



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 29, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FirstCapital Bank of Texas, National Association
Charter Number: 23681

310 West Wall Street
Midland, TX 79701-0000

Office of the Comptroller of the Currency

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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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

FirstCapital Bank of Texas, N.A. (FCBT) has a "Satisfactory" record of performance under the criteria to evaluate the Lending Test and the Community Development Test, as shown by the following factors:

- Based on the loan-to-deposit ratio, FCBT has a reasonable level of lending considering the bank's size, financial condition, local competition, and the credit needs identified in the assessment areas (AAs).
- A substantial majority of FCBT's loans are made to borrowers within the AAs. We found that 68.30 percent of the number of loans and 72.81 percent of the dollars of loans from our samples were made to borrowers in the bank's AAs.
- Based on a review of the primary loan products for the bank's AAs, we concluded that lending to borrowers of different income levels and to businesses with different revenue levels is reasonable.
- Geographic distribution of the loans sampled reflects a reasonable dispersion throughout the tracts of the AAs.
- FCBT's community development (CD) performance demonstrates a reasonable responsiveness to the identified needs in the community, especially through CD lending.

Scope of Examination

This Performance Evaluation reports on the bank's performance under the Community Reinvestment Act. We used procedures for Intermediate Small Banks to assess performance. These procedures evaluate bank performance under a Lending Test and a Community Development Test. The lending test evaluates the bank's record of meeting credit needs in all parts of the bank's AAs as identified through samples of the bank's primary loan products in those AAs. CD performance is based on a review of lending, investments, and services that have a community service purpose and are targeted to low- or moderate-income persons.

This evaluation covers the bank's activities described above from the date of the last examination, July 18, 2005, through September 30, 2010 for residential real estate loans and small loans to businesses and through December 31, 2010 for CD activities.

The Lending Test conclusions are based on our review of a sample of loans of the bank's primary loan types that were originated in the bank's AAs during the review period. The primary loan product for both the Midland, TX Metropolitan Statistical Area

(MSA) AA and the Lubbock County AA was small loans to businesses. Residential real estate loans, as reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR), are a primary product as well for all AAs. HMDA data was verified through a data integrity review performed in July 2010, and it was found to be accurate. We reviewed samples of small business loans from both the Midland, TX MSA AA and the Lubbock County AA. Because approximately 89 percent of both deposits and loans are housed at the bank's offices in the Midland, TX MSA AA and the Lubbock County AA, these areas received full-scope reviews. The Potter-Randall Counties AA received a limited-scope review.

For our lending test, we used the most recent demographic data available for the AAs. We reviewed a sample of 60 small loans to businesses from the two AAs receiving full-scope reviews. We used the HMDA data for the entire bank which included 3,801 home purchase loans, 52 home improvement loans, and 891 refinancing loans. This is a total of 4,804 loans considered for the lending performance.

Description of Institution

FCBT is a \$452 million dollar intrastate institution that is headquartered in Midland, Texas in the Permian Basin area of the state. FCBT is a wholly owned subsidiary of First Bancshares of Texas, Inc. (FBST). As of December 31, 2010, FBST's assets totaled \$481 million, with FCBT comprising 99.65 percent of assets. Prior to July 1, 2010, the institution operated under the name of First National Bank of Midland.

FCBT has seven full-service branches and operates nine automated teller machines (ATMs) in three AAs. Four locations, including the main banking office, are in the Midland, TX MSA AA. One office is located in the Lubbock County AA, and two offices are in the Potter-Randall Counties AA. In addition to these full-service branches, FCBT also maintains a loan production office, operating under the name of First Mortgage, in Odessa, Texas outside the designated AAs.

This Office assigned a "Satisfactory" CRA rating under Small Bank criteria in the prior Performance Evaluation dated July 18, 2005. Since that evaluation, FCBT has continued to grow and open additional banking locations. The branches opened in Midland and Amarillo are located in moderate-income and upper-income census tracts (CTs), respectively. The branch opened in Lubbock is located in a middle-income CT and resulted in the bank adding a new AA. As a result of the growth, the bank's CRA performance is now being assessed under Intermediate Small Bank criteria.

