



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 31, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Ballinger
Charter #3533**

**911 Hutchings Avenue
Ballinger, Texas 76821**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **The First National Bank of Ballinger (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of March 31, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is assessed a rating of **Satisfactory**.

The FNB's lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank's performance.

- C The loan-to-deposit ratio (LTD) is in line with most area banks' ratios and meets the standard for satisfactory performance. FNB's LTD ratio averaged 56.6% from January 1996 to December 1998; local competition averaged 60.6% for the same period.
- C A majority of the number and dollar volume of loans originating from January 1996 through December 1998 are in the bank's assessment area.
- C The distribution of borrowers reflects a satisfactory level of lending to low- and moderate-income families and a significant level of lending to small businesses and small farms within the bank's assessment area.
- C FNB's assessment area does not contain any low- or moderate-income census tracts. Therefore, an assessment of the geographic distribution of loans in the assessment area would not be meaningful.
- C The bank received no consumer complaints concerning its CRA performance since the April 11, 1996 examination.

The following table indicates the performance level of *The First National Bank of Ballinger* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Not assessed as there are no low- or moderate-income census tracts in the bank's assessment area.		
Response to Complaints	There have been no complaints received since the last examination.		

DESCRIPTION OF INSTITUTION

FNB has total assets of \$45 million with loans totaling \$23 million. The bank has one office with a drive-through facility located in downtown Ballinger, Texas. FNB also has an automated teller machine (ATM) located in a local convenience store on the south side of town. The bank's business focus has been on commercial, real estate, residential mortgage, and consumer lending. In addition to these loan products, the bank has a significant agricultural lending base.

Loans make up 52% of the bank's total assets. As of December 31, 1998, the loan portfolio consists of the following primary categories:

Loan Portfolio Composition		
Loan Type	Amount (000's)	Percentage of Gross Loans
Agricultural Loans	\$ 9,836	42.3%
1 - 4 Family Residential Loans	\$ 6,240	26.8%
Commercial Loans	\$ 2,994	12.9%
Consumer Loans	\$ 2,194	9.4%
Commercial Real Estate Loans	\$ 1,338	5.7%
Other Loans	\$ 660	2.9%
Total	\$ 23,262	100%

The bank is owned by Texas Country Bancshares, Inc., which has 48 shareholders. Two families control a majority of Texas Country Bancshares' outstanding stock. The bank is affiliated through common ownership with: Brady National Bank, Brady, Texas; and Citizens Bank, NA, Abilene, Texas.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment area. The previous CRA examination is dated April 11, 1996.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes five block-numbering areas (BNAs) in Runnels County, Texas. The assessment area includes the communities of Ballinger, Miles, Norton, Rowena, Wingate, and Winters. Based on 1990 Census data, all five BNA's are categorized as middle-income. With the exception of the small communities included in the assessment area, the vast majority of the surrounding land is tied to farming and ranching. The City of Ballinger has a very active Industrial Development Board, which has been very successful in attracting light industry to the area. Manufacturing businesses include Mueller Supply (prefabricated metal building construction), Gerber Apparel (infant clothing), Buddy's Plants Plus (Miracle Grow plant fertilizer), and Complete Packaging (cardboard box construction).

The bank's assessment area has a population of 11,294, based on 1990 Census data. Ballinger is located approximately 40 miles north of San Angelo, Texas. The 1990 median family income for FNB's assessment area is \$24,586. The HUD 1998 updated median family income for non-MSA Texas counties is \$32,100. Census data indicates that 81% of housing units are occupied and 18% are unoccupied; 1% of available housing units are uninhabitable.

