



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**Public Disclosure**

**June 05, 2006**

Community Reinvestment Act  
**Performance Evaluation**

**The First National Bank of Bryan  
Charter Number: 3446**

**2807 Texas Avenue  
Bryan, TX 77802**

**Office of the Comptroller of the Currency**

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Houston, TX 77010**

*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 safe and sound operation of the institution. This evaluation is not, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Outstanding**.

The following table indicates the performance level of **The First National Bank of Bryan** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National Bank of Bryan Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The geographic distribution of small loans to businesses exceeds the characteristics of the assessment area (AA) in moderate-income census tracts (CTs). Also, the bank’s market share of business loans in those moderate tracts exceeds its overall market share.
- The borrower income distribution of small loans to businesses is similar to the characteristics of the AA. However, the bank’s market share of loans to borrowers with revenues of \$1 million or less exceeds its overall market share.
- A majority of the small loans to businesses were originated for less than \$100 thousand.
- A substantial majority of small loans to businesses, home mortgage loans, and small loans to farms were originated in the AA. Approximately 91 percent of the loans were originated in the AA.
- The bank’s loan-to-deposit ratio has averaged 76 percent since the prior CRA examination and exceeds the average of banks in the area.
- FNB has a significant dollar amount of investments.
- FNB’s service level is good. Officers are active in the provision of financial services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area (MA)/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. Part 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** Loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a

male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business (es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

The First National Bank of Bryan (FNB) has its main office in Bryan, Texas and serves the cities of Bryan and College Station, Texas in Brazos County. As of March 31, 2006, FNB had total assets of \$467 million. FNB is an intrastate bank with five branches and a main office located in Bryan and College Station, Texas. FNB is a wholly owned subsidiary of the Bryan Family Management Trust located in Bryan, Texas. The bank does not have any affiliate activity considered in this evaluation. Also, FNB does not have any subsidiary activities and was not involved in any merger or acquisition activity that affected the scope of the bank's operations during the evaluation period.

The percentage of total assets represented by net loans was 64 percent at March 31, 2006. The loan portfolio consisted of approximately 63 percent real estate loans, consumer loans of 26 percent, and commercial loans of 11 percent. All other loans were less than 1 percent. The real estate loan portfolio was 1 to 4 family residential loans at 39 percent, 32 percent commercial real estate, and 23 percent construction and land development. The remaining 6 percent was multifamily and farmland loans. Tier One Capital at March 31, 2006 was \$46 million. The bank's loan-to-deposit ratio has averaged 76 percent for the last eleven quarters since the prior CRA examination. It exceeds a peer group average of 67 percent of banks in the area and surrounding counties.

FNB's primary focus is small business customers. Residential lending is a secondary product. The bank also originates a significant amount of student loans that comprise the majority of consumer loans. At March 31, 2006, student loans were 82 percent of the consumer loan portfolio.

FNB is the largest commercial bank headquartered in the Metropolitan Statistical Area with intense competition from credit unions, branches of several community banks, and branches of large national banks. Large national banks with branches in the area include Citibank, Wells Fargo, Bank of America, and JPMorgan Chase. The bank's deposit market share is second in the area with approximately 16 percent of the market.

No legal, financial, or other factors impede the bank's ability to help meet the credit needs in the bank's Assessment Area. At the last CRA examination dated August 25, 2003, FNB received an "Outstanding" rating.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses FNB's performance under the Lending, Investment, and Service Tests. In evaluating the lending performance, we reviewed small loans to businesses, small loans to farms, and residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA). The evaluation period for the lending test was from January 1, 2003 through December 31, 2005. For community development loans, investments and services, our evaluation period was from the prior examination of August 25, 2003 through the starting date of this evaluation, June 5, 2005. The Investment Test included a review of investments, donations, and grants originated in the AA that met the definition of community development investments. The Service Test included a review of retail and community development services provided in the bank's AA.

