



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 16, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank Texas
Charter Number: 5750

507 North Gray Street
Killeen, TX 76541

Office of the Comptroller of the Currency
Southern District
San Antonio - North Field Office
10001 Reunion Place, Suite 250
San Antonio, TX 78216-4133

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: "SATISFACTORY"

Lending Test Rating: "Satisfactory"

Community Development Test Rating: "Satisfactory"

First National Bank Texas's (FNBTX) lending performance reflects a satisfactory response to community credit and community development (CD) needs. This conclusion is based on the following results from our review:

- The loan-to-deposit (LTD) ratio meets the standard for satisfactory performance.
- The bank originated a substantial majority of loans inside its assessment areas (AAs).
- Lending activities represent a reasonable penetration among individuals of different income levels and businesses of different sizes.
- Overall geographic distribution of loans represents a reasonable dispersion. Overall distribution of commercial and consumer loans is excellent. However, residential lending in the Killeen/Temple/Fort Hood AA reflects room for improvement. Please refer to the following sections for additional information.
- CD loans, investments, and services provide adequate responsiveness to the CD needs of the bank's AAs.

Scope of Examination

FNBTX was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending and services and qualified investments.

The lending test for FNBTX covers its performance from October 1, 2006, through June 30, 2009, as this is representative of its lending strategy since the last CRA examination in November 2006. The evaluation period for the CD test is from October 1, 2006, through September 15, 2009.

FNBTX's primary loan products are commercial, consumer, and residential loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). HMDA data from 2007, 2008, and the first two quarters of 2009 were tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's residential loan performance. To evaluate the bank's commercial lending and consumer lending performance, we selected a sample of commercial and consumer loans made from October 1, 2006, through June 30, 2009.

DESCRIPTION OF INSTITUTION

Headquartered in Killeen, Texas, FNBTX is an intrastate bank with total assets of \$803 million as of June 30, 2009. The bank was chartered in 1901 and is the lead bank for its holding company, First Community Bancshares, Inc. The holding company owns 100% of FNBT and its sister bank, Fort Hood National Bank, located on the Fort Hood military base. There are 217 banking locations

comprised of full service stand-alone locations, stand-alone limited service branches, and limited service mini-branches located in grocery stores such as Kroger, HEB, Albertson’s, Fiesta, Super 1, Food Town, Blair Market, and in Wal-Mart stores. There are no lenders on site at the limited service mini-branches. The bank also has 268 automated teller machines (ATMs) with 50 ATM locations in the Houston-Sugar Land-Baytown metropolitan statistical area (MSA), and 14 ATMs located in the Killeen-Temple-Ft Hood MSA.

FNBTX’s primary market areas are the Killeen-Temple-Fort Hood MSA and the Houston-Sugar Land-Baytown MSA. There are no legal, financial, or other factors that impede FNBTX’s ability to help meet the credit needs in its AA.

The previous CRA examination is dated November 13, 2006, and FNBTX was rated “Satisfactory” under the intermediate-small bank criteria. As of June 30, 2009, FNBTX’s largest loan areas were commercial, consumer, and residential. A summary of the loan portfolio is as follows:

Loan Portfolio Summary by Loan Product June 30, 2009		
Loan Category	Dollar Volume \$(000)	% of Outstanding Dollars
Commercial	156,510	51%
Consumer	81,064	26%
Residential	58,470	19%
Other Loans	10,022	3%
Agriculture/Farm	1,119	1%
Total	307,185	100%

FNBTX provides full service deposits and loan products at six of its stand-alone locations. Limited banking services are provided at one stand-alone branch and at each of its mini-branches. Loan applications are accepted at all branches. The underwriting process is centralized at the main bank in Killeen and loans are closed at the branch where the application was originated. Drive-through facilities are available at six stand-alone locations and are open Monday through Saturday.

Additionally, customers are able to access their depository accounts through participating ATM networks worldwide. Customers can also access their account information through the Internet, the Interactive Voice Response (IVR) network, and through a toll-free customer support number. Access through the IVR is 24 hours a day, seven days a week. FNBTX provides English and Spanish options for bank brochures, IVR, their call center, ATMs, and customer service staff.

DESCRIPTION OF ASSESSMENT AREA(S)

The CRA requires a financial institution to define its AA in which it will be evaluated. FNBTX’s two primary AA’s, consisting of the Killeen-Temple-Fort Hood MSA and Houston-Sugar Land-Baytown MSA, were chosen for a full scope review since a majority of the bank’s loans and deposits are within these two MSAs. For example, as of June 30, 2008, 69% of FNBTX’s deposits were originated within these two MSAs. Also, in the first quarter of 2009, 76% of loans were originated within these two MSAs.

