



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**July 27, 2004**

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

**First National Bank of Jasper  
Charter Number 14886**

**301 East Houston Street  
Jasper, TX 75951**

**Comptroller of the Currency  
Houston East Field Office  
1301 McKinney, Suite 3410  
Houston, TX 77010**

**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 major factors that support this rating include:

- The bank's quarterly average loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area (AA) credit needs.
- Based on our sample of loans, the bank originated a majority of their small business loans, consumer loans and residential mortgage loans within its AA.
- The bank's distribution of loans among borrowers of different income levels is good. The bank's percentage of small business loans to businesses with revenues less than \$1 million exceeds the percentage of small businesses in the AA.
- The bank has not received any consumer complaints regarding CRA performance.

## DESCRIPTION OF INSTITUTION

First National Bank of Jasper (FNB Jasper) is a \$190 million institution located in Jasper, Texas. The bank is 100% owned by East Texas Bancshares, Inc, a two-bank holding company located in Livingston, Texas. The bank has one bank affiliate, First State Bank, located in Livingston, Texas. Total assets of the holding company as of December 31, 2003 were \$398 million.

FNB Jasper offers Saturday morning drive-up hours and an Automatic Teller Machine (ATM) conveniently located on the bank's parking lot. The bank has one branch in Woodville, Texas located about thirty miles west of the main bank location. Also, an ATM is available under the drive-in canopy at the Woodville branch location to serve the bank's customers who live or travel through that area.

As of June 30, 2004, FNB Jasper had total assets of \$190 million, of which \$61 million, or 32%, were composed of various types of loans. FNB Jasper serves the counties of Jasper, Newton and Tyler. FNB Jasper offers a wide range of credit products to its community including mortgage loans, consumer loans, commercial loans and construction loans. The following table reflects a detailed breakdown of FNB Jasper's loan portfolio as of June 30, 2004.

<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>% of Total Loans</b>
Real Estate (RE) Nonfarm Nonresidential	\$27,387	45%
RE Residential (1-4)	\$11,139	18%
RE Farmland	\$753	1%
RE Construction	\$380	1%
Consumer	\$14,981	25%
Commercial and Industrial	\$3,618	6%
Other	\$2,598	4%
<b>Total</b>	<b>\$61,124</b>	<b>100%</b>

FNB Jasper is now the only locally-owned independent bank in Jasper County. FNB Jasper continues to be the largest financial institution in its market area with a deposit market share of 35.53%. Competition comes from branches of larger banks, other small banks in the rural areas, insurance offices and offices of investment firms competing for market share. Specific competition includes: East Texas Bank & Trust (formerly First State Bank), Texas State Bank (formerly Community Bank), First National Bank of Newton and Citizens State Bank in Woodville. The bank is actively pursuing new products and services to ensure they remain competitive.

There are no financial conditions or circumstances that may impede the bank's ability to meet the credit needs of the community. The bank was rated "Satisfactory" in the previous CRA Public Evaluation disclosure dated October 13, 1998.

## DESCRIPTION OF FNB OF JASPER ASSESSMENT AREA

The bank's assessment area (AA) as of June 30, 2004 consisted of block number areas (BNAs) within Jasper, Tyler, and Newton counties. The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. According to the 1990 housing data as provided in the census, there are 17 BNAs in the Jasper AA.

The total population of the AA is 61,317 consisting of 17,418 families and 22,756 households. Approximately 23% of the families are categorized low-income, 18% are moderate-income, 21% are middle-income and the remaining 37% are upper-income. Households below the poverty level and households that receive public assistance are relatively high at 21% and 10%, respectively.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b>Population</b>	
Number of Families	17,418
Number of Households	22,756
<b>Geographies</b>	
Number of Census Tracts/BNAs	17
% Low-Income Census Tracts/BNAs	0%
% Moderate-Income Census Tracts/BNAs	12%
% Middle-Income Census Tracts/BNAs	88%
% Upper-Income Census Tracts/BNAs	0%
NA	0%
<b>Median Family Income (MFI)</b>	
1990 MFI for AA	\$24,585
2002 HUD-Adjusted MFI	\$36,100
<b>Economic Indicators</b>	
Unemployment Rate	3%
2002 Median Housing Value	\$36,198
% of Households Below Poverty Level	21%

The local economy is considered moderate with an unemployment rate of 3% for the three counties combined. The largest industry in the AA has been timber, but the contribution of the timber industry to the local economy has decreased in recent years. The construction of the Sam Rayburn Reservoir and the development of rural subdivisions has led to recreational, retirement, and tourism as major contributors to the economy in the bank's AA.

## COMMUNITY'S CREDIT NEEDS

One CRA-related community contact was made with a local businessman that is very knowledgeable of the economic and business development environment in the community. This contact indicated the need for loans to small businesses and the need for financial education for the youth in the community. Bank management has identified small business and residential mortgages as the primary credit needs within the assessment area. However, they noted that loan demand remains low as the majority of the residents are low-income and retired citizens who do not borrow extensively.