As of September 30, 2010, FCBT had total assets of \$452 million with net loans and leases comprising 68.9 percent of this total. The bank's primary focus is commercial lending centered in small business, followed by an emphasis in commercial and residential real estate. FCBT has originated \$9.2 million in SBA-guaranteed loans since April 2007. FCBT also originates consumer loans, and the mortgage department originates conventional, FHA, and VA residential loans which are sold into the secondary market. The following table reflects the composition of the bank's loan portfolio as of September 30, 2010.

Loan Portfolio Composition as of September 30, 2010		
Loan Type	\$ (000)	%
Commercial	101,741	32.63
Residential Real Estate	93,871	30.11
Commercial Real Estate	93,211	29.90
Consumer	13,874	4.45
Other	6,389	2.05
Agriculture Real Estate	2,101	0.67
Agriculture	588	0.19
TOTAL	311,775	100.00

Source: September 30, 2010 Report of Condition

FCBT provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different locations within the communities they serve. Lobby hours and drive-up hours are set by location to meet customer needs, and FCBT has ATMs at branches and other locations in their market to make customer accounts accessible. Seven of the nine ATMs are contiguous with banking locations and accept deposits. The following table reflects the composition of the bank's banking and ATM locations in all AAs.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines	
	#	%	#	%	#	%
Low	6	4.08	1	14.29	2	22.22
Moderate	43	29.25	2	28.57	2	22.22
Middle	59	40.14	2	28.57	2	22.22
Upper	39	26.53	2	28.57	3	33.33
Total	147	100.00	7	100.00	9	100.00

Source: 2010 Census Information; bank information

Customers may also access their accounts through telephone banking or via the Internet at www.fcbtexas.com. Internet and phone banking services include transfers between FCBT accounts, balance reviews, transactions, retrieving check copies, and online bill pay. The bank also offers a Visa check card that provides customers with additional access to their accounts at point of sale or ATM locations.

FCBT's business strategy includes marketing commercial credit to small and mid-size businesses where bank management feels it is best suited to meet customer needs through its products, staff, and locations. Products such as the streamlined SBA program, remote deposit capture, online cash management, and merchant services are benefits that FCBT can provide to small businesses. In addition, the bank's residential mortgage lending activities remain strong in 2010 with \$123 million in conventional, FHA, and VA residential loans sold into the secondary market through September 30, 2010. The bank reported more than \$36.9 million in Tier 1 capital as of September 30, 2010. This represents 7.54 percent of adjusted average assets. Given FCBT's products and services and accessibility to customers, the bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to

all national banks.

Description of Assessment Areas

FCBT has three AAs, one of which is a MSA. Our analysis included a full-scope evaluation for the Midland, TX MSA AA and the Lubbock County AA. The Midland, TX MSA AA contains the bank's main office and three branches. The Lubbock County AA contains one branch. We performed a limited-scope evaluation for the Potter-Randall Counties AA, which has two branch locations. The bank also operates a loan production office in Odessa, Ector County, Texas outside their AAs.

Midland, TX MSA AA

The AA consists of Midland County, Texas. The city of Midland is the county seat and the largest city in the county. The main bank, three branches, and one offsite ATM are located in the Midland, TX MSA AA. The following table provides a description of the Midland, TX MSA AA based on census data and Department of Housing and Urban Development (HUD) information.

Demographic and Economic Characteristics of Midland, TX MSA AA	
Population	
	116,009
Number of Families	31,158
Number of Households	42,751
Geographies	
Number of Census Tracts	27
% Low-Income Census Tracts	7.41%
% Moderate-Income Census Tracts	22.22%
% Middle-Income Census Tracts	40.74%
% Upper-Income Census Tracts	29.63%
Median Family Income (MFI)	
2000 MFI for AA	\$47,309
2010 HUD-Adjusted MFI	\$63,000
Economic Indicators	
Unemployment Rate	3.49%
2010 Median Housing Value	\$74,413
% of Households Below Poverty Level	12.12%

Source: 2000 Census data and updated HUD income data

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. According to the 2000 Census, the AA includes 27 CTs with a total population of 116,009. The CTs consist of two low-, six moderate-, eleven middle-, and eight upper-income areas. The 2000 Census data reflects that 12.12 percent of the households in the Midland, TX MSA AA are below the poverty level.