We conducted a limited scope review on FNBTX’s remaining AAs where limited banking services are provided. The following are the remaining AAs: MSA Dallas Plano Irving, and non-MSAs Fort Worth Arlington, El Paso, Odessa, Corpus Christi, Wichita Falls, College Station Bryan, Lubbock, Midland, San Angelo, Amarillo, Waco, San Antonio, Sherman Denison, Tyler, Victoria, Austin Round Rock, Texarkana and Longview.

Description of Killeen-Temple-Fort Hood Assessment Area (Bell and Coryell Counties)

The Killeen-Temple-Fort Hood MSA is comprised of Bell, Coryell, and Lampasas Counties. FNBTX operates twelve banking centers within Bell County and four banking centers within Coryell County. The AA is comprised of 58 contiguous census tracts within Bell and Coryell Counties. There is 1 low-income geography, 12 moderate-income geographies, 33 middle-income geographies, and 12 upper-income geographies. The AA designations meet the requirements of the regulation and do not arbitrarily exclude low- to moderate-income areas. The following table contains more information:

Demographic Information for Killeen-Temple-Fort Hood Assessment Area						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	58	1.72	20.69	56.90	20.69	0.00
Population by Geography	312,952	0.75	16.84	59.93	22.48	0.00
Owner-Occupied Housing by Geography	58,562	0.18	8.08	59.46	32.28	0.00
Business by Geography	19,803	3.25	15.82	53.57	27.36	0.00
Farms by Geography	666	0.60	6.91	56.31	36.19	0.00
Family Distribution by Income Level	78,125	16.89	20.08	23.86	39.17	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	28,884	1.53	23.13	60.97	14.37	0.00
Median Family Income		\$40,972				
HUD Adjusted Median Family Income for 2009		\$54,000	Median Housing Value		\$72,485	
Households Below Poverty Level		11%	Unemployment Rate		2.59%	

(*) *The NA category consists of geographies that have not been assigned an income classification.*
Source: 2000 US Census and 2009 HUD updated median family income

Economic conditions within the Killeen-Temple-Fort Hood MSA continue to fare better than the national economy. The area ranked fifth in growing economies in Texas behind major MSAs of Dallas, Houston, Austin, and San Antonio. Retail sales in the area have held steady experiencing continued growth since 2003. Retail sales in 2003 were \$4 billion with sales per capital of \$11,911. In 2008, retail sales increased to \$5.7 billion with sales per capita of \$15,071.

Health care continues to be one of the fastest-growing industries in Central Texas, which includes Hillcrest Baptist Medical Center’s new hospital, Providence Healthcare Network’s expansion, and a new hospital at Fort Hood. Fort Hood plays an integral part in the continued growth of the economy. As of September 2008, Fort Hood had a population of 91,815 of which 57,317 were military assigned. Major employers in the cities of Killeen, Temple, and Belton area include III Corps and Fort Hood, Scott and White Memorial Hospital and Clinics, Belton ISD, and Central Texas Veterans Health Care System. The distribution of employment in major categories includes the government, trade, transportation, and utilities, followed by education and health care services.

According to the US Bureau of Labor Statistics, the seasonally-adjusted unemployment rate for the nation was 9.4% as of July 2009, an increase from the prior year of 6%. The unemployment rate for the state of Texas was 7.9%, an increase from July 2008 of 4.9%. The Killeen-Temple-Fort Hood MSA fared better than the state and national rate as unemployment was at 7.2% in July 2009, an increase from 5.4% the prior year. FNBTX operates in a competitive environment with larger regional banks, community banks, credit unions, and finance companies operating in its market. The FDIC market share survey report for June 30, 2008, indicates that 26 financial institutions operate branches within the bank's AA. FNBTX ranks fourth among the total group of banks for deposit market share with 10%. Extraco Banks N. A. in Temple, National Bank in Gatesville, and First STB Central Texas in Austin follow with 11%, 10%, and 10% deposit market share, respectively. These top four banks hold 48% of the deposit market share in the Killeen-Temple-Fort Hood MSA.

Community contacts are made in order to gain insight into banking needs and opportunities in the communities served by the financial institution under evaluation. Three community contacts made within the past year in the Killeen-Temple-Fort Hood MSA were considered during this evaluation including the City of Killeen, Greater Killeen Chamber of Commerce, and the Temple Economic Development Corporation.

We contacted a Community Development Program Manager employed by the City of Killeen to discuss the housing situation, in particular for low- to moderate-income (LMI) individuals. The contact stated that homeowners in Killeen have been impacted with increasing foreclosure rates, but that trends are turning around for the better; the economy is doing relatively well despite broader economic issues. The contact stated that for very low-income people, programs instituting rent caps at a percentage of income have improved the situation somewhat. Opportunities exist in financial education and outreach. FNBTX and other banks in Killeen were identified by the contact as generally doing a good job in meeting the credit needs of the community.

