



SMALL BANK

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

PUBLIC DISCLOSURE

June 20, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bells/Savoy
Charter Number 7524**

**615 East Bells Boulevard
Bells, TX 75414**

**Comptroller of the Currency
Dallas Field Office
17300 Dallas Parkway, Suite 2020
Dallas, TX 75248**

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.

First National Bank of Bells (FNB Bells) has a satisfactory record of meeting community credit needs. The primary factors supporting the bank's overall rating include:

- A reasonable average net loan to deposit ratio of 60% in comparison to similarly situated financial institutions.
- A majority of loans sampled, representing 58% of the number, originated within the bank's assessment area (AA).
- The borrower distribution of sampled commercial loans reflects an excellent penetration of loans made to businesses with revenue of less than \$1.0 million.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.

DESCRIPTION OF INSTITUTION

FNB Bells is a \$42 million community bank located at 615 E. Bells Boulevard in Bells, Texas. The bank is a wholly owned subsidiary of First Bells Bancshares, Inc., a Texas one-bank holding company with total assets of \$43 million. The bank currently has four ATM locations, three of which are located in Bells and one in Savoy. FNB Bells serves the cities of Bells, Savoy, Bonham, Ector and portions of Whitewright and Dennison.

FNB Bell's main competition consists of branches of large banks and local national and state banks. Per the FDIC's June 30, 2004 Market Share Report, there are 20 FDIC insured financial institutions with 53 offices located within Grayson and Fannin Counties. FNB Bells hold 2% of the deposit market share.

The bank has no legal, financial or other factors impeding its ability to meet the credit needs of its AA. FNB Bells was rated "Satisfactory" in its previous CRA public evaluation dated October 12, 1999.

FNB Bells is a full service institution, providing various deposit and loan products. Loan products offered include consumer, commercial, and real estate loans. Based on conversations with bank management and March 31, 2005 call report information, FNB Bell's primary lending focus is consumer installment loans and one-to-four residential loans. As of March 31, 2005, the bank's net loans to total assets ratio was 44%. The following table portrays the principal loan mix.

TYPES OF LOANS OUTSTANDING				
<i>Loan Category</i>	<i>\$ (000)</i>	<i>%</i>	<i># of Loans</i>	<i>%</i>
Consumer Loans	3,466	19%	602	59%
Residential Real Estate Loans	6,107	33%	181	18%
Commerical Loans	4,475	24%	175	17%
Commerical Real Estate Loans	4,227	23%	58	6%
Other	194	1%	3	0%
Total	18,469	100%	1,019	100%

DESCRIPTION OF PORTIONS OF GRAYSON & FANNIN COUNTIES

FNB Bells' AA currently includes two census tracts located in Grayson County, which is within the Sherman-Dennison MSA, and three census tracts in Fannin County, which is not located within an MSA. The AA meets regulatory guidelines, and does not arbitrarily exclude low- or moderate-income areas. The following table reflects the demographics for the AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA		
	<i>Census Year</i>	
<i>Population</i>	<i>1990</i>	<i>2000</i>
Number of Families	5,091	5,691
Number of Households	6,929	7,862
<i>Geographies</i>		
Number of Census Tracts	4	5
# - % Low-Income Census Tracts	-	-
# - % Moderate-Income Census Tracts	1 - 25%	-
# - % Middle-Income Census Tracts	3 - 75%	4 - 80%
# - % Upper-Income Census Tracts	-	1 - 20%
<i>Median Family Income (MFI)</i>		
1990 MFI for AA	27,361	
2000 HUD-Ajusted MFI	36,550	
2001 HUD-Ajusted MFI	37,925	
2002 HUD-Ajusted MFI	38,350	
2000 MFI for AA		42,546
2003 HUD-Ajusted MFI		45,000
2004 HUD-Ajusted MFI		46,000
<i>Economic Indicators</i>		
Unemployment Rate	2.83%	2.17%
2002 Median Housing Value	38,327	
2004 Median Housing Value		60,412
Average age of housing	23	19
% of Households on Social Security	37%	35%
% of Households Below Poverty Level	18%	14%
% of Households on Retirement	15%	17%

Based on the 1990 Census information the total occupied housing units for the AA is at 86%, with owner-occupied housing at 65%, rental-occupied housing at 21%, and vacant housing units

at 14%. 2000 Census information reflects minimal area demographic changes as the total occupied housing units is at 87%, with owner-occupied housing at 64%, rental-occupied housing at 23%, and vacant housing units at 12%. A large portion of the households in the AA is on fixed income (either social security or retirement).

Due to a couple of major plants closing, the local economy for Fannin and Grayson counties is currently slow. However, per bank management and our community contact, the outlook for the community is positive given that at least three new plants are projected to open in mid to late 2005. The AA's largest employers are the Bells and Savoy Independent School Districts.

We determined the credit needs of the community through discussions with management and an interview with a member of the Bells Independent School District. The community contact stated FNB is one of the largest contributors to the community. The bank not only provides financial support but also participates in programs that benefit the residents of the community. The need for low-income housing in the city of Bells was also mentioned. Per our community contact, many people are residing in areas outside of Bells due to limited availability of housing, including low- or moderate-income housing, within the city of Bells.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation of FNB Bells' covers periods from October 1, 1999 through March 31, 2005. We reviewed a sample of loans made to determine the bank's performance as it relates to community reinvestment. Overall, FNB Bells is meeting the standards for satisfactory performance. The bank exceeds the standards in its performance in lending to small businesses and individuals of low or moderate-income levels.

