



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 27, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Athens
Charter Number 4278**

**125 North Prairieville
Athens, TX 75751**

**Comptroller of the Currency
Longview Field Office
1800 West Loop 281, Suite 306
Longview, TX 75604**

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.

First National Bank of Athens has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is reasonable when compared to other area banks.
- A majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank of Athens is a \$218 million bank located at 125 N. Prairieville, Athens, Texas. The bank is a Sub-chapter S Corporation. In addition to the main office, the bank has branch offices located in Canton, Gun Barrel City, and Eustace, Texas. The bank has automated teller machines (ATMs) located at the Gun Barrel and Athens offices and an additional stand-alone ATM located in Canton. As of September 30, 2001, loans totaled \$117 million and represented 54% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	50,332	43.03
Commercial Loans	16,477	14.08
Residential Real Estate Loans	16,140	13.80
Consumer Loans	34,025	29.09
Total	116,974	100.00%

There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated March 13, 1997.

DESCRIPTION OF ASSESSMENT AREA

The Board has designated Henderson County, Van Zandt County, Texas and one census tract in Kaufman County which includes the cities of Kemp and Mabank. The area includes one low-income tract, fourteen moderate-income tracts, and eleven middle-income tracts with no upper-income tracts. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2000 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	30,149
Number of Households	39,546
<i>Geographies</i>	
Number of Census Tracts/BNA	26
% Low-Income Census Tracts/BNA	3.85%
% Moderate-Income Census Tracts/BNA	53.85%
% Middle-Income Census Tracts/BNA	42.31%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	33,304
2000 HUD-Adjusted MFI	53,400
<i>Economic Indicators</i>	
Unemployment Rate	3.39
2000 Median Housing Value	51,265
% of Households Below Poverty Level	18.33%

The bank's designated assessment area has a total population of 102,313. Only 0.2% of the population live in a low income census tract, 57.6% live in a moderate income census tract, and 42.2% live in middle income census tracts. The distribution of families by income level, regardless of census tract location, consists of the following: 31.5% are low income; 21.1% are moderate income; 20.3% are middle income; and 27.0% are upper income. Major industries in the Athens assessment area include education, retail, medical services and medical related industries. Major employers include Athens Independent School District, Trinity Valley Community College, Champion Homes and Maxxim Medical/Argon. Competition within the assessment area has increased and is considered strong with several banks, credit unions and savings association in Henderson and Van Zandt Counties and the opening of new branch locations of other regional banks in the city of Athens. The local economy is considered stable with an unemployment rate of 3.39%.

Contacts with a local business organization and a local realtor revealed the primary community credit needs for the assessment are small business loans and residential mortgages. The local business organization also noted the lack of availability of housing at all levels.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of First National Bank of Athens is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 47.76% since the prior CRA examination in March of 1997. The average loan-to-deposit ratio of banks within the assessment area for the same time period, was 51.75% with the lowest ratio 35.55% and the highest ratio 71.03%.

Institution	Assets (000s) (as of 9/30/01)	Average LTD Ratio
First National Bank, Edgewood	15,015	52.47
First State Bank, Van	32,131	49.64
First State Bank, Ben Wheeler	50,910	50.53
First State Bank, Brownsboro	52,448	41.77
First National Bank of Canton	59,680	54.55
Citizens National Bank, Wills Point	61,122	58.75
Cedar Creek Bank, Seven Points	109,053	55.45
Citizens State Bank, Chandler	120,035	71.03
First State Bank of Athens	246,176	35.55
First National Bank of Athens	218,995	47.76

Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 277 residential mortgages, 26 commercial loans, and 28 consumer loans which have originated since January 1998. This sample reflected that approximately 72.81% of the number of loans and 68.57% of the dollar amount of loans in our sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	201	72.56	12,695	73.13	76	27.44	4,664	26.87
Consumer	20	71.43	140	56.54	8	28.57	108	43.46
Commercial	20	76.92	6,636	61.52	6	23.08	4,152	38.48
Total Reviewed	241	72.81	19,471	68.57	90	27.19	8,923	100.00

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. First National Bank of Athens' primary product lines are commercial and commercial real estate, residential and consumer loans. Our sample of loans inside the assessment area included 201 residential loans totaling \$22 million, and 20 consumer loans totaling \$140M. The distribution of home purchase and consumer loans generally approximates the income characteristics of the assessment area. While home purchase loans to low income families are at a low level compared to the demographics of the assessment area, consumer loans exceed the percentage by number of low-income families. Borrowing for home purchases by low-income individuals is limited due to the low level of affordable housing stock available in the area.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	31.5		21.1		20.3		27.0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	21.39	6.05	20.40	11.91	19.90	15.31	37.81	66.61

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	34.3		18.4		18.1		29.2	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	50.00	39.65	10.00	18.72	25.00	14.63	15.00	27.00

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 4,149 businesses in the assessment area with revenues less than \$1 million. This number represents 94.77% of all businesses within the assessment area. Our sample of commercial loans inside the assessment area included 20 loans totaling \$6.6 million. While loans to businesses with total revenues less than \$1 million are lower than the percentage of small businesses, a majority of the commercial loans are extended to small businesses. However, the bank has the size and flexibility to be able to extend credit to several large businesses located in the Athens area. These businesses serve as economic stabilizers in the predominately moderate-income area of Henderson County.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94.77	5.23
% of Bank Loans in AA #	70.00	30.00
% of Bank Loans in AA \$	22.87	77.13

Geographic Distribution of Loans

The distribution of loans reflects a reasonable penetration throughout the assessment area given the bank's overall business strategy, locations, and the availability of owner occupied housing. While there has been no residential or consumer lending activity in the low-income tract, this tract is located on the outer edge of the bank's assessment area with a total population of only 189. Additionally, the percentage of owner occupied housing is very low and 47% of the households are below poverty level. Due to the location of the bank in a predominately moderate-income area, residential and consumer lending in moderate-income geographies exceeds the demographics of these tracts.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	.2		58.7		41.1		0.0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	83.08	74.95	16.92	25.05	0	0

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	.2		58.1		41.8		0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	85.00	86.39	15.00	13.61	0	0

The geographic distribution of business loans is also reasonable based on the bank's locations and the demographics of each area. The majority of the bank's commercial loan activity originates from the bank's main office location in Henderson County which, as noted above, is consists of predominately moderate-income tracts.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	.09%		47.21%		52.71%		0.0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	95.00	99.36	5.00	.64	0	0

Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

Fair Lending Review

An analysis of 1998 through 2001's 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. The latest comprehensive fair lending exam was performed in 2000.