



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

August 15, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank, Sweetwater
Charter Number 14598**

**201 Elm
Sweetwater, TX 79556**

**Comptroller of the Currency
Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, 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.

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 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, Sweetwater, Texas, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 15, 2007. 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 Satisfactory.

First National Bank, Sweetwater, Texas (FNB) has a satisfactory record of meeting the community credit needs of its assessment area (AA). We based our conclusion on the bank's lending practices. The factors and data supporting this rating are as follows:

- A majority of loans, 80% in number and 56% in dollar volume, are originated in FNB's AA.
- The bank's average loan-to-deposit ratio of 51% meets the standards for satisfactory performance given the bank's size, financial condition, local competition, and the AA's credit needs.
- The distribution of loans to borrowers of different incomes shows a reasonable penetration of loans to individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans is reasonably dispersed throughout the AA.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.

DESCRIPTION OF FIRST NATIONAL BANK, SWEETWATER, TEXAS

FNB is a \$122 million community bank located in the city of Sweetwater, Texas, which is situated in Nolan County. The main banking facility is located in downtown Sweetwater. The bank also operates branches in Roby, Fisher County, Texas, which is 18 miles north of Sweetwater, and Trent, Taylor County, Texas, which is 15 miles east of Sweetwater. All locations offer full-service lobby facilities. The main bank and the Roby branch also offer drive-through services and automated teller machines.

The bank is a subsidiary of First Financial Bankshares, Inc. (FFIN), a multi-bank holding company headquartered in Abilene, Texas. Consolidated holding company assets total \$3 billion as of June 30, 2007. The parent organization owns ten separately chartered affiliate banks, which provide services from 44 locations in the central, west, and high plains regions of Texas. The company also operates a trust and asset management company with five locations, and a technology services facility. The common stock of FFIN is beneficially held by 5,300 shareholders and is listed on the NASDAQ Global Select Market.

The bank's main lending focus includes business, agriculture, and retail lending. FNB offers a wide variety of loan and deposit products for both individuals and businesses. In addition, the bank offers Internet-based banking services, including account inquiries and intra-bank transfers.

Total loans outstanding as of June 30, 2007 were \$62 million, which represents 51% of total assets. The following chart details the composition of FNB's loan portfolio as of June 30, 2007.

| Loan Portfolio Composition | (\$000) | % |
|--|-----------------|-------------|
| Agricultural Production/Other Agricultural | \$5,811 | 9% |
| Farmland Real Estate | \$9,793 | 16% |
| Consumer Loans | \$9,422 | 15% |
| Commercial Real Estate | \$12,219 | 20% |
| Commercial | \$13,751 | 22% |
| Residential Real Estate | \$11,080 | 18% |
| Total | \$62,076 | 100% |

Source: June 30, 2007 Report of Condition

The most recent CRA examination was performed as of November 8, 2001. The bank received a "Satisfactory" rating at that examination. There are no legal or financial impediments to the bank's ability to meet the credit needs of its assessment area.

A community contact made during the evaluation disclosed that the local financial institutions are meeting the credit needs of the AA. The main credit needs identified are small business lending and consumer loans.

DESCRIPTION OF ASSESSMENT AREA

FNB has one AA defined as all of Nolan and Fisher Counties, and one census tract (CT) in Taylor County. Nolan County has five CTs and Fisher County has two CTs. There are no low-income census tracts in the AA. There are two moderate-income census tracts in Nolan County. The remaining six CTs are designated as either middle- or upper-income areas. The AA is reasonable and meets the requirements of the CRA regulations. The AA does not arbitrarily exclude low- or moderate-income areas. Specific and economic data for the AA are listed below.

| Demographic and Economic Characteristics of FNB's AA | |
|---|----------|
| Population | |
| Number of Families | 7,109 |
| Number of Households | 10,050 |
| Geographies | |
| Number of Census Tracts | 8 |
| % Low-Income Census Tracts | 0% |
| % Moderate-Income Census Tracts | 25% |
| % Middle-Income Census Tracts | 50% |
| % Upper-Income Census Tracts | 25% |
| % NA Census Tracts | 0% |
| Median Family Income (MFI) | |
| 2000 MFI for AA | \$34,817 |
| 2006 HUD-Adjusted MFI | \$43,650 |
| Economic Indicators | |
| Unemployment Rate | 2.39% |
| 2000 Median Housing Value | \$35,417 |
| % Households Below Poverty Level | 19% |

Source: 2000 Census data and HUD updated income data.

Based on updated Housing and Urban Development (HUD)-2006 Census information, the AA area has a total population of 25,607. There are 11,793 housing units in the AA, of which 61% are owner-occupied, 25% are renter-occupied, and 14% are vacant. Approximately 19% of the families in the AA are considered low-income.

Based on 2006 Dun and Bradstreet business demographic data, there are 1,913 businesses in the AA, of which 54% reported gross annual revenue less than or equal to \$1 million and 3% reported gross annual revenue greater than \$1 million. Reporting is voluntary, and 43% or 828 businesses did not report revenues.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB's performance under the CRA is satisfactory. Conclusions with respect to the three performance criteria - Lending in the Assessment Area, Lending to Borrowers of Different Incomes and Businesses of Different Sizes, and Geographic Distribution of Loans - are based on an analysis of all active consumer, commercial, and farm loans extended since January 2006 (863 loans total).