According to 2000 Census data, there are 48,060 housing units in the AA, of which 61.85 percent are owner-occupied, 27.09 percent are renter-occupied, and 11.06 percent are vacant. Approximately 20.88 percent of families in the AA are considered low-income. Moderate-income families approximate 18.60 percent, while middle- and upper-income families make up the remaining 60.52 percent. The median housing value is \$74,413 with the median age of housing stock at 28 years.

The city of Midland is at the center of the 100-mile radius Permian Basin, and it is the administrative and management center for the oil and gas industry of the Permian Basin. Consequently, the focus of the Midland, TX MSA AA economy is oil and gas and businesses that support this industry. The Permian Basin produces approximately 16 percent of the nation's oil and 17 percent of the nation's natural gas. The overall economy of the area is largely based on oil and gas production. The oil and gas industry has historically been volatile. Record prices of oil in early 2008 approached \$150 per barrel, with current prices hovering close to \$85 to \$90 per barrel. The largest employers within the AA include the many oil and gas related companies, Midland Independent School District, and Midland Memorial Hospital and Medical Center. For 2010, the Bureau of Labor and Statistics' unemployment analysis indicates Midland County to have one of the lowest unemployment rates in the state of Texas.

Competition for financial services in the AA is very strong. The June 30, 2010 FDIC Deposit Market Share Report for the Midland, TX MSA AA shows \$3.7 billion in deposits divided among 14 financial institutions. The AA includes four branches from multi-national banks and several regional community banks. The top two banks (members of nation-wide organizations with eight offices in the Midland, TX MSA AA) hold over 38.8 percent of AA deposits. FCBT's deposits in this AA total \$301 million, which equates to an 8.2 percent deposit market share.

As part of this CRA examination, we met with a community contact in the Midland, TX MSA AA to help ascertain the economic development needs of the AA. The community contact noted that there are several opportunities to participate in community service activities, including lending to new businesses and purchasing local bonds. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

Lubbock County AA

The AA consists of one of the two counties in the Lubbock, TX MSA, Lubbock County, and is located in the South Plains area of Texas. The city of Lubbock (population 207,680) is the county seat of Lubbock County. All of the bank's offices within this AA are located within the city of Lubbock. Demographic information from the 2000 Census is reflected on the following chart.

Demographic and Economic Characteristics of Lubbock County AA	
Population	242,628
Number of Families	60,685
Number of Households	92,685
Geographies	
Number of Census Tracts/BNA	61
% Low-Income Census Tracts/BNA	1.64
% Moderate-Income Census Tracts/BNA	31.15
% Middle-Income Census Tracts/BNA	42.62
% Upper-Income Census Tracts/BNA	24.59
Median Family Income (MFI)	
2000 MFI for AA	40,724
2010 HUD-Adjusted MFI	54,600
Economic Indicators	
Unemployment Rate	3.79
2010 Median Housing Value	64,726
% of Households Below Poverty Level	18.15

Source: 2000 Census data and updated HUD income data

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA is comprised of 61 CTs, consisting of 1 low-income tract, 19 moderate-income tracts, 26 middle-income tracts, and 15 upper-income tracts, with a total population of 242,628. The 2000 Census data reflects that 18.15 percent of the households in the AA are below the poverty level.

According to the 2000 Census data, there are 100,595 total housing units in the AA, of which 54.44 percent are owner-occupied, 37.53 percent are renter-occupied, and 8.03 percent are vacant. Approximately 20.63 percent of families in the AA are considered low-income. Moderate-income families approximate 17.80 percent, while middle- and upper-income families make up the remaining 61.57 percent. The median housing value is \$64,726 with the median age of housing stock at 28 years.

The bank's office in this AA is located in a middle-income tract. With only one CT designated as low-income, FCBT's opportunity to lend in the tract is somewhat limited. It should also be noted that the single low-income tract has recently undergone redevelopment, resulting in the demolition of the majority of existing homes and structures. These are being replaced with new one-to-four family residences, apartments, and new businesses. This redevelopment will significantly reduce the number of low- and moderate-income residents in that area.