### Data Integrity

Prior to this CRA examination, OCC personnel verified the accuracy of data available to the public in accordance with the HMDA and the CRA regulation. This public data included HMDA lending and small loans to businesses and farms. We tested the accuracy of HMDA loans and CRA data for small loans to businesses for 2004 and 2005. During the examination, we relied upon bank maintained records for CRA data for 2003 based on the reliability of 2004 and 2005 data. Although lending origination information was available, market share information was not available for geographic distribution of small loans to businesses and small loans to farms for 2003 from bank provided information. Market share information was available for the borrower distribution in 2003.

### Selection of Areas for Full-Scope Review

Brazos County is the bank's only assessment area. This area received a full-scope review. There are no limited scope areas. For additional information, see the tables in Appendix A.

### Ratings

The bank's overall rating is based on the review of lending in Brazos County.

### Other

During the examination, we spoke with a local Chamber of Commerce leader who stated home construction and small business lending were the two greatest lending needs in the area. Also, the individual stated there was an opportunity for business expansion loans. Both are part of the bank's lending strategy. We also reviewed another community contact with an economic development organization who stated residential and commercial real estate construction continues to thrive.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Outstanding". Based on full-scope reviews, the bank's performance in the College Station-Bryan area is excellent considering the primary loan product is small business lending.

#### Lending Activity

Refer to Tables 1 Lending Volume and 1 Other in Appendix C for the facts and data used to evaluate the bank's lending activity.

FNB's lending activity demonstrates good responsiveness to the credit needs of its AA considering its size, resources, and primary focus on small business lending.

Within the bank's AA, approximately 68 percent of the total number of reported loans or 1,140 loans were originated to small businesses. For home mortgage lending, approximately 25 percent of the total number of reported loans or 425 loans were originated to consumers for home mortgage products. Small loans to farms comprised the remainder at 7 percent or 121 loans.

Small business lending was given the greatest weight within the AA as the bank's primary loan product. Home mortgage lending is less of a bank lending focus and was assigned a lesser weight. In addition, FNB meets home mortgage needs through an alternative program to meet the need for long term fixed rate financing. The bank originates and sells home mortgage products to private investors that are not reported for HMDA. For example, FNB originated 141 loans for a total of \$22 million in 2005. Small farm lending is not a primary product and was assigned little weight in the final rating.

#### Distribution of Loans by Income Level of the Geography

##### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

##### 2004/2005

The bank did not originate any home purchase, home improvement, or home mortgage refinance loans in a low-income CT based on a lack of opportunity for lending. The percent of owner-occupied units in the one low-income CT is insignificant at less than 1 percent.

The percentage of home purchase loans in moderate-income CTs is near to the percentage of owner-occupied units. The bank's market share in moderate-income CTs is near to its overall market share.

The percentage of home improvement loans in moderate-income CTs is somewhat lower than the percentage of owner-occupied units. The bank's market share in moderate-income CTs is near to its overall market share.

The percentage of home mortgage refinance loans in moderate-income CTs is somewhat lower than the percentage of owner-occupied units. The bank's market share in moderate-income CTs exceeds its overall market share.

The bank did not originate any multifamily loans during 2004 or 2005. Competition for multifamily loans in the AA is intense.

### **2003**

The bank did not originate any home purchase, home improvement, or home mortgage refinance loans in a low-income CT based on a lack of opportunity for lending. The percent of owner-occupied units in the one low-income CT is insignificant at less than 1 percent.

The percentage of home purchase loans in moderate-income CTs is somewhat lower than the percentage of owner-occupied units. The bank's market share in moderate-income CTs is near to its overall market share.

The percentage of home improvement loans in moderate-income CTs is somewhat lower than the percentage of owner-occupied units. The bank's market share in moderate-income CTs exceeds its overall market share.

The percentage of home mortgage refinance loans in moderate-income CTs is near to the percentage of owner-occupied units. The bank's market share in moderate-income CTs exceeds its overall market share.

Although the bank did not originate any multifamily loans in moderate-income CTs, the percentage of multifamily loans in the one low-income CT significantly exceeds the percentage of multifamily units located in this CT. Also, the bank's market share in the low-income CT exceeds its overall market share.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

### **2004/2005**

The percentage of small loans to businesses in low-income CTs is somewhat lower than the percentage of businesses in those tracts. In moderate-income CTs, the percentage exceeds the percentage of businesses in those tracts. Market share in low-income CTs is lower than its

overall market share in low-income census tracts but exceeds its overall market share in moderate-income CTs. Lending opportunities are limited in low-income CTs.

