

PUBLIC DISCLOSURE

May 12, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Stephenville Bank and Trust Company
Certificate Number: 11573**

**2201 West South Loop
P. O. Box 998
Stephenville, Texas 76401-0998**

Federal Deposit Insurance Corporation

**Division of Supervision and Consumer Protection
1910 Pacific Avenue, 19th Floor
Dallas, Texas 75201**

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.

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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 **Stephenville Bank and Trust Company** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **May 12, 2003**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

Stephenville Bank and Trust Company (SBT) received a satisfactory rating at the July 16, 1998, performance evaluation conducted by the Federal Deposit Insurance Corporation.

For this evaluation, examiners reviewed those tests and performance factors applicable to large banks for this \$138 million bank located in non-metropolitan Stephenville, Texas. Large bank criteria were required due to the size of the bank's holding company that exceeds \$1 billion in assets. Large banks are evaluated under the Lending, Investment, and Service Tests. The lending test is weighted more heavily when arriving at the overall rating. Ratings for each test are summarized below and in the following chart. Detailed discussions are presented elsewhere in this performance evaluation.

Lending Test

Stephenville Bank and Trust Company displayed a good lending record for the period reviewed. The bank is the dominant lender in Erath County. A substantial majority of the number of loans made are in the assessment area. The bank's lending reflects a strong penetration among commercial and agricultural customers of different income categories as well as enterprises of different sizes. Overall home mortgage lending displayed good dispersion of loans among consumers of all income levels, especially low- and moderate-income individuals. The geographic distribution of lending displays a reasonable penetration throughout the assessment area. The bank has made minimal use of innovative and/or flexible lending practices and has not made any loan which would qualify as a community development loan.

Investment Test

SBT demonstrated marginally adequate performance under this test. Community contacts indicated they were unaware of any real opportunities to invest in community development projects in the assessment area. The population in the assessment area is approximately 28,000 and has sizeable rural areas for ranching and farming. The type of the community limits availability of community development projects. The volume of investments in relation to available opportunities and the bank's responsiveness to those opportunities is reasonable.

Service Test

SBT exhibited a good level of performance in providing services to the assessment area. This conclusion is supported by a solid record of providing retail banking services and by a satisfactory level of community development services. Services are easily accessible to essentially all parts of the assessment area. Bank offices and remote service facilities, as well as hours of operation, are convenient to bank customers, including low- and moderate-income individuals.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Stephenville Bank and Trust Company		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

DESCRIPTION OF INSTITUTION:

Stephenville Bank and Trust Company operates two full service offices and a remote drive-through facility in Stephenville, Texas. A deposit receiving automated teller machine (ATM) is located at the main office. Cash dispensing ATMs are located at the North River branch and on the campus of Tarleton State University. Both full service branches and their respective ATMs are located in upper-income geographies. The drive-through facility and the ATM located at the university are in middle-income geographies.

The subject bank is a wholly-owned subsidiary of First Financial Bankshares of Delaware, Inc., a Delaware corporation, which is wholly-owned by First Financial Bankshares, Inc., Abilene, Texas. First Financial Bankshares, Inc. is a ten-bank holding company with total assets of \$1.9 billion as of December 31, 2002. A full range of credit products, depository accounts, and trust services are offered throughout the company.

Commercial and residential mortgage lending comprise the bank's primary business focus as they represent approximately 40 percent and 27 percent, respectively, of the loan portfolio by dollar volume. The bank's average loan-to-deposit ratio since the previous evaluation of 62 percent indicates a capacity to fund immediate and future credit needs of the assessment area. There are no financial or legal impediments that inhibit the bank's ability to meet the credit needs of the communities served. The following two tables present the composition of the bank's assets and the distribution of the loan portfolio.