Loan-to-Deposit Ratio

FNB's loan to deposit (LTD) ratio is good and meets the standards for satisfactory performance. The bank's LTD ratio averaged 50.62% over the 13 quarters beginning June 30, 2004 and concluding June 30, 2007. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

| Loan-to-Deposit Ratios | | |
|--|---|--|
| Institution | Total Assets (\$000) As of June 30, 2007 | Average Loan-To-Deposit Ratio |
| The City National Bank of Colorado City | \$55,823 | 39% |
| The Roscoe State Bank | \$84,013 | 55% |
| First National Bank of Rotan | \$43,091 | 66% |
| Texas National Bank in Sweetwater | \$74,274 | 50% |
| First National Bank, Sweetwater | \$122,154 | 50% |

Source: Institutions Report of Condition from June 30, 2004 to June 30, 2007

Lending in Assessment Area

A majority of the bank's loans in our analysis were made within its AA. This reflects the bank's commitment to meeting the credit needs of the AA. For purposes of this evaluation, examiners analyzed the sample discussed above. Our analysis determined that 80% of the number of loans and 56% of the dollar amount of loans in the sample were extended within the bank's AA. The table below reflects the distribution by product type.

| Lending in Assessment Area | | | | | | | | | | |
|-----------------------------------|-----------------|-------|---------|-------|-------|--------------------------|-------|---------|-------|--------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (000's) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Commercial | 57 | 80.28 | 14 | 19.72 | 71 | 2,230 | 56.66 | 1,706 | 43.34 | 3,936 |
| Farm | 72 | 75.00 | 24 | 25.00 | 96 | 3,166 | 38.86 | 4,982 | 61.14 | 8,148 |
| Consumer | 564 | 81.03 | 132 | 18.97 | 696 | 5,808 | 74.55 | 1,983 | 25.45 | 7,791 |
| Totals | 693 | 80.30 | 170 | 19.70 | 863 | 11,204 | 56.37 | 8,671 | 43.63 | 19,875 |

Source: Sample of loans used for CRA performance analysis.

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

Overall, performance for lending to borrowers of different incomes and businesses of different sizes is reasonable and meets the standards for satisfactory performance. To perform our analysis, we reviewed income information for the 57 commercial loans, 72 farm loans, and 564 consumer loans in the AA (693 loans total).

Commercial and Farm Loans

The bank's lending to businesses and farms of different sizes meets the standard for satisfactory performance. The bank emphasizes commercial and agriculture lending and markets its products to all business and farm sizes in the AA. The sample of 57 business loans reviewed found that 73% of the number and 54% of the dollar volume were extended to businesses with gross revenues of less than \$1 million per year. The sample of 72 farm loans reviewed reflected that 93% of the number and 67% of the dollar volume were extended to agricultural operations with gross revenues of less than \$500 thousand per year.

Consumer Loans

FNB's lending to borrowers of different income levels is good. The distribution of loans in our analysis reflects good penetration to low- and moderate-income households. Based on 2000 U.S. Census information, 28% of the households in the AA are low-income and approximately 16% of the households are moderate-income. Based on our analysis, the bank made 35% of its consumer loans to low- and moderate-income households. The distribution of consumer loans reasonably reflects the income characteristic of the AA, as depicted below.

| Lending to Borrowers of Different Income Levels Consumer Loan Analysis | | | | | | | | |
|---|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Households | % of Number of Loans |
| Consumer | 28.37 | 17.02 | 16.15 | 17.73 | 19.02 | 30.14 | 36.46 | 35.11 |

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

A comparison of the three primary loan types shows that the geographic distribution of loans is adequate and meets the standards for satisfactory performance.

Commercial and Farm Loans

The bank's record of lending to businesses and farms of various sizes reflects an adequate geographic dispersion throughout the bank's AA. There are no low-income census tracts in the bank's AA. Our sample indicates that 18% of the number of these loans originated in the moderate-income census tracts compared to 28% of AA businesses and farm operations in the moderate-income census tracts. The majority of businesses are located in the middle- and upper-income tracts of the AA. The following chart reflects the results of our analysis of the 129 active commercial and farm loans originated in the AA.

| Geographic Distribution of Loans to Businesses | | | | | | | | |
|---|------------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Businesses and Farms | % of Number of Loans |
| Commercial | 0.00% | 0.00% | 17.83% | 27.59% | 56.59% | 55.37% | 25.58% | 17.04% |

Source: Loan sample; Dun & Bradstreet data.

Consumer Loans

The bank meets the standards for satisfactory performance in geographic distribution of consumer loans compared to the income characteristics of the AA. As mentioned, there are no low-income census tracts in the AA. Our analysis indicates that the number of the bank's consumer loans extended in moderate-income census tracts mirrors the percentage of total households located in the moderate-income tracts. The following chart reflects the results of our sample of consumer loans originated in the AA.

| Geographic Distribution of Consumer Loans | | | | | | | | |
|--|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Households | % of Number of Loans |
| Consumer | 0.00% | 0.00% | 25.91% | 25.89% | 49.77% | 40.60% | 24.32% | 33.51% |

Source: Loan sample; U.S. Census data.

Responses to Complaints

During this evaluation period, FNB did not receive any consumer complaints that relate to CRA performance.

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.