



SMALL BANK

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

PUBLIC DISCLOSURE

May 23, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Tom Bean
Charter Number 11019**

**109 S. Britton
Tom Bean, TX 75489**

**Comptroller of the Currency
Dallas
17300 Dallas Parkway Suite 2020
Dallas, TX 75248**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Tom Bean (FNB Tom Bean) has a satisfactory record of meeting community credit needs. This rating is based on the following:

- A significant number of loans sampled originated within the bank's assessment area.
- The bank's average loan-to-deposit ratio during the examination period at 50.90% is reasonable.
- The borrower distribution of sampled commercial loans reflects an excellent penetration of loans made to businesses with revenue of less than \$1.0 million.
- The bank reflects a satisfactory record of lending to borrowers of different incomes.
- The bank's record of lending to residents of moderate-income census tracts warrants improvement.

DESCRIPTION OF INSTITUTION

FNB Tom Bean is a \$38 million community bank located in Tom Bean, Texas. FNB Tom Bean serves Grayson and Red River counties. The main office is in Tom Bean with a branch located in Clarksville. In addition the Clarksville branch has an ATM located onsite.

Management's lending focus is centered in consumer and commercial loans to members of its community. Loan products offered include mortgage, consumer, commercial and agricultural loans. FNB Tom Bean's competition includes local banks, credit unions and savings banks. FNB Tom Bean does not have any financial or legal obstacles affecting its ability to meet its community's needs. The following table represents the principle loan mix of FNB Tom Bean as of December 31, 2004:

Loan Category	\$ (000)	%
Residential Real Estate	6,197	37.19%
Commercial	5,331	32.00%
Consumer Installment	3,763	22.59%
Agricultural	1,353	8.12%
Other	17	.10%
Total	16,661	100%

DESCRIPTION OF ASSESSMENT AREA

FNB Tom Bean has defined its assessment area as Grayson and Red River counties. These counties are not contiguous. The combined assessment area meets regulatory guidelines and does not arbitrarily exclude any low or moderate-income areas (LMI).

The demographics for the combined assessment area (AA) include: total occupied housing units at 88% with owner-occupied housing at 63%, rental-occupied housing at 25%, and vacant housing units at 12%. Other relevant demographic information are reflected in the following table:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF Grayson County	
<i>Population</i>	
Number of Families	30,297
Number of Households	42,834
<i>Geographies</i>	
Number of Census Tracts	26
# - % Low-Income Census Tracts	0%
# - % Moderate-Income Census Tracts	27%
# - % Middle-Income Census Tracts	65%
# - % Upper-Income Census Tracts	8%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$45,272
2003 HUD-Adjusted MFI	\$50,700
2004 HUD-Adjusted MFI	\$52,000
<i>Economic Indicators</i>	
Unemployment Rate	2.28%
2004 Median Housing Value	\$68,675
Average age of housing	34
% of Households on Social Security	30%
% of Households Below Poverty Level	12%
% of Households on Retirement	18%

The local economy of Grayson County is considered to be growing with the largest employers as MEMC, FedEx, Wilson and Jones Hospital, Grayson County Community College, and Sherman Independent School District. The largest industries are services, health care, and education.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF Red River County	
<i>Population</i>	
Number of Families	4,080
Number of Households	5,816
<i>Geographies</i>	
Number of Census Tracts	5
# - % Low-Income Census Tracts	0%
# - % Moderate-Income Census Tracts	0%
# - % Middle-Income Census Tracts	100%
# - % Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$33,757
2003 HUD-Adjusted MFI	\$41,200
2004 HUD-Adjusted MFI	\$42,000
<i>Economic Indicators</i>	
Unemployment Rate	2.60%
2004 Median Housing Value	\$38,292
Average age of housing	33
% of Households on Social Security	35%
% of Households Below Poverty Level	18%
% of Households on Retirement	19%

The local economy of Red River County is considered stagnant with the largest employers as Clarksville Independent School District, Phillips Industries, and Magnolia Brush. The largest industries are agriculture, timber, education and services.