Loan-to-Deposit Ratio

Given the bank's size, financial condition, and credit needs of the AA, the bank meets the standards for satisfactory performance. FNB Bells' 21-quarter average loan-to-deposit (LTD) ratio is 60%. We compared the bank's LTD ratio to its national peer group, which consist of insured commercial banks having assets less than or equal to \$50 million in a metro area with one full service office, as well as other similarly situated institutions within Grayson and Fannin Counties. The results of our assessment is detailed in the following table:

Instiution	Assets of 3/31/05	As Average LTD Ratio
Bohnam State Bank	97,784	57%
First National Bank of Tom Bean	37,803	59%
National Peer Group Banks	50,000-100,000	59%
First National Bank of Bells	42,248	60%
Fannin Bank	42,599	72%
First National Bank of Trenton	128,890	91%

Lending in Assessment Area

Based on our review of the bank's lending patterns, FNB Bells meets the standards of satisfactory performance. Our assessment revealed 58% of the number of loans originated was extended to individuals and businesses within the AA. Although, only 44% of the dollar amount of loans outstanding were within the AA, the percentage is reasonable given the bank's demographic information. According to the 2000 US Census, more than half of the numbers of households residing within these tracts rely on a source of fixed income such as social security, public assistance or retirement income. Furthermore, an additional 14% of households fall below poverty level; thus, these individuals would typically request to obtain small dollar loans.

TOTAL LOANS REVIEWED										
Loan Type	Number Loans					Dollar Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Home Purchase	50	46%	58	54%	108	2,237	44%	2,899	56%	5,136
Consumer	353	59%	249	41%	602	2,623	55%	2,175	45%	4,798
Commercial	80	63%	47	37%	127	1,801	35%	3,334	65%	5,135
Total	483	58%	354	42%	837	6,661	44%	8,408	56%	15,069

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

FNB Bells meets the standards for satisfactory performance in lending to borrowers of different income and to businesses of different sizes as portrayed in the tables below.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low (<50%)		Moderate (50-79%)		Middle (80-119%)		Upper (>=120%)	
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
<i>1990 Census Data (Loans originated between 9/30/99 and 12/31/02)</i>								
Home Purchase	22%	16%	16%	26%	21%	32%	41%	26%
<i>2000 Census Data - Old Boundaries (Loans originated in 2003)</i>								
Home Purchase	17%	25%	17%	25%	22%	25%	44%	25%
<i>2000 Census Data - New Boundaries (Loans originated in 2004)</i>								
Home Purchase	17%	0%	17%	22%	22%	45%	44%	33%

The low penetration of residential loans originated during 2004 to low- income families is primarily due to the slow down in the local economy. Conversely, as reflected in the table below, the bank's consumer lending to borrowers of different income levels is excellent.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low (<50%)		Moderate (50-79%)		Middle (80-119%)		Upper (>=120%)	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
<i>1990 Census Data</i>								
Consumer Loans	27%	40%	14%	40%	16%	0%	43%	20%
<i>2000 Census Data</i>								
Consumer Loans	23%	65%	15%	25%	19%	0%	43%	10%

Sample size = 20 loans totaling \$380 thousand for 1990 census data analysis and 20 consumer loans totaling \$287 thousand for 2000 Census Data analysis.

In addition, the bank's lending to businesses of different sizes is more than adequate. The 2000 Census Data indicates that 65% of businesses located within the bank's AA operate with revenues of less than \$1 million. Due to unavailable revenue information from the commercial loans sampled, we used the loan origination amount as a proxy for business revenues. As reflected in the following table, 70% of the numbers of loans extended had an origination amount of less than \$25 thousand while only 4% of the loans sampled had an origination amount greater than \$100 thousand.

Borrower Distribution of Loans to Businesses by Loan Size in AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$25,000	56	70%	459	25%
\$25,001 - \$50,000	15	19%	546	30%
\$50,001 - \$75,000	5	6%	292	16%
\$75,001 - \$100,000	1	1%	100	6%
Over \$100,001	3	4%	404	22%

Sample size= 80 commercial loans totaling \$1.8 million.

Geographic Distribution of Loans

Based on the 1990 Census Data, FNB Bells' AA contains no low-income tracts and only one moderate-income tract, which is located south of Bonham. Management has stated that the low penetration to the moderate-income tract is because there are at least four banks located in the city of Bonham that are more geographically accessible to those borrowers.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low (<50%)		Moderate (50-79%)		Middle (80-119%)		Upper (>=120%)	
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
<i>1990 Census Data</i>								
Home Purchase	0%	0%	14%	0%	86%	100%	0%	0%

Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low (<50%)		Moderate (50-79%)		Middle (80-119%)		Upper (>=120%)	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
<i>1990 Census Data</i>								
Consumer Loans	0%	0%	15%	0%	85%	100%	0%	0%

Sample size= 20 consumer loans totaling \$380 thousand.

A meaningful analysis of the geographic distribution of loans originated after December 31, 2002 could not be performed because, based on the 2000 Census Data, there are no low- or moderate-income census tracts within the bank's AA.

Responses to Complaints

FNB Bells did not receive any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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