



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 26, 2009**

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

First National Bank of Winnsboro  
Charter Number 5674

315 North Main  
Winnsboro, TX 75494-0000

Office of the 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

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

- The loan-to-deposit ratio is more than reasonable given the size, financial condition, competition and assessment area credit needs.
- A substantial majority of the bank's loans are extended to borrowers inside the assessment areas.
- Credit activity reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes within the assessment areas.

**SCOPE OF EXAMINATION**

This Performance Evaluation is an assessment of FNB's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank Performance Criteria. Conclusions regarding the bank's lending performance are based on a review of Commercial Real Estate and Consumer loans originated from January 1, 2006 through September 30, 2008.

**DESCRIPTION OF INSTITUTION**

FNB is a \$128 million bank that is wholly owned by Etex Banco, Inc. The main office is located at 315 North Main Street, Winnsboro, Texas. Other office sites are located at 100 East Coke Road and 115 West Elm in Winnsboro, along with one branch that is located at 11120 State Highway 155 North, Winona, Texas, also known as Owentown. Automated Teller Machines (ATMs) are located at the 115 West Elm and Winona-Owentown locations. As of September 30, 2008 total loans were \$94.8 million and represented 74% of total assets.

A typical assortment of retail and commercial loan products are offered and there are no legal impediments or other factors which would inhibit the bank's lending. FNB received a Satisfactory rating from its previous Community Reinvestment Act (CRA) Examination dated February 17, 2004. The following Charts represent loan originations during the evaluation period for the Winnsboro and Winona-Owentown Assessment Areas.

<b>Winnsboro Assessment Area</b>		
Loan Type	Loans by #	Loans by \$
Commercial Real Estate Loans	125	60,082,648
Commercial Loans	119	6,709,128
Residential Real Estate Loans	164	13,034,831
Agriculture Loans	92	6,424,741
Consumer Loans	521	4,382,289
Other	1	21,270
<b>Total</b>	<b>1022</b>	<b>90,654,907</b>

<b>Winona-Owentown Assessment Area</b>		
Loan Type	Loans by #	Loans by \$
Commercial Real Estate Loans	13	<b>1,902,196</b>
Commercial Loans	23	1,393,314
Residential Real Estate Loans	2	220,885
Consumer Loans	<b>89</b>	482,697
<b>Total</b>	<b>127</b>	<b>3,999,092</b>

## **DESCRIPTION OF ASSESSMENT AREAS**

The Board has designated two assessment areas (AA) for CRA purposes. The assessment area for Winnsboro consists of Hopkins, Wood and Franklin counties in their entirety. The Board has also selected three census tracts within Smith County which is part of the Tyler Metropolitan Statistical Area as its second assessment area. The assessment areas meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude any low or moderate income geographies. Contacts with a local realtor revealed a need for affordable housing.

### **Winnsboro Assessment Area**

Winnsboro, Texas is situated in the Hopkins, Wood and Franklin tri-county area. For this reason, the bank has elected to include all three counties in its assessment area. The city is located approximately 100 miles Northeast of Dallas off of the Interstate 30 corridor. The area is primarily agricultural with industry in the larger cities within the AA. Competition in the area is considered moderate with several local banks and branches located in these counties. The local economy is considered stable with an unemployment rate of 2.86%. The following table provides a description of the bank's assessment area based on 2000 census data and 2008 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF WINNSBORO ASSESSMENT AREA</b>	
<i>Population</i>	
Number of Families	22,339
Number of Households	30,620
<i>Geographies</i>	
Number of Census Tracts/BNA	19
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2008 HUD-Adjusted MFI	\$41,800
<i>Economic Indicators</i>	
Unemployment Rate	2.86%
2000 Median Housing Value	\$64,767
% of Households Below Poverty Level	14.74%

Source: 2000 Census data

### **Winona-Owentown Assessment Area**

The Winona-Owentown Assessment Area consists of three census tracts in Northeastern Smith County which is part of the Tyler Metropolitan Statistical Area. The assessment area straddles the I-20 Corridor approximately 75 miles east of Dallas. The majority of the population within the MSA lives in a closer proximity to the city of Tyler which has numerous independent and larger regional banking centers and competition within the area is high. The Tyler area has seen significant growth over the past few years along with an influx of oil and gas money to the local economy; although this growth has begun to slow along with the greater national economy. A majority of the residents in this assessment area work in Tyler, as this is primarily a residential community with limited industry and commercial businesses. Major employers in the assessment area include the University of Texas Health Center and Winona Independent School District.

The following table provides a description of the bank's assessment area based on 2000 census data and 2008 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF WINONA-OWENTOWN ASSESSMENT AREA</b>	
<i>Population</i>	
Number of Families	4,485
Number of Households	5,796
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33.33%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$44,565
2008 HUD-Adjusted MFI	\$53,000
<i>Economic Indicators</i>	
Unemployment Rate	2.87%
2000 Median Housing Value	N/A
% of Households Below Poverty Level	13.23

Source: 2000 Census Data

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Management has demonstrated satisfactory performance in meeting the credit needs of the communities in which it operates. The following section provides details of our assessment for each performance criteria.