We contacted the President of the Greater Killeen Chamber of Commerce and an individual from the Temple Economic Development Corporation and both stated that the Killeen economy remains relatively strong. Both felt that local banks seem more responsive in providing credit services for local businesses and local nonprofit agencies than the branches of the large nationwide banks, and that banking products are generally adequate and available to meet community credit needs.

Description of Houston-Sugar Land-Baytown Assessment Area (Brazoria, Fort Bend, Galveston, Harris, and Montgomery Counties)

The Houston Sugar Land Baytown MSA is comprised of ten counties that include the following: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, San Jacinto, and Waller. FNBTX operates two banking centers within Brazoria County, four banking centers within Fort Bend County, two banking centers within Galveston County, thirty-four banking centers within Harris County, and seven banking centers within Montgomery County. The AA is comprised of Brazoria, Fort Bend, Galveston, Harris and Montgomery counties which includes 70 low-income geographies, 269 moderate-income geographies, 257 middle-income geographies, and 256 upper-income geographies. Eight of the census tracts do not have an income designation as they are located in a high commercial and industrial area with no housing. The following table contains more information.

Demographic Information for Houston-Sugar Land-Baytown Assessment Area						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	860	8.14	31.28	29.88	29.77	0.93
Population by Geography	4,540,723	6.60	30.17	30.54	32.64	0.05
Owner-Occupied Housing by Geography	960,979	2.97	22.63	31.83	42.57	0.00
Business by Geography	420,917	5.06	24.90	27.87	41.61	0.56
Farms by Geography	6,951	3.29	18.33	36.23	42.04	0.12
Family Distribution by Income Level	1,145,168	22.47	17.28	18.81	41.44	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	455,186	11.74	43.65	29.70	14.92	0.00
Median Family Income		\$51,431		Median Housing Value	\$99,974	
HUD Adjusted Median Family Income for 2009		\$63,800		Unemployment Rate	2.99%	
Households Below Poverty Level		12%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2009 HUD updated MFI

The Houston-Sugar Land Baytown MSA is located along the Gulf Coast region and located in southeast Texas. The Houston-Sugar Land Baytown MSA is the 6th largest MSA in the United States with a population of 5.7 million as of the 2008 US Census estimate. The population of the MSA has been increasing between 2% - 3% every year from 2000 to 2005. From 2005 to 2006, the population increased by 3.5%, primarily caused by the influx of hurricane victims into the area. The population of the MSA is largely centered in the city of Houston - the largest economic and cultural center of the south with a population of 2.2 million. Its 2 fastest-growing counties, Fort Bend and Montgomery, grew by 5.8% and 5.1%, respectively.

Houston’s economy was largely dependent on the oil industry as twenty-five of the nation’s largest publicly traded oil and gas firms have headquarters in Houston, making it the energy capital of the world. However, the area has begun to diversify into other industries. These industries include engineering, computer science, and technical administration jobs at organizations such as NASA and the Texas Medical Center. The top employers in the Greater Houston area include Wal-Mart, Administaff (professional employer services provider), Memorial Hermann Healthcare System, Continental Airlines, University of Texas’ MD Anderson Cancer Center, Exxon Mobil Corporation, and Kroger Corporation.

According to the US Bureau of Labor Statistics, the seasonally-adjusted unemployment rate for the nation was 9.4% as of July 2009, an increase from the prior year of 5.8%. The unemployment rate for the state of Texas was 7.9%, an increase from July 2008 of 4.9%. The Houston-Sugar Land Baytown MSA fared better than the national rate as unemployment was at 8.4% in July 2009, an increase from 5.1% the prior year. The bank operates in a heavily competitive environment with larger regional banks in its market. The FDIC market share survey report for June 30, 2008, indicates that 117 financial institutions operate branches within the bank’s AA. FNBTX ranks 62nd against the total group of banks for deposit market share with 0.13%. JP Morgan Chase Bank, N.A. holds the top spot with 30% deposit market share. The next two competitors include Bank of America, N.A. with 9% deposit market share and Wells Fargo Bank, N.A. with 8% deposit market share. The top three banks hold about 47% of deposits in the AA.

Three community contacts conducted within the past year in the Houston-Sugar Land-Baytown MSA were also considered during this evaluation.

