



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**December 04, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Evant  
Charter Number 12739**

**115 South Memory Lane  
Evant, TX 76525**

**Comptroller of the Currency  
Assistant Deputy Comptroller  
San Antonio – North Field Office  
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 “Satisfactory.”**

The First National Bank of Evant’s (FNB) lending performance is satisfactory in meeting the credit needs of its assessment area (AA) based on the following:

- The quarterly average loan-to-deposit ratio of 74% demonstrates a strong level of performance and compares favorably against banks of similar size in the AA.
- FNB originated a substantial number of loans (73%) within its AA since the prior evaluation.
- FNB’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 an adequate level of dispersion.
- The bank has had no complaints related to its Community Reinvestment Act (CRA) performance during this evaluation period.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Evant is located at 115 South Memory Lane in Evant, Texas, which is approximately 90 miles northwest of Austin, Texas. The bank is a locally-owned and managed financial institution, with \$28 million in total assets as of September 30, 2006. FNB opened its first full-service branch in Gatesville, Texas, approximately 25 miles east of Evant, in November of 2006. The Gatesville office is currently located in a temporary building until construction begins on the branch in 2007.

FNB offers a variety of lending and deposit services, as well as safe deposit boxes, notary services, wire transfers, and Internet banking. Community credit needs are met through the offering of consumer, agricultural/business-related, and real estate loans. Drive-through facilities are provided at the main and Gatesville offices. The completed branch will also bring FNB’s first automated teller machine.

The bank’s primary focus is to promote economic development in its AA through its lending programs. Loans represent 73% of FNB’s total assets, an increase from 51% at the prior evaluation. The diverse loan portfolio is primarily comprised of 1-4 family residential real estate, commercial, and commercial real estate loans. Accordingly, our evaluation focused on these loan products.

The table below reflects a detailed breakdown of FNB’s loan portfolio as of September 30, 2006.

<b>Composition of the Bank’s Loan Portfolio As of September 30, 2006</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>% of Total Loans</b>
Consumer	1,956	9.41
Agricultural	2,319	11.16
Real Estate (RE) Non-farm Nonresidential	3,559	17.13
Residential RE 1-4	5,056	24.33
RE Construction, Land Development	1,739	8.37
Commercial and Industrial	4,567	21.98
RE Farmland	1,152	5.54
Other	435	2.08
<b>Total</b>	<b>20,782</b>	<b>100%</b>

*Source: September 30, 2006 Report of Condition*

## **DESCRIPTION OF ASSESSMENT AREA**

FNB’s AA consists of nineteen (19) contiguous census tracts (CTs). The CTs are located in four adjacent counties: Coryell, Mills, Lampasas, and Hamilton. The AA includes all CTs within the four counties, except CT 0105.00 in Coryell County. This CT is a designated U.S. military base, which has an exclusive agreement with a different financial institution to service the base. All CTs in Coryell County, except for CT 0101.00 are a part of the Killeen-Temple-Fort Hood Metropolitan Statistical Area (MSA).

The city of Evant is centrally located within the AA, which has a combined population of approximately 9,000. Based on U.S. Census Data, 20% of the families in the combined AA are low-income, while moderate-income families account for 18% of the population. The remaining AA is comprised of 22% middle-income and 40% upper-income families. The local economy is stable. Major employers in the AA include the agricultural industry, local school districts, and the Texas Department of Corrections.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted the superintendent of the local independent school district. The contact indicated there is a need for new housing. Additionally, the contact stated there is a lack of organized community development programs. In the opinion of the contact, FNB has a good public perception and is active in the community.

A review of FNB’s lending practices revealed no evidence of illegal discrimination. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Based on its financial condition, resources, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder the bank’s ability to provide credit in its AA. FNB received a “Satisfactory” rating at its previous CRA examination conducted in September of 2002. Since the prior evaluation, there have been no complaints relating to FNB’s CRA performance.

Table 1 below reflects demographic information for the AA derived from the 2000 Census.

<b>Table 1 - Demographic and Economic Characteristics of Assessment Area</b>	
<b>Population</b>	
Number of Families	21,966
Number of Households	29,274
<b>Geographies</b>	
Number of Census Tracts (CTs)	19
Low-Income CTs	0
Moderate-Income CTs	1
Middle-Income CTs	18
Upper-Income CTs	0
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	
2003 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$43,568
2004 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$45,905
2005 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$45,905
2006 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$47,300
<b>Economic Indicators</b>	
Unemployment Rate	2%
2006 Median Housing Value	\$68,970
% of Households Below Poverty Level	11%

Source: 2000 Census Data; Department of Housing and Urban Development

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

*FNB's loan-to-deposit ratio is strong given its asset size, financial condition, and lending opportunities available in the AA.* Since the last CRA examination, the loan-to-deposit ratio has risen steadily to 84% as of September 30, 2006. During this period, the loan-to-deposit ratio averaged 74%. This compares very well with banks of similar size located in the AA. See Table 2 below.

