



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 13, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Texas
Charter Number: 5750**

**507 North Gray Street
Killeen, Texas 76541-4871**

**Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place, Suite 402
San Antonio, Texas 78216**

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.

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

The Lending Test is rated "Satisfactory."

The Community Development Test is rated "Satisfactory."

The First National Bank Texas' (FNBT) lending performance is satisfactory in meeting the credit needs in its assessment area (AA) based on the following:

- The quarterly average loan-to-deposit ratio (LTD) is satisfactory when consideration is given to total loans sold annually and the bank's mini-branch expansion activities.
- A substantial majority of FNBT's loans are originated within its AA.
- FNBT's loan portfolio reflects a satisfactory distribution of lending to families of various income levels and to businesses of different sizes.
- The geographic distribution of loans reflects a satisfactory dispersion throughout the primary AA for consumer, residential, and commercial real estate loans.
- The level of community development lending, investments and services is satisfactory.
- The bank has not had any complaints related to its Community Reinvestment Act (CRA) performance during this evaluation period.

SCOPE OF EXAMINATION

We evaluated FNBT's CRA performance under the intermediate/small bank procedures since our prior evaluation dated October 14, 2003. The Lending Test review focused on consumer, commercial real estate, and home mortgage loan originations from November 1, 2003 through September 30, 2006. A data integrity review of the Home Mortgage Disclosure Act of 1975 (HMDA) was conducted during this onsite examination to confirm the reliability of the HMDA Loan Application Register (LAR) information. We focused our review on these primary loan products since they represent over 77% of the total loan portfolio as of September 30, 2006. Management sells an average of \$100 million in 1-4 family real estate loans each year and also sells approximately \$18 million in participations to its affiliate bank. The majority of the mortgage loans originated are through FNBT's mortgage company, First Community Mortgage Company (FCMC). We also performed a Community Development Test, reviewing community development loans, services, and investments since the last CRA examination through September 30, 2006.

DESCRIPTION OF INSTITUTION

Headquartered in Killeen, Texas, FNBT is an intrastate bank with total assets of \$658 million as of September 30, 2006. The bank was chartered in 1901 and is the lead bank for its holding company, First Community Bancshares, Inc. The holding company owns 100% of FNBT and its sister bank, Fort Hood National Bank, located in the Fort Hood Army Base. There are 216 locations comprised of 7 full service stand-alone locations that include the main bank and 6 branches, one stand-alone limited service branch, and 208 limited service mini-branches located in grocery stores such as Kroger, HEB, Albertson's, Fiesta, Super 1, Food Town, Blair Market, and in Wal-Mart stores. There are no lenders on site at the limited

service mini-branches. There are 267 non-deposit taking automated teller machines (ATM) in the bank's AA. Twelve ATMs are located in low-income census tracts (CT), 48 are in moderate-income CTs, 125 are in middle-income CTs and 82 are in upper-income CTs. FNBT's strategic focus is consumer, home mortgage, and real estate lending.

FNBT's primary market areas are the Killeen-Temple- Ft. Hood metropolitan statistical area (MSA) and the Houston-Sugar Land-Baytown MSA. In the Killeen-Temple-Ft. Hood MSA there are four full service banking offices including the main office and ten mini-branches. In the Houston-Sugar Land-Baytown MSA there are 53 branches. Three of the branches are full service and 50 are limited service branches. The other 149 branches are located in 18 MSAs and rural areas throughout Central, North, and East Texas. There are no legal, financial, or other factors that impede FNBT's ability to help meet the credit needs in its AA.

The previous CRA examination is dated October 14, 2003, and FNBT was rated "Satisfactory" under the large bank criteria. Since that evaluation, FNBT has opened an additional 181 branches and 96 new ATMs throughout Texas. Management's strategic plan is to diversify outside of the Killeen-Temple-Ft Hood MSA to decrease dependence on the military customer base. Since the Iraqi war started in March 2003, massive troop deployments from Ft. Hood have impacted FNBT. Ft. Hood is the largest army maneuver facility with over 50 thousand soldiers plus over 53 thousand family members and over 14 thousand civilian personnel.