One contact was with a Director of the Neighborhood Recovery Community Development Corporation (NRCDC), which seeks to provide various opportunities for affordable housing, economic investment and development, and other social and financial services in target communities in the Houston MSA. Our contact stated that banks should do more to help sustain small businesses by helping to support organizations providing micro loans and small dollar loans to start-up businesses. Affordable housing continues to be a consistent need for low-income families and geographies of the Houston MSA. The contact also stated that opportunities exist in providing diverse products geared to low-income individuals, as well as financial literacy education for all ages and income segments.

Another community contact focused on small business development, and indicated that slow payments and job loss was the biggest issue, with some small businesses shutting down or letting employees go. Credit lines in some cases are being reduced or shut down, although the contact noted that smaller banks were being a little more aggressive in lending to small businesses. This contact felt that local institutions in general were doing a good job meeting the needs of the small business community, and no significant opportunities were identified.

A different community services organization, focusing in part on financial literacy, stated that two significant needs for lower-income families are reliable transportation and affordable credit. In general, community development efforts and credit-related projects, such as affordable financing programs, were considered to be opportunities for participation by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

FNBTX'S performance under the lending test is satisfactory considering the performance context and needs of its AA.

Loan-to-Deposit Ratio

FNBTX's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's LTD ratio averaged 43% over the 12 quarters since the last CRA examination in November 2006. The bank's LTD ratio does not compare favorably with other community banks of similar size, location, and product offerings. FNBTX ranks last among a total of six similarly situated banks serving its AA. The bank has a historically low LTD ratio due to the fact that the bank sells many of its loans. As of June 30, 2009, the bank has sold approximately \$105 million in loans. To have a true look at the bank's LTD as of June 30, 2009, an adjustment to total loans needs to be made to add back loans that were sold in the first two quarters. With this adjustment to total loans as of June 30, 2009, the average LTD ratio is 57%.

INSTITUTION	ASSETS As Of 6/30/2009	AVERAGE QUARTERLY LTD RATIO As Of 6/30/09
First Bank of Conroe, Conroe	246,472	87.32%
Extraco Banks NA, Temple	1,142,598	82.34%
First State Bank Central Texas, Austin	994,118	80.54%
National Bank, Gatesville	448,668	68.98%
Union State Bank, Florence	317,806	55.99%
First National Bank Texas, Killeen	812,720	43.29%

*First State Bank moved its headquarters from Temple, TX to Austin, TX
 Source: Institution Consolidated Reports of Condition

Lending in the Assessment Area

A substantial majority of the primary loan products originated by FNBTX are to consumers within its AA. The following table details the bank’s lending within the AA by number and dollar amount of loans originated during the evaluation period, along with other information.

Table 1 Lending in Brazoria, Fort Bend, Galveston, Harris, Montgomery, Bell, Coryell AAs										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,979	85.12	346	14.88	2,325	\$269,989	83.33	\$54,030	16.67	\$324,019
Home Improvement	43	86.00	7	14.00	50	\$1,969	86.28	\$313	13.72	\$2,282
Refinance	200	78.43	55	21.57	255	\$29,099	73.53	\$10,477	26.47	\$39,576
Commercial	38	95	2	5	40	\$11,211	95.49	529	4.51	\$11,740
Consumer	40	100	0	0	40	\$537	100	0	0	\$537
Totals	2,300	84.87	410	15.13	2,710	\$312,805	82.72	\$65,349	17.28	\$378,154

Source: Loan sample.
 Source: Data reported under HMDA.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, given the bank’s product offerings and local economic conditions.

Performance in the Killeen/Temple/Fort Hood AA

Overall, the borrower distribution of loans in the Killeen/Temple/Fort Hood AA is reasonable.

Commercial Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Fifty-five percent of the bank’s loans to businesses originated during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues

of \$1 million dollars or less. This is considered reasonable compared to demographic data that show approximately 64% of the area’s businesses are considered small businesses. Additional justification for the reasonable rating is the fact that our sample showed that approximately 82% of the dollar volume of loans to businesses were to small businesses.

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

Table 2A				
Borrower Distribution of Loans to Businesses in Bell, Coryell AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.21%	3.31%	32.48%	100%
% of Bank Loans in AA by #	55.00%	40.00%	5.00%	100%
% of Bank Loans in AA by \$	81.53%	13.84%	4.63%	100%

Source: Loan sample; Dunn and Bradstreet data.

Consumer Loans

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. FNBTX made 30% of consumer loans to LMI borrowers during the evaluation period. The demographic data indicates approximately 19% and 18%, respectively; of households in the AA are LMI.

Overall, FNBTX made 60% of consumer loans in an LMI census tract while demographic data indicates that approximately 38% of households are in an LMI census tract, this reflects excellent dispersion.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AA.

Table 2B								
Borrower Distribution of Consumer Loans in Bell, Coryell AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	19.23	30.00	18.41	30.00	22.41	20.00	39.95	20.00

Source: Loan sample; U.S. Census data.