While Lubbock's population has continued to grow over the last 10 years, the economy slowed in 2008 and 2009. In late 2010, the economic numbers for the area began to stabilize. The Lubbock Economic Index (LEI) for October 2010 indicates that the Lubbock economy remains in a post recession holding pattern with continued sluggish

spending and employment. Despite this holding pattern, Lubbock's economy continues to outperform the majority of the state and the U.S. in general. Lubbock's unemployment rate at 5.9 percent is above historical levels, but it remains one of the lowest in the state and well below the national rate of 9.7 percent.

The area is primarily reliant on agriculture, but Texas Tech University also contributes significantly to the economy. Primary employers are Covenant Healthcare Systems, Texas Tech University, Texas Tech Health Sciences Center, University Medical System, and United Supermarkets. The local agricultural economy continues to be affected by declining government subsidies of agricultural products and increased production and transportation costs. Government and professional jobs are increasing, as is the number of retirees in the community. Retirees are drawn to Lubbock by the lower cost of living and favorable overall weather conditions.

Lubbock has a lower level of owner-occupied housing than other cities of comparable size, likely due to the population of college students. There are a large number of rental units, and bank management stated that a high number of new construction projects have focused on building duplexes and other rental units to house college students. Per the LEI, the average home sale price for 2010 remained stable at \$136 thousand. However, housing prices are significantly below national averages, contributing to the incentive for individuals to move to the area. Generally, the cost of living, including housing, is below many areas nationally.

Competition for financial services in the AA is very strong. The June 30, 2010 FDIC Deposit Market Share Report for the Lubbock County AA shows \$5.6 billion in deposits divided among 23 financial institutions. The AA includes two branches from multi-national banks and several regional community banks. The top three banks (Plains Capital Bank, City Bank, and American State Bank) hold over 52.35 percent of AA deposits. FCBT ranks 17th with deposits in the AA totaling \$53 million, which equates to less than 1.0 percent of the deposit market share.

An individual in the community was interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual indicated that there is an ongoing need for small business lending and affordable housing for low- and moderate-income families. The individual stated that local institutions offer programs to meet these needs. The individual did not identify any unmet credit needs in the area.

Potter-Randall Counties AA

This AA includes two counties within the Amarillo, TX MSA, Potter and Randall Counties. When the MSA boundaries were changed in 2004, Armstrong and Carson Counties were combined with Potter and Randall to comprise the revised Amarillo MSA. FCBT does not operate any branches within either Armstrong or Carson Counties; thus these counties are not included in the bank's AA. Amarillo and Canyon are the county seats of Potter and Randall Counties, respectively, and they are the largest cities in the

two counties. The designation of these two counties as the bank's AA does not arbitrarily exclude any low- or moderate-income tracts.

FCBT has two full-service branches in Amarillo and one offsite ATM. One branch is located in a lower-income tract, and the other is in an upper-income tract. The stand-alone ATM is located in a middle-income area. Because of the lower volume of loans and deposits in this AA, we will perform a limited-scope review for this AA.

Demographic and Economic Characteristics of Potter-Randall Counties AA	
Population	217,858
Number of Families	56,502
Number of Households	81,998
Geographies	
Number of Census Tracts/BNA	59
% Low-Income Census Tracts/BNA	5.08
% Moderate-Income Census Tracts/BNA	30.51
% Middle-Income Census Tracts/BNA	37.29
% Upper-Income Census Tracts/BNA	27.12
Median Family Income (MFI)	
2000 MFI for AA	46,500
2010 HUD-Adjusted MFI	56,900
Economic Indicators	
Unemployment Rate	3.60
2010 Median Housing Value	75,771
% of Households Below Poverty Level	13.74

Source: 2000 Census data and updated HUD income data

FCBT ranks ninth in deposit market share with less than 1 percent of deposits in the AA, based on the FDIC Summary of Deposits report for June 30, 2010. The level of competition for loans, deposits, and investments in the AA continues to increase from large regional banks and smaller community banks which have branched into the AA. A number of local credit unions also provide competition to the banking institutions in the AA. The FDIC report shows that Amarillo National Bank (15 local offices) ranks first in the AA with 51 percent of deposits, and Happy State Bank (10 branches) ranks second with 14 percent of deposits.