### **Loan-to-Deposit Ratio**

The Loan-to Deposit ratio of FNB is more than reasonable given the size, financial condition, competition and assessment area credit needs. FNB's average loan-to-deposit ratio exceeds that of other banks headquartered in the bank's areas of operation. The bank's loan-to-deposit ratio has averaged 102.52% since its last CRA Examination as compared to a 54.35% average of other institutions of comparable size over the same time period.

<b>Institution</b>	<b>Assets (000s) (as of 9/30/2008)</b>	<b>Average LTD Ratio</b>
First National Bank of Winnsboro	<b>128,041</b>	<b>102.52</b>
Lindale State Bank	99,473	69.56
First National Bank of Mt. Vernon	127,615	55.38
American State Bank in Arp	133,523	37.33
Gilmer National Bank	181,684	55.12

## Lending in Assessment Areas

### Winnsboro Assessment Area

A substantial majority of loans originated during the evaluation period were to borrowers within the bank's assessment area. Our review focused on the bank's two primary loan types: Consumer Loans and Commercial Real Estate Loans. We reviewed a sample of 20 loans for each product type originated during the evaluation period at random. While the volume of commercial real estate loans by dollar amount appears low, it should be noted that these numbers are skewed due to a single large loan totaling \$3.4 million. Therefore, a greater weight was placed on the number of loans originated for both categories. A summary of our findings is illustrated in the following chart:

<b>Lending in Winnsboro Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	15	75.00%	5	25.00%	20	\$150	97.02%	\$5	2.98%	\$154
Commercial Loans	14	70.00%	6	30.00%	20	\$2,558	34.11%	\$4,941	65.89%	\$7,499
Totals	29	72.50%	8	27.50%	40	\$2,708	35.38%	\$4,945	64.62%	\$7,653

### Winona-Owentown Assessment Area

A substantial majority of consumer loans originated during the evaluation period from the Winona-Owentown Branch were within the bank's assessment area. We reviewed a sample of 20 consumer loans selected at random that were originated since January 1, 2006. Below is a summary of our findings:

Lending in Winona-Owentown Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	16	80.00%	4	20.00%	20	\$136	87.21%	\$20	12.79%	\$156

Source: Loan Sample; U.S. Census Data

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

Credit activity reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes within the assessment areas.

**Winnsboro Assessment Area**

The distribution of consumer loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. Lending to low and moderate income borrowers is reasonable and in line with assessment area demographics. The lending to low income borrowers is near that of the area’s demographics and lending to moderate income borrowers greatly exceeds the area demographics and is a clear indicator of the bank’s willingness to meet the credit needs within its community.

Borrower Distribution of Consumer Loans in Winnsboro Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.93	14.29%	15.12%	28.57%	19.31%	14.29%	43.65%	42.86%

Source: Loan Sample; U.S. Census Data

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. While it is difficult to determine the actual composition of businesses given the fact that 44% did not report revenues; 90% of the bank’s lending by number of loans and 73% by dollar volume were to businesses with less than \$1 million in gross revenues.

<b>Borrower Distribution to Businesses in Winnsboro Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	53.21%	2.68%	44.11%	100.00%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AA by \$	73.09%	26.91%	0.00%	100.00%

Source: Loan Sample; Dun and Bradstreet Data.

**Winona-Owentown Assessment Area**

The distribution of consumer loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. Our assessment of consumer loans consisted of a review of 39 borrowers. Based on this analysis, lending within this assessment area reflected reasonable penetration among borrowers of different incomes.

<b>Borrower Distribution of Consumer Loans in Winona-Owentown Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	24.53	21.62%	18.74%	16.22%	23.24%	29.73%	33.49%	32.43%

Source: Loan Sample; U.S. Census Data

**Geographic Distribution of Loans**

The geographic distribution of loans to different income tracts does not reasonably reflect the assessment area’s demographics.

**Winona-Owentown Assessment Area**

The geographic distribution of loans to the moderate income tract was below that of the area’s demographics. This is mitigated to a certain extent given the fact that the moderate income tract is located near the greater Tyler area where banking competition is much higher. Given the low loan volume in this branch, greater emphasis was given to performance in the Winnsboro Assessment Area in determining the overall performance of the bank.



Geographic Distribution of Consumer Loans in Winona-Owentown Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	36.96%	13.51%	63.04%	86.49%	0.00%	0.00%

Source: Loan Sample; U.S. Census Data

**Winnsboro Assessment Area**

We did not perform an assessment of the geographic distribution of loans in the Winnsboro Assessment Area. This area did not contain any low or moderate income tracts; therefore an analysis of the geographic distribution of loans would not be meaningful.

**Responses to Complaints**

First National Bank has not received any complaints or public comments regarding CRA performance during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.