



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Southwestern District Office

Public Disclosure

November 08, 2001

Community Reinvestment Act Performance Evaluation

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

**201 Elm
Sweetwater, TX 79556**

Office of the Comptroller of the Currency

**Southwestern District Office
Assistant Deputy Comptroller - Dallas South
500 North Akard Street, Suite 1600
Dallas, 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, and should not 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.

Table of Contents

<u>OVERALL CRA RATING</u>	2
<u>DEFINITIONS AND COMMON ABBREVIATIONS</u>	3
<u>DESCRIPTION OF INSTITUTION</u>	5
<u>SCOPE OF THE EVALUATION</u>	6
<u>FAIR LENDING REVIEW</u>	7
<u>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS</u>	8
<u>LENDING TEST</u>	8
<u>INVESTMENT TEST</u>	13
<u>SERVICE TEST</u>	14
<u>APPENDIX A: SCOPE OF EXAMINATION</u>	A-1
<u>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS</u>	B-1
<u>APPENDIX C: TABLES OF PERFORMANCE DATA</u>	C-1

Overall CRA Rating

Institution’s CRA Rating: This institution is rated “**Satisfactory.**”

The following table indicates the performance level of **First National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Business lending which favors lending to small businesses with revenues less than \$1 million.
- Agricultural lending which favors lending to farms with revenues less than \$1 million.
- Good performance in consumer lending to low- and moderate-income (LMI) individuals.
- A good branch and alternate delivery system of providing retail banking services and products to LMI geographies and individuals.
- An adequate level of community development investments and services

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. The U.S. Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the U.S. Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the lending, investment, and service tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the lending, investment, and service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50 percent of the median family income.

Median Family Income (MFI) - The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the director of the U.S. Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80 percent and less than 120 percent of the MFI.

Moderate-Income - Income levels that are at least 50 percent and less than 80 percent of the MFI.

Small Loans to Businesses - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Loans to Farms - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120 percent or more of the MFI.

Description of Institution

First National Bank (FNB) is an intrastate bank that is based in Sweetwater, Texas. As of September 30, 2001, FNB's total assets were \$104 million with one office located in Sweetwater and one other in Roby, Texas. FNB is a subsidiary of First Financial Bankshares, Inc. (FFBI), a multi-bank holding company headquartered in Abilene, Texas. Consolidated holding company assets total \$1.7 billion as of December 31, 2000. The parent organization owns ten banks with 25 full-service locations in the Central, West and High Plains regions of Texas. A full range of credit products, depository accounts, trust services and retail nondeposit investment services are offered throughout the company.

FNB's loan portfolio is \$44 million, or 43% of total assets. Investment securities comprise 51%. The bank's loan portfolio is primarily comprised of real estate, commercial and agricultural lending. Real estate loans total \$17 million or 40% of total loans. Commercial and agricultural loans total \$21 million or 47% of total loans. Consumer loans, excluding 1-4 family residential, total \$6 million or 13% of total loans. Management's lending strategy has changed to increase its focus to consumers for home mortgages and refinances in 2000 and 2001. There is currently not a mortgage lending company in the city of Sweetwater. The increase in home mortgage loans has been gradual as Sweetwater is not a high growth community but remains stable economically.

As of September 30, 2001, the bank's loan-to-deposit ratio measured 48%, reflecting a gradual and consistent increase from September 30, 1997 when the ratio was 39%. The bank's return-on-assets is 1.41%, and the Tier One leverage capital ratio is 10.4%. Based on the bank's financial condition, size, product offerings, and branch/ATM configuration, there are no legal impediments which inhibit its ability to meet the assessment area's credit needs.

The bank offers a variety of loan products, including the following types of loans: residential mortgages, home equity, home improvement, construction, commercial, commercial mortgages, personal and education. The bank's lending to small businesses and farms and home mortgages were reviewed as part of the CRA evaluation. The bank has elected to include consumer loans that originated in 1999, 2000, and 2001 as part of this evaluation.

The last CRA Public Evaluation was dated September 24, 1997. FNB was rated "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the lending test includes consumer and community reinvestment act (CRA) loans made in 1999, 2000, and through June 30, 2001, and home mortgage loans made through September 30, 2001. The evaluation period for any community development (CD) loans is September 25, 1997 through September 30, 2001. The evaluation period for the investment and service tests includes any qualifying CD investments made and any CD services provided from September 25, 1997 to January 31, 2002.