Residential Loans

The distribution of residential loans to borrowers reflects an overall reasonable penetration among borrowers of different income levels although our review of residential loans reflected percentages lower than those reported in the demographic data for low-income borrowers.

FNBT made 2% of residential loans to low-income borrowers during the evaluation period. The demographic data indicates approximately 17% of families in the AA are low-income. A mitigating factor in the penetration of low-income borrowers is the fact that of the approximate 17% of low-

income families, only 0.18% of houses in a low-income tract are owner-occupied. Also, households below the poverty level represent 11% of the total households in the AA. The level of income for low-income families based on the median family income for the AA is \$20,486 or less. This low level could inhibit potential borrowers from qualifying for residential loans, since the median housing value is \$72,485.

The distribution of loans to moderate-income borrowers is satisfactory as FNBTX made approximately 16% of residential loans to moderate-income borrowers during the evaluation period. The demographic data indicates that 20% of families in the AA are moderate-income.

The following table shows the distribution of residential loan products among borrowers of different income levels as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	16.89	4.81	20.08	15.15	23.86	21.49	39.17	50.67
Home Improvement	16.89	6.21	20.08	11.18	23.86	10.56	39.17	68.32
Refinance	16.89	4.37	20.08	12.23	23.86	11.79	39.17	54.15
Total	16.89	2.08	20.08	16.38	23.86	36.36	39.17	37.07

*HMDA data had 8.10% of number of loans with NA applicant income.
Source: Data reported under HMDA; U.S. Census data*

Performance in the Houston/Sugarland/Baytown Assessment Area

Overall, the borrower distribution of loans in the Houston/Sugar Land/Baytown AA is reasonable.

Commercial Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Sixty-five percent of the bank’s loans to businesses originated during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million dollars or less. This is considered reasonable compared to demographic data that show approximately 68% of the area’s businesses are considered small businesses

The table shows the distribution of commercial loans among different sized businesses in the AA.

<i>Business Revenues (or Sales)</i>	<i>≤\$1,000,000</i>	<i>>\$1,000,000</i>	<i>Unavailable/ Unknown</i>	<i>Total</i>
% of AA Businesses	68.37%	4.95%	26.68%	100%
% of Bank Loans in AA by #	65.00	30.00	5.0	100%
% of Bank Loans in AA by \$	47.26	49.45	3.29	100%

Source: Loan sample; Dunn and Bradstreet data.

Consumer Loans

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. FNBTX made 40% of consumer loans to LMI borrowers during the evaluation period. The demographic data indicates approximately 23% and 187, respectively; of households in the AA are LMI.

Overall, FNBTX made 80% of consumer loans in an LMI census tract, while demographic data indicates that approximately 40% of households are in an LMI census tract this reflects excellent dispersion.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AA.

Table 2B Borrower Distribution of Consumer Loans in Brazoria, Fort Bend, Galveston, Harris, Montgomery Assessment Areas								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	22.86	40	16.88	40	18.16	10	42.10	10

Source: Loan sample; U.S. Census data.

Residential Loans

The distribution of residential loans to borrowers reflects an overall reasonable penetration among borrowers of different income levels, although our review of residential loans reflects percentages lower than those reported in the demographic data for low-income borrowers.

FNBTX made approximately 4% of residential loans to low-income borrowers during this evaluation period. The demographic data indicates approximately 22% of families in the AA are low-income. A mitigating factor in the penetration of low-income borrowers is that of the approximate 22% of low-income families, less than 3% of houses in a low-income tract are owner-occupied. Also, households below the poverty level represent 12% of the total households in the AA. The level of income for low-income families based on the median family income for the AA is \$25,716 or less. This low level could inhibit potential borrowers from qualifying for residential loans, since the median housing value is \$99,974.

The distribution of loans to moderate-income borrowers is satisfactory as FNBT made approximately 17% of residential loans to moderate-income borrowers during the evaluation period. The demographic data indicates that 17% of families in the AA are moderate-income.

The table on the following page shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

Table 2 Borrower Distribution of Residential Real Estate Loans in Brazoria, Fort Bend, Galveston, Harris, Montgomery Assessment Areas								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	22.47	6.56	17.28	16.39	18.81	18.03	41.44	47.54
Home Improvement	22.47	0.00	17.28	5.26	18.81	21.05	41.44	68.42
Refinance	22.47	0.00	17.28	26.67	18.81	16.67	41.44	53.33
Total	22.47	3.64	17.28	17.27	18.81	18.18	41.44	52.72

HMDA data had 8.18% of number of loans with NA applicant income.
Source: Data reported under HMDA; U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the bank’s AAs.

