



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**May 19, 2003**

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

**The First National Bank of Ballinger  
Charter Number 3533**

**911 Hutchings  
Ballinger, TX 76821**

**Comptroller of the Currency  
ADC-Austin Field Office  
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 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.”**

- First National Bank’s (FNB) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).
- The bank’s loan-to-deposit (LTD) ratio is satisfactory and averaged 62% during the evaluation period. Such performance is reasonable given the available loan demand in the AA.
- A substantial majority of FNB’s loans are within its AA.
- FNB has demonstrated a satisfactory willingness to extend loans to individuals of varying incomes and businesses of different sizes.
- There have been no complaints with respect to FNB’s CRA performance.

## DESCRIPTION OF INSTITUTION

FNB is a rural community bank located in Ballinger, Texas, which is approximately 40 miles northeast of San Angelo and 60 miles southwest of Abilene. The bank operates one main office, a drive-through facility, and two automatic teller machines (ATMs). Both ATMs are in Runnels County; one is located in a convenience store in Ballinger, and the other is in a convenience store located 15 miles north east of Ballinger in Winters, Texas.

As of December 31, 2002, FNB had total assets of \$44 million with 60% centered in the loan portfolio. The bank’s primary loan products include agricultural, commercial, and consumer loans. The following chart details a breakdown of FNB’s loan portfolio as of December 31, 2002.

<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>% of Total Loans</b>
Real Estate (RE) Construction	427	1.63
RE Farmland	3,940	15.06
RE Residential (1-4)	5,177	19.79
RE Nonfarm Nonresidential	3,619	13.83
Agricultural Production	4,772	18.24
Commercial and Industrial	3,622	13.85
Consumer	3,910	14.95
Other	694	2.65
Total	26,161	100.0

The bank is owned by the multi-bank holding company Texas Country Bancshares, Inc. The bank is affiliated through common ownership with: Brady National Bank, Brady, Texas; and Citizens Bank, National Association, Abilene, Texas.

Bank lobby and drive-through services are provided Monday through Friday. FNB has a 24-hour telephone response system that allows customers to obtain account balance information and transfer funds between accounts. FNB faces strong competition from other financial institutions located in Ballinger. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on March 31, 1999. No legal impediments or other factors hinder FNB’s ability to provide credit in its AA.

## DESCRIPTION OF RUNNELS COUNTY

FNB has designated Runnels County as its AA. Ballinger is the county seat of Runnels County. Other communities located within the county include Winters, Rowena, Lowake, Norton, Wingate, and Hatchel. Specific demographic data for this area is listed below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b><i>Population</i></b>	
Number of Families	3,170
Number of Households	4,348
<b><i>Geographies</i></b>	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<b><i>Median Family Income (MFI)</i></b>	
1990 MFI for AA	\$23,938
2001 HUD-Adjusted MFI	\$35,800
2002 HUD-Adjusted MFI	\$36,100
<b><i>Economic Indicators</i></b>	
Unemployment Rate	2.57%
2001 Median Housing Value	\$31,713
% of Households Below Poverty Level	19.99%

BNA = Block Numbering Area

The bank’s AA is comprised of five contiguous census tracts. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. A further description of the AA is presented on the following page.

Based on the 1990 Census data, Runnels County has a population of approximately 11 thousand (M). All five census tracts within the county have been classified as middle-income areas. There are 5M housing units in the AA of which 61% are owner-occupied, 20% renter-occupied, and 19% vacant. The local economy is based on farming, ranching, small retail businesses, and light manufacturing. Depressed crop prices and drought conditions have had a negative impact on the agricultural economy. The largest non-agricultural employers in the area are Mueller Supply and Buddy's Plant Plus Corporation, manufactures of metal buildings and plant fertilizer, respectively.

In order to gather more current information on the nature of the community and potential lending opportunities within the AA, we contacted one community leader during this examination. This contact was a city official for the City of Ballinger. The contact stated that there were no unmet credit needs in the city of Ballinger. The contact further stated that FNB is active in the community and responsive to local credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's LTD ratio is considered satisfactory, given its asset size, financial condition, and lending opportunities in the AA. Since the last CRA examination, the LTD ratio has increased from 57% at March 31, 1999, to 67% at December 31, 2002. The average LTD ratio over the past 16 quarters was 62%, which is above an average 57% during the previous evaluation. This increase in the LTD is due to the bank's level of loan participations amongst its affiliated banks located outside of the AA. When excluding the bank's loan participations, the LTD falls to 55% and is below the 57% achieved in 1999. Such performance is consistent and reasonable given the decline in the local economy and available loan demand in the AA. Also, the LTD ratio is reasonable when compared with other banks headquartered in the AA. During the period from January 1999 through December 2002, the competing banks had LTD ratios ranging from 50% to 81%. It should be noted that Citizens State Bank (CSB) is located in close proximity to San Angelo, which provided CSB with access to a different market with greater lending opportunities. The asset size and LTD ratio for FNB and its three competing banks during this period are listed below.

<b>Institution</b>	<b>Assets as of 12/31/02*</b>	<b>Average LTD Ratio %**</b>
Ballinger National Bank	37M	49.99
Citizens State Bank, Miles	37M	81.10
Security State Bank, Wingate	22M	57.59
<b>First National Bank Ballinger</b>	<b>44M</b>	<b>62.25</b>

\* *Asset sizes of institutions are in thousands (000's).*

\*\**The average LTD ratio is based on the period between January 1999 and December 2002.*

## Lending in Assessment Area

A substantial majority of the bank's loans are made within its AA. In order to assess performance for these criteria, we reviewed a sample of 21 commercial, 23 consumer, and 22 agricultural loans originated during 2000 through March 2003. Our analysis determined that 95% of the number and 99% of the dollar amount of commercial loans were made within the AA. We further determined that 87% of the number and 90% of the dollar amount of consumer loans were made within the AA. Finally, 91% of the number and 99% of the dollar amount of agricultural loans were made within the AA.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	20	95	982	99	1	5	13	1
Consumer	20	87	156	90	3	13	18	10
Agricultural	20	91	1,199	99	2	9	15	1
Total Reviewed	60	91	2,337	98	6	9	46	2

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

FNB's loan portfolio reflects an excellent distribution among individuals of various income levels and commercial and agricultural businesses of different sizes within the AA. Our analysis included a sample of 20 consumer, 20 commercial, and 20 agricultural loans originated during the period of 2000 through March 2003.

Our analysis determined that FNB lends to all applicants, regardless of income category. Based on the 1990 Census, 44% of AA households are LMI. Our review determined that 60% of consumer loans were made to LMI households. The following chart reflects the results of our selected sample of consumer loans originated in FNB's AA.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	26.6		16.9		18.4		38.1	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
<b>Total</b>	40	18	20	13	25	39	15	30

FNB originates a good number of commercial and agricultural loans to small businesses. Management continues to focus on providing loans that will enhance the local economy. It should be noted that FNB has established relationships with some of the larger commercial businesses in Ballinger.

<b>BORROWER DISTRIBUTION OF LOANS TO BUSINESSES - COMMERCIAL</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97	3
% of Bank Loans in AA #	85	15
% of Bank Loans in AA \$	77	23

<b>BORROWER DISTRIBUTION OF LOANS TO BUSINESSES - AGRICULTURAL</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	96	4
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

### **Geographic Distribution of Loans**

As previously mentioned herein, all five census tracts located within the AA are classified as middle-income areas. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

### **Responses to Complaints**

No complaints relating to CRA performance have been received by FNB.

### **Fair Lending Review**

An analysis of 1998 through March 2002 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its 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.