The economy is diversified between agriculture (cattle, dairy, farming) and energy (wind, oil, gas). Government contract funding to Bell/Textron and Pantex is a strong economic factor. Medical services are prominent in the area with three hospitals and a pharmacy school. Bank-provided grants and the slowing economy have resulted in increased enrollments at both area colleges. Travel/tourism-related businesses along the Interstate 40 corridor have also remained steady. Unemployment at 5.3 to 6.0 percent for June through October 2010 is below the national average and is one of the lowest rates in Texas.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated Satisfactory.

Loan-to-Deposit Ratio

FCBT's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average LTD ratio from June 30, 2005 through September 30, 2010 of 70.39 percent. During the evaluation period, FCBT's LTD ratio ranged from a low of 50.20 percent to a high of 85.65 percent. The quarterly average LTD ratio for other similar banks in FCBT's AAs is 70.76 percent. The calculated average ratios over the evaluation period for the banks we compared are reflected in the following table. Please note that these banks are listed alphabetically by city, and no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 9/30/10)	Average Loan-to-Deposit Ratio
First United Bank, Dimmitt	931,024	66.78
American Bank of Commerce, Lubbock	705,961	82.98
Lubbock National Bank, Lubbock	719,032	75.76
Community Nat'l. Bank, Midland	577,971	65.21
FirstCapital Bank of Texas, Midland	451,931	70.39
West Texas Nat'l Bank, Midland	712,110	63.09

Source: Institution Reports of Condition from June 2005 to September 2010

Lending in Assessment Areas

FCBT's lending in its AAs meets the standards for satisfactory performance. A majority of the bank's loans were made within its AAs. In order to assess performance for this criterion, we reviewed 60 commercial loans originated since June 30, 2006, as well as HMDA reports that showed 3,801 home purchase, 52 home improvement, and 891 home refinance loans originated between January 2005 and September 30, 2010. Our analysis determined that 68.30 percent of the number of loans and 72.81 percent of the dollar amount of loans in the sample were originated within the bank's AAs. The breakdown by loan category is depicted in the following table.

Lending in All Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Business	54	90.00	6	10.00	60	16,625	90.64	1,716	9.36	18,341
Home Purchase	2,500	65.77	1,301	34.23	3,801	358,913	70.67	148,985	29.33	507,898
Home Improvement	41	78.85	11	21.15	52	3,071	76.72	932	23.28	4,003
Refinance	686	76.99	205	23.01	891	121,925	77.55	35,293	22.45	157,218
Totals	3,281	68.30	1,523	31.70	4,804	500,534	72.81	186,926	27.19	687,460

Source: Sample of loans used for CRA performance analysis

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

The distribution of loans made to individuals and families of different income levels and businesses of different sizes is reasonable, with emphasis placed primarily on small loans to businesses and secondarily on mortgage lending.

Midland, TX MSA AA

The distribution of loans originated to businesses with revenues less than \$1 million is in line with the percentage of businesses in the AA with revenues less than \$1 million. The percentage of businesses within the AA that generate revenues less than \$1 million is 75.57 percent based on U.S. Census data. When looking at the number of loans made to businesses within the AA that generate revenues less than \$1 million, the percentage is 76.00 percent. This level is in line with the demographic composition of the AA and reflects a reasonable penetration of loans to small businesses. By dollar volume, our sample showed that FCBT originated 38.21 percent of its total business loan volume to businesses with revenues less than \$1 million. The two largest loans in our sample were made to businesses with revenues greater than \$1 million. These two loans represented 57 percent of our sample, skewing the sample significantly regarding the dollar volume of loans to businesses with revenues greater than \$1 million.

The following table shows the distribution of commercial loans among businesses of different sizes in this AA.

Borrower Distribution of Business Loans in Midland, TX MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	75.57	4.87	19.56	100.00
% of Bank Loans in AA by #	76.00	24.00	0.00	100.00
% of Bank Loans in AA by \$	38.21	61.79	0.00	100.00

Source: Loan sample; Dunn and Bradstreet data

Residential loans to low-income borrowers are much lower than the percentage of low-income families in the AA. Also, the percentage of loans to moderate-income borrowers is lower than the level of moderate-income families in the AA. Approximately, 20.88 percent of families are low-income and 18.60 percent are moderate-income. Based on

the updated median family income for the area of \$63,000, low-income families in the AA earn less than \$31,500 per year. In addition, roughly 10.28 percent of families in the AA are below poverty level. Based on 2000 Census data, the median housing cost is \$74,762. It is often difficult for low- and moderate-income individuals to qualify for mortgage loans at median housing values due to insufficient income levels and/or down payments.