Performance in the Killeen/Temple/Fort Hood AA

The bank’s geographic distribution of loans in this AA reflects reasonable dispersion throughout census tracts of different income levels.

Commercial Loans

The bank’s geographic distribution of loans to businesses reflects excellent dispersion throughout the census tracts of different income levels. FNBTX made 10% of commercial loans in a low-income census tract during this evaluation period. Demographic data indicates approximately 3% of businesses in the AA are in a low-income census tract. FNBTX also made 15% of commercial loans to business in a moderate-income census tract. Demographic data indicated that approximately 16% of businesses in the AA are in a moderate-income census tract.

Overall, FNBTX made 25% of commercial loans in an LMI census tract while demographic data indicates that 19% of owner-occupied housing is in an LMI census tract which reflects reasonable dispersion.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Table 3A Geographic Distribution of Loans to Businesses in Bell, Coryell Assessment Areas								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Farms/ Businesses	% of # of Loans	% of Farms/ Businesses	% of # of Loans	% of Farms/ Businesses	% of # of Loans	% of Farms/ Businesses	% of # of Loans
Businesses	3.25%	10.00%	15.82%	15.00%	53.57%	55.00%	27.36%	20.00%

Source: Loan sample; Dunn and Bradstreet data.

Consumer Loans

The bank’s geographic distribution of consumer loans reflects reasonable dispersion throughout the census tracts of different income levels. FNBTX made 10% of consumer loans to moderate-income borrowers during this evaluation period. This is considered reasonable since the demographic data indicates approximately 16% of households in the AA are moderate-income. Loans originated in the low-income census tract are below demographic data; however, this nominally considered as only 1% of households in the AA are found in a low income census tract.

Overall, FNBTX made 10% of consumer loans in an LMI census tract while demographic data indicates that approximately 17% of households are in an LMI census tract this reflects reasonable dispersion.

The following table details the bank’s performance as compared to the percentage of households in each census tract income level.

Table 3B Geographic Distribution of Consumer Loans in Bell, Coryell Assessment Areas								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	1.06	0.00%	16.20	10.00%	58.22	65.00%	24.52	25.00%

Source: Loan sample; U.S. Census data.

Residential Loans

The bank’s geographic distribution of home loans in this AA reflects less than satisfactory dispersion throughout census tracts of different income levels. While the level of loans originated in the low-income census tract is about even with demographic data, this received little weight as only 0.18% of owner occupied housing is found in a low-income tract. However, residential loans originated in the moderate-income census tracts need improvement. Originated loans in the moderate-income census tracts total only 2.5% while demographic data shows that 8% of owner-occupied housing is found in a moderate-income tract.

Overall, FNBTX made 2.6% of residential loans in an LMI census tract while demographic data indicates that approximately 8.26% of owner-occupied housing is in an LMI census tract, which reflects less than satisfactory dispersion.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 3 Geographic Distribution of Residential Real Estate Loans in Bell, Coryell Assessment Areas								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	0.18	0.10	8.08	2.76	59.46	39.71	32.28	57.42
Home Improvement	0.18	0.00	8.08	4.35	59.46	50.93	32.28	44.72
Refinance	0.18	0.00	8.08	2.18	59.46	43.67	32.28	54.15
Total	0.18	0.14	8.08	2.46	59.46	65.53	32.28	31.87

Source: Data reported under HMDA; U.S. Census data.

Performance in the Houston-Sugar Land-Baytown Assessment Area

The bank’s geographic distribution of loans in this AA reflects reasonable dispersion throughout census tracts of different income levels.

Commercial Loans

The bank’s geographic distribution of loans to businesses reflects excellent dispersion throughout the census tracts of different income levels. FNBTX made 10% of commercial loans in a low-income census tract during this evaluation period. The demographic data indicates that 5% of businesses in the AA are in a low-income census tract. FNBTX also made 30% of commercial loans to businesses in a moderate-income census tract. Demographic data indicates that approximately 25% of businesses in the AA are in a moderate-income census tract.

Overall, FNBTX made 40% of commercial loans in an LMI census tract while demographic data indicates that approximately 30% of businesses are in an LMI census tract, this reflects excellent dispersion.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Table 3A Geographic Distribution of Loans to Businesses in Brazoria, Fort Bend, Galveston, Harris, Montgomery Assessment Areas								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Farms/ Businesses	% of # of Loans	% of Farms/ Businesses	% of # of Loans	% of Farms/ Businesses	% of # of Loans	% of Farms/ Businesses	% of # of Loans
Businesses	5.06%	10	24.90%	30	27.87%	20	41.61%	40

Source: Loan sample; Dunn and Bradstreet data.

