



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter #17324**

**411 South Ellis
Groesbeck, Texas 76642**

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

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 the 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 CRA performance of the **First National Bank (FNB), Groesbeck, Texas**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 9, 1998. 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 **Outstanding**.

FNB's lending performance reflects an outstanding responsiveness to community credit needs. The following highlight the bank's performance:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's loan-to-deposit ratio averaged 69.3% from June 1995 to March 1998.
- A majority of the number of loans originated from July 1997 through May 1998 are in the bank's assessment area.
- The distribution of borrowers reflects an excellent penetration to individuals of different incomes and businesses of different sizes.
- The bank's assessment area includes only middle-income block numbering areas (BNAs); therefore, analysis of geographic distribution would not be meaningful.
- The bank received no consumer complaints concerning its CRA performance since the April 27, 1995 examination.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	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	FNB's assessment area is comprised of middle-income geographies only; analysis would not be meaningful.		
Response to Complaints	FNB has not received any complaints relating to its CRA performance since the April 27, 1995 evaluation.		

DESCRIPTION OF INSTITUTION

FNB opened in 1982. It is a locally owned, locally managed, community bank with total assets of \$31 million, as of March 31, 1998. The bank's primary emphasis is to provide local banking services to the predominantly rural area of southern Limestone County, 40 miles east of Waco, Texas. Lending is focused on residential real estate, consumer, agriculture, and small business loans.

FNB's earning asset mix consists of 62% loans and 38% investment securities. The bank's lending focus has remained consistent since the April 27, 1995 evaluation. The following table provides a breakdown of the bank's loan mix as of March 31, 1998.

Loan Portfolio Composition		
Loan Type	Amount (000's)	Percentage of Total Loans
1-4 Family Residential Loans	\$ 6,983	38.0%
Consumer Loans	\$ 4,511	24.5%
Agricultural Loans	\$ 2,878	15.6%
Commercial Loans	\$ 2,551	13.9%
Commercial Real Estate Loans	\$ 1,460	10.5%
Total	\$ 18,383	100%

FNB has one office and one automated teller machine (ATM) in its assessment area. The office is located at 411 South Ellis Street in Groesbeck, Texas, and the ATM is located in the drive-through area of the main office. The bank's financial condition is favorable and there are no legal impediments that interfere with its ability to make credit available in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of four BNAs covering the southern half of Limestone County. All of the BNAs are categorized as middle-income based on 1990 Census data. The city of Groesbeck is centrally located in the assessment area.

The population of the assessment area, based on the 1990 U.S. Census, totals 8,281. Housing units in the assessment area total 4,552 with a 71% occupancy rate. Characteristics of housing units reflect 76% single family residences, 22% mobile homes, and 2% multifamily. Occupancy data reflects 54%

of housing units are owner-occupied and 17% are renter-occupied. The median housing value is \$41,401 and the median year built is 1975. The city of Groesbeck is surrounded by established, family-owned ranches. With a stable population and 29% of the housing units being vacant, demand for housing, retail development is not strong. Some growth has been experienced in the area and is attributable to development around Lake Limestone. The economy is good with support from the Houston Power & Light Power Plant, Northwest Resources mining lignite coal for the power plant, and increased oil and natural gas activity. The Groesbeck ISD has benefitted greatly from local industries influence on property tax income, but 80% of the children in the school district qualify for reduced fee or free lunch programs.

Competition in the area is strong. FNB considers Farmers State Bank with its four branches, Guaranty Federal Savings Bank-Mexia, and CenTex Federal Credit Union-Mexia as its primary competition. The bank also gets some competition from larger regional banks, savings and loans, credit unions, and investment firms from nearby Waco, Texas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is performing in an outstanding manner in meeting the credit needs of the assessment area, including low- and moderate-income individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable and has remained well above other banks with total assets of less than \$250 million in the area (peer) since the April 27, 1995 examination. FNB's average loan-to-deposit ratio since the last examination is 69.3%. This ratio exceeds area peer banks which averaged 50.2% for the same time period. On March 31, 1998, loan-to-deposit ratios for area peer banks ranged from 47.5%-52%. FNB's ratio on March 31, 1998 was higher at 64.9%.

Lending in the Assessment Areas

A majority of the number of loans recently made are in the bank's assessment area. A sample of eighty-two consumer loans originated during April and May of 1998 and all purchase or construction-permanent residential loans originated from July 1997 through May 1998 indicated that 74.2% of the loans reviewed were within FNB's assessment area. A review of commercial loan relationships with new activity since the last examination indicated that 50% of the relationships were in the bank's assessment area.

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

The loan distribution to individuals with different income levels within the assessment area is excellent. Our review of a sample of consumer loans and residential loans indicated that lending activity to low- and moderate-income families exceeded the demographic characteristics of the assessment area. The details of our review are reflected in the following table:

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	22%		17%		16%		45%		100%	
# of Families	541		400		397		1,077		2,415	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	18	35%	18	35%	7	14%	8	16%	51	100%
Residential	2	17%	3	25%	1	8%	6	50%	12	100%
Total	20	32%	21	33%	8	13%	14	22%	63	100%

We also sampled eleven commercial loans and fifteen agricultural loans to determine the distribution among businesses and farms of different income levels. The commercial loan sample included all commercial loans made in the assessment area since the last evaluation, 21% of the dollar volume of commercial loans. The agricultural loan sample included all loans made from March 1998 through May 1998, 7% of the dollar volume of agricultural loans. Our analysis reflected a good dispersion of small business and small farm lending, with 91% of commercial loans and 100% of agricultural loans being granted to entities having gross revenues of less than \$1 million. Details of our review are reflected in the table on the following page.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	6	55%	2	18%	2	18%	1	9%	11	100%
Agricultural	14	93%	1	7%	0	0%	0	0%	15	100%

Geographic Distribution of Loans

The bank's assessment area is comprised of middle-income tracts only. An analysis of the geographic distribution of loans would not be meaningful.

Response to Complaints

The bank received no consumer complaints concerning its CRA performance since the April 27, 1995 examination.

Other Pertinent Information

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.