



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 09, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Mexia
Charter Number 12190**

**301 East Commerce
Mexia, Texas 76667**

**Office of the Comptroller of the Currency
500 North Akard Street, Suite 1600
Dallas, Texas 75201-3342**

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 Community Reinvestment Act (CRA) performance of the First National Bank of Mexia, Mexia, Texas as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of April 09, 2001. 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 rated Satisfactory.

The primary factors supporting the bank's overall rating include:

- An excellent record of lending to borrowers of different incomes and to businesses of different sizes;
- The geographic distribution of loans is reasonable;
- A substantial majority of loan originations, representing 90% of the number and 89% of the dollars, are within the assessment area; and,
- The loan to deposit ratio of 73% is reasonable.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) of Mexia is a wholly owned subsidiary of Limestone Bancshares, Inc., a single bank holding company, headquartered in Mexia, Texas. As of December 31, 2000, the bank's total assets are \$76 million, gross loans are \$52 million, and total deposits are \$70 million. The bank offers a full range of loan products and deposit services, with an emphasis on small business loans and residential loans. Residential loan products include a special affordable housing loan program geared towards low- or moderate-income borrowers. As reflected in Table I below, major lending activities are as follows:

Table I

Loan Category	\$ (000)	%
Commercial Real Estate Loans	11,297	21%
Commercial Loans	8,532	16%
Residential Real Estate Loans	14,469	28%
Agriculture Loans	4,539	9%
Consumer Loans	13,570	26%
Total	\$52,407	100%

FNB serves the community from four office locations situated in both Limestone County and Freestone County. In general, branch locations are full service, including drive-up service, and proprietary ATMs. There is strong competition from other community banks, regional banks, thrifts, credit unions, and other non-financial institutions that have multi-office locations in the area. FNB has no impediments, legal or otherwise, which would hinder their efforts to help meet the credit needs of the bank's assessment area.

DESCRIPTION OF LIMESTONE COUNTY AND FREESTONE COUNTY.

FNB defines its assessment area as Limestone County and Freestone County located in the central eastern sector of the state of Texas. The bank's assessment area is not situated within a Metropolitan Statistical Area (MSA). The assessment area complies with the legal requirements of the CRA and does not arbitrarily exclude low- or moderate-income areas. Derived from 1990 Census Bureau and 2000 Housing and Urban Development Agency (HUD) data, Table II (Page 3) reflects assessment area demographics as follows:

Table II

Demographic and Economic Characteristics of Assessment Area	
<i>Population</i>	
Number of Families	10,073
Number of Households	13,971
<i>Geographies</i>	
Number of Census Tracts/BNA	
# Low-Income Census Tracts/BNA	0
# Moderate-Income Census Tracts/BNA	3
# Middle-Income Census Tracts/BNA	10
# Upper-Income Census Tracts/BNA	4
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$27,032
2000 HUD-Adjusted MFI	\$34,700
<i>Economic Indicators</i>	
Unemployment Rate	2.45%
1990 Median Housing Value	\$41,252
% of Households Below Poverty Level	22%

Area economic conditions are considered good and unemployment is at low levels. The major employment sectors existing within the assessment are retail trade and service industries. Major area employers are the Mexia State School and TXU, Inc. (regional utility company). Management has identified small business loans and residential mortgages (especially for affordable housing) as the primary credit needs within the assessment area. Unfortunately, the increase in population has outpaced the availability of suitable housing, especially affordable housing. Similar credit needs were highlighted by respective community contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

FNB's loan to deposit ratio is reasonable and commensurate with its size, competition, available resources, lending activities, as well as the demographics of the assessment area. The loan to deposit ratio average is 60% for the last ten quarters. This is slightly below the 66% average for similarly situated banks within the assessment area. However, the ratio improved significantly during the 2000 fiscal year. As of December 31, 2000, FNB's loan to deposit ratio is 73%.

Lending in Assessment Area

A substantial majority of the bank's lending activity is within its assessment area. We tested and relied on management reports as of December 31, 2000. As illustrated in Table III, 90% of the number and 89% of the dollar volume of loan originations are extended within the assessment area.

Table III

Total Loan Originations						
Loan Type	Total Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Business	519	21,828	477	92%	19,807	91%
Residential	420	14,197	382	91%	12,357	87%
Consumer	2,010	13,571	1,796	89%	11,830	87%
Total	2,949	49,596	2,655	90%	43,994	89%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB has a strong record of lending to borrowers of different incomes and to businesses of different sizes. Our analysis included a combination of 72 residential loans and 31 business loans. As illustrated in Table IV, of the residential loans sampled, 57% of the number and 30% of the dollar volume were extended to low- or moderate-income borrowers. The income level categories are defined based on HUD's 2000 median family income of \$34,700 for the state of Texas. Of the businesses sampled, 81% of the number were extended to small business borrowers. Small businesses are defined as those with gross annual revenues of one million dollars or less.

Table IV

Lending to Borrowers of Different Income Levels								
Income Level Category	#	%	\$(000s)	%				
Low	23	32%	388	15%				
Moderate	18	25%	384	15%				
Middle	13	18%	614	24%				
Upper	18	25%	1,204	46%				
Total	72	100%	2,590	100%				
Lending to Businesses of Different Sizes								
Revenue Ranges	\$1 Million or less				Greater than \$1 million			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Total	25	81%	1,876	52%	6	19%	1,742	48%

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. Within the bank’s assessment area, there are no low-income census tract/BNA designations. Three moderate-income census tract/BNA designations exist. For loans originated within the assessment area, 40% of the number and 35% of the dollars were extended to borrowers located in moderate-income designated areas.

Response to Complaints

No complaints were received since the prior examination.

Compliance with Antidiscrimination Laws

For the period of 1994 through 1996, an analysis of consumer loans and commercial loans was performed according to the OCC’s risk-based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1996.