Consumer

The bank’s geographic distribution of consumer loans reflects excellent dispersion throughout the census tracts of different income levels. FNBTX made 10% of consumer loans to low-income borrowers during the evaluation period. The demographic data indicates approximately 6% of AA

households are low-income. Also, FNBTX made 45% of consumer loans to moderate-income borrowers during the evaluation period. The demographic data indicated approximately 29% of households in the AA are moderate-income.

Overall, FNBTX made 55% of consumer loans in an LMI census tract while demographic data indicates that approximately 35% of households are in an LMI census tract. This reflects excellent dispersion.

The following table details the bank’s performance as compared to the percentage of households in each census tract income level.

Table 3B Geographic Distribution of Consumer Loans in Brazoria, Fort Bend, Galveston, Harris, Montgomery Assessment Areas								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	6.12	10	28.52	45	31.46	40	33.89	5

Source: Loan sample; U.S. Census data.

Residential Loans

The bank’s geographic distribution of home loans in this AA reflects reasonable dispersion throughout census tracts of different income levels. FNBTX made approximately 2% of residential loans in a low-income census tract during this evaluation period. The demographic data indicates approximately 3% of owner-occupied housing in the AA are in a low-income census tract. FNBTX made approximately 18% of loans in a moderate-income census tract. The demographic data indicates approximately 23% of owner-occupied housing in the AA are in a moderate-income census tract.

Overall, FNBTX made 20% of residential loans in an LMI census tract while demographic data indicates that approximately 26% of owner-occupied housing is in an LMI census tract. This reflects reasonable dispersion.

The table on the following page details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan Type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	2.97	3.28	22.63	27.87	31.83	26.23	42.57	42.62
Home Improvement	2.97	0.00	22.63	5.26	31.83	52.63	42.57	42.11
Refinance	2.97	0.00	22.63	6.67	31.83	33.33	42.57	60.00
Total	2.97	1.82	22.63	18.18	31.83	32.73	42.57	47.27

Source: Data reported under HMDA; U.S. Census data.

Conclusions for Areas Receiving Limited Scope Reviews

A limited scope review was performed on FNBTX’s remaining AAs, most of which are spread across Texas and are not contiguous. FNBTX’s lending and deposit volume in these remaining AAs is significantly lower than the Killeen-Temple-Fort Hood and Houston-Sugar Land-Baytown AAs. The reason for this is that many of the branches located in the limited scope AAs are supermarket branches that do not include lenders. It should be noted that the bank is making an effort to serve its customers by adding lenders to the mortgage company in a number of areas where there are supermarket branches. Also, the bank initiated a home equity lending program in July 2007. However, the program ended in March 2008 due to lack of customer demand.

Responses to Complaints

FNBTX has received one CRA complaint during this evaluation period. The complaint was dated March 26, 2008, from the Community Development Corporation of Freedmen’s Town. The bank had a prompt response dated April 11, 2008. Evidence of this complaint and response can be found in the bank’s public file.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development test is rated satisfactory. FNBTX’s community development (CD) performance demonstrates adequate responsiveness to the CD needs in its AA primarily through investments and services. The bank provided CD loans and investments in the AA representing 16% of Tier 1 capital.

We reviewed information provided by FNBTX for CD activities within the AA during the evaluation period. The information was reviewed to validate that the activities supported CD and were responsive to community needs.

The full-scope AAs originated 4 CD loans totaling \$282,800 and made qualified investments totaling \$3,051,105 to organizations that provide community services to LMI individuals or promote economic development. The limited-scope AAs originated 3 CD loans totaling \$179,020 and made qualified investments totaling \$5,351,720 to organizations that provide community services to LMI individuals or promote economic development. Several bank employees in both AA’s provided CD services to qualifying programs. The table below provides a summary.

Community Development Lending and Investments		
	#	\$ Amount
Community Development Loans		
Full-Scope AA	4	282,800
Limited-Scope AA	3	179,020
<i>Total CD Loans</i>	7	461,820
Community Development Investments		
Qualified Investments		
Full-Scope AA	3	3,041,123
Limited-Scope AA	8	5,351,420
Donations		
Full-Scope AA	10	9,982
Limited-Scope AA	1	300
<i>Total Qualified Investments</i>	22	8,402,825
Total Community Lending and Investments		
	29	8,864,645

Number and Amount of Community Development Loans

Qualified CD loans are those that meet the definition of CD as defined in the CRA regulation and do not include loans given consideration under the Lending Test.

Conclusion for Full-Scope AAs

CD lending for FNBTX consists of loans to construct affordable housing in the full-scope AAs. The bank made loans to builders to finance the construction of single-family homes. These projects were done in conjunction with affordable housing programs, which included the Temple Housing Authority Homeownership Program and the U.S. Department of Housing and Urban Development (HUD). These four construction loans totaled \$282,800.