Composition of the Bank's Loan Portfolio As of September 30, 2006		
Loan Type	Dollar Amount (000s)	% of Total Loans
Consumer	81,298	29%
RE Nonfarm Nonresidential	76,753	27%
Residential Real Estate 1-4	59,231	21%
RE Construction, Land Development	26,586	9%
Commercial and Industrial	18,525	7%
RE Multi-family	10,451	4%
RE Farmland	545	1%
Other	5,486	2%
Total	278,875	100%

Source: Consolidated Reports of Condition September 30, 2006

FNBT provides full service deposit and loan products at seven of its stand-alone locations. Limited banking services are provided at one stand-alone branch and at each of its mini-branches. Loan applications are accepted at all branches. The underwriting process is centralized at the main bank in Killeen and loans are closed at the branch where the application was originated. Drive-through facilities are available at seven stand-alone locations and are open Monday through Saturday. All mini-branches, plus two of the stand-alone branches in Houston, and one stand-alone limited-service branch in Copperas Cove, are open Monday through Sunday, with extended hours to accommodate retail customers.

Additionally, customers are able to access their depository accounts through participating ATM networks worldwide. Customers can also access their account information through the Internet, the Interactive Voice Response (IVR) network, and through a toll-free customer support number. Access through the IVR is 24 hours a day, seven days a week. FNBT provides English and Spanish options for bank brochures, IVR, their call center, ATMs, and customer service staff.

DESCRIPTION OF ASSESSMENT AREAS

The Killeen-Temple-Ft. Hood (KTFH) MSA and the Houston-Sugar Land-Baytown (HSB) MSAs were selected for a full scope review since a majority of the bank's loans (96%) and deposits (65%) are within these two MSAs. The KTFH MSA consists of three counties, Bell, Coryell and Lampasas that include 62 CTs. This AA is composed of 62 contiguous CTs that include the main bank and 13 branches. One CT is low-income, thirteen are moderate, thirty-six are middle, and twelve are upper-income areas.

The HSB MSA consists of 5 counties, Montgomery, Brazoria, Fort Bend, Galveston, and Harris, which include 860 contiguous CTs. FNBT has 53 branches in this AA. The CTs in this MSA consist of 70 low-income, 269 moderate, 257 middle, and 256 upper-income areas. Eight of the CTs do not have income designations due to being a high commercial and industrial area with no housing.

We conducted a limited scope review on the remaining AAs where limited banking services are provided. The remaining AAs consists of the following 45 counties: Potter, Randall, Williamson, Brazos, Nueces, San Patricio, Collin, Dallas, Denton, Ellis, Hunt, Kaufman, Rockwall, El Paso, Johnson, Parker, Tarrant, Lubbock, Midland, Ector, Tom Green, Attacosa, Grayson, Bowie, Smith, Victoria, McLennan, Wichita, Anderson, Burnet, Deaf Smith, Erath, Gray, Hale, Hill, Hockley, Hood, Hopkins, Jim Wells, Kerr, Moore, Palo Pinto, Walker, Wharton, and Young. There are 1,836 CTs in these MSAs, with 123 designated as low-income, 492 moderate, 723 middle, and 493 are upper-income. Five CTs do not have designated income levels.

The AA designations meet the requirements of the regulation and do not arbitrarily exclude any low- to moderate-income (LMI) geographies.

Demographic and Economic Data on the Killeen-Temple-Fort Hood Assessment Area

Economic conditions within the AA are strong as evidenced by consistent annual growth in these counties. With Fort Hood's designation as the largest employer in the AA, the base has a tremendous impact on the local economies. Demographic information for the KTFH AA is derived from 2000 US Census Data and is listed on the following page.

Based on the 2000 Census Data, the AA has a population of approximately 331 thousand. There are 122 thousand housing units in the AA, of which 52% are owner-occupied, 40% renter-occupied and 8% are vacant. The 2006 Coldwell Banker Annual Home Price Index listed Killeen as the most affordable housing market in the United States with an average home price of \$140 thousand. The largest employer in this AA is the Fort Hood Army Base. Other major employers located in the AA are defense contractors, school districts, city and county governments, medical facilities, and local colleges and universities. The unemployment rate in this AA is 3%. The Texas Workforce Commission reported the Killeen area's jobless rate in October 2006 to be 5.3% remaining steady from the previous month.