Data Integrity

The OCC verified CRA loan data that was used in the evaluation of the bank's performance during a Data Integrity Review in October 2001. Samples of consumer, small business and small farm loans were selected in accordance with sampling methods described in the Large Bank CRA Examiner Guidance dated December 2000. The OCC recommended changes to be made regarding renewed credits. Management made those corrections during the examination. This examination is based upon the corrected information. The bank is not in an MSA and not required to collect Home Mortgage Disclosure Act (HMDA) data. The bank collects the information and retains it on a HMDA Loan Application Register for consideration in CRA and to comply with requirements of the Fair Housing Home Loan Data System regulation. We sampled the home mortgage data in January 2002 and found it to be accurate.

Selection of Areas for Full-Scope Review

A full-scope review was performed on the bank's one assessment area (AA) of the contiguous counties of Nolan and Fisher in Texas. Refer to the table in Appendix A for more information.

Ratings

The bank's overall rating is based on the full-scope review of the bank's one assessment area that includes the contiguous counties of Nolan and Fisher.

Other

One community leader in the city of Sweetwater, Texas was contacted during the evaluation of the bank's performance. The contact deals with affordable housing issues. The contact did not identify any unmet credit needs within the community. Subsidized rental housing is available in Sweetwater that offers low rental rates for low- and moderate-income families through two agencies.

Fair Lending Review

An analysis of 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of the 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 fair lending examination was performed in September 1997.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the assessment area (AA) that includes Nolan and Fisher Counties is good. Small business, small farm, and consumer lending weighed most heavily in evaluating the bank's performance under the Lending Test. Commercial and agricultural loans represent the largest loan types at 27% and 20%, respectively, as a percent of average gross loans at September 30, 2001.

Although consumer loans do not constitute a substantial majority of the loan portfolio (13% of average gross loans), the bank elected to provide information on motor vehicle and other secured and unsecured consumer loans for consideration in this analysis. As the bank is not a HMDA reporter, there is no market share data available to compare the bank's performance within the AA. At September 30, 2001, 1-4 family residential loans were 14% of average gross loans.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

The volume of lending is good. FNB leads in deposit market share with 46% of deposits in the AA. The remaining deposits are divided between the two remaining banks in the AA at 31% and 23%, respectively. (Data from FDIC at June 30, 2000). FNB also ranks first in small business and small farm lending with market share of 49% and 90%, respectively, which exceeds its deposit market share. With over 500 originations in each category, motor vehicle loans and unsecured consumer loans represent the highest volume of consumer lending during the evaluation period.

Home mortgage lending reflects a lower volume than other lending categories. As the bank is not in an MSA and therefore is not a HMDA reporting bank, market share data is not available. The volume appears adequate given the lack of growth in the Sweetwater AA. Comments from discussions with bank management indicate the AA (which is partially rural) is actually declining slightly in population.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans overall is adequate.

The largest volume of home loan products is home purchase loans. There were no home purchase loans originated in the moderate-income geography. The moderate-income tracts are comprised of numerous commercial areas, the downtown central business district (CBD) and a mixture of income levels. The areas designated as moderate-income also have a significant volume of subsidized housing with low rental rates, which reduces incentives to purchase a home. In addition, 22% of the households in Sweetwater are below the poverty level.

The volume of home improvement loans originated during the evaluation period is significantly less than the volume of home purchase and refinance loans with none in the moderate-income BNA. Due to the additional costs and time involved in obtaining a home improvement loan, customers can obtain secured consumer loans with other forms of collateral. Senior management stated this option is encouraged to assist low- and moderate-income borrowers obtain funds to make improvements.

The bank originated a small but increasing volume of home mortgage refinancing loans during the evaluation period. Originations in moderate-income geographies were below the percentage of owner-occupied housing. However, they have increased each year during the evaluation period.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is adequate. The percentage of the bank's loans in both low- and moderate-income geographies is below the percent of businesses located in the moderate-income geography. The bank's market share in low- and moderate-income geographies slightly exceeds its overall market share.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of small loans to farms is adequate. Only a small percent of farms are located in the moderate-income BNA and the bank's percentage of small farm loans does not approximate the percent of small farms in that moderate-income BNA. The bank's has 33% of the market share of all small farm loans made in the AA moderate-income geographies.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

The geographic distribution of consumer loans is adequate. The percentage of the bank's loans in moderate-income geographies approximates the percent of households in that geography.

Lending Gap Analysis

Several gaps in lending were identified. Small loans to businesses and consumer loans, which weighed most heavily in the Lending Test, were made in all geographies in the AA. There was only a modest amount of small loans to farms in the moderate-income geographies. These geographies, however, are located in the central business district (CBD) and heavily commercial areas of the FNB Sweetwater AA where there is nominal farming activity.

