



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 24, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Crockett
Charter Number 4684**

**415 East Goliad
Crockett, TX 75835**

**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 Crockett has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is good based on its size and complexity.
- A majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The bank has satisfactorily responded to consumer complaints received during this examination period.

DESCRIPTION OF INSTITUTION

First National Bank of Crockett (FNB) is a \$127 million bank which is wholly owned by Crockett of Delaware Bancshares, Inc. The bank is located at 415 East Goliad, Crockett, Texas and has a limited service branch located at 1055 Loop 304 East, Crockett, Texas. The bank also operates First Bank of Canyon Creek, a full service branch located at 151 North Collins in Richardson, Texas. As of June 30, 2003, loans totaled \$87 million and represented 69% 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	29,599	34.05
Commercial Loans	16,560	19.05
Agriculture Loans	8,387	9.65
Residential Real Estate Loans	18,025	20.73
Consumer Loans	14,367	16.52
Total	\$86,938	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 April 19, 1999.

DESCRIPTION OF ASSESSMENT AREAS

The Board has designated two assessment areas for CRA purposes. The assessment areas include the locations in which the bank has offices, and include Houston County and the city of Richardson and adjacent Collin County. These assessment areas meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude low and moderate-income geographies.

Houston County

Houston County is a rural county located approximately 100 miles from Houston, Texas and serves as the bank's assessment area for the Crockett branches. The assessment area includes no low-income tracts, two moderate-income tracts, five middle-income tracts and no upper-income tracts. The following table provides a description of the bank's assessment area based on 1990 census data and 2002 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,646
Number of Households	7,773
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	29.00%
% Middle-Income Census Tracts/BNA	71.00%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$23,299
2002 HUD-Adjusted MFI	\$36,100
<i>Economic Indicators</i>	
Unemployment Rate	3.00%
2002 Median Housing Value	\$39,125
% of Households Below Poverty Level	26%

Houston County has a total population of 21,375. The distribution of families by income level, regardless of census tract location, consists of the following: 26.07% are low income, 17.34% are moderate income, 17.71% are middle income, and 38.88% are upper income. Major employers in Houston County include Vulcraft, Crockett Independent School District, East Texas Medical Center, and the Crockett State School. Competition in Houston County is considered moderate with several local banks and branches of other banks in the county. The local economy is considered stable with an unemployment rate of 3.00%.

Contacts with local business organizations in Crockett revealed the primary community credit needs for the assessment are small business loans and residential mortgages.

Richardson and Collin County

The city of Richardson and Collin County are located in the Dallas metropolitan area and serve as the assessment area for the bank's branch in Richardson, Texas. The assessment area includes no low-income tracts, five moderate-income tracts, 18 middle-income tracts and 41 upper-income tracts. The following table provides a description of the bank's assessment area based on 1990 census data and 2002 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	99,967
Number of Households	131,227
<i>Geographies</i>	
Number of Census Tracts/BNA	66
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	8.00%
% Middle-Income Census Tracts/BNA	27.00%
% Upper-Income Census Tracts/BNA	62.00%
% NA Census Tracts/BNA	3.00%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$54,663
2002 HUD-Adjusted MFI	\$66,500
<i>Economic Indicators</i>	
Unemployment Rate	2.00%
2002 Median Housing Value	\$112,339
% of Households Below Poverty Level	5%

The area including the city of Richardson and Collin County have a total population of 359,940 based on 1990 census data. Collin County has been the fastest growing county in Texas in the last decade with the bank's assessment area being the heart of what is know as the Telecom Corridor. The distribution of families by income level, regardless of census tract location, consists of the following: 9.57% are low income, 12.09% are moderate income, 19.79% are middle income, and 58.55% are upper income. Richardson has a business base dominated by high tech companies and serves as home to approximately 600 technology firms. Other major employers in the assessment area include education facilities and medical related services. Competition is very strong with numerous banks, bank branches and credit unions in the area. The local economy is considered good with an unemployment rate of 2.00%.

Contacts with a local business organization in Richardson revealed the primary community credit needs for the assessment area are commercial loans, as Richardson consists of primarily commercial businesses.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is good given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 76.63% since the prior CRA examination in April of 1999. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 58.37%.