The following table reflects the analysis of HMDA reportable loans for 2005 through September 30, 2010.

Borrower Distribution of Residential Real Estate Loans in Midland, TX MSA AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Reported	
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	% of AA Families	% of Number of Loans
Home Purchase	20.88	3.08	18.60	14.42	19.33	20.06	41.19	58.21	0.00	4.23
Home Improvement	20.88	0.00	18.60	5.00	19.33	15.00	41.19	75.00	0.00	5.00
Refinance	20.88	0.58	18.60	7.87	19.33	19.24	41.19	68.80	0.00	3.51
Total	20.88	2.60	18.60	13.16	19.33	19.86	41.19	60.27	0.00	4.11

Source: HMDA data 2005-2010

Lubbock County AA

The distribution of loans originated to businesses with revenues less than \$1 million is in line with the percentage of businesses in the AA with revenues less than \$1 million. The percentage of businesses within the AA that generate revenues less than \$1 million is 76.85 percent based on U.S. Census data. By dollar volume, FCBT originated 71.47 percent of its total business loans to businesses with revenues less than \$1 million. This level is in line with the demographic composition of the AA and reflects a reasonable penetration of loans to small businesses.

The following table shows the distribution of commercial loans among businesses of different sizes in this AA.

Borrower Distribution of Business Loans in Lubbock County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	76.85	4.14	19.01	100.00
% of Bank Loans in AA by #	67.86	14.29	17.85	100.00
% of Bank Loans in AA by \$	71.47	24.07	4.46	100.00

Source: Loan sample; U.S. Census data

Residential loans to low-income borrowers are lower than the percentage of low-income families in the AA. Also, the percentage of loans to moderate-income borrowers is lower than the level of moderate-income families in the AA. Approximately, 20.63 percent of families are low-income, and 17.80 percent are moderate-income. Based on

the updated median family income for the area of \$54,600, low-income families in the AA earn less than \$27,300 per year. In addition, roughly 12.02 percent of families in the AA are below poverty level. Based on 2000 Census data, the median housing cost is \$70,270. It is often difficult for low- and moderate-income individuals to qualify for mortgage loans at median housing values due to insufficient income levels and/or down payments.

The following table reflects the analysis of HMDA reportable loans for 2005 through September 30, 2010.

Borrower Distribution of Residential Real Estate Loans in Lubbock County AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Reported	
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	% of AA Families	% of Number of Loans
Home Purchase	20.63	1.31	17.80	11.01	20.74	14.18	40.83	49.81	0.00	23.69
Home Improvement	20.63	0.00	17.80	0.00	20.74	14.29	40.83	85.71	0.00	0.00
Refinance	20.63	1.66	17.80	3.73	20.74	14.11	40.83	80.08	0.00	0.42
Total	20.63	1.40	17.80	8.67	20.74	14.16	40.83	59.44	0.00	16.33

Source: Census data and HMDA data 2005-2010

Potter-Randall Counties AA Limited-Scope Review

Based on our limited-scope review, the bank’s lending performance for borrowers of different income levels for residential real estate loans in Potter-Randall Counties AA is not inconsistent with the bank’s overall performance.

Geographic Distribution of Loans

FCBT’s geographic loan distribution is satisfactory.

Midland, TX MSA AA

Geographic distribution of business loans in this AA is adequate. The geographic distribution of sampled business loans in low-income CTs is higher than the percentage of businesses in these areas. The percentage of businesses located in low-income CTs is 5.19 percent, and our loan sample reflected that 8.00 percent of business loans were located in low-income CTs. The distribution of sampled loans to businesses in moderate-income CTs is near the percentage of businesses in these areas. The percentage of businesses located in moderate-income CTs is 29.26 percent, and our loan sample reflected that 24.00 percent of business loans were located in moderate-income CTs. The following table summarizes the distribution of business loans by CT income level.