Asset Distribution as of 12/31/2002		
<i>Asset</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Assets (%)</i>
Net Loans and Leases	74,676	54.0
Cash and Due from Depository Institutions	6,850	4.9
Securities and Federal Funds Sold	51,388	37.2
Premises and Fixed Assets	3,273	2.4
Other Assets	2,094	1.5
Total Assets	138,281	100

Source: Report of Condition

Loan Distribution as of 12/31/2002		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	1,415	1.9
Secured by Farmland	3,374	4.5
1-4 Family Residential	20,104	26.6
Multi-Family (5 or more) Residential	1,983	2.6
Commercial	15,569	20.6
Total Real Estate Loans	42,445	56.2
Commercial and Industrial	14,553	19.3
Agricultural	3,583	4.8
Consumer	14,516	19.2
Other	357	0.5
Total Loans	75,454	100

Source: Report of Condition

DESCRIPTION OF ASSESSMENT AREA

The assessment area consists of Erath County and encompasses seven block numbering areas (BNA). The center of the county and the county seat is Stephenville, a rural community 90 miles southwest of Dallas. 1990 U.S. Census data disclosed that the assessment area contains five middle-income and two upper-income geographies. Erath County is the 81st largest of the 254 counties in Texas, with an estimated population of 33,001 in 2000. According to Census Bureau reports, the total population increased 18 percent from 1990 to 2000, an increase of 5,010. The population composition by age is approximately the same as Texas. In 1999, the Health and Human Services Commission estimated that 4,996 persons, 16.18 percent of the population, lived below the poverty level compared to all Texans at 16.54 percent and the national poverty rate of 11.80 percent. Gross sales for all industries increased 8 percent from third quarter 2000 to third quarter 2001. The McFadden American Financial Directory reported ten financial institutions in the county, seven in Stephenville and three in Dublin.

According to the Texas Workforce Commission, total unemployment in December 2002 was 2.4 percent compared to Texas at 5.9 percent and the United States at 5.5 percent. The low unemployment rate is primarily due to a strong, diversified economic base. Agriculture is the leading industry, contributing approximately \$200 million to the economy. The dairy industry accounts for approximately \$140 million. Tarleton State University also has a strong influence on the economy. The university has a student enrollment of approximately 6,400 and employs a full time faculty and staff of 715. Stephenville is the retail trade and medical center for the area population within a thirty-mile radius, serving approximately 80,000. The manufacturing industry has increased steadily over the previous few years. Six major firms (three Fortune 500 companies) now employ more than 1,400 people. The top ten employers report 3,968 employees and the top fifty report 6,401.

In March 1992, the Texas State Comptroller released a state report ranking Erath County as the fifth best county among 205 rural counties in the state regarding economic development over the previous five years. Stephenville was listed as one of the 100 best small towns in America in a 1993 book compiled by Norman Crampton and published by Prentice Hall.

The following two tables present farm characteristics, demographic, and economic data for the assessment area.

Farm Characteristics of the Assessment Area (Lamb County)		
Number of Farms (including part-time farmers)		1,787
Average Size of Farm (acres)		343
Total Cropland (farms)		1,424
	Harvested Cropland	1,094
	Irrigated Cropland	154
Farms by Value of Sales		
	Less than \$2,500	490
	\$2,500 to \$4,999	266
	\$5,000 to \$9,999	324
	\$10,000 to \$24,999	307
	\$25,000 to \$49,999	137
	\$50,000 to \$99,999	67
	\$100,000 or more	196
Operators by Principal Occupation		
	Farming	842
	Other	945
Operators by Days Worked off Farm		
	Any	1,028
	200 days or more	714
Livestock and Poultry (farms)		
	Cattle and Calves Inventory	1,503
	Beef Cows	1,143
	Milk Cows	228
	Hogs and Pigs Inventory	39
	Sheep and Lambs Inventory	48
	Layers and Pullets	53
Selected Crops Harvested		
	Corn for Grain or Seed	3
	Sorghum for Grain or Seed	10
	Wheat for Grain	22
	Cotton	438
	Soybeans for Beans	1
	Hay and Other Silage	1,008

Source: 1997 Census of Agriculture

Demographic & Economic Characteristics of the Assessment Area	
Assessment Area Population:	27,991
Population in Areas:	Middle Income 17,031 Upper Income 10,959
<u>Statewide Non-MSA Median Family Income:</u>	
2001 Median Family Income	\$35,800
2002 Median Family Income	36,100
<u>Number & Percentage of Households by Income Level of Household:</u>	
Low-Income	2,943 27%
Moderate-Income	1,578 14%
Middle-Income	1,719 16%
Upper-Income	4,643 43%
Total	10,883 100%
Number of Households Below Poverty Level	2,488 23%
<u>Number & Percentage of Total Housing Units:</u>	
1-4 Family Residential	9,355 73%
Multi-Family	1,506 12%
Mobile Home or Trailer	1,839 14%
Other	58 1%
Total	12,758 100%
Owner-Occupied Housing Units	6,819 53%
Rental Housing Units	4,058 32%
Vacant Housing Units	1,881 15%
Total	12,758 100%
<u>Median Housing Characteristics:</u>	
Median Age in Years	21
Median Home Value	\$47,363
Median Gross Rent	\$ 329

