



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 05, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**San Angelo National Bank
Charter Number 23445**

**301 West Beauregard Street
San Angelo, TX 76903**

**Comptroller of the Currency
Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, 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.

INSTITUTION'S CRA RATING: This institution is rated “Outstanding”.

The Lending Test is rated: “Outstanding”.

The Community Development Test is rated: “Outstanding”.

San Angelo National Bank (SANB) has an outstanding record of meeting community credit needs. This conclusion is based on the following:

- The bank’s loan-to-deposit ratio is reasonable and averaged 45 percent during the evaluation period.
- A substantial majority of SANB’s loans were originated within the bank’s assessment area (AA).
- SANB’s distribution of loans to businesses with gross revenues of less than \$1 million is excellent. The bank’s overall distribution of home mortgage products to low- and moderate-income families is excellent.
- The bank’s geographic distribution of business loans is excellent. The bank’s distribution of home mortgage loans to low- and moderate-income geographies is good when considering performance context issues.
- SANB’s community development performance demonstrates excellent responsiveness to the community development needs of its AA. The bank has made a significant commitment to affordable housing, which is a critical need in the bank’s AA.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on the origination of home mortgage products and small business loans from January 1, 2004 through December 31, 2005. Conclusions regarding the Community Development Test are based on community development activities from July 9, 2001 through February 5, 2007.

DESCRIPTION OF INSTITUTION

SANB is an intrastate commercial bank that is located in San Angelo, Texas. San Angelo is located in Tom Green County, which is in the San Angelo Metropolitan Statistical Area (MSA). In addition to its main office at 301 W. Beauregard and branch location at 3471 Knickerbocker, SANB operates a motor bank facility at 222 Koenigheim. There are also two full service automated teller machines (ATMs) located at the motor bank facility and the branch, and nine

cash only ATMs located throughout the assessment area (AA).

As of December 31, 2006, SANB's total assets were \$324 million. SANB is a subsidiary of First Financial Bankshares, Inc. (FFBI), a multi-bank holding company headquartered in Abilene, Texas. Consolidated holding company assets total \$2.85 billion as of December 31, 2006. The parent organization owns ten banks with 44 full-service locations in the north, central, west and High Plains regions of Texas. A full range of credit products, depository accounts, trust services and retail nondeposit investment services are offered throughout the company.

SANB reported total assets of \$324 million and total liabilities of \$281 million as of December 31, 2006. Total loans of \$125 million represent 39 percent of total assets. The following chart details the composition of SANB's loan portfolio as of December 31, 2006.

Loan Portfolio Composition as of December 31, 2006		
Loan Category	\$(000)	%
Commercial Real Estate	\$42,245	33.90%
Commercial & Industrial	\$32,218	25.85%
Residential Real Estate	\$16,852	13.52%
Consumer & Other	\$16,100	12.91%
Farm Loans & Agricultural Real Estate	\$17,219	13.82%
Total	\$124,634	100.00%

Source: December 31, 2006 Report of Condition

DESCRIPTION OF SAN ANGELO NATIONAL BANK'S AA

Demographic and Economic Characteristics of San Angelo National Bank's AA	
Population	
	104,010
Number of Families	27,073
Number of Households	39,531
Geographies	
Number of Census Tracts/BNA	23
% Low-Income Census Tracts/BNA	4.35%
% Moderate-Income Census Tracts/BNA	17.39%
% Middle-Income Census Tracts/BNA	56.52%
% Upper-Income Census Tracts/BNA	21.74%
Median Family Income (MFI)	
2000 MFI for AA	\$39,508
2005 HUD-Adjusted MFI	\$45,600
Economic Indicators	
Unemployment Rate	3.49%
2005 Median Housing Value	\$64,697
% of Households Below Poverty Level	15.00%

Source: 2000 Census data and 2005 HUD updated income data.

The above table provides basic demographic information based on the income level of census tracts and families within the AA.

SANB's AA consists of the 23 census tracts comprising Tom Green County, which is part of the San Angelo MSA. The AA is consistent with CRA regulatory requirements and does not arbitrarily exclude low- and moderate-income census tracts. The AA includes census tracts in which the bank has its branches and where a substantial portion of the bank's loans have been originated. SANB operates two full service branches, one motor bank, two full service ATMs (located at the motor bank and Knickerbocker branch location), and nine limited transaction ATMs (cash dispersion only). The bank's presence in moderate-income geographies is excellent. The motor bank and one full service ATM are located in a moderate-income census tract. Two other limited transaction ATM's are located in moderate-income tracts. The bank's main office location, a full service ATM, and five limited transaction ATMs are located in middle-income tracts. Two limited transaction ATMs are located in an upper tract.

