



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 20, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Tom Bean
Charter Number: 11019

109 S. Britton
Tom Bean, TX 75489

Office of the Comptroller of the Currency
Dallas Field Office
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062

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 First National Bank of Tom Bean (FNB Tom Bean) exhibits lending performance that reflects a **satisfactory** response to the credit needs in its communities. Factors that support the rating include:

- The average loan-to-deposit ratio of 54.98% is reasonable given the size, financial condition and assessment area (AA) credit needs.
- A substantial majority of loans sampled originated within the assessment area.
- The borrower distribution of commercial loans sampled reflects an excellent penetration of loans made to businesses with revenue of less than \$1 million.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels.

SCOPE OF EXAMINATION

FNB Tom Bean was evaluated using the Small Bank Community Reinvestment Act (CRA) examination procedures, which includes a lending test. The lending test evaluates the financial institution's record of meeting the credit needs of its AA through lending activities.

The scope of the CRA examination covered a period from May 23, 2005, the date of the prior Performance Evaluation (PE) to June 20, 2011, the date of the current evaluation. Residential, Commercial and Consumer loans were identified as FNB Tom Bean's primary loan products. To evaluate lending performance we used HMDA data which was tested for accuracy during the June 10, 2011 HMDA audit, no major discrepancies were identified. We also selected a sample of 20 commercial loans and 20 consumer installment loans originating from January 1, 2009 through May 31, 2011.

The loan-to-deposit ratio was evaluated using a comparison of other similarly situated financial institutions with headquarters located within the AA over the prior 22 quarters.

DESCRIPTION OF INSTITUTION

FNB Tom Bean is a \$43 million community bank located in Tom Bean, Texas serving Grayson and Red River counties. The main office is located in Tom Bean with a branch located in Clarksville. Both locations have on-site Automatic Teller Machines.

Management's lending focus continues to be centered in consumer and commercial loans to members of the communities it serves. Loan products include mortgage, consumer, commercial and agricultural loans. Local competition includes national and state chartered financial institutions. FNB Tom Bean does not have any financial or legal obstacles affecting its ability to meet community needs.

A summary of the loan portfolio as of March 31, 2011 is as follows:

FNB Tom Bean Loan Portfolio Summary		
<i>Loan Category</i>	<i>Dollar Volume (in thousands)</i>	<i>Percentage of Dollars</i>
Real Estate	10,480	47.29%
Commercial	6,136	27.69%
Consumer Installment	3,876	17.49%
Agriculture	1,574	7.10%
Other	94	.43%
Total	22,160	100.00%

Source: March 31, 2011 Call Report

DESCRIPTION OF ASSESSMENT AREA(S)

Tom Bean defined two assessment areas located in northeast Texas. The two assessment areas are not contiguous and meet the regulatory guidelines. Neither assessment area arbitrarily excludes any low or moderate income areas. The assessment areas are described below.

Grayson County

Grayson County is the 29th largest of the 254 counties in Texas and is included in the Sherman-Denison Metropolitan Statistical Area (MSA.) The county seat, Sherman, Texas, is located approximately 17 miles from the main branch of FNB Tom Bean. According to the June 30, 2010 FDIC Market Share Report, there are a total of 15 financial institutions with 45 offices located within Grayson County. Reported deposits total \$1,750,442,000. FNB Tom Bean holds a little over 1% of the market share in deposits. American National Bank of Texas comprises the largest percentage of the market with 10 branches and 37% of the deposits.

The local economy is stable with the largest employer being Tyson Fresh Meats, followed by the Sherman Independent School District, Texas Instruments, Texas Health Presbyterian Hospital, and Grayson County. The largest labor sectors are services, education, healthcare and government.

Other pertinent demographic information is captured in the following table:

Demographic Data for the Grayson County AA					
	Total	Low	Moderate	Middle	Upper
Census Tracts	26	0	7	17	2
Business by Geography	8,919	0	1,622	6,516	781
Farms by Geography	606	0	21	551	34
Owner Occupied by Geography	30,228	0	4,200	22,866	3,162
Households by Income	42,834	9,905	7,151	8,114	17,664
Families by Income	30,297	5,896	5,481	6,984	11,936
Families below Poverty Level	536	0	0	536	0
2010					
Census Median Family Income	\$45,043	Median Housing Value		\$68,675	
HUD – Adjusted MFI: 2010	\$57,600	Unemployment Rate		2.93%	
HUD – Adjusted MFI: 2009	\$57,900	# of Retired Households		7,579	
HUD – Adjusted MFI: 2008	\$55,900	# of SS Households		12,950	

Source: 2000 US Census

Red River County

Red River County is a Non-Metropolitan Statistical Area located in far northeast Texas. Clarksville is the county-seat and home to the branch location of FNB Tom Bean. According to the June 30, 2010 FDIC Deposit Market Share Report, there are 5 financial institutions with 6 offices located within Red River County, with deposits totaling \$145,726,000. FNB Tom Bean holds approximately 14% of the market share while State Bank of DeKalb holds the largest percentage at 32%.