The bank did not originate any home purchase loans in its moderate-income geographies. As previously stated, one of the moderate-income geographies is the CBD. The other moderate income BNA is adjacent to downtown with a higher volume of commercial business and subsidized rental properties. The community focuses through several agencies on ensuring affordable rental rates. With the high volume (22%) of poverty level households, home purchases from the moderate-income tracts have not occurred based on income level of the geography

Inside/Outside Ratio

The inside/outside ratio analysis was performed at the bank level as opposed to the AA level. This information includes bank originations only (there were no purchases) and does not include any extensions of credit by affiliates. The bank's lending activity within the AA is excellent. The results of this analysis had a positive impact on the overall Lending Test rating. In all reported categories, a substantial majority of loans were made in the AA.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 7, 8, and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of home mortgage loans is adequate overall.

The percentage of home purchase loans to low-income borrowers is significantly below the percentage of low-income families. The reasons that lead to poor performance to low-income borrowers is due to the availability of rental properties in the Sweetwater area and the availability of subsidized rent programs. Nearly 22% of the families in Sweetwater are considered at the poverty level. The percentage of home purchase loans to moderate-income borrowers approximates the percent of families in the moderate-income category and is adequate. Home purchase lending overall is adequate.

The volume of home improvement loans is nominal for reasons explained in the previous section. Borrowers seeking immediate home improvement loans prefer to offer other types of collateral such as a car title to receive funds faster and without attorney costs. Of the small volume of home improvement loans made in the evaluation period, 33% were to low-income borrowers.

The percentage of loans to refinance home mortgages to low- and moderate-income families is significantly less than the percentage of families that are considered in that income group. The level of loans refinanced in the evaluation period has increased each year as FNB has increased its focus to make 1-4 family mortgages.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The penetration of small business loans by income level is excellent. The percentage of bank loans to businesses with revenues of less than \$1 million is greater than the percent of businesses in the AA with revenues less than \$1 million. In addition, bank loans to small businesses with income less than \$100 thousand comprises the majority of all small business loans made in the evaluation period. Of all businesses in the area, 73% have revenues of less than \$1 million. The bank's market share of that figure is 49%.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The penetration of small loans to farms by income level is excellent. All bank loans made to farms are less than \$1 million. Of this figure, a substantial majority are to farms with revenues of less than \$1 million. Of all farm loans in the bank's AA with revenues less than \$1 million, the bank has 90% of that market share.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The borrower distribution of consumer loans is good overall. The volume of consumer loans made to low-income borrowers is adequate. The percentage of loans made is less than the percent of households that are low-income. The percentage of consumer loans made to moderate-income borrowers is excellent and substantially exceeds the percentage of households that are moderate-income.

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

The bank has made two community development loans in the evaluation period to two different non-profit organizations. Loan proceeds help meet affordable housing needs and basic needs such as shelter, food, clothing, and counseling.

People for Progress, Inc. (PPI) - First National Bank extended a \$26 thousand term loan to PPI to purchase real estate. The real estate becomes part of the affordable rental properties PPI offers to low- and moderate-income families. PPI offers affordable housing for large families, seniors, and the disabled. The houses are offered at modest rent prices to qualifying families in Sweetwater and Colorado City. Eligibility for the housing is based on family size and income. The organization also provides a homeless shelter and other services for hardship cases.

Tri-County Children's Advocacy Center (TCAC) - One loan was originated for a \$10 thousand revolving line of credit. The proceeds were used for operating expenses for the local program. This organization is non-profit and offers services to child abuse victims of low- and moderate-income families in Nolan County.

Product Innovation and Flexibility

The bank did not report any innovative and flexible loan products.

Conclusions for Areas Receiving Limited-Scope Reviews

Not Applicable.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the bank's assessment area is adequate.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

During the evaluation period FNB made \$126 thousand in qualified investments, of which \$1 thousand directly benefited the full-scope area. This volume of investments is adequate, given the low level of community development investment opportunities in the Sweetwater AA. Community contacts indicated they were unaware of any real opportunities to invest in community development projects in the AA. The population in the AA is slightly over 21,000 and has sizeable rural areas for ranching and farming. The size of the community limits the amount of CD projects available.

