



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC

PUBLIC DISCLOSURE

January 3, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank In Bronte
Charter Number 12723**

**102 West Main
Bronte, TX 76933**

**Comptroller of the Currency
Assistant Deputy Comptroller - 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 “Satisfactory.”

First National Bank in Bronte’s (FNB) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA). FNB’s performance under these performance criteria meets the standard for satisfactory performance.

- FNB’s average loan-to-deposit ratio of 48% is satisfactory when considering the nature of its community, customer base, loan demand, lending opportunities, competition, and known credit needs in the AA.
- An adequate percentage of FNB’s loans are originated within its AA.
- FNB has demonstrated a strong willingness to extend loans to individuals of varying incomes and to small businesses of different sizes.
- There have been no complaints with respect to FNB’s CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a \$23 million bank with one office headquartered in Bronte, Texas, approximately 40 miles northeast of San Angelo, Texas. The bank has one automated teller machine (ATM) located in Bronte. A drive-through facility is provided at the one office. The bank has not offered any new products or services since the last CRA examination.

FNB’s primary focus is to promote economic development in Coke County through its lending programs. Its market niche is small business, agricultural, residential, and consumer loan products. The following table reflects a detailed breakdown of FNB’s loan portfolio as of September 30, 2006.

Loan Category	\$ (000)	%
Real Estate (RE) Farmland	824	8.04
RE Residential (1-4)	2,202	21.49
RE Nonfarm Nonresidential	1,170	11.42
Agricultural Production	671	6.55
Commercial and Industrial	3,685	35.97
Consumer	1,619	15.80
Obligations of Municipalities	69	0.67
Other	5	0.05
Total	10,245	100%

Complete banking services are provided Monday through Friday at the one office. FNB faces competition from other banks and financial institutions in the area. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. At the last CRA examination in October 2002, FNB’s CRA rating was “Satisfactory.” No legal impediments or other factors hinder its ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Coke County as its AA. Coke county is sparsely populated and rural/agricultural, consisting primarily of small farming and ranching. Principal communities in the AA include Bronte and Robert Lee. This area is made up of two block-numbering areas (BNAs), which surround and include the one office and has a Census population of 3,864. The 2000 Census data indicates that these 2 tracts are categorized as middle-income. The following table further describes the bank's AA.

Demographic and Economic Characteristics of Assessment Area	
<i>Population</i>	
Number of Families	1,060
Number of Households	1,538
<i>Geographies</i>	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,524
2006 HUD-Adjusted MFI	\$43,100
<i>Economic Indicators</i>	
Unemployment Rate	4.41%
2000 Median Housing Value	\$46,938
% of Households Below Poverty Level	14.24%

The local economy is considered stable. Major employers in the AA include the agricultural industry, local school districts, the Coke County Juvenile Detention Center, and West Texas Utilities. In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted a local city official during this examination. The contact stated that local financial institutions are active in the community and responsive to credit needs in Coke County. This contact also stated that recently-built duplexes provide low- to moderate-income individuals with affordable housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is satisfactory, given its asset size, financial condition, and lending opportunities within its AA. The bank's loan-to-deposit ratio has averaged 48% during the 15 quarters since our last examination. To better understand the bank's performance, we conducted a loan-to-deposit ratio analysis on three other similarly situated banks, as noted on the table on the following page. The ratios for these banks ranged from 43% to 65%, and the average loan-to-deposit ratio was 53% over the same period.

Institution	Assets (As of 06/30/2002)	Average Loan-to-Deposit Ratio
Ballinger NB	\$35 Million	42.93%
FNB Ballinger	\$92 Million	64.83%
Robert Lee State Bank	\$37 Million	58.20%
<i>FNB in Bronte</i>	<i>\$22 Million</i>	<i>47.84%</i>

Lending in Assessment Area

An adequate number of FNB's loans originated are within its AA. Using internal reports provided by management, an analysis of lending patterns within the AA was performed. These reports included all new loans originated from 2003 through 2006. The following table illustrates and summarizes FNB's distribution of total loans in and out of the current AA.

Total Loans Reviewed								
	In Assessment Area				Out Of Assessment Area			
	#	%	\$	%	#	%	\$	%
Total Loans	428	42.8%	\$4,839	27.7%	572	57.2%	\$12,647	72.3%

\$ in 000s

Given FNB's size, its location in a sparsely populated rural community and lack of significant loan demand in Coke County, it is not surprising that a majority of the number and dollar amount of loans were outside the AA. FNB formerly included a portion of San Angelo in the AA; however, with the closing of the San Angelo branch in 2002, the bank subtracted the San Angelo tracts from the AA. FNB's President Frank Sanders has many years of experience in San Angelo, which has resulted in significant opportunities to make small business loans within that area. FNB has approximately \$4.7 million or 46% of the loan portfolio from the San Angelo area. San Angelo deposits total \$1.2 million or approximately 6% of total deposits. Our review of FNB's lending practices revealed no evidence of illegal discrimination and no instances where management arbitrarily excluded any low- to moderate-income individuals or families in the AA.

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

The loan portfolio reflects a good distribution of loans to individuals of various income levels and to small businesses. In order to assess FNB's performance in this area, we obtained income information from our sample of 19 residential real estate and 20 consumer loans in the AA that originated since our previous CRA examination. We also obtained gross revenue information from our sample of business loans in the AA. Our analysis indicates that FNB lends to all applicants, regardless of income category. As indicated in the following charts, FNB has a good distribution of consumer loans among low- to moderate-income borrowers in relationship to the demographics of the AA. While the bank readily offers mortgage loan products, most lending that benefits low- to moderate-income individuals is centered in consumer loans. The tables on the following page summarize our analysis of lending activity in the AA to different income levels.

Residential Real Estate								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
% of AA Families	17.8%		20.2%		22.2%		39.8%	
	<i>% of Number</i>	<i>% of Amount</i>						
Total	10.5%	4.0%	10.5%	9.6%	21.1%	19.5%	57.9%	66.9%

Consumer								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
% of AA Households	25.4%		17.9%		17.4%		39.3%	
	<i>% of Number</i>	<i>% of Amount</i>						
Total	40.0%	14.2%	25.0%	31.4%	5.0%	1.9%	30.0%	52.4%

FNB originates commercial loans in a manner that is consistent with area demographics. The bank’s distribution of loans to small business with revenues less than \$1 million is reflective of FNB’s focus on providing loans that will enhance the local economy. The following table reflects data from the review of 10 commercial loans originated since our prior examination.

Borrower Distribution of Small Loans to Businesses		
<i>Business Revenues</i>	<i>≤\$1,000,000</i>	<i>>\$1,000,000</i>
% of AA Businesses	93.7%	6.3%
% of Bank Loans in AA #	90.0%	10.0%
% of Bank Loans in AA \$	86.1%	13.9%

Geographic Distribution of Loans

As previously mentioned, the two census tracts located within FNB’s AA are classified as middle-income areas. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

Responses to Complaints

FNB has received no complaints relating to its CRA performance.

Fair Lending Review

FNB has not been subjected to a Fair Lending review. However, a review of complaint records and consumer files completed during this evaluation period provided no indication of disparate treatment.