



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bastrop
Charter Number 4093**

**1028 Main Street
Bastrop, TX 78602**

**Comptroller of the Currency
ADC-Austin
8310 Capital of Texas Highway North Suite 250
Austin, TX 78731**

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.

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INSTITUTION'S CRA RATING

This institution is rated “Satisfactory.”

The First National Bank of Bastrop’s (FNB) lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank’s performance.

- FNB’s loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. The LTD averaged 67% since our last examination, outperforming the majority of the bank’s competitors. Over the same time period, the average LTD for similarly situated banks was 58%.
- A substantial majority, 87% of the number and 86% of the dollar volume, of FNB’s loans are within its assessment area (AA).
- The distribution of borrowers reflects a satisfactory penetration to individuals of different incomes and business of different sizes.
- The geographic distribution of loans reflects a level of lending that is very similar to area demographic characteristics. This pattern of lending meets the standard for satisfactory performance.
- There have been no complaints with respect to FNB’s CRA performance.

The following pages further describe FNB’s CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Bastrop has total assets of \$244 million with loans totaling \$150 million. FNB has three branches: one located at 501 Highway 71, Bastrop, Texas; a second at 1312 Highway 290, Elgin, Texas; and a third at 312 Main Street, Smithville, Texas. The Smithville branch is new since the prior CRA examination. There is an automated teller machine (ATM) located at each facility. The bank has recently extended hours in several of the drive-through facilities and branch lobbies in order to accommodate customers who commute to Austin, Texas, daily.

The institution's primary focus is to promote economic development in its AA through its lending programs. FNB's market niche is residential real estate and small business lending programs. Loans make up 61% of the bank's total assets. As of June 30, 2003, the loan portfolio consisted of the following primary categories:

Loan Category	\$ (000)	%
Real Estate (RE) Residential (1-4)	71,211	47.40
RE Nonfarm Nonresidential	27,886	18.56
Construction Loans	13,619	9.07
Consumer	11,515	7.66
Commercial and Industrial	10,201	6.79
RE Farmland	9,860	6.56
Agricultural Production	3,121	2.08
Obligations of Municipalities	1,553	1.03
RE Multifamily	902	0.60
Other	377	0.25
Total	150,245	100%

DESCRIPTION OF ASSESSMENT AREA

FNB's AA consists of the 8 census tracts that comprise all of Bastrop County. These census tracts include three moderate- and five middle-income areas. There are no low-income areas within the AA. Bastrop County is one of five counties that make up the Austin-San Marcos Metropolitan Statistical Area (MSA). The AA has experienced significant growth from the 1990 census data. While the 1990 census data states that the total population of Bastrop County was 38 thousand, the Bastrop Chamber of Commerce indicates that the current population is 62 thousand. This growth is reportedly the result of the county's close proximity to Austin coupled with existence of more affordable housing than the Austin metropolitan area. In addition, the recently constructed Austin Bergstrom International Airport is within easy commuting distance of Bastrop. Bastrop County is the eighth fastest growing county in Texas. Specific demographic data for the AA is listed below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	10,235
Number of Households	13,435
<i>Geographies</i>	
Number of Census Tracts/BNA	8
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	38%
% Middle-Income Census Tracts/BNA	63%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$28,403
2002 HUD-Adjusted MFI	\$71,100
<i>Economic Indicators</i>	
Unemployment Rate	3%
1990 Median Housing Value	\$53,411
% of Households Below Poverty Level	17%

BNA = Block Numbering Area

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 (LMI) 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 July 1999.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB is performing satisfactorily in meeting the credit needs of the AA, including LMI individuals and areas, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

FNB's LTD ratio exceeds the standard for satisfactory performance given its asset size, financial condition, and the lending opportunities within its AA. The average LTD ratio over the 16 quarters since the last examination was 67%. To better understand the bank's performance, we conducted an LTD analysis on four other small banks that are similarly situated. The LTD ratios for these banks ranged from 49% to 69%. The average LTD for these similarly situated banks was 58% during the same period.

Institution	Assets As Of 06/31/2003	Average LTD Ratio %
Citizens State Bank, Somerville	174,182	49.7
First National Bank, Giddings	99,453	51.3
Round Top State Bank, Round Top	124,508	62.9
First Lockhart National Bank, Lockhart	108,063	69.6
FNB Bastrop	244,303	67.0

Lending in Assessment Area

A substantial majority of the number and dollar volume of loans originated from January 2000 through December 2002 are in the bank's AA. Of all loans originated during the period, 86.7% of the number and 86.4% of the dollar amount of loans were within FNB's AA. These figures were supported through the analysis of HMDA data for January 2000 through December 2002 as well as a random sample of 30 business loans originated during the same period.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	252	82.9	26,381	86.0	52	17.1	4,294	14.0
Home Refinance	163	87.2	14,088	84.3	24	12.8	2,617	15.7
Home Improvement	208	91.2	4,654	94.7	20	8.8	261	5.3
Commercial	26	86.7	1,150	91.3	4	13.3	109	8.7
Total Reviewed	649	86.7	46,273	86.4	100	13.3	7,281	13.6

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

The loan distribution to individuals with different income levels within the AA is satisfactory. Our review of HMDA Data for January 2000 through December 2002 indicated that lending activity to LMI families generally fell in line with the demographic characteristics of the AA. We also contacted a local community leader to gather more current information on the nature of the community and potential lending opportunities in the AA. The contact stated that although current economic conditions are strong, there is a need for more affordable housing in the county. This statement is supported by our review as detailed in the following table.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	28.3%		21.2%		23.7%		26.8%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	16.5	7.7	27.6	16.6	27.6	27.2	28.3	48.5

We also reviewed 26 commercial loans to determine the distribution among businesses of different income levels. Our analysis reflected a reasonable dispersion. Management continues to focus on providing loans that will enhance and support the local economy. Details of our review are reflected in the following table.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95.7%	4.3%
% of Bank Loans in AA #	88.5	11.5
% of Bank Loans in AA \$	82.7	17.3

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion of loans throughout the bank's AA when compared to area demographic characteristics. We based our analysis on the bank's primary products; residential real estate and commercial loans. The geographic distribution of residential real estate loans meets AA demographics.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0.0%		36.8%		63.2%		0.0%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0	0.0	36.9	33.3	63.1	66.7	0.0	0.0

The small business loan geographic distribution is based on a review of 26 loans. The geographic

distribution of small business loans is below AA demographics. This could be due to the fact that the bank’s two moderate-income tracts are located in communities outside of Bastrop. It is also noted that FNB just recently entered the Smithville market where one of the tracts are located. There is also significant long established local financial institution competition in both the Smithville and Elgin moderate-income tract locations.

SMALL BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0.0%		36.7%		63.3%		0.0%	
LOANS BY YEAR	% of Number	% of Amount						
Total	0.0	0.0	15.4	16.3	84.6	83.7	0.0	0.0

Responses to Complaints

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

Fair Lending Review

An analysis of four years’ public comments and consumer complaint information was performed according to the OCC’s risk-based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive was performed during the previous CRA examination.