The single largest investment that is considered community development was recently made at the holding company level in January 2002. FNB Sweetwater purchased \$125 thousand as part of a \$2.2 million CRA investment purchased by FFBI. The investment is called The Community Reinvestment Act Qualified Investment Fund. The Fund invests in securities with the primary purpose of community development, specifically providing affordable housing or services targeted to LMI individuals. It also invests in small business and farm loans or in bonds that revitalize or stabilize an LMI area. While the investments are not specific to the FNB assessment area, it does promote CRA activities on a national basis.

Another qualified investment consists of an \$800 grant to Ben Richey Boys Ranch. The ranch serves as a private, non-profit organization that aids homeless or troubled boys primarily from LMI families. Numerous small grants have been made ranging from \$25 to \$50 to non-profit organization. Examples of the grants in this range include the Senior Nutrition Activity Program (SNAP) that provides meals for low-income senior citizens.

Conclusions for Area Receiving Limited-Scope Reviews

Not Applicable.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the bank's AA is good. Branches are accessible to all portion of the AA. A wide variety of products and services are offered and are tailored to meet needs of the AA. Business hours and services are convenient and accessible to all segments of the AA. The bank provided an adequate level of community development services.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Branch Delivery System and Branch Openings/Closings

The bank's service delivery systems are easily accessible to geographies and individuals of different income levels in the bank's AA. The bank has two branches and one is located in a moderate-income BNA. The other branch in Roby is located in a middle-income BNA. The three BNAs in Roby are all middle-income. The percentage of branches (50%) in a moderate-income BNA significantly exceeds the portion of the population (35%) located in the same moderate-income BNAs.

The bank has not opened or closed any offices since the last CRA examination in September 1997.

Four ATMs supplement the branch system. The dispersion of ATMs represents a good distribution across the AA. Half of the ATMs (50%) are located in a moderate-income BNA. Services, including business hours, do not vary in a way that inconveniences any portion of the AA or any group of individuals, particularly low- or moderate-income BNAs or individuals.

Reasonableness of Banking Hours and Services

Banking hours provide good accessibility throughout the AA. All branches are open Monday through Friday. The Sweetwater branch is opened from 9:00 AM to 5:00 PM. The Roby branch is opened from 9:00 AM to 3:00 PM. The differences in hours are due to lower demand in the smaller branch. The motor bank in Sweetwater (20 miles from Roby) maintains longer hours from 8:00 AM to 6:00 PM. Neither of the branches open on Saturday. The motor bank in Sweetwater opens on Saturday from 8:00 AM to noon.

Retail Products and Alternative Delivery Systems

The bank's range of retail products and services is good and alternative delivery systems are accessible to all portions of the AA including the low- and moderate-income portions.

A wide array of banking products and services are provided. Products and services are responsive to banking needs in the AA and do not vary in a way that would inconvenience any low- or moderate-income portions of the AA or LMI individuals and are available at both offices. A variety of deposit products, loan products, and business services are available at FNB locations.

The bank has a First Free Checking that requires only a \$100 deposit to open. It has no monthly fee, no item charges, \$300 overdraft protection, and unlimited ATM usage at no charge if using an FNB ATM (four across the AA). These deposit products are not only targeted to low- and moderate-income individuals, but do provide basic affordable banking products throughout the AA.

Several alternative delivery systems augment the bank's branching system. None are specifically targeted toward low- or moderate-income people or areas. However, they increase the accessibility to banking products throughout the AA including low- and moderate-income segments. Alternative systems and products include telephone banking, debit cards, and Internet Banking.

Community Development Services

Overall, FNB provides an adequate level of community services that benefit its assessment area. CD services were reviewed as part of a full-scope review.

Specific examples of qualifying CD services include:

- Goodwill Industries, Inc. - A bank officer serves on the Board of Directors for the non-profit organization. The officer provides advice on fundraising as well as a monthly financial and income statements. Goodwill provides employment for the mentally and physically handicapped. It also provides clothing for low- and moderate-income individuals.
- West Texas Workforce Development Board - A bank officer serves on the Board of Directors. The officer provides advice on financial matters and reviews budget requirements. The non-profit organization provides training for unemployed persons and additional training to strengthen skills of currently employed individuals. The primary recipients of the workforce training are low- and moderate-income individuals.

