



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**November 8, 2011**

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

**The First National Bank of Evant  
Charter Number 12739**

**115 South Memory Lane  
Evant, TX 76525**

**Comptroller of the Currency  
Assistant Deputy Comptroller  
San Antonio – North Field Office  
10101 Reunion Place, Suite 250  
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.

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

The First National Bank (FNB) of Evant's lending performance is satisfactory in meeting the credit needs of its assessment area (AA) based on the following:

- The quarterly average loan-to-deposit (LTD) ratio of 70% demonstrates a satisfactory level of performance and compares favorably against banks of similar size in the AA.
- FNB originated a substantial number of loans within its AA since the prior evaluation.
- FNB's loan portfolio reflects a satisfactory distribution of lending to businesses of different sizes, but a below average penetration to low- to moderate-income (LMI) borrowers.
- Our sample noted that your geographic distribution for mortgage loans is in line with area demographics, but below average for loans to businesses. There is only one moderate-income census tract and no low-income census tract in the AA.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Evant is located at 115 South Memory Lane in Evant, Texas, which is approximately 90 miles northwest of Austin, Texas. The bank is a locally-owned and managed financial institution, with \$63 million in total assets as of June 30, 2011. FNB opened its first full-service branch in Gatesville, Texas, approximately 25 miles east of Evant, in November 2006. The Gatesville office is located at 3411 East Main Street.

FNB offers a variety of lending and deposit services, as well as safe deposit boxes, notary services, wire transfers, and Internet banking. Community credit needs are met through the offering of consumer, agricultural/business-related, and real estate loans. Drive-through facilities are provided at the main and Gatesville offices. The Gatesville branch has a 24-hour deposit-taking automated teller machine (ATM). In Evant, there is an ATM located at the Elk Stop Convenience Store on Highway 281, a mile away from the Evant branch.

The bank's primary focus is to promote economic development in its AA through its lending programs. Loans represent 57% of FNB's total assets, a decrease of 30% since the prior evaluation. The loan portfolio is diverse and is primarily comprised of 1-4 family residential real estate, commercial, and commercial real estate loans. Accordingly, our evaluation focused on these loan products.

The table below reflects a detailed breakdown of FNB's loan portfolio as of June 30, 2011.

<b>Composition of the Bank's Loan Portfolio As of June 30, 2011</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>% of Total Loans</b>
Residential RE 1-4	13,463	36.98
Real Estate (RE) Non-farm Nonresidential	5,430	14.91
Consumer	4,920	13.51
Commercial and Industrial	4,064	11.16
Agricultural	3,802	10.44
RE Farmland	2,586	7.1
Re Construction, Land Development	1,225	3.37
Multifamily Residential	720	1.98
Other	199	0.55
<b>Total</b>	<b>36,409</b>	<b>100%</b>

*Source: June 30, 2011 Report of Condition*

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's AA consists of fifteen (15) contiguous census tracts (CTs). The CTs are located in two adjacent counties: Coryell and Lampasas. The AA includes all CTs within the two counties, except CT 0105.00 in Coryell County. This CT is a designated U.S. military base, which has an exclusive agreement with a different financial institution to service the base. All CTs in Coryell County, except for CT 0101.00 are a part of the Killeen-Temple-Fort Hood Metropolitan Statistical Area (MSA).

FNB's two branches and two deposit-taking ATMs are located in Coryell and Lampasas County. The bank had included two other counties, Hamilton and Mills, in their AA at the prior evaluation, even though the bank's branches or ATMs have never been located in either County. This was because historically, loans were made to individuals and businesses in Hamilton County but this has ceased since the Gatesville branch opened.

The city of Evant is centrally located within the Coryell and Lampasas AA, which has a combined population of approximately 92,000. Based on U.S. Census Data, 0% of the families in the combined AA are low-income, while moderate-income families account for 13% of the population. The remaining AA is comprised of 87% middle-income and there are no upper-income families. The local economy is stable. Major employers in the AA include the agricultural industry, local school districts, and the Texas Department of Corrections located in Gatesville.

A review of FNB's lending practices revealed no evidence of illegal discrimination. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. Based on its financial condition, resources, the local economy, product offerings, and competition, FNB 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. FNB received a "Satisfactory" rating at its previous CRA examination conducted in December 2006.

Table 1 below reflects demographic information for the AA derived from the 2000 Census.

<b>Table 1 - Demographic and Economic Characteristics of Assessment Area</b>	
<b>Population</b>	
Number of Families	20,278
Number of Households	26,485
<b>Geographies</b>	
Number of Census Tracts (CTs)	15
Low-Income CTs	0
Moderate-Income CTs	2
Middle-Income CTs	13
Upper-Income CTs	0
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	
2008 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$52,000
2009 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$54,000
2010 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$54,900
2011 Department of Housing and Urban Development (HUD) - Adjusted MFI	\$55,900
<b>Economic Indicators</b>	
Unemployment Rate	3%
2011 Median Housing Value	\$70,977
% of Households Below Poverty Level	10%

Source: 2000 Census Data; Department of Housing and Urban Development

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

***FNB's LTD ratio is satisfactory given its asset size, financial condition, and lending opportunities available within the AA.*** During this evaluation period, the LTD ratio averaged 70%. This compares very well with banks of similar size located in the AA. See Table 2 below.

