

PUBLIC DISCLOSURE

October 31, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First State Bank Central Texas
Certificate Number: 11151**

**5550 Southwest H. K. Dodgen Loop
Temple, Texas 76503-1996**

Federal Deposit Insurance Corporation

**Division of Supervision and Consumer Protection
1910 Pacific Avenue, 19th Floor
Dallas, Texas 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: Satisfactory.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

Based on Large Bank CRA performance criteria, the bank was assigned a "Satisfactory" CRA rating during the previous FDIC evaluation conducted as of February 23, 2004.

Examiners utilized the intermediate small bank examination procedures to analyze the performance of this \$811 million dollar institution headquartered in Temple, Texas. Intermediate small banks are institutions with total assets greater than or equal to \$250 million and less than \$1 billion at the end of each of the previous two calendar years. The FDIC evaluates intermediate small banks under the Lending and Community Development Tests. Regulators weigh both tests equally when arriving at the overall rating. The rating accorded during this evaluation is based on the following and details are presented elsewhere in the Performance Evaluation.

LENDING TEST

- The bank's average net loan-to-deposit ratio of 82 percent reflects more than reasonable performance given the high level of competition within the bank's assessment area, the institution size, financial condition, and the assessment area credit needs.
- Lending activity within the assessment area is reasonable with approximately 92 percent of small business and 76 percent of small farm loans by number extended within the assessment area. The percentage of small business and small farm loans in the assessment area by dollar volume was 92 percent and 75 percent, respectively.
- The bank demonstrates an excellent penetration among businesses and farms of different sizes.
- The geographic distribution of the bank's small business and farm loans reflects a reasonable dispersion throughout its assessment area.
- The bank has not received any complaints relating to their CRA performance, thus, this criterion was not factored into the rating.

COMMUNITY DEVELOPMENT TEST

- The bank made an excellent level of qualified community development loans. During the period reviewed, the bank originated 8 community development loans totaling over \$16 million.

loans.

QUALIFIED INVESTMENTS

Overall, First State Bank has demonstrated an adequate level of qualified investment activity.

A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

First State Bank's level of qualified community development investments reflects an adequate responsiveness to community development needs. Qualified investments are in the form of one equity investment totaling \$3,000,000 and donations totaling \$149,687.

Combined, these investments and donations represent 0.17 percent of average total assets and 5.2 percent of average total equity capital over the most recent 11 quarters. Relative to the apparent abundance of opportunities in the bank's assessment area these levels reflect marginally adequate performance.

EQUITY INVESTMENTS

Senior Housing Crime Prevention Foundation, Inc. (SHCPF)

In 2004, the bank purchased \$3 million in preferred equity stock in the Senior Housing Crime Prevention Foundation, Inc. The mission of the foundation is to reduce all aspects of crime in senior citizen housing and to provide on-going crime prevention programs. The bank's donation was targeted to support the Senior Crimestoppers Program for low- to moderate-income seniors in Bell, Williamson and Travis Counties.

GRANTS AND DONATIONS

Qualified donations during the evaluation period included several contributions to various organizations that support community development. Some of the beneficiaries of the bank's grants and donations include:

- *A donation to the Temple Community Free Clinic, Inc.*, which provides reduced rate medical care to working families in need.
- *A donation to Opportunity Austin*, which is part of Austin's Economic Development Corporation plan to promote permanent job creation.
- *Donations to the local Red Cross* to support Hurricane Katrina victims.
- *Donations to Temple Civic Theatre*, which is a nonprofit agency that provides after-school activities for "at-risk" students who attend school in Temple. The majority of the