The credit needs of the community were determined through an interview with an individual associated with the City of Tom Bean and City of Clarksville. The community contact opined the bank is able to meet the lending needs of the community, however improved technological services are needed to enhance the bank's appeal to small business and consumers.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The December 31, 2004 Call Report indicates that the majority of FNB Tom Bean's loan portfolio consists of 1-4 family residential, commercial and consumer installment loans. We took a sample of 1-4 family residential, consumer installment and commercial loan types originating between January 1, 2002, and December 31, 2004.

Overall, FNB Tom Bean is meeting the standards of satisfactory performance. The bank's strengths are its lending in its designated assessment area and its lending to businesses with revenues of less than \$1.0 million.

Lending in Assessment Area

Based on our review of FNB Tom Bean’s performance context and lending patterns, the bank exceeds the standards of satisfactory performance.

Lending in Grayson & Red River County										
Loan Type	Number of Loans					Dollars of Loans ('000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	18	90	2	10	20	680	91	65	9	745
Consumer	19	95	1	5	20	194	93	14	7	208
Commercial	19	95	1	5	20	1768	94	113	6	1881
Totals	56	93	4	7	60	2,642	93	192	7	2,834

Source: Sample of residential and commercial loans.

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

In comparison to the performance context, the bank meets the standards for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes. We reviewed the residential loans originated within the bank’s assessment area. FNB Tom Bean’s loan penetration to low-income borrowers is weak and to moderate-income borrowers is satisfactory in comparison to the demographics as seen in the following table:

Borrower Distribution of Residential Real Estate Loans in Red River & Grayson County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	20	5	18	15	23	30	39	50

Source: Sampled residential loans; U.S. 2000 Census data.

Management has stated a reason for the low penetration to low-income borrowers is the limited number of home loan applications received. Also, borrowers with higher incomes are able to produce funds for down payments, which many lower income borrowers are unable to do.

Borrower Distribution of Consumer Loans in Red River & Grayson County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	20	15	18	40	23	25	39	20

The distribution of consumer loans compares favorably as noted by the chart above.

FNB Tom Bean’s lending to business of different sizes is good. We took a sample of 20 commercial loans made within the bank’s assessment area. FNB Tom Bean has originated a significant number of loans to businesses with revenues of less than \$1.0 million. Of the 20 loans reviewed, 18 (90%) were provided to small businesses within the combined assessment area, aggregating a total dollar amount of \$1.3 million.

Loan-to-Deposit Ratio

FNB Tom Bean average loan-to-deposit (LTD) ratio is 51%. Given the bank’s size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. Information for other financial institutions within the bank’s assessment area is detailed in the following table:

Institution	Assets ('000's) As of 03/31/05	Average LTD Ratio
Texas Star State Bank	151,186	84%
Independent Bank	395,634	77%
Red River Bank*	113,824	63%
<i>First National Bank of Tom Bean</i>	<i>37,803</i>	<i>51%</i>

*Red River Bank is a branch of the State Bank of Dekalb

FNB Tom Bean’s LTD ratio appears low in comparison because of its deposit base. A concentration in ownership of some of the demand deposits results in the low loan to deposit ratio. Adjusting for this unusual item produced an adjusted March 31, 2005 LTD ratio of 70%. FNB Tom Bean’s adjusted LTD ratio is reasonable in comparison to other institutions within the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans reflects a need for improvement. We reviewed 20 residential loans, 20 consumer loans and 20 small business loans made within the combined assessment areas. 95% of the installment loans were in middle-income census tracts and 5% in upper-income census tracts. Our review of home loans revealed all loans were in middle-income census tracts. 95% of small business loans were in middle-income census tracts and 5% in upper income census tracts. The absence of lending in low-income census tracts is due to the absence of tracts located within the combined assessment area. However, 27% of the Grayson County assessment area is comprised of moderate-income census tracts and our sample revealed no loans in those tracts.

Responses to Complaints

FNB Tom Bean has not received any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.