Source: 1990 U.S. Census; Department of Housing and Urban Development (HUD)

Community Contacts

Two interviews with individuals active in community organizations were conducted in conjunction with this evaluation. One contact stated that the local economy is good and that opportunities are very limited for local financial institutions regarding community development, whether it be lending or services. This contact did not recognize any credit needs that are not being met. She was confident that local financial institutions would step to the plate if any opportunities became available.

The other contact also stated that the local economy is good and that unemployment has remained low compared to Texas and national unemployment rates for several years. The interviewee attributed low employment to the foresight of community leaders who were very active in achieving a diversified economic base for the area. He perceived financial institutions as being very involved and that they willingly support the community. The contact did not know of any credit needs that are not being met.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST PERFORMANCE

Scope of the Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices.

Loan Review and Context

Stephenville Bank and Trust Company is affiliated with a holding company that had total banking assets exceeding \$1 billion as of December 31 of the prior two calendar years. In accordance with CRA regulations, large bank procedures were used in evaluating the bank's performance.

The evaluation period for the lending test includes small business loans, small farm loans, and residential mortgage loans made in 2001 and 2002. The evaluation for community development loans is July 17, 1998 through April 30, 2003. The evaluation period for the investment and service tests includes qualifying community development investments made and community development services provided from 2000 to present.

The table included in the description of the institution detailing the loan portfolio mix shows commercial lending to be the bank's primary business focus. As such, small business lending received the most weight followed by residential real estate lending in developing conclusions regarding the bank's performance.

The FDIC verified CRA loan data that was used in evaluating the bank's performance. It was discovered that only loans made within the assessment area had been reported instead of all loans originated. Due to this reporting error, lending in and out of the assessment area was based on an analysis performed using the bank's loan trial. The bank is in a non-metropolitan statistical area (MSA) and is not required to collect Home Mortgage Disclosure Act (HMDA) data. Institution records were the basis for reviewing home mortgage loans.

Overall Conclusion

SBT demonstrated a sound record regarding the Lending Test. Strong performance was noted for lending in the assessment area. Exceptional performance was noted for lending to businesses and farms of different sizes. Good performance was noted in lending to borrowers of different incomes regarding home mortgage lending. Adequate performance was demonstrated in the geographic distribution of loans reviewed. Since the assessment area is comprised solely of middle- and upper-income geographies, less weight was given this factor in arriving at an overall conclusion.

SBT has not extended any credits since the previous evaluation that qualify as community development loans. Overall performance was not considered diminished because various loans that meet the purpose of community development have been extended. However, the loans were reported per regulatory requirements as small business loans. If a loan meets the definition of a small business loan, it cannot be counted as a community development loan. Innovative and flexible lending practices were centered in Small Business Administration loans and through an internally developed residential mortgage program designed to assist low- and moderate-income individuals qualify for home purchase loans.

As previously stated, small business lending received the most weight regarding the bank’s lending activities and overall performance is good.

Lending in the Assessment Area

The bank’s level of lending within the assessment area and its overall lending activities reflect solid performance for this performance factor. The loan trial included 474 loans totaling \$39 million for the period under review. A majority of the loans reviewed, 80 percent by number and 64 percent by amount, were extended in the assessment area. The following table depicts the bank’s performance inside and outside the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	171	79.2	45	20.8	216	15,699	58.4	11,208	41.6	26,907
Small Farm	104	77.0	31	23.0	135	3,108	66.1	1,592	33.9	4,700
Home Mortgage	102	83.0	21	17.0	123	6,102	81.0	1,432	19.0	7,534
Total	377	79.5	97	20.5	474	24,909	63.6	14,232	36.4	39,141

Source: Bank Records

As shown in the table, data reviewed indicated that the bank strives to meet the credit needs of the community. Subject bank has demonstrated an excellent record for small business and small farm

lending activity. Another indicator of the bank's lending performance within the assessment area is its market share performance. An analysis of small business and small farm lending data for Erath County indicated that SBT is the market leader for the county. Of 33 lenders that reported small business loans and 12 lenders that reported small farm loans in Erath County, SBT ranked first for the number and dollar volume of loans extended. The average loan size was \$79,000 for business loans and \$56,000 for farm loans. This speaks well for SBT since the bank is in direct competition with at least ten other financial institutions either headquartered or showing a presence in the county. SBT's lending activity, compared to other institutions operating in the area, evidences a good responsiveness to assessment area credit needs.