### **2003**

The percentage of small loans to businesses in low-income CTs is lower than the percentage of businesses in those tracts. In moderate-income CTs, the percentage exceeds the percentage of businesses in those tracts. Market share information was not available for 2003. Lending opportunities are limited in low-income CTs.

### ***Small Loans to Farms***

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

### **2004/2005**

The bank did not originate any small loans to farms in the low-income CT based on a lack of opportunity for lending. The percent of farms in the one low-income CT is insignificant at less than 1 percent.

The percentage of small loans to farms in moderate-income CTs is somewhat lower than the percentage of farms in those tracts. Market share in moderate-income CTs exceeds its overall market share in moderate-income CTs.

### **2003**

The percentage of small loans to farms in moderate-income CTs is lower than the percentage of farms in those tracts. Market share information was not available in 2003.

## **Lending Gap Analysis**

Our review of the geographic distribution of lending did not disclose any conspicuous gaps in lending. In addition, a bank analysis of lending shows that 97 percent of the AA tracts had reportable loans.

### ***Inside/Outside Ratio***

A substantial majority of home mortgage, small loans to businesses, and small loans to farms were originated within the AA. The bank originated approximately 91 percent of home mortgage loans, 94 percent of small loans to businesses, and 64 percent of the small loans to farms within the bank's AA. Considering the total number of loans originated for these three categories, the overall ratio was 91 percent. This performance was positively factored into the overall analysis of the geographic distribution of lending.

## Distribution of Loans by Income Level of the Borrower

### *Home Mortgage Loans*

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Lending to low- and moderate-income borrowers is below the demographic characteristics of the AA overall for home mortgage loans. However, lending opportunities are limited in the AA for these borrowers.

#### 2004/2005

The percentage of loans to low- and moderate-income borrowers for home purchase loans is lower than the demographics of the AA. However, the bank's market share for loans to low-income borrowers exceeds the bank's overall market share. The market share for loans to moderate-income borrowers is lower than the overall market share.

The percentage of loans to low-income borrowers for home improvement loans is significantly lower than the demographics of the AA. The percentage of loans to moderate-income borrowers for home improvement loans is somewhat lower than the demographics of the AA. The market share for low-income borrowers is lower than the bank's overall market share. However, the market share for moderate-income borrowers exceeds the bank's overall market share.

The percentage of loans to low-income borrowers for home mortgage refinance loans is significantly lower than the demographics of the AA. The percentage of loans to moderate-income borrowers for home improvement loans is near to the demographics of the AA. The market share for low-income borrowers is significantly lower than the bank's overall market share. However, the market share for moderate-income borrowers is near to the bank's overall market share.

#### 2003

The percentage of loans to low- and moderate-income borrowers for home purchase loans is lower than the demographics of the AA. The bank's market share for loans to low-income borrowers is somewhat lower than the bank's overall market share. The market share for loans to moderate-income borrowers is near to the overall market share.

The percentage of loans to low-income borrowers for home improvement loans is lower than the demographics of the AA. The percentage of loans to moderate-income borrowers for home improvement loans is somewhat lower than the demographics of the AA. However, the market share for low-income borrowers exceeds the bank's overall market share. The market share for moderate-income borrowers is near to the bank's overall market share.

The bank did not originate any home mortgage refinance loans to low-income borrowers in 2003. The percentage of loans to moderate-income borrowers for home improvement loans is lower than the demographics of the AA. The market share for moderate-income borrowers is near to the bank's overall market share.

**Small Loans to Businesses**

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

**2004/2005**

The percentage of loans to businesses with revenues of \$1 million or less is near to the percentage of businesses in the AA with revenues of \$1 million or less. In terms of loan size, FNB originated 84 percent of its loans for \$100 thousand or less. Also, the bank's market share for loans to businesses with revenues of \$1 million or less exceeds its overall market share.