FNB Jasper is in regular contact with community leaders and organizations to ensure ongoing communication and to determine what the bank can do to meet credit needs. The community contact and bank management indicated that FNB Jasper has been able to meet some of these needs through its ongoing community development efforts and activities.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

In evaluating the bank's lending performance, a random sample of 13 business loans, 21 consumer loans and 33 residential mortgage loans were reviewed. Because consumer and residential mortgage lending are the primary lending focus of the bank, consumer and residential mortgage lending performance was weighted more heavily in assessing the bank's performance.

### Loan-to-Deposit Ratio

FNB Jasper's quarterly average loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area (AA) credit needs. Bank management indicated that loan demand in the area is low due to the decline in the local industries in the area, which explains the bank's low loan-to-deposit (LTD) ratio. As a result, a large percentage of the bank's earning assets are in investment securities. FNB Jasper had public funds totaling \$54 million and adjusting the total deposits to reflect this amount resulted an adjusted loan-to-deposits ratio of 52% as of

June 30, 2004. Overall, FNB Jasper's lending activity in the AA is good and meets the standards for satisfactory performance. The quarterly average was derived using the time period from December 31, 1998 through June 30, 2004. FNB Jasper's quarterly loan-to-deposit ratio was low when compared to other banks that are located in the bank's AA. Detailed in the table below is FNB Jasper's average loan-to deposit ratio compared to other local banks.

Institution	Total Assets as of March 31, 2004*	Average Loan-to-Deposit Ratio %**
First Bank & Trust East Texas	\$531,153	67.80%
Citizens State Bank	\$116,005	56.46%
Texas State Bank	\$72,754	97.20%
First National Bank Newton	\$111,210	59.25%
<b>FNB Jasper</b>	<b>\$195,876</b>	<b>31.28%</b>

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

\*\* The average LTD ratio for the comparable banks is for the period from 12/31/99 through 3/31/04.

## Lending in Assessment Area

FNB Jasper meets standards for satisfactory performance for lending within its AA both in number and dollar volume. Consumer loans and residential mortgage loans comprise 43% of the loan portfolio. Outside of commercial real estate loans, these are the primary lending focus. Our analysis of a sample of consumer, residential and commercial loans reflected 85% of the number and 82% of the dollar amount are within the AA. Performance for each category reviewed demonstrated a majority of loans are made in the AA as reflected on the following table.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	13	100.0	0	0	13	\$553	100	0	0	\$553
Consumer	18	85.7	3	14.3	21	\$70	72.2	\$27	27.8	\$97
Residential	26	78.8	7	21.2	33	\$1,451	77.0	\$433	23.0	\$1,884
Total Reviewed	57	<b>85.1</b>	10	14.9	67	\$2,074	<b>81.8</b>	\$460	18.2	\$2,534

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

FNB Jasper's overall distribution of loans by income level is reasonable and meets the standards for satisfactory performance. Since consumer and mortgage lending is the bank's primary loan type, more weight was placed on consumer and mortgage lending performance than small business lending performance.

The bank's overall distribution of residential mortgage loans by income level is adequate. The percentage of the number and dollar amount of loans to low-income borrowers is below the percentage of low-income families in the AA. The percentage of the number of loans to moderate-income borrowers exceeds the percentage of moderate-income families households in the AA.

Borrower Distribution of Residential Real Estate Loans								
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	22.3	0	17.4	23.1	21.9	23.1	38.4	53.8

The bank's distribution of loans is good. Based on our sample of loans, FNB Jasper originated 69% of the number and 53% of the dollar volume of small business loans to businesses with revenues of less than \$1million. The bank's performance is near to the percentage of small businesses in the AA reporting revenues of less than \$1 million as illustrated in the table below.

<b>Borrower Distribution of Loans to Businesses/Farms</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.1	2.8	31.1	100
% of Bank Loans in AA by #	69.2	30.8	0.0	100
% of Bank Loans in AA by \$	53.0	47.0	0.0	100

The bank's overall distribution of consumer loans by income levels is adequate. The percentage of the number and dollar amount of loans to low-income borrowers exceeds the percentage of low-income households in the AA. The percentage of the number of loans to moderate-income borrowers exceeds the percentage of moderate-income households. Consumer lending is a major focus for the bank.

<b>Borrower Distribution of Consumer Loans</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
Consumer Loans	26.8	33.3	14.8	27.8	18.5	22.2	39.9	16.7

### **Geographic Distribution of Loans**

We determined a geographic distribution analysis of the bank's loans would not be meaningful as the assessment area has no low-income BNAs and only 2 out of the 17 BNAs in the AA are moderate-income. Based on the sample review, the majority of the bank's lending is in middle-income BNAs.

### **Responses to Complaints**

During this evaluation period, FNB Jasper did not receive any consumer complaints that relate to CRA performance.

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

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