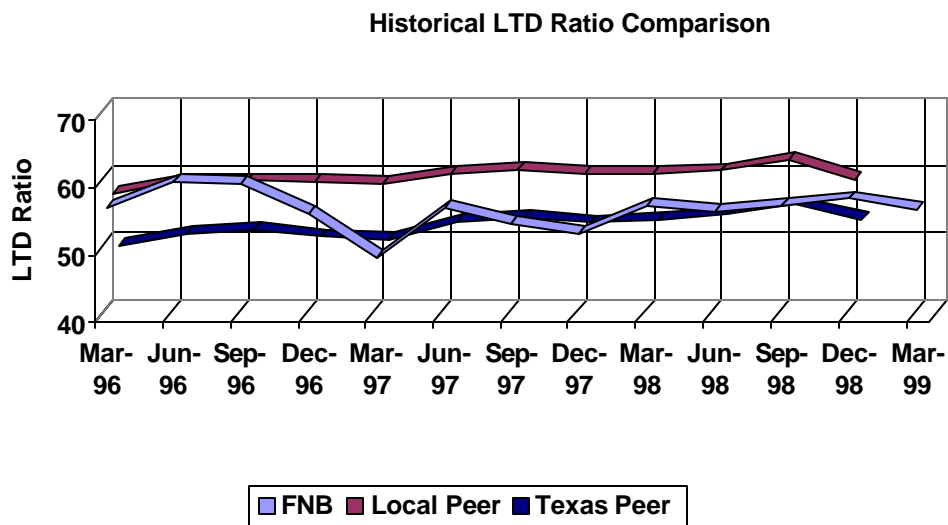
Credit needs identified by community contacts in FNB's assessment area included affordable housing, home improvement, consumer, and small business/small farm loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is performing satisfactorily in meeting the credit needs of the assessment areas, including low- and moderate-income individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The LTD ratio is in line with most area banks' ratios and meets the standard for satisfactory performance. FNB's LTD ratio averaged 56.6% from January 1996 to December 1998, local competition averaged 60.6% for the same period. The LTD ratio as of March 31, 1999, is 56.8%.

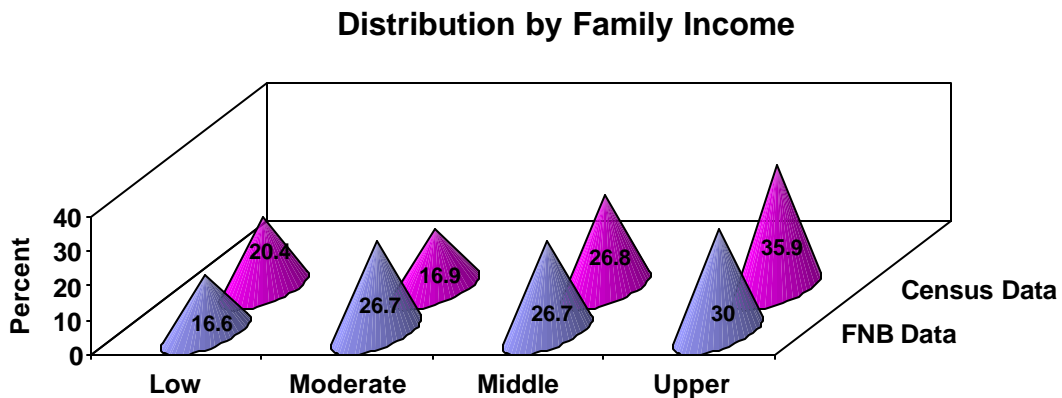


Lending in the Assessment Area

A majority of the number and dollar volume of loans originating from January 1996 through December 1998 are in the bank's assessment area. Based on information provided by the bank, 85% of the number and 70% of the dollar amount of loans were within FNB's assessment area. Loan sampling during the examination supported these figures.

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

The loan distribution to individuals with different income levels within the assessment area meets the standard for satisfactory performance. We reviewed 16 consumer loans originating in 1999 and 14 residential purchase, home improvement, and home equity loans originating in 1998 and 1999. We determined that lending activity to low- and moderate-income families is in line with demographic characteristics of the assessment area. The details of our review are reflected in the following chart:



We also reviewed 30 commercial and agricultural loans to determine the distribution among businesses and farms of different income levels. Our analysis reflected a good dispersion, given the bank's emphasis on small business and small farm lending, with 97% of commercial and agricultural loans being granted to entities having gross revenues of less than \$1 million. Details of our review are reflected in the following table:

Lending to Businesses and Farms of Different Sizes

Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
Loan Type										
Commercial	8	53%	1	7%	5	33%	1	7%	15	100
Agricultural	8	53%	6	40%	1	7%	0	0%	15	100

Total	16	53%	7	23%	6	20%	1	4%	30	100
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Geographic Distribution of Loans

FNB's assessment area does not contain any low- or moderate-income level census tracts or BNAs. An analysis of the geographic distribution of the bank's loans would not provide any meaningful information.

Response to Complaints

The bank received no consumer complaints concerning its CRA performance since the examination dated April 11, 1996.

Other Pertinent Information

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.