Geographic Distribution of Lending

The bank demonstrated an adequate record of distributing loans throughout the assessment area. The number and amount of loans extended in each category reviewed compared favorably to aggregate lenders in the area. As previously noted, this criterion received less weight in the overall analysis due the assessment area being comprised entirely of middle- and upper-income geographies.

Refer to Tables 2a, 3a, 4a, 6a, and 7a in Appendix B for data used to evaluate the geographic distribution of loans reviewed for this evaluation.

Borrower Characteristics

SBT demonstrated a strong record of dispersing loans to businesses and farms of different sizes and a good record regarding consumers of different incomes.

Small Business/Small Farm Loans

Refer to Tables 11a and 12a in Appendix B for data used in evaluating the borrower distribution of small business and small farm loans. By definition, a small business loan is one for \$1 million or less and a small farm loan is one for \$500 thousand or less. Performance in lending to businesses and farms of different sizes is judged by analyzing the size of loans extended and the gross annual revenues of the borrowers. Taking both these criteria into consideration, the bank granted an exemplary level of loans to smaller sized businesses and farms. Compared to aggregate activity, the bank exhibited an excellent dispersion of small business and small farm loans by gross annual revenues and a good dispersion of loans by loan size. Primary emphasis was placed on the number of loans extended.

Small Business Lending

Compared to aggregate lending activity, SBT exhibited an excellent dispersion of small business loans by gross annual revenues and a good dispersion by loan size. Approximately 83 percent of the small business loans by number and 70 percent by amount were extended to businesses with gross annual revenues of \$1 million or less. These percentages substantially exceed aggregate lenders at 54 percent and 58 percent, respectively.

Data reviewed disclosed that 93 percent of the small business loans extended by number and 54 percent by amount were for \$250 thousand or less. These figures compare favorably to aggregate

lenders at 98 percent and 55 percent, respectively. Also taken into consideration was that SBT extended \$17.1 million of the \$23.4 million, 73 percent, of loans reported by aggregate lenders. The average size loan extended by SBT was \$79 thousand and attests to subject bank's willingness to meet credit needs of all sizes.

Small Farm Lending

Approximately 95 percent of the small farm loans by number and 76 percent by amount were extended to operators with gross annual revenues of \$1 million or less. These percentages notably exceed aggregate lenders at 86 percent by number and substantially exceed aggregate by amount at 56 percent.

Small farm data revealed that 93 percent of the small farm loans extended by number and 64 percent by dollar volume were for \$250 thousand or less. These percentages exceed aggregate at 93 percent and 52 percent, respectively. Additionally, SBT extended \$6.0 million of the \$7.9 million, 76 percent, of loans reported by aggregate lenders. The average size loan extended by SBT was \$56 thousand and demonstrates management's willingness to extend credit to farms of all sizes.

Home Mortgage Loans

Refer to Tables 8a, 9a, and 10a in Appendix B for data used in evaluating the borrower distribution of home mortgage lending. Performance for lending to borrowers of different incomes is judged by analyzing the distribution, including the number and amount, of loans to low-, moderate-, middle-, and upper-income individuals.

A good dispersion of home mortgage loans to low- and moderate-income borrowers was noted. A combined analysis of home purchase, home improvement, and refinance loans disclosed that SBT's lending activity to low- and moderate-income individuals substantially exceeded aggregate lending activity to low-income borrowers by number and slightly below aggregate lending to moderate-income borrowers. The amount of loans extended within these income levels substantially exceeded aggregate lenders for the evaluation period.

Community Development Lending

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Stephenville Bank and Trust Company has not extended any loans since the previous evaluation that qualify as community development loans. Although various loans were extended that meet the purpose of community development, the loans were reported per regulatory requirements as small business loans. If a loan meets the definition of a small business loan, it cannot be counted as a community development loan.

Management expressed a willingness to make community development loans but opportunities are limited in sparsely populated rural areas like Erath County.