According to the 2000 census, the total population of the AA was 104,010. Most of the AA population is concentrated in the City of San Angelo. The population is distributed 1.52 percent, 18.06 percent, 52.65 percent, and 27.76 percent in low, moderate, middle, and upper-income tracts, respectively. The low- and moderate-income tracts are concentrated in the central portion of San Angelo, with two tracts extending east and south. Upper-income census tracts are concentrated in the western and southern areas of San Angelo.

Of the 27,073 AA families, 19.43 percent, 18.37 percent, 22.83 percent, and 39.38 percent report earning low, moderate, middle, and upper-incomes, respectively. Approximately 15 percent of

the population lives below the poverty level. A low-income family in San Angelo has an income of less than \$20,000. Based on estimates by the Department of Housing and Urban Development, the adjusted median family income figure of \$45,600 was used to determine the borrower's income levels for the AA in 2005.

Local banking competition is aggressive and includes affiliates of large national banking companies, numerous community banks, credit unions, and non-bank financial service providers. SANB has the second largest deposit market share in the AA at 22 percent.

The economic conditions in San Angelo are robust and the outlook remains good, as health and government services continue to dominate the area. The positive trend of the trade/transportation/utilities sector is also boosting employment and income growth. As of November 30, 2006, unemployment was 4.2 percent, lower than the Texas state (4.6 percent) and United States averages (4.3 percent). The government, education, and health service sectors account for the majority of the employers in the AA. The leading employers include Goodfellow Air Force Base, Shannon Health System, San Angelo ISD, Verizon, Inc., and Angelo State University.

Community contacts conducted within the San Angelo MSA noted that there are several opportunities to participate in community service activities, but that opportunities are more limited for community development lending and investments. Contacts indicated that local banks are interested and active in seeking community development opportunities. Several contacts stated investment opportunities are limited in San Angelo. Contacts indicated that affordable housing is the most critical need along with social services for the poor, and rehabilitation of declining areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is rated "**Outstanding**".

Small business lending is the bank's primary business line, therefore, more weight was given to small business lending than home mortgage lending when evaluating lending performance under the performance criteria detailed below.

Loan-to-Deposit Ratio

SANB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The bank's loan-to-deposit ratio averaged 45 percent over the 22 quarters since the last CRA examination in July 2001. During the evaluation period, the loan-to-deposit ratio ranged from a low of 39 percent as of March 31, 2006 to high of 49 percent as of September 31, 2005. The bank's loan-to-deposit ratio at December 31, 2006 was 48 percent. SANB identified several

similarly situated competitors. The quarterly average loan-to-deposit ratio for the comparable banks, over the same time period, is detailed below.

Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 12/31/06)	Average Loan – to-Deposit Ratio
The First National Bank of Mertzton, Mertzton, Texas	\$156,266	26.80%
<i>San Angelo National Bank, San Angelo, Texas</i>	\$323,952	44.69%
Texas State Bank, San Angelo, Texas	\$150,077	52.74%
The First National Bank Of Sonora, Sonora, Texas	\$152,956	72.81%
The First National Bank of Ballinger, Texas	\$101,157	64.91%

Source: Institution Reports of Condition from September 2001 to September 2006

While SANB's loan-to-deposit ratio is only average when compared to local competitors, SANB's willingness to provide credit is evidenced, in part, by their small business lending. SANB is ranked number one for small business lending in the San Angelo MSA with 50 percent of the market share. During 2004 and 2005, the bank originated over 1,100 small business loans totaling \$61 million. Also, SANB sells a significant portion of its home mortgage and student loan originations to secondary market investors. For the years 2001 through 2006, the bank originated 730 home mortgage loans totaling over \$68 million, which were sold to secondary market investors. Student loans originated in 2001 through 2006 sold to the secondary market totaled nearly \$89 million. These loans, if retained, would contribute to a higher loan-to-deposit ratio.

Lending in Assessment Area

SANB's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of the home mortgage and small business loans were originated within the bank's AA. As depicted in the table below, 93 percent of the number and 92 percent of the dollar amount of loans were originated in SANB's AA.

