



SMALL BANK

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

PUBLIC DISCLOSURE

September 24, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Moody
Charter Number 5774**

**Avenue D & 7th Street
Moody, TX 76557**

**Comptroller of the Currency
San Antonio – North
10101 Reunion Place Blvd., Suite 402
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.

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INSTITUTION'S CRA RATING:

This institution is rated “Outstanding.”

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

- FNB Moody’s loan-to-deposit (LTD) ratio is good in light of available lending opportunities in the bank’s primary trade area. The bank’s LTD has reflected an increasing trend since our last Community Reinvestment Act (CRA) examination and is in line with other competitor banks.
- A substantial majority, 96% of the number and 99% of the dollar volume, of FNB Moody’s loans is made within its AA.
- FNB Moody has invested, through a Community Development Corporation, in a business development center for the purpose of providing stable employment for members of the community.
- FNB Moody has demonstrated a strong willingness to extend loans to individuals of varying income levels. The bank substantially exceeds the standard in lending to low- and moderate-income borrowers.
- There have been no complaints with respect to FNB Moody’s CRA performance.

The following pages further describe FNB Moody’s CRA performance.

SCOPE OF THE EXAMINATION

We used small-bank CRA examination procedures. We reviewed data going back to the prior CRA examination conducted in 2002. Our loan samples included residential real estate (1-4 family mortgages) loans and consumer loans the bank made since our last CRA examination through

August 31, 2007. We reviewed the 1-4 family mortgage loans, as this represented the single largest category of loans that the bank makes (36% of total loans as of June 30, 2007) and consumer loans (11% of total loans as of June 30, 2007). We performed a data integrity check of the Home Mortgage Disclosure Act of 1975 – Loan Application Register (HMDA-LAR) to ensure the accuracy of the 1-4 family lending sample.

DESCRIPTION OF INSTITUTION

FNB Moody has one location centrally located in downtown Moody, which is approximately 85 miles north of Austin, Texas, and 25 miles southwest of Waco, Texas. The bank is a locally owned and managed financial institution, which has \$36 million in average assets as of June 30, 2007.

Complete banking services are provided Monday through Friday at the main office, which also houses a drive-through facility. FNB Moody offers a variety of lending and deposit services, as well as safe deposit boxes, wire transfers, and night depository services. Community credit needs are met through the offerings of consumer, agricultural/business related and residential real estate loans. FNB Moody faces competition from area banks, savings and loans, and credit unions.

The bank’s primary focus is to promote economic development in its AA through its lending programs and community involvement. FNB Moody’s niche market is residential, commercial real estate, small business and consumer lending. The table below reflects a detailed breakdown of the bank’s loan portfolio as of June 30, 2007.

Loan Type	\$ Amount \$(000s)	% of Total Loans
Real Estate (RE) Residential (1-4)	7,420	36.20
Non-Farm, Non-Residential	3,832	18.69
Const, land dev, & other land loans	2,346	11.45
Commercial & Industrial	2,275	11.10
Consumer	2,253	10.99
Agricultural Production	1,382	6.74
RE Farmland	139	.68
Other	851	4.15
Total	20,498	100%

Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs within its community. At the last CRA examination in September 2002, the bank’s CRA rating was “Outstanding.” No legal impediments or other factors hinder the bank’s ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

FNB Moody’s AA consists of 12 census tracts, which are located in southwestern McLennan County, eastern Coryell County, and northern Bell County. These census tracts consist of 6 middle and 6 upper-income areas. There are no low- to moderate-income areas within the AA. This area includes whole census tracts of the Waco metropolitan statistical area (MSA) and the Killeen-Temple MSA. The entire population of this area is approximately 72 thousand people. Specific demographic data for both areas is listed on the “Demographics” table on the following page.

Although the bank defines its AA as encompassing the census tracts within a thirty-mile radius of the City of Moody, the bank recognizes both Primary and Secondary Trade Areas within this AA. Refer to the bank’s public file for more information regarding these Trade Areas. The bank’s AA is made up of contiguous census tracts that surround and include the bank. This area meets the requirements of the regulation and does not arbitrarily exclude low- to moderate-income geographies.

The local economy is considered stable. The City of Moody is a bedroom community with many of its residents commuting to Temple and Waco for employment. Some of the larger local employers are the school district and nursing home; however, most local employers are small businesses.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted a local business and community leader during the course of our examination. This contact mentioned that the bank is very involved with the community and responsive to credit needs. This contact further mentioned that the bank is taking every opportunity to meet the credit needs of the areas that it serves.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA		
<i>Population</i>	<i>Killeen-Temple MSA</i>	<i>Waco MSA</i>
Number of Families	8,605	9,051
Number of Households	11,260	11,129
<i>Geographies</i>		
Number of Census Tracts	6	6
% Low-Income Census Tracts	0%	0%
% Moderate-Income Census Tracts	0%	0%
% Middle-Income Census Tracts	66.67%	50.00%
% Upper-Income Census Tracts	33.33%	50.00%
<i>Median Family Income (MFI)</i>		
2000 MFI for AA	\$40,972	\$41,455
2007 HUD-Adjusted MFI	\$48,800	\$49,100
<i>Economic Indicators</i>		
Unemployment Rate	1.59%	1.49%
2007 Median Housing Value	\$74,165	\$78,455
% of Households Below Poverty Level	9.20%	6.63%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on our analysis and recognition of the demographic characteristics of the bank's AA, we conclude that management is effectively meeting the credit needs of its trade area, including low- to moderate-income individuals, consistent with its resources and capabilities. In making this determination, we utilized internally generated management reports as well as a sample of 50 residential real estate and 45 consumer loans originated since the last CRA evaluation period.