Innovative and Flexible Lending Practices

SBT is able to meet the needs of its small business customers and it has the ability to use the Small Business Administration's (SBA) loan programs when necessary. Since the July 16, 1998, evaluation, the bank originated 4 loans totaling \$464,500 through the Small Business Administration. Additionally, the bank was recently approved to fund loans under SBA's new Express Program. This program allows the bank to handle all the underwriting and fund loans using bank forms while receiving a 50 percent SBA guarantee. The bank plans to target this program for assisting "mom and pop" businesses.

The bank is in the process of establishing a Low and Moderate Housing Program designed to assist low- and moderate-income individuals qualify for home purchase loans. The program has relaxed lending standards through lower down payment requirements, lower income requirements, higher loan-to-debt ratios, limited closing costs, and relaxed credit standards.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

Qualified Investments

SBT demonstrated marginally adequate responsiveness to qualified investments. Refer to Table 14a in Appendix B for data used to evaluate the level of performance for this test. During the evaluation period SBT made \$156 thousand in qualified investments, of which \$6 thousand directly benefited the bank's assessment area. SBT's total qualified investments and grants represented 1.3 percent of Net Tier 1 Capital as of December 31, 2002. As this is SBT's first time to be evaluated under large bank performance standards, there were no outstanding investments from prior periods.

Management reported that it is difficult to locate qualifying CRA investments since the assessment area is predominately rural and does not contain any low- or moderate-income geographies. Community contacts indicated they were unaware of any real opportunities to invest in community development projects in the assessment area. Indicative of most rural areas, investment opportunities in Erath County are very limited. The population in the assessment area is approximately 28,000 and has sizeable rural areas for ranching and farming. The size of the community limits availability of community development projects. Performance is centered in one qualified investment and various contributions. The volume of investments in relation to available opportunities and the bank's

responsiveness to those opportunities is reasonable. Examples of qualified investments are described below.

Investment

The bank invested \$150,000 in an innovative concept known as The Community Reinvestment Act Qualified Investment Fund (Fund). The Fund is considered innovative in that the concept allows geographical areas with a limited supply of qualified investment opportunities to make investments via the purchase of shares in a CRA dedicated mutual fund. The Fund seeks to invest exclusively in high credit quality bonds and other debt securities that advance community development activities, such as low-income housing, healthcare, and job creation programs. Through these investments, the Fund makes a direct, positive impact on tens of thousands of families.

This unique investment policy is known as direct impact investing. The Fund seeks to invest nearly 100 percent of its assets in investments that better the lives of people in need. The Fund answers to the higher authority of The Community Reinvestment Act. Created for banks, the Fund assists financial institutions in meeting the rigorous guidelines of CRA by identifying or helping to create investments with community development as the primary purpose. Examples of the types of activities the Fund supports are: 1) inner-city redevelopment projects that create new jobs, maintain current jobs, and provide housing for low- and moderate-income families; 2) economic development projects that support public agencies and programs for children, the aged, and the homeless; 3) nursing homes, schools, and community centers; and 4) affordable multi-family housing projects. Information in file disclosed that 1,079 Texas families are enjoying improved living conditions through affordable housing projects. SBT's willingness to reach beyond the confines of limited opportunities within its assessment area and invest in the betterment of communities across the nation bodes well for management's proactive commitment to CRA.

Contributions

SBT has made qualified investments through donations that benefit low- or moderate-income individuals. SBT extended \$6,000 in qualified investments to 6 organizations. Qualified donations represent 34.33 percent of total contributions for the period under review. Examples of the organizations that received qualified donations are discussed below.

Qualified donations totaling \$4,000 were made to Erath County United Way. This organization raises money to help over fifteen thousand people locally. Funds are under local control without any restrictions imposed by the State or National United Way. A United Way representative advised that 87 percent of all funds assist low- or moderate-income individuals. Therefore, the bank received \$3,445 credit for these contributions.

A \$1,000 contribution was made to the Stephenville Chamber of Commerce for a special project to survey local housing needs regarding low- and moderate-income individuals.

A \$350 donation was made to Meals on Wheels to provide meals for home-bound citizens with low- or moderate-income s.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

Conclusions

The bank's performance under the Service Test is "High Satisfactory". The bank's performance in the assessment area is good. Branches are accessible to all portions of the communities served. A wide variety of products and services are offered and tailored to meet the needs of the assessment area. Business hours and services are convenient and accessible to all segments of the assessment area. A satisfactory level of community development services were provided during the period under review.