Three community contacts for the KTFH AA were considered during this evaluation. One was performed during this evaluation and two were performed earlier this year. During our evaluation, we contacted the HOME Coordinator for the City of Killeen, Division of Community and Economic Development. The contact stated a high need for consumer counseling as the military personnel are a prime target for predatory lending by non-financial institutions. The contact stated the banks in the area are doing their best to provide needed services, but more consumer credit counseling is needed.

Killeen-Temple-Ft. Hood MSA

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	82,987
Number of Households	111,867
Geographies	
Number of Census Tracts/BNA	62
% Low-Income Census Tracts/BNA	2%
% Moderate-Income Census Tracts/BNA	21%
% Middle-Income Census Tracts/BNA	58%
% Upper-Income Census Tracts/BNA	19%
Median Family Income (MFI)	
2000 MFI for AA	40,972
2003 HUD-Adjusted MFI	41,497
2004 HUD-Adjusted MFI	47,300
2005 HUD-Adjusted MFI	47,300
2006 HUD-Adjusted MFI	48,800
Economic Indicators	
Unemployment Rate	2.56%
2006 Median Housing Value	72,483
% of Households Below Poverty Level	11%

Source: 2000 US Census Data

Prior community contacts done earlier in the year were the Temple Housing Authority and the Temple Economic Development Corporation. Contacts stated more affordable housing programs for home purchase and rental are needed along with more lending opportunities for small businesses. Each contact stated they thought local community banks in the area were doing a good job.

Demographic and Economic Data for Houston-Sugar Land-Baytown Assessment Area

Economic conditions in the HSB AA are very strong. Houston's economy is based in energy, but is diversifying its economic base. The population in the Houston MSA continues to grow and job growth continues to increase significantly. According to national statistics, employment in Houston is growing at twice the national rate. FNBT is subject to strong competition from other banks and non-bank financial entities in this assessment area. Demographic information for the HSB AA is derived from 2000 US Census Data and is listed on the following page.

Based on the 2000 Census Data, the AA has a population of approximately 4.5 million. There are 1.7 million housing units in the AA of which 56% are owner-occupied, 37% renter-occupied, and 7% are vacant. Major employers located in the AA are in the areas of energy, industrial, commercial, educational, and financial. The tremendous growth in the area is due to the city's diversification of its economic base, to not be so energy dependent. The unemployment rate in this AA is 3%. According to the Texas Workforce Commission statistics as of October 2006, the unemployment rate in the Houston-Sugar Land-Baytown area is 4.5%

Houston-Sugar Land-Baytown MSA

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	1,145,168
Number of Households	1,597,894
Geographies	
Number of Census Tracts/BNA	860
% Low-Income Census Tracts/BNA	8%
% Moderate-Income Census Tracts/BNA	32%
% Middle-Income Census Tracts/BNA	30%
% Upper-Income Census Tracts/BNA	30%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$51,431
2003 HUD-Adjusted MFI	\$59,102
2004 HUD-Adjusted MFI	\$59,400
2005 HUD-Adjusted MFI	\$59,400
2006 HUD-Adjusted MFI	\$60,900
Economic Indicators	
Unemployment Rate	2.99%
2006 Median Housing Value	\$99,974
% of Households Below Poverty Level	12%

Source: 2000 US Census Data

Two community contacts were considered during this evaluation. One was performed during this evaluation and one was performed earlier this year. During this evaluation we contacted the Director of the Greater Conroe Economic Development Council to discuss the lending needs and opportunities in the community. The community contact stated there is significant growth in the Conroe area and banks are doing a “great job” in meeting the community’s lending needs. He said they work with a number of banks who participate with the Small Business Administration program and that many of them are certified SBA lenders. They work with a banking consortium of about 5-6 banks. He said there is a broad spectrum of lenders due to the large presence of national banks throughout the Houston area.

The community contact conducted earlier this year was with a representative with the North Houston Greenspoint Chamber of Commerce. The contact stated lending by community banks to small businesses was very good. The contact also felt that due to large corporate failures in the Houston area the past few years, many unemployed individuals started their own businesses and have been in need of financing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank’s performance under the Lending Test is rated “Satisfactory.” Our review focused on three areas of significant lending: consumer lending, 1-4 family residential lending, and commercial real estate lending.