Geographic Distribution of Loans to Businesses in Midland, TX MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans
Business Loans	5.19	8.00	29.26	24.00	35.36	24.00	30.20	44.00

Source: Loan sample; U.S. Census data

Geographic distribution of residential real estate loans in the Midland, TX MSA AA is adequate. The percentage distribution of residential loans is lower than the percentage of owner-occupied housing units in low-income CTs. In the AA, 4.50 percent of owner-occupied housing units are located in low-income geographies, and our sample reflects that 0.58 percent of home purchase loans were located in low-income CTs. The percentage distribution of mortgage loans is also lower than the percentage of owner-occupied housing units in moderate-income CTs. This is partially attributable to the quality of housing stock in these geographies. Many of these homes do not qualify for FHA financing. In addition, borrowers do not have the ability to make 20 percent down payments that are required with conventional financing; nor do they have funds to make the needed improvements for FHA financing.

The following table reflects the analysis of residential loans for 2005 through September 30, 2010.

Geographic Distribution of Residential Real Estate Loans in Midland, TX MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.50	0.58	18.42	5.71	44.68	37.12	32.40	56.60
Home Improvement	4.50	0.00	18.42	5.00	44.68	45.00	32.40	50.00
Refinance	4.50	0.00	18.42	2.92	44.68	39.07	32.40	58.02
Total	4.50	0.47	18.42	5.20	44.68	37.55	32.40	56.79

Source: HMDA data 2005-2010

Lubbock County AA

Geographic distribution of business loans in the Lubbock County AA is adequate. The geographic distribution of sampled business loans in low-income CTs is somewhat lower than the percentage of businesses in these areas. The percentage of businesses located in low-income CTs is very low at 0.53 percent, and our loan sample reflected zero business loans located in low-income CTs. Conversely, the distribution of sampled loans to businesses in moderate-income CTs is higher than the percentage of businesses in these areas. The percentage of businesses located in moderate-income CTs is 19.91 percent, and our loan sample reflected that 21.43 percent of business loans were located in moderate-income CTs. The following table summarizes the distribution of business loans by CT income level.

Geographic Distribution of Loans to Businesses in Lubbock County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.53	0.00	19.91	21.43	43.00	21.43	36.56	57.14

Source: Loan sample; U.S. Census data

The percentage distribution of residential loans is lower than the percentage of owner-occupied housing units in low-income CTs. In the AA, only 0.27 percent of owner-occupied housing units are located in low-income geographies. This results in limited opportunities to make mortgage loans in these geographies. The percentage distribution of mortgage loans is somewhat lower than the percentage of owner-occupied housing units in moderate-income CTs as well. A minimum amount of building is taking place in these geographies, which somewhat limits opportunities for lending. We also observed that recent housing and business development in the single low-income CT will result in a significant decline in the number of housing units in the tract that will be occupied by low- or moderate-income families.

The following table reflects the analysis of residential loans in the AA for 2005 through September 30, 2010.

Geographic Distribution of Residential Real Estate Loans in Lubbock County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.27	0.00	22.15	16.42	44.41	42.91	33.17	40.67
Home Improvement	0.27	0.00	22.15	28.57	44.41	14.29	33.17	57.14
Refinance	0.27	0.00	22.15	6.22	44.41	29.46	33.17	64.32
Total	0.27	0.00	22.15	13.39	44.41	38.52	33.17	48.09

Source: HMDA data and Census demographic data

Potter-Randall Counties AA Limited-Scope Review

Based on our limited-scope review, the bank’s geographic loan distribution for borrowers of different income levels for residential real estate loans in Potter-Randall Counties AA is not inconsistent with the bank’s overall performance.

Responses to Complaints

There have been no complaints related to the bank’s CRA performance during this evaluation period, and this has a neutral impact on the bank’s overall performance.

COMMUNITY DEVELOPMENT TEST

FCBT's performance under the Community Development Test is rated Satisfactory.

Scope of Community Development Review

The review of FCBT's program to meet the CD needs of its AA considered both the level and effectiveness of the bank's responsiveness of CD loans, qualified investments, and CD services in each of the AAs. Overall, the level and effectiveness of the bank's CD performance in response to those needs has been satisfactory. FCBT originated 132 loans in their AAs that served a CD purpose. These loans totaled \$14 million. The volume of CD loans represents 4.5 percent of total loans at the bank. The level of qualified investments over the evaluation period totaled \$69 thousand and included \$66 thousand in the Midland, TX MSA AA and \$3 thousand in the Lubbock County AA. Twelve CD services totaling 667 hours were provided over the five years reviewed, providing financial expertise primarily in the Midland, TX MSA AA and the Lubbock County AA.

