



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 07, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fort Hood National Bank
Charter Number: 15606

Building No. 137
Fort Hood, TX 76544

Office of the Comptroller of the Currency

San Antonio North
10001 Reunion Place Boulevard Suite 250
San Antonio, TX 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."

Fort Hood National Bank's (FHNB) lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank's performance:

- FHNB's loan-to-deposit (LTD) ratio is satisfactory and averaged 21% over the past 17 quarters from the previous CRA exam.
- A substantial majority, 83% of the number and 95% of the dollar volume, of FHNB's loans are originated within its assessment area (AA).
- The income distribution of loans to low- and moderate-income (LMI) borrowers exceeds AA demographic characteristics. This pattern of lending exceeds the standard for satisfactory performance.
- The geographic distribution of loans reflects a satisfactory penetration throughout FHNB's AA.
- There have been no complaints with respect to FHNB's performance under the Community Reinvestment Act (CRA).

SCOPE OF EXAMINATION

This CRA examination covered the time period since the last CRA examination of October 2003. Our analysis included a sample of 30 consumer loans originated between January 2004 and December 2006. Consumer loans constitute a high percentage of the bank's loan portfolio. Non-farm non-residential loans also constitute a high percentage of the loan portfolio. However, this loan product was not included in our analysis as all of these loans were purchased from the affiliate bank First National Bank - Texas (FNBT) headquartered in Killeen, Texas.

DESCRIPTION OF INSTITUTION

FHNB is located on the Fort Hood Army Post. As of September 30, 2007, the bank had total assets of \$207 million and total loans of \$32 million, which represents 15% of total assets. The bank's market niche is consumer lending. Consumer loans total approximately 35% of the loan portfolio and continue to be a high volume product for FHNB. The entire FHNB non-farm non-residential real estate portfolio consists of loans purchased from its affiliate FNBT. FHNB's loan portfolio as of September 30, 2007, is detailed in the following table.

LOAN TYPE	DOLLAR AMOUNT (000'S)	% OF TOTAL LOANS
RE Nonfarm Nonresidential	14,910	46.5
Consumer	11,191	34.9
RE Residential (1-4)	4,067	12.7
Multifamily	1,005	3.1
Other	629	2.0
RE Farmland	155	.5
Real Estate (RE) Construction	109	.2
Commercial and Industrial	20	.1
Agricultural Production	0	0
Total	32,086	100.0

There are no legal or financial impediments that affect the bank’s ability to meet the credit needs of its community. However, FHNB does face strong competition for the consumer market from area banks, credit unions, pawn shops, captive finance companies, and quasi-governmental agencies such as the Army and Air Force Exchange Service. Additionally, the bank’s lending activities are adversely affected by troop deployments to Iraq from the Fort Hood Army Post.

All of the bank’s seven full-service offices are located on the Fort Hood Army Post. Three of the offices are located in a moderate-income census tract (CT) and the remaining four are located on a middle-income CT. Two of the locations are open seven days a week. The bank also has 67 automatic teller machines (ATMs) located on the Fort Hood Army Post. None of the ATMs take deposits. The bank has a 24-hour toll-free telephone number that allows customers to obtain deposit account information and apply for loans by telephone. FHNB also accepts new account applications, loan applications, and customer service requests through its Internet website.

The bank is 100% owned by First Community Bancshares, Inc., a two-bank holding company, and is affiliated through common ownership with FNBT. FNBT has several branches and numerous ATMs located in FHNB’s AA and has an agreement to provide certain banking services to FHNB’s customers. The bank’s CRA performance was rated “Satisfactory” at the last evaluation dated October 13, 2003.

DESCRIPTION OF ASSESSMENT AREA

The bank’s AA includes a portion of the Killeen-Temple metropolitan statistical area and specifically includes the Fort Hood Army Post and the adjacent cities of Copperas Cove, Harker Heights, Killeen, and Nolanville. Fort Hood is the largest United States military installation. Based on the 2000 census information, the combined population of the bank’s AA approximates 181 thousand. Updated information specific to the Army Post obtained from the Fort Hood Public Affairs Office indicates that there are 44 thousand military personnel assigned to the Army Post with approximately half currently serving in Iraq. There are an additional 170 thousand persons off-post related to the military and 35 thousand retirees who live in the surrounding communities. Specific demographic data for the AA is listed in the following table.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	45,697
Number of Households	59,284
Geographies	
Number of Census Tracts	28
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	21%
% Middle-Income Census Tracts	68%
% Upper-Income Census Tracts	11%
Median Family Income (MFI)	
2000 MFI for AA	\$40,972
2006 HUD-Adjusted MFI	\$48,800
2005 HUD-Adjusted MFI	\$47,300
2004 HUD-Adjusted MFI	\$47,300
Economic Indicators	
Unemployment Rate	2.8%
2007 Median Housing Value	\$72,169
% Households Below Poverty Level	9.8%

The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. The AA includes 28 CTs: 6 are moderate-income; 19 middle-income; and 3 upper-income. There are no low-income CTs in the bank’s AA. Prior to 2003, the AA consisted of 1 low-income, 6 moderate-income, 15 middle-income, and 5 upper-income CTs.