Conclusions for Areas Receiving Limited-Scope Reviews

Not Applicable.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): 01/01/1999 to 9/30/2001 CD Lending: 09/25/97 to 09/30/01 Investment and Service Tests: 09/25/1997 to 01/31/2002	
Financial Institution	Products Reviewed	
First National Bank (FNB) Sweetwater, Texas	- Home purchase, home improvement, home refinance, small business, small farm and consumer loans. Consumer loans include motor vehicle, other secured and other unsecured Community development loans, investments, and services Retail products and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
No affiliate products were reviewed.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Nolan and Fisher Counties, Non-MSA	Full Scope	None

Appendix B: Market Profiles for Full-Scope Areas

Table of Contents

Market Profiles for Areas Receiving Full-Scope Reviews

Nolan and Fisher Counties.....	B-2
--------------------------------	-----

Nolan and Fisher Counties

Demographic Information for Full-Scope Area: Sweetwater Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.00	25.00	50.00	25.00	0.00
Population by Geography	21,436	0.00	34.88	36.42	28.69	0.00
Owner-Occupied Housing by Geography	5,797	0.00	30.22	39.93	29.84	0.00
Businesses by Geography	959	0.00	45.15	27.84	27.01	0.00
Farms by Geography	151	0.00	9.27	81.46	9.27	0.00
Family Distribution by Income Level	6,015	22.93	17.06	19.60	40.42	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,405	0.00	43.78	37.80	18.42	0.00
Median Family Income = \$24,585						
HUD Adjusted Median Family Income for 2000 = \$35,800						
Households Below the Poverty Level = 21.89%						
			Median Housing Value = \$30,701			
			Unemployment Rate = 3.11%			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census and 2000 HUD updated MFI.

FNB is located in the city of Sweetwater, Texas. The city of Sweetwater is located in west central Texas, 223 miles west of Dallas, 40 miles west of Abilene, 85 miles north of San Angelo, and 100 miles east of Midland, Texas. It is located in the approximate upper center of Nolan County with the branch located in the town of Roby in Fisher County. Sweetwater is accessible by U.S. Interstate 20, Highway 70, and Highway 84.

FNB has one assessment area (AA) defined as Nolan and Fisher Counties. The AA contains 8 Block Numbering Areas (BNA) including 2 moderate-, 4 middle-, and 2 upper-income tracts. There are no low-income tracts. According to the 1990 United States Census Bureau data, approximately 21,436 people reside in the AA, representing 8,145 households. Housing statistics from the 1990 census indicate 59% of the AA housing is owner occupied.

The 1990 Median Family Income (MFI), as adjusted for inflation by the Department of Housing and Urban Development for the Sweetwater AA is \$35,800. The income designations of the BNAs are based on the 1990 MFI of \$24,585, for the FNB Sweetwater AA. The neighborhoods in the Sweetwater AA are a combination of income levels and housing values. There were no clearly defined sections of income levels or housing values based on a visual drive through the community. This observation was confirmed by discussions with CEO/President of FNB Sweetwater.

Two other banks operate and compete for business in Sweetwater. One is headquartered in Sweetwater, and the other is a branch of a state bank from Roscoe, Texas. FNB Sweetwater has the largest market presence with the largest deposit market share. A local brokerage firm also competes for deposits in the AA. The area's economy is based on farming, ranching, oil and gas production, manufacturing, and gypsum mining. The area's agriculture markets continue to suffer modestly due to drought conditions that have existed for the last several years.

The top four employers in the area include Sweetwater ISD, United States Gypsum, Texson Management Group, and Texas State Technical College. The unemployment rate for 2001 was 3.11% as compared with the statewide average of 3.7% for the same time period.

One community contact was made during the examination. The results of the contact did not identify any unmet credit needs within the community.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.

- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME		State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Review:												
Sweetwater AA	100.00	100	5,038	294	9,932	342	13,222	2	36	738	28,228	100.00

(*) Loan Data as of June 30, 2001. Rated area refers to either the state or multistate market area (MA) rating area.

(**) The evaluation period for Community Development Loans is September 25, 1997 to January 31, 2002.

(***) Deposit data as of June 30, 2001. Rated area refers to either the state or multistate MA rating area.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		State: TEXAS		Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001											
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	71	100.00	0.00	0.00	30.22	0.00	39.93	96.00	29.84	4.00	NA	NA	NA	NA	NA

(*) Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.
 (**) Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.
 (***) Market share information is not available. Bank is not in an MSA and does not report HMDA data.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001								
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	3	100.00	0.00	0.00	30.22	0.00	39.93	100.00	28.69	0.00	NA	NA	NA	NA	NA

(*) Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

(**) Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

(***) Market share information is not available. Bank is not in an MSA and does not report HMDA data.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001								
MA/Assessment Area:	Total Home Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	26	100.00	0.00	0.00	30.22	20.00	39.93	69.00	29.84	12.00	NA	NA	NA	NA	NA

(*) Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.
 (**) Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.
 (***) Market share information is not available. Bank is not in an MSA and does not report HMDA data.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2001								
MA/Assessment Area:	Total Small Loans To Businesses		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography *				
	#	% of Total**	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	294	100.00	0.00	0.00	45.15	31.97	27.84	22.79	27.01	45.24	49.06	0.00	51.61	35.45	67.52

(*) Based on 2000 Peer Small Business Data: US&PR.