Lending in San Angelo Bank's AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Home Mortgage	322	93%	25	7%	347	\$27,830	94%	\$1,884	6%	\$29,714
Small Business	1,101	93%	81	7%	1,182	\$61,320	91%	\$5,988	9%	\$67,308
Totals	1,423	93%	106	7%	1,529	\$89,150	92%	\$7,872	8%	\$97,022

Source: Data reported under CRA and HMDA sample of loans for 2004 and 2005.

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

SANB's borrower distribution of home mortgage loans and small business loans is outstanding and exceeds the standard for satisfactory performance.

SANB's borrower distribution of small business loans is excellent. Loans to businesses with revenues of \$1 million or less represented 78 percent of sampled business loans, which exceeds the 66 percent of area businesses that reported revenues of less than \$1 million.

SANB's overall distribution of home mortgage loans is excellent, particularly when considering that low-income families have a difficult time qualifying for conventional home mortgage products. Fifteen percent of the population in the bank's AA live below the poverty level.

SANB's distribution of home mortgages loans to low-income families is satisfactory, as the percentage of the number and amount of bank loans made to low-income families is slightly less than the percentage of low-income families in the AA.

The bank's distribution of home mortgage products to moderate-income families is excellent as the percentage of the number of the bank's home purchase and home improvement loans originated exceeds the percentage of moderate-income families in the AA. The bank's percentage of home refinance loans originated is good as it is near to the percentage of moderate-income families in the AA.

2004 – 2005 Borrower Distribution of Loans to Businesses in SANB’s AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	65.70%	4.55%
% of Bank Loans in AA by #	77.71%	22.29%

Source: Loan sample (Data reported under 2004 and 2005 CRA); Dunn and Bradstreet data. *29.75% of AA businesses did not report revenue data.

2004 – 2005 Borrower Distribution of Residential Real Estate Loans in SANB’s AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.43%		18.37%		22.83%		39.38%	
Loan Type(s)	% of Number	% of Amount						
Home Purchase	7.70%	3.73%	20.51%	12.51%	26.15%	23.21%	45.64%	60.55%
Home Improvement	9.86%	1.56%	21.13%	3.05%	11.27%	3.91%	57.74%	91.48%
Home Refinance	4.44%	2.03%	11.11%	5.03%	20.00%	15.86%	64.45%	77.08%

Source: Loan sample (Data reported under 2004 and 2005 HMDA); 2000 U.S. Census data.

SANB currently offers an in-house affordable residential mortgage lending program. This program targets applicants who make less than 80 percent of the median income for the San Angelo MSA. The program has flexible down payment and closing costs. Since the prior CRA examination, the bank has originated 20 loans under this program totaling \$673 thousand.

Geographic Distribution of Loans

SANB’s geographic distribution of loans is excellent and exceeds the standard for satisfactory performance.

The geographic distribution of small business loans is excellent. The bank’s distribution of small business loans by number and amount to both low- and moderate-income tracts exceeds the percentage of small businesses located in those tracts.

The geographic distribution of home mortgage loans is good in light of performance context issues. The bank’s AA has only one low-income census tract, which is just north of downtown San Angelo. This tract is primarily light industrial with some low- to moderate-income housing. Owner occupied housing in this tract is less than 1 percent and 45 percent of the households in this tract live below the poverty level. The weighted average of median household income of the tract is only \$14 thousand. These performance context issues make opportunities to extend home mortgage loans to this low-income tract very limited.

The bank did not originate home purchase or home refinance loans in the AA’s one low-income

tract. Home improvement loans were originated in the low-income tract, the percentage number of which exceeds the percentage of owner occupied housing in that tract. The bank's distribution of the number of home improvement loans to moderate-income tracts exceeds the percentage of owner occupied housing units in the moderate-income tracts. The bank's distribution of home purchase loans is near to the percentage of owner occupied units in the moderate-income tracts. The bank did not originate home refinance loans in the moderate-income tracts.

2004 – 2005 Geographic Distribution of Loans to Businesses in SANB's AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	2.42%		16.04%		52.45%		29.10%	
LOANS	% of Number	% of Amount						
Small Business Loans	4.72%	5.77%	20.07%	21.24%	41.51%	39.28%	33.70%	33.70%

Source: Loan sample (Data reported under 2004 and 2005 CRA); Dunn and Bradstreet data. *3.74% of the AA businesses were located in census tracts that were NA.