Economic conditions in Red River County remain stagnant. The largest employers are Clarksville Independent School District and Magnolia Brush. The largest industries are services and agriculture.

Red River County is made up of five (5) census tracts, all of which are middle income.

Other pertinent demographic data is captured in the following table:

Demographic Data for the Red River AA					
	Total	Low	Moderate	Middle	Upper
Census Tracts	5	0	0	5	0
Business by Geography	1,075	0	0	1,075	0
Farms by Geography	86	0	0	86	0
Owner Occupied by Geography	4,368	0	0	4,368	0
Households by Income	5,816	1,583	1,062	1,093	2,078
Families by Income	4,080	907	795	1,002	1,376
Families below Poverty Level	536	0	0	536	0
		2010			
Census Median Family Income	\$36,380	Median Housing Value		\$38,292	
HUD – Adjusted MFI: 2010	\$46,500	Unemployment Rate		3.28%	
HUD – Adjusted MFI: 2009	\$45,600	# of Retired Households		1,102	
HUD – Adjusted MFI: 2008	\$43,600	# of SS Households		2,046	

Source: 2000 US Census

The credit needs of the community were determined through an interview with an individual associated with the City of Tom Bean. The community contact stated FNB Tom Bean does a good job in meeting the lending needs of the community. Our contact identified providing loans to the local municipalities to purchase police cars, fire equipment, etc., was the highest need of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB Tom Bean demonstrated satisfactory performance in meeting the credit needs of its AA. Our review focused on the primary lending products originated since the previous CRA examination: residential, commercial and consumer loans. HMDA data was used to assess residential loans while a random sample of consumer and commercial loans was used to determine the extent of lending within the AA and the distribution of loans by borrower income level.

Loan-to-Deposit Ratio

FNB Tom Bean’s loan-to-deposit ratio (LTD) is reasonable given the institution’s size, competition, location, financial condition, and AA credit needs. The average quarterly LTD ratio was 54.98 percent for the 22 quarters since the last CRA examination. This ratio compares favorably with other financial institutions of similar asset size, location and product offerings. The average LTD ratio for financial institutions headquartered within the AA over the same period of time was 59.30 percent.

Financial Institution	Total Assets As of 3/31/11 (in thousands)	Average LTD Ratio
FNB Tom Bean	\$43,128	54.98%
FNB Bells/Savoy	\$45,176	53.73%
Security Bank of Whitesboro	\$105,321	64.87%
Total Average LTD Ratio		59.30%

Source: March 31, 2011 Call Report

Lending in Assessment Area

Based on the sample of loans reviewed, FNB Tom Bean originated a substantial majority of residential, consumer and commercial loans within its AA. As indicated in the following table 82 percent of the number and 78 percent of the dollar volume of loans originated during the review period were within FNB Tom Bean’s AA.

Lending in Grayson and Red River Counties										
Loan Product	Number of Loans					Dollar Volume of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential RE	51	89	6	11	57	2,848	78	789	22	3,637
Commercial	30	75	10	25	40	1,088	77	334	23	1,422
Consumer	32	80	8	20	40	277	80	69	20	346
Totals	113	82	24	18	137	4,213	78	1,192	22	5,405

Source: Loan Sample and data reported under the Home Mortgage Disclosure Act (HMDA)

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

Overall FNB Tom Bean meets the standard for satisfactory performance in lending to borrowers of different incomes and businesses of difference sizes. FNB Tom Bean exceeded the standard for satisfactory performance in providing consumer loans to low income borrowers in Grayson County and moderate income borrowers in Red River County (see Table 2B). FNB Tom Bean also exceeded the standard for satisfactory performance in lending to businesses with revenues less than or equal to \$1 million dollars in both Grayson and Red River Counties (see Table 2A). However, FNB Tom Bean did not meet the standard for satisfactory performance in providing residential loans to low and moderate income borrowers in the AA or consumer loans to low income borrowers in Red River

County and moderate income borrowers in Grayson County (see Table 2).

