



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 28, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank In Cisco
Charter Number 12795**

**418 Avenue D
Cisco, TX 76437**

**Comptroller of the Currency
ADC - Dallas South
500 North Akard Street Suite 1600
Dallas, TX 75201**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

First National Bank in Cisco (FNB) has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon the following factors:

- FNB's loan-to-deposit ratio is reasonable given the bank's size, assessment area needs, and the banking market in the Cisco area. Stagnant growth in the area provides for limited lending opportunities. The ratio measures loan volume relative to the bank's deposit structure. The quarterly average loan-to-deposit ratio for the evaluation period is 44.1%, which is slightly below the other competitor banks in the county, but remains reasonable.
- A significant volume of the bank's loans are within the assessment area (AA). A majority of the loans, both in number and dollar volume, are made within the bank's AA. Of the loans we reviewed, 77.5% of the number and 71% of the dollar volume are within the AA.
- Loans are extended to individuals of different income levels and businesses and farms of different sizes. Of the residential loans we sampled, 30% were made to low- and moderate-income borrowers and 85% of consumer loans were made to low- and moderate-income borrowers. Of the business loans we sampled, 85% were made to businesses with gross annual revenues less than \$1 million and 95% of agriculture loans were made to farms with annual income less than \$500,000.

DESCRIPTION OF INSTITUTION

FNB is a community bank located in Eastland County, Cisco, Texas. Cisco is a small community located in North Central Texas, approximately 120 miles west of the Dallas/Ft. Worth metroplex and 45 miles east of Abilene. The only bank location is in downtown Cisco. An automated teller machine is available outside the building and a drive-up window is attached. As of December 31, 2002, FNB reported total assets of \$38 million.

The bank offers an array of basic banking services designed to reach all sectors of the AA. As of December 31, 2002, the loan-to-deposit ratio totaled 45.8%. The following table depicts the bank's loan mix:

| Loan Category | \$ (000) | % |
|-----------------------------------|-----------------|----------------|
| Residential Real Estate Loans | 1,780 | 12.2% |
| Commercial Real Estate Loans | 2,826 | 19.4% |
| Farm Loans, including Real Estate | 2,880 | 19.7% |
| Consumer Loans | 1,831 | 12.5% |
| Commercial Loans | 5,288 | 36.2% |
| Total | 14,605 | 100.00% |

FNB's last CRA Performance Evaluation, dated March 3, 1998, reflects a *Satisfactory* rating. The

bank has no financial or legal obstacles hindering its ability to meet its community's credit needs.

DESCRIPTION OF THE CITY OF CISCO

FNB has one assessment area, a non-metropolitan area located in northwest Eastland County. Eastland County consists of five block numbering areas (BNA). The Board of Directors has designated BNA #9503 as the bank's AA. BNA #9503 is located in northwest Eastland County. The city of Cisco is located in the center of this BNA. The AA meets the requirements of the CRA regulation by including whole geographies and does not arbitrarily exclude any low- or moderate-income areas. The BNA is categorized as middle income, based on 1990 census data. The following table depicts the demographics of the assessment area:

| DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA | |
|---|----------|
| <i>Population</i> | |
| Number of Families | 1,388 |
| Number of Households | 1,993 |
| <i>Geographies</i> | |
| Number of BNAs | 1 |
| % Low-Income BNAs | 0% |
| % Moderate-Income BNAs | 0% |
| % Middle-Income BNAs | 100% |
| % Upper-Income BNAs | 0% |
| <i>Median Family Income (MFI)</i> | |
| 1990 MFI for AA | \$20,435 |
| 2002 HUD-Adjusted MFI | \$36,100 |
| 2001 HUD-Adjusted MFI | \$35,800 |
| 2000 HUD-Adjusted MFI | \$34,700 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 2.31% |
| 2002 Median Housing Value | \$21,700 |
| % of Households Below Poverty Level | 23.8% |

The total occupied housing units in the assessment area is 71%, with 53.5% being owner occupied and 17.5% being rental occupied. Vacant housing units total 29%. Large portions of the households in the assessment area are on fixed incomes. Based on 1990 Census data, 13.1% of the households are retired and 51.3% of the households receive either social security or public assistance. Approximately 24% of the population is below the poverty level.

The major industries in the assessment area are related to agriculture and oil and gas. Three of the major employers are Wilks Masonry, Cisco Junior College, and Cisco Independent School District. Wilks is a commercial rock/brick layer. Other major employers in the assessment area are Ram, Inc. and Burgess Manufacturing. Ram, Inc. produces plastic extrusions and Burgess manufactures for the oil and gas industry with specialized metal fabrication.