2004 – 2005 Geographic Distribution of Residential Real Estate loans in SANB's AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Owner Occupied Housing	0.95%		16.19%		53.10		29.76%	
LOANS	% of Number	% of Amount						
Home Purchase	0.00%	0.00%	13.00%	6.73%	47.50%	39.49%	39.50%	53.78%
Home Improvement	1.43%	0.64%	18.57%	4.58%	44.29%	27.21%	35.71%	67.57%
Home Refinance	0.00%	0.00%	0.00%	0.00%	48.08%	55.02%	51.92%	44.98%

Source: Loan sample (Data reported under 2004 & 2005 HMDA); 2000 U.S. Census data.

Responses to Complaints

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

Community Development Test

The bank's performance under the Community Development Test is rated "**Outstanding**".

Opportunities for qualified community development loans and investments are very limited in the bank's AA.

The bank is very active in the community they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals and families. Additionally, the bank has made a significant commitment to

affordable housing through the financing of affordable multi-family housing, as well as donations and involvement with non-profit organizations that facilitate affordable housing. Affordable housing has been identified as a critical need in the bank's AA.

Community Development Loans

The bank has made an excellent level of community development loans during the evaluation period given the limited opportunities in the AA.

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

The bank granted eight loans totaling \$3.9 million to purchase or refinance nine low- to moderate-income apartment complexes in the AA. Five of the apartment complexes are located in middle-income census tracts. The number of units in the apartment complexes range from 8 to 168 and average rents range from \$276 to \$400 per month. The county's weighted average monthly gross rent is \$462 per month.

The bank originated a loan totaling \$1.9 million to finance the construction of a 55,000 square foot commercial building located in the San Angelo Enterprise Zone. This building will be leased to a publishing company. This project will bring a new business and create jobs in this low- to moderate-income area. In addition, the bank has made seven small business loans totaling \$1.4 million that do not qualify as community development loans as they are less than \$1 million, but promote small business and job creation in the Enterprise Zone.

Community Development Investments

The bank has a satisfactory level of qualifying community development investments.

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation.

The bank made an equity investment totaling \$359 thousand in the CRA Qualified Fund. The CRA Qualified Fund invested these funds into securities that are backed by home mortgage loans originated to low- and moderate-income families.

During the evaluation period, the bank has made over 60 qualified donations totaling \$117 thousand in its AA. Investments support community services that target low- and moderate-income individuals and families and economic and small business development.

Specific examples of the bank's more significant contributions to qualifying community development organizations are described below.

- **United Way**

Donations to the United Way go to all of their area organizations in the Concho Valley. Approximately 80 percent of the total donations go to support low- and moderate-income individuals and families.

- **Habitat for Humanity**
The organization's objective is to eliminate poverty housing and homelessness. Habitat builds and rehabilitates houses through volunteer labor and donations of money and materials with the help of the homeowner. This allows low-income families to own their own home.
- **Downtown San Angelo, Inc.**
The organization provides an economic program designed to improve the quality of life by revitalizing the quality of downtown San Angelo.
- **Meals for the Elderly**
The non-profit organization provides meals to homebound elderly of San Angelo, while ensuring their individual well-being through personal contact. These individuals live primarily in low- to moderate-income areas.
- **West Texas Rehab Center**
This private, non-profit organization offers a variety of free rehabilitative services for children and adults. A large portion of their patients are from low-income families and receive services they might not be able to afford otherwise.
- **YMCA**
The bank is a participant in the YMCA's "Friend of Youth" Campaign. Donations go to tuition for children whose families can't afford to pay.

Community Development Services

SANB's community development services reflect excellent responsiveness to the needs and opportunities in the AA. Bank personnel are very active in leadership positions of organizations that provide community services to low- and moderate-income families and provide technical expertise and financial assistance to these organizations. Service delivery systems are accessible to geographies and individuals of different income levels in the AA. Business hours and services are convenient and are accessible to all segments of the AA.

