



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 24, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bastrop
Charter Number 4093**

**489 Highway 71 West
Bastrop, TX 78602**

**Comptroller of the Currency
San Antonio - North
10101 Reunion Place Boulevard, Suite 402
San Antonio, TX 78216**

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.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding."

The First National Bank of Bastrop's (FNBB) lending performance reflects an outstanding responsiveness to community credit needs. The following highlights the bank's performance.

- FNBB's loan-to-deposit (LTD) ratio meets the standard for satisfactory performance. The LTD averaged 66% since our last examination. Over the same time period, the average LTD for similarly situated banks ranged from 56% to 86%.
- A substantial majority of FNBB's loans are within its assessment area (AA).
- The distribution of borrowers reflects a good penetration to individuals of different incomes and business of different sizes.
- The geographic distribution of loans exceeds AA demographic characteristics. This pattern of lending exceeds the standard for satisfactory performance.
- The bank is active in the community by providing loans and services to low- or moderate- income (LMI) individuals and small business owners.
- There have been no complaints with respect to FNBB's CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Bastrop has total assets of \$295 million with loans totaling \$163 million. FNBB operates out of six facilities located at the following addresses:

- 1) 501 Highway 71 West, Bastrop, Texas;
- 2) 1312 Highway 290, Elgin, Texas;
- 3) 312 Main Street, Smithville, Texas;
- 4) 1021 Main Street, Bastrop, Texas;
- 5) 489 Highway 71 West, Bastrop, Texas; and
- 6) 118 Highway 21 West, Cedar Creek, Texas.

The last two locations are new since the prior CRA examination. The facility located at 489 Highway 71 West in Bastrop serves as the bank's main facility. There is an automated teller machine (ATM) located at each facility. Additionally, the bank has two new ATMs in businesses located in Smithville and Bastrop. Customers are provided 24-hour banking service through Internet banking.

The bank's primary focus is to promote economic development in its AA through its lending programs. FNBB's market niche is residential and commercial real estate. Loans make up 55% of the bank's total assets. As of June 30, 2007, the loan portfolio consisted of the categories noted on the following table.

LOAN CATEGORY	\$ (000)	%
Real Estate (RE) Residential (1-4)	58,054	35.7
RE Nonfarm Nonresidential	40,342	24.9
Construction Loans	20,491	12.6
Commercial and Industrial	12,869	7.9
RE Farmland	12,769	7.8
Consumer	11,881	7.3
Agricultural Production	3,792	2.3
Obligations of Municipalities	1,535	.9
Other	624	.4
RE Multifamily	470	.2
Total	162,827	100%

DESCRIPTION OF ASSESMENT AREA

FNBB has designated Bastrop County as its AA. Bastrop County consists of 8 census tracts (CT). These census tracts include two moderate- and six middle-income areas. Prior to 2003 Bastrop County consisted of three moderate- and five middle-income CTs. There are no low-income CTs within the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude (LMI) geographies. Principal communities located in the AA include the cities of Bastrop, Elgin, Cedar Creek, and Smithville. Bastrop County is one of five counties that make up the Austin-Round Rock Metropolitan Statistical Area (MSA). Specific demographic data for the AA is provided below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	14,829
Number of Households	20,067
<i>Geographies</i>	
Number of Census Tracts	8
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	25%
% Middle-Income Census Tracts	75%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$59,498
2006 HUD-Adjusted MFI	\$69,600
2005 HUD-Adjusted MFI	\$68,600
2004 HUD-Adjusted MFI	\$68,600
<i>Economic Indicators</i>	
Unemployment Rate	2%
2000 Median Housing Value	\$87,444
% of Households Below Poverty Level	11%

Based on its financial condition, resources, the local economy, product offerings, and competition, FNBB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder the bank's ability to provide credit in its AA. FNBB received a "Satisfactory" rating at its previous CRA examination conducted in September 2003.

In order to gather more current information on the nature of the community and potential lending

opportunities in the AA, we contacted Reverend R.D. Smith, Pastor of Mt. Rose Baptist Church, and Brandy Spencer, Executive Director of the Bastrop Housing Authority. The community contacts stated the economy of Bastrop has experienced some growth. Ms. Spencer stated there is a need for affordable housing in the city. Both contacts had a favorable perception of the FNBB and expressed there are no unmet credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNBB's performance in meeting the credit needs of the AA, including LMI individuals and areas consistent with its resources and capabilities, is outstanding.

Loan-to-Deposit Ratio

FNBB's LTD ratio meets the standard for satisfactory performance given its asset size, financial condition, and lending opportunities within its AA. The average LTD ratio over the 16 quarters since the last examination is 66%. This ratio has remained relatively stable from the prior CRA examination's average ratio of 67%. The LTD is reasonable when compared to other similarly situated banks located in the AA. LTD ratios for these banks ranged from 56% to 86%.