**2003**

The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses in the AA with revenues of \$1 million or less. In terms of loan size, FNB originated 81 percent of its loans for \$100 thousand or less. Also, the bank's market share for loans to businesses with revenues of \$1 million or less exceeds its overall market share.

**Small Loans to Farms**

Refer to Table 12 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

**2004/2005**

The percentage of loans to farms with revenues of \$1 million or less is near to the percentage of farms in the AA with revenues of \$1 million or less. In terms of loan size, FNB originated 98 percent of its loans for \$100 thousand or less. Also, the bank's market share for farms with revenues of \$1 million or less is near to the overall market share.

**2003**

The percentage of loans to farms with revenues of \$1 million exceeds the percentage of farms in the AA with revenues of \$1 million or less. In terms of loan size, FNB originated 97 percent of its loans for \$100 thousand or less. Also, the bank's market share for farms with revenues of \$1 million or less exceeds its overall market share.

**Community Development Lending**

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Community Development lending is adequate, and FNB has met the needs of its AA. FNB originated one CD loan during the evaluation period in the amount of \$245 thousand for a multifamily apartment complex in its AA with rents below the area fair market rent. Also, FNB originated a \$1.5 million loan out of its AA but within the broader statewide region for an apartment complex. This complex has rents at 60 percent or below of the area median gross income and received additional financing through a state agency. Considering the limited opportunities for CD loans that meet the size test in the AA and the loans discussed in the following paragraph, this loan is included in Table 1.

FNB originated a number of loans that met the purpose test for community development but not the size test. A large dollar amount of these loans were to provide affordable housing in the Bryan and College Station area. A total of \$1.7 million in loans to four different borrowers for rent houses, duplexes, and four-plexes that provide affordable housing with rents below the area fair market rent were originated during the evaluation period. Two loans were originated for \$80 thousand in total to construct affordable homes in moderate-income CTs. FNB originated a \$500 thousand loan to a local transit authority to provide affordable transportation in a multi-county area. Also, FNB originated a \$300 thousand loan to a state funded entity that provides a safe environment for young boys. Finally, FNB approved a \$500 thousand line of credit to the Brazos Valley Community Action Agency to manage and administer programs to benefit low- and moderate-income individuals. These loans are not included in Table 1 but are worthy of mention in this Performance Evaluation.

### **Product Innovation and Flexibility**

The bank participates in an affordable housing program providing twenty year fixed rate home purchase loans to low- and moderate-income borrowers. The cities of Bryan and College Station identify potential borrowers and provide down payment and closing cost assistance. One loan for \$72 thousand was originated through this program during the evaluation period in a moderate-income CT.

The bank originates a significant number of student loans. In 2005, the bank originated \$120 million in student loans. In 2004, the bank originated \$44 million in student loans. Within the assessment area, FNB originates loans to students at Blinn College and Texas A & M University. In June 2006, the loan portfolio had a balance of \$2.5 million in loans to students at Blinn College in Bryan and \$8.6 million to students at Texas A & M University in College Station.

FNB does not have a minimum loan amount. Officers may originate loans for small amounts to meet low- and moderate-income consumer needs.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

There were no areas receiving a limited-scope review.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Outstanding". Based on full-scope reviews, the bank's performance in Brazos County is excellent. FNB has a total of \$3.2 million in qualified investments for the evaluation period.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

#### Independent Bankers Capital Fund

FNB has a total commitment of \$500 thousand, of which \$181 thousand was funded at the last examination to the Independent Banker's Capital Fund L.P. (IBCF). The IBCF is a small business investment company that provides a source of equity capital for undercapitalized small businesses. Administered by The Independent Banker's Bank in Dallas, the IBCF was created to offer financial institutions a method of meeting the needs for equity financing of small businesses in their communities. During this examination period, the bank funded an additional \$125 thousand. The total investment is now \$306 thousand.