<b>Table 2 – Loan to Deposit Ratio</b>		
<b>Institution</b>	<b>Total Assets*</b>	<b>Average Loan to Deposit Ratio</b>
Oglesby State Bank	14,238 M	90.98 %
First Texas Bank Lampasas	113,568 M	29.53 %
National Bank, Gatesville	470,948 M	57.81 %
<b><i>The First National Bank of Evant</i></b>	<b><i>63,199 M</i></b>	<b><i>69.94 %</i></b>

Source: Institution Consolidated Reports of Condition

\*As of June 30, 2011

**Lending in Assessment Area**

***FNB’s lending in the AA is good given its asset size, financial condition, and lending opportunities.***

The bank’s primary market has expanded east to Gatesville, Texas. A substantial majority of the bank’s loans are made within its AA. In order to assess performance for these criteria, we reviewed a sample of 22 commercial and 21 consumer loans originated between 2009 through June 30, 2011. Our decision to sample consumer loans was based on the fact that FNB’s primary product is based on the number of loans and dollar volume of loans originated. We sampled commercial loans as those were the second largest loan product based on number and dollar volume of loans originated.

Our sample found that 95% of the number and 93% of the dollar amount of commercial loans were made within the AA. Our consumer loan sample found that 100% of the number of consumer loans was made within the AA.

Table 3 - Number of Loans Made In/Out of Assessment Area								
LOAN TYPE	In Assessment Area				Out of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	21	95.45	1,378	93.24	1	4.55	100	6.76
Consumer	21	100	1,212	100	0	0	0	0
<b>Total Reviewed</b>	<b>42</b>	<b>97.67</b>	<b>2,590</b>	<b>96.28</b>	<b>1</b>	<b>2.33</b>	<b>100</b>	<b>3.76</b>

Source: Bank Records

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

Our sample noted below average penetration to borrowers of different income and average penetration to commercial businesses of different sizes within the AA. Our analysis included a sample of 22 commercial and 21 consumer loans originated during the period between 2009 and June 30, 2011.

The borrower distribution of consumer loans to LMI in this AA reflects performance below area demographics. Based on the 2010 Census information for Coryell-Lampasas Counties, 18% and 18% of AA households are low- and moderate-income households, respectively. With regard to dollar volume, approximately 10% of consumer loans and 7% of the number of consumer loans were made to moderate-income families. No loans in our sample were made to low-income families. Table 4 reflects the results of our selected sample of consumer loans originated in the Coryell-Lampasas County AA.

Table 4 - Borrower Distribution of Residential Real Estate Loans in Coryell Lampasas Counties Assessment Area								
BORROWER INCOME LEVEL	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	18.00%		17.85		23.46		40.69	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
<b>Total</b>	0	0	9.52	6.60	23.81	22.94	66.67	70.46

Small businesses are defined as having annual gross revenues of \$1 million or less. The bank's record of lending to small businesses is in line with area demographics. According to U.S. Census information, 81% of businesses in the AA have revenues of less than \$1 million. Of the business loans FNB originated in the AA, approximately 86% had revenues below \$1 million. Table 5 reflects the results of our selected sample of commercial loans originated in Coryell-Lampasas AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81.10	2.12	16.78	100%
% of Bank Loans in AA by #	86.36	9.09	0	100%
% of Bank Loans in AA by \$	51.32	46.72	0	100%

Source: Loan sample; Dunn and Bradstreet data.

### Geographic Distribution of Loans

Our sample revealed that geographic distribution of residential mortgage loans is in line with area demographics. There is only one moderate-income CT and no low-income CTs in the AA. The level of performance in the moderate-income tract is satisfactory. The 2000 US Census Data reflects 5% of owner-occupied housing located in the moderate-income CT, while 4% of FNB's percentage of 1-4 family real estate loans originated are in the moderate income CT. See Table 6 below.

Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% Owner Occupied in AA	0.00	5.18	94.82	0.00
	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>
<b>1-4 Family Real Estate</b>	<b>0.00</b>	<b>4.76</b>	<b>95.24</b>	<b>0.00</b>

Source: 2000 Census Data; Bank Records

Our sample revealed that the geographic distribution of loans to businesses is below area demographics. FNB originates approximately 2% of loans to businesses in the moderate-income CT. U.S. Census data indicates 14% of non-farm businesses are located in this CT. The moderate-income CT is at the geographic edge of the AA in the city of Lampasas. See Table 7 below.

Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Non-Farm Businesses	0.00	13.57	86.43	0.00
	<i>% of Bank Loans</i>	<i>% of Bank Loans</i>	<i>% Bank Loans</i>	<i>% of Bank Loans</i>
<b>Commercial Loans</b>	<b>0.00</b>	<b>1.69</b>	<b>98.31</b>	<b>0.00</b>

Source: 2000 Census Data; Bank Records

**Responses to Complaints**

There have been no consumer complaints relating to the bank's 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.