(**) Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

(***) Source Data - Dun and Bradstreet (2001)

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS			State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2001								
MA/Assessment Area:	Total Small Loans To Farms		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	342	100.00	0.00	0.00	9.27	0.88	81.46	92.69	9.27	6.43	89.76	0.00	33.33	91.22	86.67

(*) Based on 2000 Peer Small Business Data: US&PR.
 (**) Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.
 (***) Source Data-Dun and Bradstreet (2001).

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		State: TEXAS					Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001								
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	68	100.00	22.93	2.94	17.06	15.49	19.60	20.59	40.42	60.29	NA	NA	NA	NA	NA

(*) Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

(**) Percentage of Families is based on 1990 Census information.

(***) As a percentage of loans with borrower income information available.

(****) Market share information not available. Bank is not in an MSA and does not report HMDA data.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001								
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	3	100.00	22.93	33.33	17.06	0.00	19.60	0.00	40.42	66.67	NA	NA	NA	NA	NA

(*) Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.
 (**) Percentage of Families is based on 1990 Census information.
 (***) As a percentage of loans with borrower income information available.
 (****) Market share information not available. Bank is not in an MSA and does not report HMDA data.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001								
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans**	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Sweetwater AA	26	100.00	22.93	0.00	17.06	7.69	19.60	30.77	40.42	61.53	NA	NA	NA	NA	NA

(*) Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.
 (**) Percentage of Families is based on 1990 Census information.
 (***) As a percentage of loans with borrower income information available.
 (****) Market share information is not available. Bank is not in an MSA and does not report HMDA data.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		State: TEXAS		Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2001					
Total Small Loans to Businesses		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*		
#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	
Full-Review:									
Sweetwater AA	294	100.00	89.36	96.26	94.22	5.10	0.68	49.06	73.09

(*) Based on 2000 Peer Small Business Data: US&PR
 (**) Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.
 (***) Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).
 (****) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		State: TEXAS		Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2001					
	Total Small Loans to Farms		Farms with Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less
Full-Review:									
Sweetwater AA	342	100.00	96.69	100.00	92.11	6.14	1.75	89.76	90.30

(*) Based on 2000 Peer Small Business Data: US&PR

(**) Small loans to farms originated and purchased in the MA/AA as a percentage of all farm loans originated and purchased in the rated area.

(***) Farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms.

(****) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as farm loans.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		State: TEXAS		Evaluation Period: SEPTEMBER 25, 1997 TO JANUARY 31, 2002					
MA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
Full-Review:									
Sweetwater AA	0	0	2	126	2	126	100.00	0	0

(*) APrior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.
 (**) AUnfunded Commitments means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS														State: TEXAS				Evaluation Period: SEPTEMBER			
														25, 1997 TO JANUARY 31, 2002							
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population									
	% of Rated Area Deposits in MA/AA	# of BANK Branches	% of Rated Area Branches in MA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography							
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp				
Full-Review:																					
Sweetwater AA	100.00	2	100.00	0	1	1	0	0	0	NA	NA	NA	NA	0.00	34.88	36.42	28.69				

Table 14. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)

Geographic and Borrower Distribution: CONSUMER LOANS																		State: TEXAS		Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 2001	
MA/Assessment Area:	Total Consumer Loans		Geographic Distribution								Borrower Distribution										
			Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers				
	#	% of Total*	% of Hhlds**	% BAN K Loans	% of Hhlds**	% BAN K Loans	% of Hhlds**	% BAN K Loans	% of Hhlds*	% BAN K Loans	% of Hhlds**	% BAN K Loans	% of Hhlds**	% BAN K Loans	% of Hhlds**	% BAN K Loans	% of Hhlds**	% BAN K Loans			
Full-Review:																					
Sweetwater AA	1,268	100.00	0.00	0.00	33.43	26.81	37.19	38.80	29.38	34.38	26.97	18.61	13.32	26.81	17.93	23.11	41.78	31.47			

(*) Consumer Loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

(**) Percentage of households is based on 1990 Census Information.