#### Brazos Valley Community Development Corporation

FNB has a continuing investment in the Brazos Valley Community Development Corporation Inc. (BVCDC). The investment reduced to \$88,000 during this examination period from \$100 thousand at the prior CRA examination. The BVCDC is a multi-bank community development corporation operated by the Brazos Valley Affordable Housing Corporation. The BVCDC originates residential loans to low- and moderate-income individuals who would not otherwise qualify for a traditional bank loan. The U. S. Treasury certified the BVCDC as a Community Development Financial Institution in 2001. During this period, the Brazos Valley Affordable Housing Corporation borrowed money from the CDC to build affordable houses in a nearby city for low- and moderate-income individuals and families. A partnership was formed with the Brazos Valley Affordable Housing Corporation, the Texas Department of Corrections, and Navasota Independent School District. The structures were built by inmates and high school students minimizing labor costs.

#### Municipal Bond

FNB purchased a local bond to build a new Sheriff's Administration Building located in a moderate-income census tract in Bryan that will revitalize and stabilize the area. The bank's portion of a total bond of \$10 million for county improvements allocated to the sheriff's office is \$2.5 million.

#### Donations and Contributions

FNB funded a significant level of donations to fifty-three community development organizations totaling \$275 thousand during the evaluation period.

### Conclusions for Area Receiving Limited-Scope Reviews

There were no areas receiving a limited-scope review.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in Brazos County is good.

#### Retail Banking Services

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The distribution of the bank's branches is satisfactory. Although the bank does not have any branches in the low-income census tract, only about 2 percent of the population resides in that CT. One bank branch is located in a moderate-income CT. This is approximately 17 percent of the bank's branches, and it is below the 37 percent of the population that resides in moderate-income CTs. However, the bank's branches are located on major streets and are easily accessible to low- and moderate-income customers.

The distribution of the bank's Automatic Teller Machines (ATMs) is good. Three of the ten ATMs are located in a low- or moderate income CT. Each of the six branches has an ATM. Four ATMs are in locations other than the branches. One ATM is in the one low-income census tract and another is located in a moderate-income CT. Of the remaining ATMs, one is located in a middle-income CT and the other is in an upper-income CT.

FNB offers a complete line of checking and savings accounts including a free checking account with the only requirement being clearance through ChexSystems. This account offers unlimited check writing, use of proprietary FNB ATMs at no charge, unlimited use of AccessPlus at no charge, automatic check safekeeping, free Internet banking and bill pay, Overdraft Privilege, free Visa debit card, and free personalized checks. The opening minimum deposit is \$50.

#### Community Development Services

FNB has an excellent level of participation in community development services. Officers are actively involved with several organizations in the area in the provision of financial services. Some of the more notable include:

- A senior officer serves as treasurer and is on the loan committee for Brazos Valley CDC, Inc.
- A senior officer serves on the revolving loan fund committee for the Brazos Valley Council of Governments Revolving Loan Fund.
- As a member of the Bryan/College Station Chamber of Commerce, a senior officer speaks with the Small Business Development Center clients about banking and finance.

- A senior officer serves on the committee for the organization's primary fund raiser for the Boys and Girls Club of Bryan/College Station.
- Officers teach financial literacy courses after having attended a seminar sponsored by the Brazos Valley Council of Governments. The seminar was centered on providing basic banking and financial information to low- and moderate-income individuals who were generally unemployed but seeking both employment and a better working knowledge of personal finance.
- Officers participate in financial literacy programs with local schools.
- A senior officer works with the Habitat for Humanity in their affordable housing program providing administrative support.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

There were no limited-scope reviews.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/03 to 12/31/05 Investment and Service Tests & CD Loans: 08/26/03 to 06/05/06	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Bryan (FNB) Bryan, Texas	Home Mortgage, Small Loans to Businesses, Small Loans to Farms	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Brazos County	Full-Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### Brazos County, Texas

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	30	3.33	33.33	36.67	23.34	3.33
Population by Geography	152,415	2.27	29.66	35.40	26.28	6.39
Owner-Occupied Housing by Geography	25,147	0.08	21.69	37.81	40.41	0.00
Businesses by Geography	10,231	1.69	26.94	35.84	34.88	0.65
Farms by Geography	385	0.26	13.77	38.44	47.27	0.26
Family Distribution by Income Level	30,273	23.04	15.66	17.13	44.17	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	11,890	4.23	43.25	35.37	17.15	0.00
Median Family Income = \$43,916			Median Housing Value = \$81,959			
HUD Adjusted Median Family Income for 2005 = \$50,700			Unemployment Rate = 4.04%			
Households Below the Poverty Level = 28%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census, and 2005 HUD updated MFI.