Loan-to-Deposit Ratio

FNB Moody's LTD ratio is good given its asset size, financial condition, location and the lending opportunities within its AA. The average LTD ratio over the 19 quarters since our last CRA examination is 65%, but is trending upward, has exceeded 70% since 2005, and is currently at 71% as of June 30, 2007. While this bank does not have the highest LTD ratio, most of the peer banks are larger and located in larger cities with greater lending opportunities. The following table reflects an LTD ratio analysis on FNB Moody and six peer banks located within the area. FNB Moody's LTD ratio is in line with these institutions.

Institution	Total Assets *	Average LTD Ratio%
Oglesby State Bank	10,909	86.21
First National Bank – McGregor	92,225	83.23
First National Bank – Evant	41,070	73.65
Fidelity Bank of Texas – Waco	89,649	71.68
First National Bank – Moody	35,651	65.34
First Texas Bank – Belton	64,359	64.62
Pointwest Bank	48,293	18.15

* As of June 30, 2007

Lending in Assessment Area

A substantial majority of the bank's loans are made within its AA. An analysis of the lending patterns within the AA was performed, using internal management reports and visual observations from county maps. *Our analysis of the originated loans that we pulled as part of our sample also indicates that FNB Moody's level of lending within its AA is excellent.*

TOTAL LOANS REVIEWED								
	In Assessment Area				Out of Assessment Area			
Loan Type	#	%	\$	%	#	%	\$	%
Mortgage	49	98.00	2,224	98.67	1	2.00	30	1.33
Consumer	42	93.33	264	97.29	3	6.67	7	2.71
Total Reviewed	91	95.79	2,488	98.52	4	4.21	37	1.48

Note: \$(000s)

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed as all identified 12 census tracts are classified as middle- or upper-income areas.

Lending to Borrowers of Different Incomes

FNB Moody's loan portfolio reflects an overall excellent distribution of mortgage and consumer loans to individuals of various income levels, particularly in the Waco MSA, which is the bank's identified Primary Trade Community (see the bank's public file for more information).

The bank exceeds the standard in lending to low- and moderate-income borrowers, with most of this lending centered in consumer lending. Based on the 2000 Census, low- and moderate-income households represent 13% and 11% in the Waco MSA and 20% and 14% in Killeen-Temple MSA. Based on our sample, consumer lending exceeds these figures for low- to moderate-income borrowers at 52% and 29% in the Waco MSA and 29% and 38% in the Killeen-Temple MSA.

Further analysis indicates that the average consumer loan originated since the last evaluation period between the two MSA areas is \$6,039. This further demonstrates the bank's commitment to meeting the credit needs of its community, particularly the low- to moderate-income borrower. The following tables summarize our analysis of the lending activity in the AA by different income levels.

RESIDENTIAL REAL ESTATE Waco MSA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	10.42		13.82		20.08		55.68	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	27.27%	21.91%	22.73%	20.58%	36.36%	39.35%	13.64%	18.16%

Families are defined as "Householders related by birth, marriage, or adoption."

CONSUMER Waco MSA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	13.04		10.6		16.16		60.2	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	52.38%	53.97%	28.57%	17.10%	14.29%	20.29%	4.76%	8.64%

A household is defined as "All persons occupying a housing unit."

RESIDENTIAL REAL ESTATE Killeen-Temple MSA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	14.79		15.39		22.28		47.54	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	11.11%	5.72%	14.81%	17.17%	37.04%	40.36%	37.04%	36.75%

Families are defined as "Householders related by birth, marriage, or adoption."

CONSUMER Killeen-Temple MSA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	19.59		14.43		20.2		45.78	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	28.57%	32.17%	38.10%	32.09%	23.81%	30.44%	9.52%	5.30%

A household is defined as "All persons occupying a housing unit."

Qualified Investments

FNB Moody has invested, through a Community Development Corporation, in land that is to house the Moody Business and Technology Plaza. This piece of real estate is 100 acres, divided into nineteen lots. The purpose of this development project is to provide stable employment to members of the local community and is another example of service that this bank provides to its community.

Responses to Complaints

No CRA-related or unresolved consumer complaints have been identified since our prior examination.

Fair Lending or Other Illegal Credit Practices Review

An analysis of consumer and mortgage loans originated since the prior CRA evaluation period, as well as a review of public file comments and consumer complaint information was performed in accordance with the OCC's risk-based fair lending examination standards. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.