Loan-to-Deposit Ratio

FNBT's LTD ratio is satisfactory. Performance was compared with other similarly sized banks located in the AA. FNBT's historically average LTD ratio of 46% does not compare favorably with the other five banks', but is mitigated by the average sale of \$118 million in loans annually. An average of \$100 million in 1-4 family mortgages and about \$18 million in participations are sold annually. With this adjustment to total loans as of September 30, 2006, the average LTD ratio is 68%. The period of comparison used for the five similarly situated institutions was the 12-quarter history since the bank's last CRA evaluation and is depicted in the table below.

INSTITUTION	ASSETS (6/30/2006)	AVERAGE LTD RATIO (6/30/06)
National Bank, Gatesville	426,529	65.5%
Extraco Banks NA, Temple	1,025,576	77.3%
First Bank of Conroe, Conroe	223,411	82.8%
First State Bank Central Texas, Temple	811,765	79.9%
Union State Bank, Florence	284,924	54.6%
First National Bank Texas, Killeen	658,426	46.4%

Source: Institution Consolidated Reports of Condition

Lending in Assessment Area

FNBT's lending in the KTFH and HSB AA is very good given its asset size, financial condition, and lending opportunities. The bank's primary market continues to be in the Killeen-Temple area. The KTFH MSA includes CTs within Ft Hood where its affiliate bank, Ft. Hood National Bank is located. Competition on the base is limited to a credit union branch.

FNBT has strong competition in the Houston MSA from other banks and non-bank financial entities in its AA. Fifty-three branches, 3 full-service branches, and 50 mini-branches are located in the Houston MSA. Although none of FNBT's mini-branches have onsite lenders, loan applications can be made at each location.

Consumer and real estate lending are the bank's primary lending focus. The bank originates owner-occupied residential real estate conventional, VA and FHA loans and sells them to the secondary markets. One-hundred percent of the 1-4 family residential loans originated by the bank's mortgage company, First Community Mortgage, are sold each year.

We reviewed the complete HMDA data for 1-4 family residential loans originated since November 2003 to September 30, 2006. Additionally, we sampled 44 commercial real estate loans and 89 consumer loans originated during the same evaluation period. Ninety-eight percent of all loans sampled were in the bank's AA.

Loans Made In/Out of AA	IN		OUT	
Loan Product	#	%	#	%
Residential	98.12	98.21	1.88	1.79
Commercial Real Estate	96.91	95.83	3.09	4.17
Consumer	91.27	86.30	8.73	13.70
TOTAL	98.03	97.89	1.97	2.11

FNBT utilizes innovative and flexible loan products such as Pocket Money and Fresh Start loans to assist primarily LMI customers with their immediate financial needs. Pocket Money is a small unsecured loan program developed in 1991 in response to customer needs. This program provides loans to customers and non-customers from \$50 up to \$500, with repayment terms from 4-7 months. This product provides the consumer with an alternative to more costly pawn shop loans or payday loans. The Fresh Start Loan Program is also an unsecured loan to repay overdrawn account balances with FNBT in monthly payments. These loans range from \$100 to \$1,000 with 4-12 months to repay.

FNBT also is designated as a Central Texas Certified Development Company Preferred Lender and a Small Business Administration “Small Lender.” Management’s business strategy includes targeting small business lending.

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

Killeen-Temple-Fort Hood Assessment Area

Overall, the level of lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. The following table compares consumer lending to households by income level. Our consumer loan sample consisted of 84 loans in this AA.

BORROWER DISTRIBUTION OF CONSUMER LOANS								
Killeen-Temple-Fort Hood AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	19		18		22		41	
	<i>% of Number</i>	<i>% of Amount</i>						
Consumer Loans	12	4	32	16	32	33	24	47

As shown on the table above, only 12% of the consumer loans sampled was to low-income borrowers compared to 19% of low-income households in the AA. This is mitigated by 32% of the consumer loans sampled to moderate-income borrowers. This percentage exceeded the 2000 Census Date that reflects only 18% of households in the AA are moderate-income. Overall, FNBT is doing a good job of lending to 44% of LMI households in the KTFH AA.

