



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 06, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 13170**

**400 Big Bend Trail
Glen Rose, TX 76043**

**Comptroller of the Currency
ADC-Dallas South
500 North Akard Street Suite 1600
Dallas, TX 75201**

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, 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 *Satisfactory*.

The lending performance of First National Bank in Glen Rose reflects satisfactory responsiveness to the credit needs of the community served. This assessment is based on the following performance criteria:

- The bank's average loan to deposit ratio is reasonable and exceeds that of competing banks.
- A majority of the bank's loans are made within its designated assessment area (AA).
- The distribution of loans reasonably penetrates the different income levels among borrowers of all income levels.

DESCRIPTION OF INSTITUTION

First National Bank is located in Glen Rose, Texas, which is the county seat of Somervell County. First National Bank is 100% owned by Southwestern Bancshares Inc., a one-bank holding company. As of June 30, 2003, the bank had total assets of \$44.5 million with \$25 million in gross loans and \$40 million in total deposits. ATM services are provided at the main banking office and at City Hall in Walnut Springs. A third ATM is available at the Texas Utilities Comanche Peak. Banking hours are commensurate with other area banks. The bank offers a full range of loan products and deposit services, with an emphasis on consumer and commercial loans. The previous CRA rating dated June 24, 1998 was satisfactory. There are no legal impediments that would hinder the bank from meeting the credit needs of the community in which it serves. First National Bank's primary business is to serve the banking needs of the community. The chart below reflects the banks loan portfolio mix as of June 30, 2003:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	5,751	23.04%
Commercial Loans	3,093	12.39%
Residential Real Estate Loans	5,161	20.67%
Consumer Loans	8,814	35.30%
Construction/Land Development	1,774	7.11%
Agricultural Loans	373	1.49%
Total	24,966	100.00%

DESCRIPTION OF Somervell County

First National Bank has identified Somervell County as its designated assessment area. Somervell County is located approximately 55 miles southwest of Forth Worth, Texas. The county contains two block numbering areas (BNAs) which are not part of a Metropolitan

Statistical Area (MSA). The income levels of the BNAs are designated as one middle-income and one upper-income. The population of Somervell County is 6,809 based on 2000 Census Bureau data. The HUD estimated 2003 median family income for non-MSA portions of Texas is \$41,200. This amount is used as the basis for determining the income designation of the income level of borrowers.

The area's major employers are the Glen Rose Independent School District, Glen Rose Medical Center, Texas Utilities Comanche Peak nuclear generating plant, M & W Supply and Modular Buildings. Numerous area residents commute to the Dallas/Fort Worth Metroplex for employment. The demographic and economic characteristics are reflected in the chart below:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,446
Number of Households	1,923
<i>Geographies</i>	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	50%
% Upper-Income Census Tracts/BNA	50%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$31,398
2000 Census MFI	\$36,726
2003 HUD Estimated MFI	\$41,200
<i>Economic Indicators</i>	
Unemployment Rate	11.9
1990 Median Housing Value	\$54,936
% of Households Below Poverty Level	16%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

First National Bank has demonstrated satisfactory efforts to meet the credit needs of the designated assessment area. Internal and regulatory reports indicate that the bank's primary loan product is consumer loans that represent 35% of the loan portfolio, while 23% of the portfolio is centered in commercial real estate loans. As a result, we sampled a total of 40 loans, 20 consumer loans and 20 commercial real estate loans. Based on this sample, we determined that First National Bank has satisfactory lending performance. The income distribution to borrowers of different income levels is good. The bank's average loan deposit ratio is also satisfactory. Our conclusions are supported in the tables to follow.

Loan-to-Deposit Ratio

The bank's average loan to deposit ratio exceeds that of other local banks. As follows:

Institution	Assets (as of 12/31/02)	Average LTD Ratio
Town & Country Bank	\$88,506	50.30%
Bosque County Bank of Meridian	\$56,594	59.86%
Heritage National Bank	\$194,019	50.96%
<i>First National Bank</i>	<i>\$39,798</i>	<i>69.21%</i>

Lending in Assessment Area

First National Bank's lending in its assessment area meets the standards for satisfactory lending performance. The bank has made a majority of its loans within its assessment area, based on a sample of 40 loans. The in/out ratio is favorable at 60%.

TOTAL LOANS REVIEWED (June 30 1998 – June 30 2003)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	11	55.00%	106	54.64%	9	45.00%	88	45.36%
Commercial RE	13	65.00%	1,227	54.85%	7	35.00%	1,010	45.15%
Total Reviewed	24	60.00%	1,333	54.83%	16	40.00%	1,098	45.17%

(Total loan amount per sample: Consumer - \$109 thousand and Commercial R/E \$2,237 thousand)

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Based on the sampled loans, the bank has reasonably penetrated each income level for consumer and commercial real estate borrowers. It is noted that the vast majority of commercial borrowers within the AA are sole proprietorships. Therefore, the volume of lending to small business with annual revenues less than \$1 million is greater.

CONSUMER (June 30 1998 – June 30 2003)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	20.60%		11.50%		13.60%		54.20%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer	30.00%	26.29%	35.00%	38.66%	25.00%	29.38%	10.00%	5.67%

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (June 30 1998 – June 30 2003)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	71.71%	3.10%
% of Bank Loans in AA #	65.00%	35.00%
% of Bank Loans in AA \$	54.85%	45.15%

(25.19% of businesses in AA did not report revenue levels for 2002)

Geographic Distribution of Loans

We did not perform a geographical distribution analysis during the evaluation period, as data is incomplete. The bank codes all loans using precinct numbers versus BNA's, and the portfolio of loans is not tracked by income level. Therefore, we could not make a full analysis of the geographical distribution of loans by income level. However, based on the banks records as of September 30, 2003, 63% of the total loan portfolio is made within the designated assessment area. The remaining 37% of the loans were made outside of Somervell County, with a large portion of those being made to borrowers in nearby bordering counties of Hood and Bosque counties.

Responses to Complaints

There were no CRA related consumer complaints.

Fair Lending Review

An analysis of 2000-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.