Retail Banking Services

Branch Delivery System and Branch Openings/Closings

The bank's delivery systems are easily accessible to all geographies in the assessment area and to individuals of different income levels. The bank has two full service branches located in upper-income geographies and a drive through facility located in a middle-income area. SBT offers a full array of loans to consumers, businesses, and organizations in accordance with nondiscriminatory lending standards. A variety of deposit products are available to meet the needs of consumer and commercial customers. Demographic data disclosed that over 79 percent of the assessment area population resides in the three geographies comprising Stephenville and the rural geography where the bank's River North branch is located. Considering these facts and that the assessment area is comprised entirely of middle- and upper-income geographies, the dispersion of branches are considered equitable among the areas being served.

Three automated teller machines (ATM) supplement the branch system. The dispersion of ATMs represents a good distribution across the areas served. Two of the ATMs are located in middle-income BNAs. Services, including business hours, are conducive to the needs of the areas being served.

The bank has not opened or closed any offices since the last CRA examination in July 1998. Management identified a need for additional remote facilities in the vicinity of Tarleton State University. Acting on that need, an ATM was placed on campus in April 2003 to better meet the needs of students and residents in the area.

Reasonableness of Banking Hours and Services

Banking hours provide good accessibility throughout the assessment area. The main branch is open Monday through Thursday from 9:00AM to 5:00PM, Friday 9:00AM to 3:00PM and reopens from 4:00PM to 6:00PM. Drive-in hours are 7:30AM to 6:00PM Monday through Friday and Saturday from 9:00AM to 12:00PM. The River North branch is open 7:30AM to 6:00PM Monday through Friday. The downtown drive-in facility is open Monday through Friday from 11:00AM to 3:00PM.

Retail Products and Alternative Delivery Systems

The bank's range of retail products and services is good and alternative delivery systems are accessible to all portions of the assessment area.

A wide array of banking products and services are provided. Products and services are responsive to banking needs in the assessment area and are not structured in a way that would inconvenience low- or moderate-income individuals. A variety of loan products, deposit services, and business services are available at the full service locations.

The bank offers Advantage Checking that has no monthly service charge, \$300 overdraft protection, requires no minimum balance, unlimited check writing, and the first 25 duplicate checks are free. The only item charge is a \$25.00 insufficient check fee.

Alternative delivery systems augment the bank's branching system. Although none are specifically targeted to low- and moderate-income individuals, they increase the accessibility to banking products throughout the assessment area. Alternative delivery systems and products include three ATMs (one deposit receiving), home banking at no monthly service charge, bill payment, check card, and a 24 hour information line. Safe deposit and trust services are also available.

Bank at Home allows customers to view account balances and transactions, make transfers and loan payments, perform stop payments, make note payments, and pay bills. Bill Payment provides for unlimited bill payments for only \$6.00 per month. Check Card allows for point of sale transactions. Check Card offers a \$1 thousand a day spending limit and there is no charge for the card. A 24 hour info line provides account information over any touch tone phone. Customers can obtain information on checking and savings accounts, ATM transactions, loan transactions, and certificates of deposit.

Community Development Services

A satisfactory level of community development services was provided. The Community Reinvestment Act defines a community development service as one that has community development as its primary purpose and that is related to the provision of financial services. Bank personnel are very active in the community and provide a number of community development services. Examples of the services provided are discussed below.

The bank supports efforts of the Leadership Stephenville Program. This program is designed to educate and train individuals within the community to be leaders of tomorrow. The class takes nine months to complete and covers all the major areas of the local economy. Class members represent a cross section of the community. Bank officers make presentations to the class regarding banking and finance and how to qualify for credit.

Two times a year, bank personnel present programs to local high school and university students regarding applying for credit and the importance of maintaining good credit.

Mortgage loans officers participated in mortgage seminars concerning home loans and assist with the completion of loans applications. The program focuses on low- and moderate-income individuals.

Bank officers participated in the Erath County Home and Garden Show to promote home loans and answer questions about applying for loans.

The bank participates in the annual Erath County Business Expo. The event is designed to assist small businessmen in promoting their business. Officers provide financial expertise regarding small business lending.