FNBT’s penetration of home mortgage lending to families of varying income levels meets the standard for satisfactory performance. FNBT’s home mortgage lending to low-income borrowers of 2.31% is well below the 17% average of low-income families in the AA. However, mortgage lending to moderate-income families of 19.82% is in line with the AA average of 19.97%. The bank’s lending performance to

low-income families is mitigated by the high number of military personnel in the AA from the Fort Hood Army Base. As a result of the Iraqi war that started in 2003, soldiers from the base have been deployed after training, making this segment of the AA population very transient. Thirty-seven percent of the housing units in this AA are rental units. Additionally, many low-income individuals are unable to qualify for mortgage loans at the current median housing value. The poverty level in the AA is 12%.

FNBT offers VA and FHA mortgage loan products to assist military personnel. Management also designated specific 1-4 family residential underwriters to work with affordable housing realtors in the AA to try to attract LMI borrowers. Further details on our analysis are listed below.

BORROWER DISTRIBUTION OF LOANS FOR RESIDENTIAL REAL ESTATE				
Killeen-Temple-Fort Hood Assessment Area				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER
<i>% of AA Families</i>	17.01	19.97	23.75	39.27
	<i>% of Bank Loans</i>			
Home Purchase	1.84	20.20	37.78	40.18
Home Improvement	16.18	19.12	30.88	33.82
Home Mortgage Refinance	3.17	11.11	20.63	65.09
TOTAL	2.32	19.82	36.92	40.94

Source: Data reported in 2004, 2005, and 2006 HMDA Loan Application registers

FNBT's lending to small businesses with annual revenues less than \$1 million is satisfactory. Although the bank's number of loans originated in the AA is less than the 94% average, management's business strategy is to continue to target small businesses in the area.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES		
Killeen-Temple-Fort Hood Assessment Area		
<i>Business Revenues or Sales</i>	<i>≤\$1,000,000</i>	<i>>\$1,000,000</i>
% of AA Businesses	94.76	5.24
% of Bank Loans in AA #	85.00	15.00

Houston-Sugar Land-Baytown Assessment Area

The borrower distribution of FNBT's home mortgage loans, commercial real estate loans, and consumer loans reflects an overall good dispersion among borrowers of different income levels throughout the AA.

Penetration in the real estate market in the HSB AA has been difficult for FNBT due in part to the strong competition by larger financial institutions. The Houston market is a very huge area and very diversified. FNBT has 53 branches and fifty of those are mini-branches.

FNBT's penetration into the housing market in the HSB AA is satisfactory. Although competition is very strong in the Houston MSA, FNBT has originated 36% of its 1-4 family mortgage loans to LMI families in the AA. This is still below the AA average of 40%, but is indicative of the bank's strategy to increase its share of this competitive market.

BORROWER DISTRIBUTION OF LOANS FOR RESIDENTIAL REAL ESTATE				
Houston-Sugar Land-Baytown AA				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER
<i>% of AA Families</i>	22.47	17.28	18.81	41.44
	<i>% of Bank Loans</i>			
Home Purchase	9.52	19.05	23.81	47.62
Home Improvement	26.53	14.29	22.45	36.73
Home Mortgage Refinance	0.00	25.00	25.00	50.00
TOTAL	19.23	16.68	23.09	41.00

Source: Data reported in 2004, 2005, and 2006 HMDA Loan Application registers

The income distribution of loans originated to commercial loan businesses with revenues less than \$1 million is adequate. With the strong competition in the HSB AA by large financial institutions, FNBT has not generated the volume of small business lending equal to the 93% of small businesses in the AA. Management continues to target small businesses and is looking at expanding the number of lenders in the HSB AA to increase their lending penetration.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES		
Houston-Sugar Land-Baytown AA		
<i>Business Revenues or Sales</i>	<i>≤\$1,000,000</i>	<i>>\$1,000,000</i>
<i>% of AA Businesses</i>	93.00	7.00
<i>% of Bank Loans in AA #</i>	60.00	40.00

FNBT's lending to borrowers of varying incomes is satisfactory. Although FNBT's consumer lending penetration is below the LMI averages for the AA, it is mitigated by the strong market share competition in this AA. There are only 3 lenders in this AA to service such a large consumer market. Overall, FNBT's consumer lending to LMI borrowers in the AA is good at 35% compared to the AA average of 40%. The table below reflects the bank's penetration to consumers of varying income levels.