FNB Tom Bean offers conventional home loan products which require a 20 percent down payment. Most low and moderate income borrowers are unable to meet this financial requirement. In addition, while this information was evaluated and included in our assessment of the bank’s lending performance, it is not considered a primary product type given that only seven home purchase and three home improvement loans originated from the Tom Bean location during a three-year period. As for the Clarksville location, 37 home purchase, one home improvement and three refinance loans originated during that same time period. As of March 31, 2011, FNB Tom Bean had 997 outstanding loans of which these HMDA reported loans account for 5.7%.

Our overall conclusion is supported by the data in the following tables for each assessment area:

Grayson County

Table 2 – Borrower Distribution of Residential Real Estate Loans in Grayson County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	19	0	18	14	23	57	39	29
Home Improvement	19	0	18	0	23	0	39	0
Refinance	19	0	18	67	23	33	39	0

Source: 2000 US Census and HMDA Data (7 home purchases, 0 home improvements, and 3 refinance)

Table 2A – Borrower Distribution of Loans to Businesses in Grayson County				
Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	79	3	18	100
% of Bank Loans in AA by #	100	0	0	100
% of Bank Loans in AA by \$	100	0	0	100

Source: 2000 US Census and Loan Sample (20 commercial loans)

Table 2B – Borrower Distribution of Consumer Loans in Grayson County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Consumer	22	25	20	19	19	20	41	20

Source: 2000 US Census and Loan Sample (20 consumer loans)

Red River County

Table 2 – Borrower Distribution of Residential Real Estate Loans in Red River County								
Borrower Income Level	Low		Moderate		Middle		Upper	
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
Home Purchase	22	5	19	5	25	19	34	70
Home Improvement	22	0	19	0	25	100	34	0
Refinance	22	0	19	0	25	33	33	67

Source: 2000 US Census and HMDA data (37 home purchases, 1 home improvement, and 3 refinance)

Table 2A – Borrower Distribution of Loans to Businesses in Grayson County				
Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	79	2	19	100
% of Bank Loans in AA by #	90	10	0	100
% of Bank Loans in AA by \$	32	68	0	100

Source: 2000 US Census and Loan Sample (20 commercial loans)

Table 2B – Borrower Distribution of Consumer Loans in Grayson County								
Borrower Income Level	Low		Moderate		Middle		Upper	
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
Consumer	27	25	18	20	19	35	36	20

Source: 2000 US Census and Loan Sample (20 consumer loans)

Geographic Distribution of Loans

Grayson County

The geographic distribution of loans to borrowers residing in moderate income census tracts is reasonable given the location of the bank in relation to those census tracts. FNB Tom Bean did not originate any residential, consumer or business loans to individuals or businesses residing or operating in the seven moderate census tracts in Grayson County. One hundred percent of loans sampled were made to individuals or businesses located in one of the 17 middle income census tracts within Grayson County.

Our review indicated FNB Tom Bean is located in middle income census tract 18.01, which has a tract population of 3,970 (FFIEC Geocoding System). According to the map of the Grayson County AA - moderate income census tracts (2.00, 5.01, 5.02, 7.00, 14.00, 16.00, and 16.20) were not located in close proximity to FNB Tom Bean. Businesses and borrowers located in moderate income census tracts may prefer to do business with financial institutions located within, or close to, those census tracts.

Table 3 – Geographic Distribution of Residential Real Estate Loans in Grayson County								
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	0	14	0	76	100	10	0
Home Improvement	0	0	14	0	76	0	10	0
Refinance	0	0	14	0	76	100	10	0

Source: 2000 US Census and HMDA data (7 home purchase, 0 home improvement, and 3 refinance)

Table 3A – Geographic Distribution of Loans to Businesses in Grayson County								
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
Businesses	0	0	18	0	73	100	9	0

Source: 2000 US Census and Loan Sample (20 commercial loans)

Table 3B – G Distribution of Consumer Loans in Grayson County								
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
Consumer	0	0	16	0	75	100	9	0

Source: 2000 US Census and Loan Sample (20 consumer loans)

Red River County

A meaningful geographical analysis could not be performed for Red River County due to the absence of low or moderate census tracts.

Responses to Complaints

FNB Tom Bean did not receive any complaints or public comments regarding CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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