Institution	Assets (000s) (as of 6/30/03)	Average LTD Ratio
First National Bank of Crockett	126,964	76.63%
Citizens National Bank, Crockett	72,597	56.58%
Grapeland State Bank, Grapeland	18,480	29.92%
First State Bank of Grapeland	56,185	67.11%
Lovelady State Bank, Lovelady	26,684	61.61%

Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of all HMDA reported residential purchase loans made in the years 2000 through 2002. We also reviewed 61 commercial loans and 25 consumer loans which originated since April 1999. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	109	68.99	10,810	65.17	49	31.01	5,777	34.83
Commercial	50	81.97	10,422	74.07	11	18.03	3,649	25.93
Consumer	21	84.00	122	70.00	4	16.00	52	30.00
Total Reviewed	180	73.77	21,354	69.26	64	26.23	9,478	30.74

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

Houston County

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of home purchase 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 of low and moderate-income households. Borrowing for home purchases by low- and moderate-income individuals is limited due to the low level of affordable housing stock available in the area. Furthermore, approximately 26% of the households in Houston County are below poverty level, limiting their ability to afford the purchase of a home.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26.1		17.3		17.7		38.9	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	7.79	4.54	14.29	6.90	22.08	17.03	55.84	71.54

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	31.7		14.5		14.3		39.5	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	47.62	27.63	19.05	13.18	9.52	21.08	23.81	38.11

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 1,247 businesses in the assessment area; however, revenue information was not reported for approximately 27% of the businesses. As a result, the percentage of businesses by income level may not accurately reflect a true percentage of the businesses in each income category. Our sample of commercial loans inside the assessment area revealed a substantial majority of the bank's commercial loans were to businesses with revenues less than one million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	69.21	3.69
% of Bank Loans in AA #	90.00	10.00
% of Bank Loans in AA \$	67.75	32.25

Richardson and Collin County

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of home purchase loans generally approximates the income characteristics of the assessment area. Home purchase loans to low-income families are at a low level compared to the demographics of the assessment area and are reflective of the factors discussed in the assessment area's performance context. Additionally, borrowing for home purchases by low-income individuals is limited due to a very low level of affordable housing stock available in the area. Consumer loans that originated in this assessment area were not reviewed as this is not a major product type in this market and constitutes only six percent of the loan portfolio of the Richardson branch.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	9.6		12.1		19.8		58.6	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	3.23	0.33	19.35	8.87	3.23	1.56	74.19	89.25

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 47,575 businesses in the assessment area; however, revenue information was not reported for approximately 29% of the businesses. As a result, the percentage of businesses by income level may not accurately reflect a true percentage of the businesses in each income category. Our sample of commercial loans inside the assessment area revealed a majority of the bank's commercial loans were to businesses with revenues less than one million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	65.74	5.19
% of Bank Loans in AA #	60.00	40.00
% of Bank Loans in AA \$	47.74	52.26

Geographic Distribution of Loans

Houston County

The distribution of loans reflects a good penetration throughout the assessment area. The distribution of home purchase and consumer loans exceeds the percentages of owner occupied houses and of the number of households located in the various tract categories.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0%		21.2%		78.8%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	28.21	23.12	71.79	76.88	0	0

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		23.6%		76.4%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	33.33	21.71	66.67	78.29	0	0

The geographic distribution of business loans is also reasonable based on the bank's locations and the demographics of each area.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		17.1%		82.9%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	15.00	2.23	85.00	97.77	0	0

Richardson and Collin County

The distribution of loans reflects a reasonable penetration throughout the assessment area. The distribution of home purchase loans exceeds the percentage of owner occupied houses located in the various tract categories.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0%		5.5%		27.3%		67.2%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	6.45	5.27	16.29	18.60	77.42	76.13

The geographic distribution of business loans is also reasonable based on the bank's location and the demographics of each area. While our sample did not include any commercial loans in moderate-income tracts, these tracts are located in a community northeast of the bank with numerous financial institutions closer to these areas.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		10.0%		21.5%		68.5%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	0.00	0.00	33.33	43.45	66.77	56.55

Responses to Complaints

The bank received two complaints related to its CRA performance during this examination period. However, each of these complaints was determined to be unsubstantiated with no action required by the bank.

Fair Lending Review

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