INSTITUTION	ASSETS AS OF 06/31/2007	AVERAGE LTD RATIO %
Roscoe State Bank- Roscoe	84,013	55.8
First State Bank- New Braunfels	219,163	85.8
TrustTexas Bank-Cuero	153,649	55.6
First State Bank- Granger	77,928	71.9
FNB Bastrop	294,827	66.1

Lending in Assessment Area

A substantial majority of the number and dollar volume of loans originated from January 2004 through December 2006 are in the bank's AA. Of all loans originated during the period, 86.8% of the number and 82.7% of the dollar amount of loans are within FNBB's AA. These figures are supported through the analysis of aggregate HMDA data for January 2004 through December 2006 as well as a random sample of 31 commercial real estate loans originated during the same period. Please see the table on the following page for details.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
<i>Loan Type</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Home Purchase	260	83.3	25,093	80.7	52	16.7	5,988	19.3
Home Refinance	157	89.7	13,528	87.9	18	10.3	1,866	12.1
Home Improvement	168	89.8	4,852	88.8	18	10.2	615	11.2
Commercial Real Estate	26	83.9	3,577	71.9	5	16.1	1,393	28.1
<i>Total Reviewed</i>	<i>611</i>	<i>86.8</i>	<i>47,050</i>	<i>82.7</i>	<i>93</i>	<i>13.2</i>	<i>9,862</i>	<i>17.3</i>

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

FNBB's loan portfolio reflects a good distribution among individuals of various income levels and businesses of different sizes within the AA.

Based on our review of aggregate HMDA data, the bank's level of residential real estate lending to moderate-income families exceeds area demographics. However, the level of lending to low-income families is below area demographics. The reason for the lower level of lending to low-income families is the relatively low supply of affordable housing coupled with the poverty level of the AA (11%). FNBB works with the Bastrop Housing Authority to help provide low-income housing to area LMI residents.

RESIDENTIAL REAL ESTATE								
BORROWER INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	24.7%		22.6%		26.4%		26.3%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	16.9	7.4	25.4	19.9	27.8	27.4	29.9	45.3

We reviewed 31 commercial real estate loans to determine the lending distribution among businesses of different sizes. FNBB's lending to small businesses exceeds area demographics. Management continues to focus on providing loans that will enhance and support the local economy.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
BUSINESS REVENUES	≤\$1,000,000	>\$1,000,000
% of AA Businesses	96.6%	3.4%
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent dispersion of loans throughout the AA when compared to area demographic characteristics. We based our analysis on FNBB's residential and commercial real estate loans which, combined, comprise 61% of total loans as of June 30, 2007.

The geographic distribution of residential and commercial real estate loans made to individuals and

businesses, respectively, located in moderate-income census tracts exceeds AA demographics. The bank has a branch in Smithville and Cedar Creek where the AA's two moderate-income census tracts (CTs) are located. FNBB's presence in the moderate-income CTs has helped improve its CRA performance by allowing the bank to make more loans in moderate-income CTs.

GEOGRAPHIC DISTRIBUTION OF LOANS - RESIDENTIAL REAL ESTATE								
CENSUS TRACT INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0.0%		15.8%		84.2%		0.0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0	0.0	24.5	25.9	75.5	74.1	0.0	0.0

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS - COMMERCIAL REAL ESTATE								
CENSUS TRACT INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0.0%		16.6%		83.4%		0.0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0	0.0	23.1	16.7	76.9	83.3	0.0	0.0

Qualified Investments and CD Services

FNBB is active in the community by providing loans and services that impact LMI individuals and small business owners. Since its last CRA examination conducted in 2003, the bank has made several loans to help LMI individuals with the purchase of a house, provided small business owners funding to expand operations, and participated in an ATM program to benefit LMI individuals.

FNBB has made several loans to the Bastrop Housing Authority to construct low-income housing. These loans totaled approximately \$165 thousand. Additionally, the bank participates in the Homebuyer Equity Leverage Partnership program through the Federal Home Loan Bank. This program assists LMI first-time home buyers with matching funds for down payment and closing costs. If the home buyer has the support of a bank, the matching funds are greater.

In 2007, FNBB made a \$175 thousand loan to a local small business to help expand its operations and create approximately 38 new jobs for the local community. Furthermore, the bank also helped this same business obtain a \$25 thousand grant to provide additional funding for this project.

FNBB participates in the Texas Electronic Benefit Transfer ATM program. This program allows ATM access to Temporary Assistance for Needy Families beneficiaries at reduced costs. Under the program ATM cash withdrawal fees paid to ATM providers will be kept to a minimum and surcharge fees are not allowed.

Responses to Complaints

FNBB has received no complaints relating to the bank's performance under the CRA.

Fair Lending or Other Illegal Credit Practices Review

FNBB has not been subjected to a Fair Lending review. However, based on our review of complaint records and consumer files during this evaluation period, we found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.