Two bank officers are officers of an economic development organization. One officer has served as treasurer for the organization and both lend financial expertise regarding loans originated through the organization. The bank's representation on the board was instrumental in SBT participating in two industrial loans that created approximately 90 new jobs for the area. SBT was the lead bank during the construction phase and handled all administrative work. The bank funded the permanent phase and participated out portions of the loan to two local financial institutions. As such, the bank assumed a leadership role.

Bank officers participated in Career Day at an area high school where they presented material and answered questions about career opportunities in banking and mortgage financing.

APPENDIX A

SCOPE OF EXAMINATION:

Stephenville Bank and Trust Company
SCOPE OF EXAMINATION: Procedures prescribed for small banks that are affiliated with holding companies reporting assets of \$1 billion or more.
TIME PERIOD REVIEWED: Calendar years 2001 and 2002
PRODUCTS REVIEWED: Small business, small farm, and home mortgage lending

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
None	N/A	N/A

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Erath County	Full Scope	None	N/A

APPENDIX B – TABLES OF PERFORMANCE DATA

Content of Standardized Tables

The standardized tables cover the entire CRA evaluation period. For purpose of reviewing the Lending Test tables, only loans originated within the defined assessment area are included in the analysis. Aggregate lending is the number of loans originated by all reportable lenders in the assessment area.

Table 1 – Lending Volume

Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period.

Table 2a – Geographic Distribution of HMDA Home Purchase Loans Originated

Compares the percentage distribution of the number of loans originated in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. Aggregate lending activity is also presented for comparing the bank's distribution of loans to all lenders.

Table 3a – Geographic Distribution of HMDA Home Improvement Loans Originated

See Table 2a comments.

Table 4a – Geographic Distribution of HMDA Refinance Loans Originated

See Table 2a comments.

Table 6a – Geographic Distribution of Small Business Loans Originated

The percentage distribution of the number of small loans (\leq \$1 million) to businesses originated by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. Aggregate lending activity is also presented for comparing the bank's distribution of loans to all lenders.

Table 7a – Borrower Distribution of Small Farm Loans Originated

The percentage distribution of the number of small loans (\leq \$500 thousand) to farms originated by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. Aggregate lending activity is also presented for comparing the bank's distribution of loans to all lenders.

Table 8a – Borrower Distribution of HMDA Home Purchase Loans Originated

Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in the assessment area. Aggregate lending data is also presented for comparing the bank's distribution of loans to all lenders.

Table 9a – Borrower Distribution of HMDA Home Improvement Loans Originated

See Table 8a comments.

Table 10a – Borrower Distribution of HMDA Refinance Loans Originated

See Table 8a comments.

Table 11a – Borrower Distribution of Small Business Loans Originated

Compares the percentage distribution of the number of small business loans (\leq \$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Aggregate lending activity is presented for comparing the bank’s lending activity to all lenders.

Table 12a – Borrower Distribution of Small Farm Loans Originated

Compares the percentage distribution of the number of small farm loans (\leq \$500thousand) originated by the bank to farms with revenues of \$500 thousand or less to the percentage distribution of farms with revenues of \$500 thousand or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Aggregate lending activity is presented for comparing the bank’s lending activity to all lenders.

Table 14 – Qualified Investments

Presents the number and dollar amount of qualified investments made in the assessment area. The table separately presents investments made during the prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original invest amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank’s financial reporting system.

The table on page 33 provides demographic information for Erath County that was used throughout this evaluation in analyzing the bank’s performance.

Footnote:

The FFIEC has adopted a standard set of data tables, sequentially numbered 1-15, for use in every Large Bank CRA Public Evaluation. Any tables not included in this PE were excluded because the institution has not originated or purchased any loans in the relevant category during the period under review or did not elect to report consumer loan data. Other table not included was excluded because they were not relevant to this particular institution or the information was provided elsewhere in the body of this evaluation.

Institution ID: Stephenville Bank & Trust Company
Table 1. Lending Volume

LENDING VOLUME												Geography: ERATH		Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002	
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)				
Full Review:															
Stephenville	100.00	59	3,789	409	31,046	183	9,336	0	0	651	44,171	100.00			

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From January 01, 2001 to December 31, 2002.