Number and Amount of Community Development Loans

The bank has made a large volume of CD loans. FCBT originated 132 CD loans that totaled \$14 million in its AAs throughout this evaluation period. FCBT also made 4 loans totaling \$785 thousand for affordable housing or to rehabilitate or stabilize low- or moderate-income areas which are outside of its AAs.

In the Midland, TX MSA AA, 26 CD loans for a total of \$9.2 million were originated during the period, of which 22 loans were made to finance affordable housing in the city of Midland. Affordable housing included construction in low- and moderate-income tracts as well as loans to provide affordable rentals in moderate-income areas. These loans were made to the Midland Community Development Corporation (MCDC) or individuals to meet the identified community need. Three loans that total \$1.9 million were for community services for low- or moderate income persons, and one loan for \$1 million was for economic development in the AA. By year, the qualifying loans for affordable housing were as follows: one loan in 2006, five loans in 2007, four loans in 2008, six loans in 2009, and six loans in 2010.

The bank made 9 CD loans in the Lubbock County AA. Two loans totaling \$124 thousand were made to finance affordable housing in moderate-income tracts of the AA. Two loans totaling \$38 thousand were made to the Lubbock Boys and Girls Club which assists in the development of youth, the majority of whom are from low- or moderate income families. FCBT also made seven community service loans totaling \$292 thousand including three for \$17 thousand to Kids Central Daycare, LLC. They provide daycare to 126 children in the Lubbock area, the majority of whom are from low- or moderate-income homes.

Number and Amount of Qualified Investments

FCBT's volume of qualified CD investments needs to improve in all AAs. During the review period, FCBT made eight qualified investments that totaled \$69 thousand. We discussed the importance for management to identify CD investment opportunities within each AA.

FCBT made five investments totaling \$66 thousand in the Midland, TX MSA AA, three investments totaling \$3 thousand in the Lubbock County AA, and no investments in the Potter-Randall Counties AA. The largest investment during the evaluation period was a donation of \$38 thousand to the Independent Bankers Capital Fund. This is a small business investment company that promotes economic development.

FCBT also made two investments that met CD needs in distressed middle-income tracts outside the AAs that totaled \$365 thousand.

Extent to Which the Bank Provides Community Development Services

FCBT's performance is adequate for CD services considering both delivery of retail products and the level of CD services provided by bank officers and personnel. The primary delivery system for products and services in the AAs is through the branches and ATMs available to the bank's customers. The distribution of the bank's branches and ATMs, and products and services provided, were discussed in the Description of Institution section of this Performance Evaluation. The location of the branches and ATMs provides reasonable access to customers throughout the AAs.

Twelve CD services totaling 667 hours were provided over the five years reviewed. Seven services were provided for the Midland, TX MSA AA and four services for the Lubbock County AA. Bank employees provided 161.5 hours of service to the United Way of Midland. These employees used their financial expertise to help determine how to allocate United Way funds in order to meet the United Way goals of assisting with basic and emergency needs; helping kids succeed; promoting health, wellness, and independence; and strengthening and supporting families. These projects target primarily low- or moderate-income persons or families. President Burgess has also been active in the Downtown Midland Management District, which has developed and received approval for a plan to rehabilitate downtown Midland.

Conclusion for Limited-Scope AA

Based on our limited-scope review, CD performance in the Potter-Randall Counties AA was not significantly different from the bank's performance in the full-scope AAs.

Responsiveness to Community Development Needs

Overall, FCBT's CD performance demonstrates a reasonable responsiveness to the identified needs in the community, especially through CD lending. The majority of the bank's CD activities were CD loans for affordable housing. Affordable housing was a credit need identified by the Midland contact, and the bank not only made loans through the MCDC for new homes, but also made loans to investors to purchase residential properties in low- or moderate-income tracts. These properties are then sold or rented to low- or moderate-income families, meeting the need for affordable housing.

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. This conclusion was based on our review of the bank's systems to ensure compliance with fair lending laws during our onsite examination in March 2010, and our discussions with management regarding their fair lending processes.