FNB is located in the College Station-Bryan Texas Metropolitan Statistical Area that includes the three counties of Brazos, Burleson, and Robertson. The bank has designated only Brazos County as its assessment area (AA).

The bank's AA consists of thirty census tracts. In 2003, the composition was one low-income, twelve moderate-income, nine middle-income, and seven upper-income census tracts. One tract was not designated. This composition changed for 2004 and 2005 for moderate- and middle-income tracts. Detail of the thirty census tracts was one low-income, ten moderate-income, eleven middle-income, and seven upper-income for these years. As in 2003, one tract was not designated.

College Station is the home of Texas A & M University with approximately 45 thousand students. Bryan is the home of Blinn College with approximately 12 thousand students. Updated population estimates from the Chamber of Commerce show the population of Bryan to be 64 thousand and College Station at 73 thousand. The largest area employers are Texas A & M University, the two cities, the two school districts, and the county.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.
- Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.







**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: FNB		Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography						
	#	% of Total**	% Owner Occ... Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over-all	Low	Mod	Mid	Upp		
<b>Full Review:</b>																	
Brazos 2004/2005	66	100.00	0.08	0.00	21.69	12.12	37.81	40.91	40.41	46.97	1.57	0.00	1.80	1.47	1.59		
Brazos 2003	68	100.00	0.08	0.00	28.95	25.00	30.55	23.53	40.41	51.47	1.28	0.00	2.10	1.06	1.18		
<b>Limited Review:</b>																	
None																	

\* Based on 2004 Peer Mortgage Data: Western Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner-occupied Units is the number of owner-occupied housing units in a particular geography divided by number of owner-occupied housing units in the area based on 2000 Census information.



**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: FNB						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005								
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*						
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Brazos 2004/2005	843	100.0	1.69	0.95	26.94	31.08	35.84	35.71	34.88	32.27	10.74	3.45	13.78	11.31	9.94		
Brazos 2003	397	100.0	1.79	0.25	33.87	34.67	31.35	26.88	32.91	38.20	0.00	0.00	0.00	0.00	0.00		
<b>Limited Review:</b>																	
None																	

\* Based on 2004 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2005).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS															
Geography: FNB Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005															
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Brazos 2004/2005	84	100.00	0.26	0.00	13.77	9.52	38.44	21.43	47.27	69.05	31.47	0.00	40.00	24.39	35.23
Brazos 2003	37	100.00	0.54	0.00	17.96	8.12	34.32	18.92	47.18	72.98	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															

\* Based on 2004 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2005).





**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: FNB				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005					Market Share				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over-all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Brazos 2004/2005	63	100.00	23.04	1.59	15.66	12.70	17.13	12.70	44.17	73.02	1.88	0.00	1.63	1.51	2.15	
Brazos 2003	51	100.00	24.61	0.00	16.19	1.96	17.78	15.69	41.42	82.35	1.19	0.00	0.25	0.85	1.48	
<b>Limited Review:</b>																
None																

\* Based on 2004 Peer Mortgage Data: Western Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: FNB		Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005		
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Brazos 2004/2005	843	100.00	63.72	62.40	83.51	10.68	5.81	10.74	15.90
Brazos 2003	398	100.00	62.12	63.82	81.16	11.81	7.04	9.56	23.65
<b>Limited Review:</b>									
None									

\* Based on 2004 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2005).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 11.27% of small loans to businesses originated and purchased by the Bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: FNB			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Brazos 2004/2005	84	100.00	83.64	82.14	97.62	0.00	2.38	31.47	31.30
Brazos 2003	37	100.00	84.99	89.19	97.30	2.70	0	26.62	31.90
<b>Limited Review:</b>									
None									

\* Based on 2004 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2005).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 13.10% of small loans to farms originated and purchased by Bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: FNB				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Brazos	2	269	55	2,900	57	3,169	100	1	194
<b>Limited Review:</b>									
None									

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