Management has identified small consumer loans as the primary credit need for their target market. To gather updated information on the AA and possible credit needs, we contacted the Vice President of Economic Development of the Killeen Chamber of Commerce. The contact indicated they are not aware of unmet credit needs and further stated that area banks are active in the community and responsive to local credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank is performing satisfactorily and has been successful in meeting the credit needs of its AA, including LMI individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

FHNB’s LTD ratio meets the standard for satisfactory performance given its asset size, financial condition, and the lending opportunities within its AA. The LTD ratio averaged 21% over the past 17 quarters that ended September 30, 2007, and was 17% as of September 30, 2007. The average ratio has decreased from the prior CRA examination’s average ratio of 28%. The decrease in the LTD ratio is attributed to the ongoing troop deployments from the Fort Hood Army Post which has caused a decline in lending activities, a decline in customer spending, and an increase in the deposit base due to hazard pay increases.

The bank offers credit throughout its entire AA; however, all of its facilities are located on the Fort Hood military base, which limits the bank’s lending opportunities. In order to more actively participate in those areas off-post, FHNB has purchased interests in local commercial real estate loans from its affiliate FNBT.

The LTD ratio does not reflect the bank’s true lending volume. The bank makes a very high volume of short-term small loans (minimum loan amount of \$50) which is its market niche. FHNB receives very few residential home loan applications since the military provides housing or housing allowances to the soldiers and the average tour of duty at the post is only three years. Additionally, the bank receives very few commercial loan applications. Management reports that the military discourages soldiers from starting outside businesses due to mobility requirements.

In summary, the bank’s LTD is satisfactory when compared to similarly situated banks. However, it should be noted that some of these competitor banks have branches off military bases or operate on multiple military installations which provides them with additional lending opportunities.

The asset size and LTD ratio for FHNB and a comparable peer group during this period are listed in the table below.

Institution	State	Assets as of 09/30/2007*	Average LTD Ratio%**
Armed Forces Bank	KS	762	56.7
First National Bank	OK	318	52.7
Fort Sill National Bank	OK	265	28.9
First Arkansas Bank & Trust	AR	480	82.4
First Navy Bank	FL	55	13.5
Fort Hood National Bank	TX	207	20.7

* Asset size of institutions is in thousands (000).

**The average LTD ratio is based on the period between July 2003 and September 2007.

Lending in Assessment Area

FHNB’s performance in lending to borrowers within its AA exceeds the standards for satisfactory performance. A substantial majority of the bank’s loans are made within its AA. In order to assess performance for this criterion, we reviewed a sample of 30 consumer loans originated during January 2004 through December 2006. Our analysis determined that 83% of the number and 95% of the dollar amount of consumer loans were made within the AA.

CONSUMER LOANS								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Totals	25	83	74	95	5	17	4	5

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

FHNB’s performance in lending to borrowers of different income levels within its AA exceeds the standard for satisfactory performance. Our analysis determined that 52% of the number and 10% of the dollar amount of consumer loans were made to low-income households. The difference in percentages between the number of loans and the amount of loans to low-income borrowers can be explained by the fact the bank makes a large number of consumer loans of small dollar amount. The following chart reflects the results of our selected sample of consumer loans originated in FHNB’s AA.

CONSUMER LOANS								
<i>Borrower Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
% of AA Households	16.0		20.4		24.3		39.3	
	<i>% of Number</i>	<i>% of Amount</i>						
Totals	52.0	9.8	28.0	74.6	14.0	2.8	4.0	12.8

Geographic Distribution of Loans

The bank’s geographic distribution of loans to borrowers in moderate-income CTs does not meet the AA demographics. However, this level of performance is reasonable given the limited lending opportunities in the moderate-income areas. The majority of the CTs within the AA are middle-income. Out of the six moderate-income CTs in the AA, one of them encompasses the northwestern portion of the Fort Hood Army Base. However, a large portion of this CT is rangeland used to conduct training exercises. As a result, the majority of the military personnel reside on the southeastern part of the base which is a middle-income CT. The remaining five moderate-income CTs are located in Killeen, Texas, which has other financial institutions competing for loan demand.

CONSUMER LOANS								
<i>Census Tract Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
% of AA Households	0		18.8		66.8		14.4	
	<i>% of Number</i>	<i>% of Amount</i>						
Totals	0.0	0.0	8.0	1.3	92.0	98.7	0.0	0.0

Responses to Complaints

FHNB has received no complaints relating to the bank's performance under the CRA.

Fair Lending or Other Illegal Credit Practices Review

FHNB has not been subjected to a Fair Lending review. However, based on our review of complaint records and consumer files during this evaluation period, we found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.