<b>Table 2 – Loan to Deposit Ratio</b>		
<b>Institution</b>	<b>Total Assets*</b>	<b>Average Loan to Deposit Ratio</b>
Oglesby State Bank	10,479 M	84.91 %
The First National Bank of Hico	30,112 M	41.29 %
First Texas Bank Lampasas	94,582 M	41.30 %
Mills County State Bank	155,483 M	63.65 %
<i>The First National Bank of Evant</i>	<i>28,124 M</i>	<i>73.79 %</i>

Source: Institution Consolidated Reports of Condition

\*As of 9/30/06

## Lending in Assessment Area

*FNB's lending in the AA is good given its asset size, financial condition, and lending opportunities.* The bank's primary market has expanded east to Gatesville, Texas, with the opening of the bank's only branch location and a change in ownership in May of 2005.

<b>Table 3- Number of Loans Made In/Out of AA</b>		
<b>Loan Category</b>	<b>% IN</b>	<b>% OUT</b>
1-4 Family Residential Real Estate	81.48	18.52
Commercial	73.08	26.92
<b>Total</b>	<b>77.36 %</b>	<b>22.64 %</b>

Source: Bank Records

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

Overall, the level of lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. Table 4 below compares 1-4 Family residential real estate lending to AA families by income level. U.S. Census demographics indicate 36% of the combined AA consists of low-to-moderate income families. Comparatively, FNB originated 26% of loans secured by residential real estate to low-to-moderate borrowers. This represents a satisfactory level of performance. Furthermore, the distribution to moderate-income borrowers is excellent, exceeding Census demographics. Management indicated its market niche is in small mortgage products which are generally non-conforming to secondary market standards and meet the specific needs of the borrowers.

<b>Table 4 - BORROWER DISTRIBUTION OF LOANS FOR RESIDENTIAL REAL ESTATE</b>				
<b>Borrower Income Level</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>
% of AA Families	17.32	18.96	23.70	40.02
	% of Bank Loans			
<b>1-4 Family Real Estate</b>	<b>4.35</b>	<b>21.74</b>	<b>17.39</b>	<b>56.52</b>

Source: 2000 Census Data; Bank Records

The bank's distribution of loans to small businesses, as defined as businesses with annual gross revenues of less than \$1 million, is satisfactory. According to U.S. Census information, 95% of businesses in the AA have revenues of less than \$1 million. Of the business loans FNB originated in the AA, approximately 79% had revenues below \$1 million. Management indicated much of the economic growth in the area is attributable to large national retailers. Conversely, management indicated the small business loan demand is much lower and predominately consists of start-up businesses with potentially higher credit risk. See Table 5 below.

<b>Table 5 - BORROWER DISTRIBUTION OF LOANS TO BUSINESSES</b>		
<b>Business Revenues or Sales</b>	<b>≤ \$1,000,000</b>	<b>&gt; \$1,000,000</b>
% of AA Businesses	95.26	4.74
<b>Commercial Loans</b>	<b>78.95</b>	<b>26.92</b>

Source: 2000 Census Data; Bank Records

## Geographic Distribution of Loans

With only one moderate-income CT and no low-income CTs in the AA, FNB's lending performance based on geographic distribution does not factor equally into the overall evaluation rating. However, the level of performance in the moderate-income tract is strong. The 2000 US Census Data reflects less than 4% of owner-occupied housing is located in the moderate-income CT, while FNB's percentage of 1-4 Family real estate loans originated in this CT is approximately 9%. See Table 6 below.

<b>Table 6 - GEOGRAPHIC DISTRIBUTION OF LOANS FOR RESIDENTIAL REAL ESTATE</b>				
<b>Census Tract Income Level</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>
% Owner Occupied in AA	0.00	3.80	96.12	0.00
	<i>% of Bank Loans</i>			
<b>1-4 Family Real Estate</b>	<b>0.00</b>	<b>8.70</b>	<b>91.30</b>	<b>0.00</b>

*Source: 2000 Census Data; Bank Records*

The geographic distribution of loans to businesses is satisfactory. FNB originates approximately 5% of loans to businesses in the moderate CT. U.S. Census data indicates 10% of non-farm businesses are located in this CT. The moderate-income CT is at the geographic edge of the AA in the city of Lampasas. The bank does not have a physical presence in Lampasas and faces heavy competition from the numerous local Lampasas financial institutions. See Table 7 below.

<b>Table 7 - GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES</b>				
<b>Census Tract Income Level</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>
% of AA Non-Farm Businesses	0.00	10.07	89.93	0.00
	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>	<i>% Bank Loans</i>	<i>% of Bank Loans</i>
<b>Commercial Loans</b>	<b>0.00</b>	<b>5.26</b>	<b>94.74</b>	<b>0.00</b>

*Source: 2000 Census Data; Bank Records*

## Responses to Complaints

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

## 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.