Conclusion for Limited-Scope AAs

CD lending for the bank consists of loans to construct affordable housing in the limited-scope AAs. The bank made loans to a builder to finance the construction of single family homes. This project was done in conjunction with the City of Victoria through their revitalization program. The City of Victoria developed fifty-five lots for low-income housing. The City of Victoria marketed the homes and assisted low-income individuals in purchasing and financing the homes. These three construction loans totaled \$179,020.

Number and Amount of Qualified Investments

Investments, deposits, membership shares, or grants that have CD as their primary purpose, are defined as “qualifying investments” in the CRA regulation. Investments support community services that target LMI families and individuals.

Conclusion for Full-Scope AA's

FNBTX made three CD investments located in the Killeen-Temple-Fort Hood AA and Houston-Sugar Land-Baytown AA, totaling \$3,041,123, primarily by purchasing mortgage-backed securities through FNMA that provide affordable housing to LMI individuals. These were composed primarily of multi-family affordable housing.

Other qualified investments totaling \$9,982, include donations to CD organizations that provide services and activities that impact LMI individuals and promote economic development.

Conclusion for Limited-Scope AAs

The bank made 8 qualified CD investments located in its limited-scope AAs, which includes Dallas, El Paso, Nueces, Tarrant, and Denton Counties, totaling \$5,351,420. Of particular note was the bank's investment of \$1,250,000 in the CRA Qualified Investment Fund. Community Capital Management, the bank's registered investment advisor, allocated the funds in investments that assist LMI families and individuals in obtaining affordable housing. Other investments include the purchase of mortgage-backed securities through FNMA that provide affordable housing to LMI families.

Another qualified investment totaling \$300, includes a donation to a CD organization that provides services and activities that impact LMI individuals and promote economic development.

Extent to Which the Bank Provides Community Development Services

Qualified CD services must meet the definition of "community development" in the CRA regulation and must be related to providing financial services to qualified individuals or organizations.

Conclusion for Full-Scope AAs

Bank personnel have engaged in CD services that are responsive to community needs. Bank officers continue to provide financial services to qualifying groups such as the Association of Texas Lenders for Education, United Way, Central Texas Workforce Commission, Central Texas Economic Development District, KISD Education Foundation, and Killeen Industrial Foundation. Services that officers have provided include reviewing loan applications from businesses, fund raising, technical expertise regarding budgeting, finance, planning, and financial education.

Conclusion for Limited-Scope AAs

The bank has 7 branches located in distressed or underserved non-metropolitan middle-income geographies which include the counties of: Anderson, Deaf Smith, Gray, Hockley, Jim Wells, Moore, and Walker. This provides increased access to financial services as the bank continues to maintain these branches to help revitalize or stabilize these distressed or underserved middle-income geographies. In addition, one employee provided free first time home buyer counseling seminars to promote community development.

Responsiveness to Community Development Needs

FNBTX has demonstrated a satisfactory responsiveness to CD needs throughout its AA. The branch system is the primary delivery system for retail banking services (217 branches throughout Texas) and is supplemented by 268 ATMs. Branch penetration is adequate when compared with the percentage of the population at each income level. Thirteen percent of the branches located in the Killeen-Temple-Fort Hood AA and 38% of branches in the Houston-Sugar Land-Baytown AA are located in LMI income areas. The bank offers alternative banking services such as telephone banking (toll-free support and interactive voice response), ATM/Debit cards, and Internet banking with bill pay.

Banking hours provide adequate accessibility throughout the AA. Free-standing banking locations maintain standard banking hours Monday through Friday. Drive-thru tellers serve customers during standard banking hours, in addition to providing service on Saturday until noon. With the help of the limited service mini-branches located in grocery stores such as Kroger, HEB, Albertson's, Fiesta, Super 1, Food Town, Blair Market, and in Wal-Mart stores, customers can bank seven days a week. These mini-branches have extended hours on the weekdays and Saturday until 8 p.m., in addition to providing additional services until 4 p.m. on Sundays. These services enhance the accessibility of the branches.

An adequate range of deposit and loan products and business services are available at FNBTX branch locations. Products and services are responsive to banking needs within the AA and do not vary in a way that inconveniences any portion of the AA, or any group of individuals, particularly LMI individuals. While FNBTX does not offer any products or services that are solely targeted to LMI individuals, the bank does offer a variety of checking accounts that do not require a minimum balance.

The volume and responsiveness of the bank's CD services are adequate. Qualified services focus on volunteer activities within the community. In advisory capacities, FNBTX officers and employees serve various CD organizations that benefit LMI individuals and families.

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.