We obtained information about credit needs from discussions with management and our community contact. Management indicated that the community could benefit from programs to

encourage small business development. Also, the availability of longer-term real estate mortgages would help homebuyers with the increasing cost of real estate. We contacted an employee of the Cisco Development Corporation that identified low-income housing and availability of rental property as a credit need in the community. The bank does not have any programs to specifically address these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs and meets the standards for satisfactory performance. Stagnant growth in the area provides limited lending opportunities. The 10-quarter average loan-to-deposit ratio is 44.1%, which is lower than the other competitor bank situated in Eastland County, but remains reasonable.

| Institution | Assets (as of 12/31/02) | Average LTD Ratio |
|-------------------------------------|-------------------------|-------------------|
| Eastland National Bank | 59,000 | 58.38% |
| <i>First National Bank in Cisco</i> | <i>38,503</i> | <i>44.07%</i> |

Lending in Assessment Area

Based on our review of FNB's lending patterns, the bank meets the standards for satisfactory performance in lending within its AA. We reviewed a sample of residential real estate, commercial, consumer, and agriculture loans. Each loan category consisted of 20 loan files originating between January 1, 2000 and December 31, 2002. The following table shows the distribution of these loans inside and outside of the AA.

| TOTAL LOANS REVIEWED (1/1/00 – 12/31/02) | | | | | | | | |
|--|--------------------|-----|-----------|-----|------------------------|-----|-----------|-----|
| LOAN TYPE | IN ASSESSMENT AREA | | | | OUT OF ASSESSMENT AREA | | | |
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Residential Real Estate | 18 | 90 | 624 | 90 | 2 | 10 | 70 | 10 |
| Consumer | 15 | 75 | 79 | 72 | 5 | 25 | 31 | 28 |
| Commercial | 14 | 70 | 658 | 57 | 6 | 30 | 491 | 43 |
| Agriculture | 15 | 75 | 322 | 77 | 5 | 25 | 98 | 23 |
| Total Reviewed | 62 | 78% | \$1683 | 71% | 18 | 22% | \$690 | 29% |

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

FNB meets the standards for satisfactory performance for this assessment criterion. The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of residential and consumer loans to low-income and moderate-income borrowers is good to excellent when compared to the percentage of low- and moderate-income households and families residing within the bank's AA.

| RESIDENTIAL REAL ESTATE (1/1/00 – 12/31/02) | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Families | 25% | | 23% | | 20% | | 32% | |
| LOANS | % of Number | % of Amount |
| Total | 20 | 10 | 10 | 7 | 20 | 20 | 50 | 63 |

| CONSUMER (1/1/00 – 12/31/02) | | | | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Households | 33% | | 19% | | 17% | | 31% | |
| LOANS | % of Number | % of Amount |
| Total | 55 | 52 | 30 | 32 | 15 | 16 | 0 | 0 |

| BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (1/1/00 – 12/31/02) | | |
|--|--------------|--------------|
| Business Revenues | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses* | 75% | 3% |
| % of Bank Loans in AA # | 93% | 7% |
| % of Bank Loans in AA \$ | 83% | 17% |

*Revenues not reported for 22% of businesses in AA

| BORROWER DISTRIBUTION OF AGRICULTURE LOANS (1/1/00 – 12/31/02) | | |
|--|------------|------------|
| Farm Revenues | ≤\$500,000 | >\$500,000 |
| % of AA Farms* | 92% | 0% |
| % of Bank Loans in AA # | 100% | 0% |
| % of Bank Loans in AA \$ | 100% | 0% |

*Revenues not reported for 8% of farms in AA.

Geographic Distribution of Loans

Based on 1990 Census data, 100% of the bank's AA is designated as middle-income. Therefore an analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

Neither the OCC nor FNB have received any consumer complaints related to FNB's CRA performance during this evaluation period.

Fair Lending Review

The OCC performed an analysis of three years public comments and consumer complaint information according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation of FNB this year.

Community Development Services

During the evaluation period FNB's management team and employees participated in numerous civic and community organization services and activities including Cisco Community Development Action Plan, Cisco Junior College Board of Regents, Cisco Rotary Club, and Cisco Chamber of Commerce. The local Goodfellows Campaign is supported through gifts and donations from the bank and its employees. However, none of the services qualified as community development services under the provisions of CRA.