BORROWER DISTRIBUTION OF CONSUMER LOANS								
Houston-Sugar Land-Baytown AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
<i>% of AA Households</i>	22.86		16.88		18.16		42.10	
	<i>% of Number</i>	<i>% of Amount</i>						
Consumer Loans	15.00	19.81	20.00	4.28	30.00	35.11	35.00	40.80

Geographic Distribution of Loans

FNBT's overall geographic loan distribution in both the KTFH and HSB AA are satisfactory.

Killeen-Temple-Fort Hood Assessment Area

The bank's penetration in residential real estate lending in the KTFH AA is adequate given the demographics of the AA. The level of lending in low-income CTs is very good considering there is only one low-income CT in this AA. The 2000 US Census Data reflects less than 9% owner occupied housing in LMI CTs in this AA. Mortgage lending opportunities are limited in these LMI geographies.

GEOGRAPHIC DISTRIBUTION OF LOANS FOR RESIDENTIAL REAL ESTATE Killeen-Temple-Fort Hood Assessment Area				
<i>Census Tract Income Level</i>	LOW	MODERATE	MIDDLE	UPPER
% Owner Occupied in AA	0.17	8.68	61.34	29.81
	<i>% of Bank Loans</i>			
Home Purchase	0.21	2.37	71.85	25.57
Home Improvement	1.32	23.68	53.95	21.05
Home Mortgage Refinance	1.04	3.13	68.75	27.08
TOTAL	0.27	3.04	71.20	25.49

Source: Data reported in 2004, 2005, and 2006 HMDA Loan Application Registers

FNBT's geographic loan distribution to businesses is excellent. Lending to businesses in LMI CTs was 45% compared to the average of over 21% according to 2000 US Census Data.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES Killen-Temple-Fort Hood AA				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Non-Farm Businesses	3.50	17.91	53.36	25.23
	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>	<i>% Bank Loans</i>	<i>% of Bank Loans</i>
% Commercial Real Estate	20.00	25.00	35.00	20.00

Source: 2000 US Census Data

The bank's geographic distribution of consumer loans in LMI CTs is excellent. Our analysis of consumer loans detailed below reflects FNBT exceeded its lending to LMI consumers in relation to the number of LMI households in the AA. Our consumer loan sample did not include student loans due to no income information in the files.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS Killen-Temple-Fort Hood AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	.99		16.47		59.45		23.09	
	<i>% of Number</i>	<i>% of Amount</i>						
Consumer Loans	3.23	0.26	19.35	15.42	51.61	48.15	25.81	36.17

Houston-Sugar Land-Baytown Assessment Area

FNBT's geographic distribution of loans in the HSB AA is very good. There are 860 CTs in this AA with 8 CTs having no income designation due to being high commercial and industrial areas with no housing units. With the strong competition for market share in this AA, FNBT is able to penetrate into the LMI CTs, exceeding the 22.73% average by over 5% as depicted in the table below.

GEOGRAPHIC DISTRIBUTION OF LOANS FOR RESIDENTIAL REAL ESTATE				
Houston-Sugar Land-Baytown AA				
<i>Census Tract Income Level</i>	<i>LOW</i>	<i>MODERATE</i>	<i>MIDDLE</i>	<i>UPPER</i>
% Owner Occupied in AA	2.97	22.63	31.83	42.57
	<i>% of Bank Loans</i>			
Home Purchase	0.00	22.73	36.36	40.91
Home Improvement	3.77	24.53	45.28	26.42
Home Mortgage Refinance	22.22	22.22	22.22	33.34
TOTAL	4.76	23.81	40.47	30.96

Source: Data reported in 2004, 2005, and 2006 HMDA Loan Application registers

The geographic distribution of loans to businesses is satisfactory. Lending to businesses in LMI CTs is only 20% compared to 31% LMI CTs in the AA. This performance is mitigated by the strong competition for business lending in the HSB market by large financial institutions.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES				
Houston-Sugar Land-Baytown Assessment Area				
<i>Census Tract Income Level</i>	<i>LOW</i>	<i>MODERATE</i>	<i>MIDDLE</i>	<i>UPPER</i>
% of AA Non-Farm Businesses	5.24	25.54	27.89	41.33
	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>	<i>% Bank Loans</i>	<i>% of Bank Loans</i>
% Commercial Real Estate Loans	15.00	5.00	55.00	25.00