Branch and ATM delivery systems include the motor bank facility, which is located in a moderate-income census tract, along with three ATMs. SANB's main office and branch, and 55 percent of the ATMs are located in middle-income geographies that contain 56 percent of the population. Eighteen percent of the ATMs are located in upper-income geographies where 28

percent of the population resides. The bank offers other alternative delivery systems that augment the branch and ATM system including telephone banking, ATM/Debit cards, and Internet banking.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	1	4.35%	0	0.00%	0	0.00%
Moderate	4	17.39%	0	0.00%	3	27.27%
Middle	13	56.52%	2	100.00%	6	54.55%
Upper	5	21.74%	0	0.00%	2	18.18%
NA						
Total	23	100.00%	2	100.00%	**11	100.00%

Source: 2000 U.S. Census Data; *9 ATMs are non-deposit taking; **Includes 2 ATMs contiguous to banking locations.

Banking hours provide adequate accessibility throughout the AA. The main office and branch maintain business hours on Monday through Thursday from 9:00 a.m. until 5:00 p.m. with extended lobby hours until 5:30 p.m. on Friday. Further, the branch has lobby hours from 9:00 a.m. until 12:00 p.m. on Saturday. The main motor bank facility and the drive-up lanes at the branch also have Saturday hours from 8:00 a.m. until 12:00 p.m.

An adequate range of deposit and loan products and business services are available at the main office and the branch. 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 low- or moderate-income individuals. Although there are no banking locations or ATMs in the AA's only low-income census tract, the main bank and an ATM are in census tracts immediately adjacent to this low-income census tract.

SANB is very active in their community providing an excellent level of community development services. Bank officers serve in leadership positions of organizations that provide community services to low- and moderate-income families and provide technical and financial assistance to these organizations. The following are examples of qualifying community development services.

- **Multicultural Marketing.** SANB and its parent holding company, FFBI, has made a commitment to find ways to better serve the Hispanic culture in the AA. In 2005, FFBI partnered with the Integrated Marketing Communications Department from Abilene Christian University to develop a Hispanic marketing campaign for all of the markets FFBI banks serve, including San Angelo. The goals of the marketing campaign include:
 - To increase the Hispanic market share of FFBI among second and third generation Hispanics, ages 18 – 45;
 - To make FFBI's family of banks, including SANB, the bank of choice for Hispanics in the markets served;

- To increase the awareness of the Hispanic community regarding the products and services provided by FFBI; and
- To improve FFBI's image in the Hispanic community, resulting in an increase in Hispanic customers.

In October 2005, FFBI hired a Hispanic officer to be responsible for Multicultural Development for all banks in the holding company. This included the establishment of a Multicultural Committee comprised of members from all banks in the holding company. Also, Spanish language versions of personal and business banking services brochures were developed, to assist existing or prospective Spanish speaking customers. Additionally, a Multicultural section was added to the bank's Internet home page.

Since its inception, the Multicultural Committee has introduced the Directo a Mexico Program, which enables customers to conveniently and inexpensively send money to family members in Mexico. Also, the La Cuenta International Program is in development, to serve a similar purpose nationwide, not just in Mexico, through the use of an ATM card.

SANB is taking steps to reach the Hispanic market in San Angelo through print and billboard advertising. Also, the bank is fortunate to have a number of Spanish speaking employees, including officers. Recent advertising efforts have highlighted several of these employees.

- **Community Development Housing Programs/City of San Angelo.** Vice President assists with a housing program with the City of San Angelo. This program is for homeowners with gross income less than or equal to low- and moderate-income HUD guidelines. The funds can be used by the homeowner for repairs, rehab, reconstruction, down payment assistance, etc. The bank has signed a letter of understanding with the city as a recommended lender under the program.
- **Homebuyer Assistance Program/City of San Angelo.** Vice President participates on the Affordable Housing Focus Group, which serves as a sounding board for the City of San Angelo Development Corporation's plan to address affordable housing through the half cent sales tax initiative.
- **Adult Literacy Council.** Executive Vice President is a current member and a former Treasurer to this organization that provides adult literacy classes to any member of the community from which a large portion are low-income families.
- **United Way.** Senior Vice President serves on the Finance Committee. Assistant Vice President serves as member of the Community Investment Council. Both provide financial expertise on their respective committees. United Way allocates funds to affiliate agencies that provide services to low-income families.
- **Concho Valley Economic Development District, Inc.** Executive Vice President serves as a Loan Committee member for this voluntary organization of local government to foster a cooperative effort in resolving problems, policies, and plans that are common and regional.

- **Rio Concho, Inc.** Executive Vice President is President of the organization. Senior Vice President serves as a board member. The organization provides HUD housing for the elderly.

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.