not being met by local financial institutions.

TYLER ASSESSMENT AREA:

The Board has designated all of Smith County as the Tyler Assessment Area. Smith County is a part of the Tyler MSA. The Tyler Assessment Area has a total population of 151,309. Of this, 5% live in a low income tract, 9% live in a moderate income tract, 54% live in a middle income tract and 32% live in an upper income tract. The distribution of families by income level, regardless of location, consists of the following: 22% of the families are low income; 17% are moderate income; 22% are middle income; and, 40% are upper income. The median family income for the Tyler MSA is \$40,800. Local employment is centered in the following industries: services, retail trade, manufacturing and government.

As part of our evaluation, we contacted a director of a local business group. He/she indicated small business loans were the primary credit need of the community. This official was not aware of any credit needs which are not being met by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The bank's loan-to-deposit ratio is reasonable. The quarterly loan-to-deposit ratio has averaged 46.21% since the prior CRA evaluation. The average for other banks located within or near the bank's assessment area was 55.41%. FNB's ratio has ranged from a low of 40.75% as of June 30, 1994, to a high of 51.65% as of March 31, 1997. Other banks in the area reported loan-to-deposit ratios ranging from a low of 52.46% to a high of 57.68% during the same time period. Due to the acquisition of the Jacksonville

branch office during the second quarter 1997 and the resulting inflow of \$40 million of deposits, the loan-to-deposit ratio declined to 46.49% as of June 30, 1997.

LENDING IN ASSESSMENT AREA:

A substantial majority of the bank’s lending activity is located within its assessment area. We relied on information provided by the bank for our analysis of loans. Data from this information was verified for accuracy. Approximately 85% of the number of loans and 81% of the dollar amount of all loans made since the prior CRA examination were extended in the bank’s assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of loans within the assessment areas reviewed reflect a reasonable penetration among borrowers of different income levels and businesses of different sizes. Further, the distribution of loans within each income category approximates the income characteristics of the population within the assessment area.

Our analysis of lending to borrowers of different income levels in the Marshall/Longview assessment area was based on a sample of 29 consumer loans, 28 business loans, and all residential loans extended during 1997 in this assessment area.

Marshall/ Longview Assessment Area Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	22%		16%		20%		42%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	31	27%	25	22%	20	17%	40	34%	116	100%
Consumer	9	31%	10	34%	4	14%	6	21%	29	100%

Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	1	3%	8	28%	3	10%	17	59%	29	100%

Our analysis of lending to borrowers of different income levels in the Tyler assessment area was based on a sample of 21 consumer loans, 21 business loans, and all residential loans extended during 1997 in this assessment area.

Tyler Assessment Area Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	22%		17%		22%		39%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	2	9%	3	14%	5	23%	12	54%	22	100%
Consumer	3	14%	6	29%	2	9%	10	48%	21	100%
Revenue Ranges										
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	2	10%	5	23%	2	10%	12	57%	21	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The geographic distribution of loans reflects a reasonable dispersion throughout the Marshall/Longview and Tyler assessment areas. Our analysis of the geographic distribution of loans in these assessment areas was based on information provided by the bank and verified for accuracy. The distribution of loans is based on loan originations since the previous evaluation dated April 28, 1994.

Although no residential loans were extended in a low or moderate census tract in the Tyler assessment area, FNB does extend loans in the low and moderate income tracts as

evidenced by the consumer and commercial loans made in those areas. Also, the bank extends loans to low income borrowers as indicated by our analysis of loan distribution by borrower income. Further, the low income tracts in Smith county are located in the northeast part of the community and are more readily accessible to banks located in the downtown Tyler area and Northward.

Marshall/Longview Assessment Area Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	<1%		20%		54%		26%		100%	
Population	428		31,856		88,380		41,767		162,431	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	27	14%	147	74%	24	12%	198	100%
Consumer	23	1%	299	15%	1,425	71%	262	13%	2,009	100%
Commercial	37	5%	162	20%	481	59%	130	16%	810	100%

Tyler Assessment Area Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	5%		9%		54%		32%		100%	
Population	7,764		13,175		82,154		48,216		151,309	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	0	0%	29	34%	57	66%	86	100%
Consumer	20	3%	22	3%	278	36%	451	58%	771	100%

Commercial	18	6%	38	12%	116	37%	140	45%	312	100%
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RESPONSE TO COMPLAINTS:

There have been no written complaints related to CRA performance since the prior CRA examination.

OTHER MATTERS

A Fair Lending Examination was performed in conjunction with this examination. Based on the samples reviewed, no discriminatory practices were noted. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.

The bank participates in two Community Development Corporations (CDCs) located in Marshall and Tyler. Local financial institutions have committed to invest a specific amount in these CDCs and participate on a pro rata share based on the asset size of the institution. The Marshall CDC was begun in 1993 and has funded seven loans while the Tyler CDC began in 1996 and consists of two loans.