*** Deposit Data as of December 31, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: Stephenville Bank & Trust Company
Table2a. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE														Geography: ERATH				Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*																
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp													
Full Review:																											
Stephenville	42	0.00	0.00	0.00	0.00	0.00	60.0	35.7	40.0	64.3	0.00	0.00	58.6	41.4													

* Based on 2001 Peer Mortgage Data: US and PR.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: Stephenville Bank & Trust Company
Table 3a. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: ERATH				Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002				Aggregate HMDA Lending (%) by Tract Income*				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low	Mod	Mid	Upp
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans				
Full Review:														
Stephenville	8	0.00	0.00	0.00	0.00	0.00	60.0	25.0	40.0	75.0	0.00	0.00	58.3	41.7

* Based on 2001 Peer Mortgage Data: US and PR.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: Stephenville Bank & Trust Company
Table 4a. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE														Geography: ERATH		Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*															
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp												
Full Review:																										
Stephenville	9	0.00	0.00	0.00	0.00	0.00	60.0	66.7	40.0	33.3	0.00	0.00	56.7	43.3												

* Based on 2001 Peer Mortgage Data: US and PR.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Institution ID: Stephenville Bank & Trust Company
Table 6a. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES														Geography: ERATH		Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*															
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp												
Full Review:																										
Stephenville	409	0.00	0.00	0.00	0.00	0.00	76.4	34.7	23.6	65.3	0.00	0.00	56.6	43.4												

* Based on 2001 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2002).

Institution ID: Stephenville Bank & Trust Company
Table 7a. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS														
Geography: ERATH														
Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002														
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*			
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
Stephenville	183	0.00	0.00	0.00	0.00	0.00	89.9	30.6	10.1	69.4	0.00	0.00	37.0	63.0

* Based on 2001 Peer Small Business Data: US&PR.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2002).

Institution ID Stephenville Bank & Trust Company
Table 8a. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: ERATH				Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002								
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
Stephenville	42	0.00	17.5	16.7	16.6	16.7	18.4	16.7	47.5	49.9	2.5	14.0	26.7	56.8

* Based on 2001 Peer Mortgage Data: US and PR.

** As a percentage of loans with borrower income information available. No information was available for *****% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Institution ID: Stephenville Bank & Trust Company
Table 9a. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT														Geography: ERATH				Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*										
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp							
Full Review:																					
Stephenville	8	0.00	17.5	12.5	16.6	0.00	18.4	0.00	47.5	87.5	0.00	0.00	41.7	58.3							

* Based on 2001 Peer Mortgage Data: US and PR.

** As a percentage of loans with borrower income information available. No information was available for *****% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Institution ID: Stephenville Bank & Trust Company
Table 10a. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: ERATH				Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002								
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
Stephenville	90	0.00	17.5	11.1	16.6	0.00	18.4	0.00	47.5	88.9	1.5	9.7	12.8	76.0

* Based on 2001 Peer Mortgage Data: US and PR.

** As a percentage of loans with borrower income information available. No information was available for *****% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Institution ID: Stephenville Bank & Trust Company
Table11a. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES									
				Geography: ERATH		Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Stephenville	409	0.00	72.1	82.9	82.2	10.8	7.0	698	54.2

* Based on 2001 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

Institution ID Stephenville Bank & Trust Company
Table12a. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: ERATH		Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002					
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Aggregate Lending Data*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Stephenville	183	0.00	87.6	94.5	85.0	7.9	7.1	127	85.8

* Based on 2001 Peer Small Business Data: US&PR.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

Institution ID Stephenville Bank & Trust Company
Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
			Geography: ERATH		Evaluation Period: JANUARY 10, 2001 TO DECEMBER 31, 2002				
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Stephenville	0	0	7	156	7	156	0	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Institution ID: Stephenville Bank & Trust Company

Demographic Information for Full Scope Area: Stephenville						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	71.43	28.57	0.00
Population by Geography	27,991	0.00	0.00	60.85	39.15	0.00
Owner-Occupied Housing by Geography	6,819	0.00	0.00	60.01	39.99	0.00
Business by Geography	2,063	0.00	0.00	76.35	23.65	0.00
Farms by Geography	266	0.00	0.00	89.85	10.15	0.00
Family Distribution by Income Level	7,088	17.48	16.63	18.41	47.47	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,418	0.00	0.00	70.22	29.78	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		24,585 36,100 22.86%	Median Housing Value Unemployment Rate (1990 US Census)		47,509 2.88%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 US Census and 2002 HUD updated MFI

APPENDIX C - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural

classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX D - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX E - STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.