FNBT's geographic distribution of consumer loans in the HSB AA is satisfactory. The overall lending in LMI CTs of 42% exceeds the AA LMI average of 35%. Our geographic distribution of consumer loans also included a sampling of student loans.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS								
Houston-Sugar Land-Baytown Assessment Area								
<i>Census Tract Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
% of AA Households	6.12		28.52		31.47		33.89	
LOANS BY YEAR	<i>% of Number</i>	<i>% of Amount</i>						
Consumer Loans	3.85	0.47	38.46	40.59	23.08	24.47	34.61	31.55

Conclusions for Areas Receiving Limited Scope Reviews

We also performed limited scope reviews on the other MSAs and/or counties. The majority of these counties is not contiguous and is located in Central Texas, North Texas, and East Texas areas. FNBT's lending performance in these areas is poor based on limited loans originated, yet deposits increased each year of our evaluation period. As of September 30, 2006, 35% of total deposits were from these other designated AAs. The poor lending performance with these additional 259 branches are due to being limited service locations with no lenders onsite.

Responses to Complaints

There have been no consumer complaints relating to the bank's CRA performance during this evaluation period.

Community Development Test

The bank's overall performance under the Community Development Test (CD) is rated "satisfactory." Our conclusions are based on a full-scope review. The bank's performance in the designated AA is satisfactory.

Community Development Loans

FNBT's level of CD lending is satisfactory. During our evaluation period, FNBT funded approximately \$7 million in CD loans. The bank participates with three housing bond authorities, Central Texas Housing Finance Corporation Bond Issue, Texas Department of Housing and Community Affairs, and Texas State Affordable Housing Corporation. These bond issuances are specifically designed to assist LMI homebuyers and/or LMI geographies. In years 2004 through year-to-date 2006, over \$2.9 million in these targeted bond programs were generated. Additionally, the bank participates with the Central Texas Housing Consortium, which provides "delayed payment loans," to cover closing costs and down payment assistance to LMI homebuyers. During our evaluation period, FNBT has funded over \$2.1 million of these loans.

FNBT also participates with the City TDHCA Home Program that offers assisted "reconstruction" loans, rebuilding in blighted areas. FNBT participated in a \$500 thousand loan to a builder in this program.

Community Development Investments

The level of qualified CD investments is very good. During our evaluation period, \$3.3 million in investments were made. Two purchases of mortgage-backed bonds for \$1 million each were made. These bonds are backed by low-income multi-family housings projects in Killeen and Dallas. FNBT also made a mutual fund investment managed by "CRA Fund Advisors" for \$1.25 million. Some of the projects benefiting from these investments were an LMI affordable housing project in Houston for \$500 thousand, moderate income housing in Dallas for \$194 thousand, Section 8-assisted multi-family housing in Houston for \$176 thousand, and low income multi-family housing in Dallas for \$250 thousand.

Community Development Services

Overall, CD services provided by FNBT are satisfactory. During our evaluation period, management provided CD services that promoted economic development within the community and increased homeownership opportunities for LMI homebuyers.

In the KTFH AA, qualifying services have included providing financially-related assistance to organizations directly benefiting LMI individuals. Some of these organizations are The Central Texas Economic Development District, The Central Texas Council of Governments, The Killeen Industrial Foundation, The City of Killeen Community Development Advisory Council, and the Salvation Army. In the HSB AA, officers also provided financially-related assistance to organizations that directly

benefited LMI persons. Some of these organizations are The Community Partners of Montgomery County and The Texas Cooperative Extension Family and Consumer Science Committee.

Additionally, FNBT provides education and/or technical assistance to many area organizations such as the local Chambers of Commerce, school districts and other local civic organizations. Bank officers also provide leadership to these organizations through service on committees or Boards.

Additional community development services include providing English and Spanish options for bank brochures, IVR, its call center, ATMs and customer service staff.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.