

PUBLIC DISCLOSURE

June 24, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank & Trust
RSSD # 3022281

2200 West Ennis Avenue
Ennis, Texas 75119

Federal Reserve Bank of Dallas

2200 North Pearl Street
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.

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

The overall rating was determined after reviewing data within the context of the performance factors used to evaluate small banks. The major factors supporting First Bank & Trust's satisfactory rating are:

- Strong loan-to-deposit ratio;
- A majority of loans extended to borrowers residing in and businesses operating in the bank's assessment area; and
- A reasonable distribution of loans to borrowers of different income levels and businesses of different sizes.

As a de novo institution, this is First Bank & Trust's first evaluation under the Community Reinvestment Act.

DESCRIPTION OF INSTITUTION

First Bank & Trust, Ennis, Texas (FB&T), a de novo state member bank, opened for business July 18, 2001. The bank is a full-service institution offering loans and various deposit products, with its main office in Ennis. In addition, loan production offices (LPOs) are located in Waxahachie and Red Oak, Texas. The LPOs opened September 24, 2001 in Waxahachie and April 8, 2002 in Red Oak.

As of March 31, 2002, FB&T had total assets of approximately \$20.6 million, total loans of \$19.1 million, total deposits of almost \$13.4 million, and a loan-to-deposit ratio of 141 percent. A review of the bank's loan portfolio reflects the following product mix:

LOAN PORTFOLIO MIX	03/31/2002 \$ (000)	% OF LOANS	12/31/2001 \$ (000)	% OF LOANS
Real Estate				
Commercial	3,972	20.8	3,009	22.8
Construction	2,965	15.5	1,296	9.8
Residential	2,232	11.7	996	7.6
Agriculture	484	2.5	360	2.7
Total Real Estate	9,653	50.5	5,661	42.9
Consumer	2,431	12.7	3,186	24.2
Commercial/Industrial	6,593	34.5	3,805	28.9
Agricultural	442	2.3	157	1.2
Other Loans	2	0.0	375	2.8
Gross Loans	\$19,121	100.00%	\$13,184	100.00%

FB&T originated approximately \$6 million in loans in its first quarter of operation, the third quarter of 2001. In addition, almost \$7 million in loans were added in the fourth quarter of 2001. Loans currently represent approximately 91.9 percent of total assets. Real estate loans represent the largest product type, at 50.5 percent of total loans. Within the real estate loan portfolio, approximately 21 percent are commercial, 16 percent are construction, and 12 percent are residential loans. Commercial/Industrial and consumer loans account for almost 35 and 13 percent of loans, respectively. The bank is expected to continue to yield this volume of loans during its early growth period.

Weekday lobby hours for all offices are 9:00 a.m. – 3:00 p.m. The main bank is open from 9:00 a.m. – 6:00 p.m, excluding Mondays. The motor bank is open each weekday from 8:00 a.m. – 6:00 p.m. and on Saturday from 8:30 a.m. – 12:00 noon. Additionally, a deposit-taking automatic teller machine is available at the motor bank.

DESCRIPTION OF ELLIS COUNTY

FB&T has designated its assessment area (AA) as Ellis County. The county is part of the Dallas Primary Metropolitan Statistical Area (PMSA) 1920. Ellis County's total population for 2000 is 111,360, an increase of 30.8 percent over the 1990 population of 85,167. The county seat is Waxahachie, with a total population of 21,426 as of 2000. The city of Ennis is approximately 32 miles south of Dallas on Interstate Highway 45. According to the 2000 census, the total population for Ennis is 16,045, an increase of 15.6 percent over the 1990 population of 13,883. As of June 30, 2001, four financial institutions were operating in Ennis.

The following chart details selected characteristics of the assessment area:

FIRST BANK & TRUST, ENNIS, TEXAS	
Assessment Area Characteristics: Ellis County, TX	
Tract Summary¹	
Total Number of Tracts	19
Number of Low-Income Tracts	1
Number of Moderate-Income Tracts	5
Number of Middle-Income Tracts	12
Number of Upper-Income Tracts	1
Income Summary²	
Median Family Income, 2000 HUD Estimated	\$64,400
Total Families, 1990 Census	23,139
Percent Low-Income Families	24.3
Percent Moderate-Income Families	19.2
Percent Middle-Income Families	25.3
Percent Upper-Income Families	31.2
Unemployment Summary³	
Labor Force Population (Assessment Area)	58,098
Percent Unemployment (Assessment Area)	4.3
Percent Unemployment (State)	4.2
Miscellaneous Information⁴	
Total Population	111,360
Percentage of Families Below Poverty	6.8
Total Housing Units	39,071
Percentage Owner-Occupied Units to Total Units	72.2
Percentage Rental Units to Total Units	22.5
Percentage Vacant Units to Total Units	5.3

Ellis County is home to a diverse group of businesses. The major industry in the county is manufacturing, employing 19 percent of the workforce. Census Bureau data indicates 10,216

1 Source: U.S. Census Bureau, 1990

2 Source: U.S. Dept. of Housing and Urban Development, 2000; U.S. Census Bureau, 1990

3 Source: Texas Workforce Commission, 2001 Annual Averages

4 Source: U.S. Census Bureau, 2000

persons were employed in the manufacturing sector in 2000. Other industries with significant employment levels include education/health/social services, retail trade, and construction. The major employers in the county by number of workers include:

COMPANY	# OF EMPLOYEES	CITY
TXI Chaparral Steel Company	1,200	Midlothian
Tyler Refrigeration Corporation	532	Waxahachie
Owens-Corning	500	Waxahachie
Dartco of Texas L.P.	430	Waxahachie
Ennis Automotive, Inc.	406	Ennis
Leggett & Platt, Inc.	368	Ennis
International Extrusion	350	Waxahachie

The labor force has grown more than 20 percent within the last 10 years. Community contacts indicated there is a relatively low unemployment rate in the county. Both community contacts indicated the area is growing rapidly and companies are moving to the area; however, most of the jobs are either low paying or require a four-year college degree or more. The contacts also mentioned a need for affordable housing to accommodate the growth caused by the labor force increase.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT (LTD) RATIO

The bank's LTD ratio is considered strong. Because FB&T is a de novo institution, comparisons of similarly situated financial institutions in the AA were limited. FB&T's LTD ratio as of March 31, 2002 is 141.11 percent and the quarterly average is 127.38. The quarterly average is based on the three quarters since FB&T opened for business in July 2001. The bank's high loan-to-deposit ratio is attributed to its strong loan growth, which has outpaced the deposits. Once the bank's growth levels off, the LTD ratio is expected to fall more in line with many of the local competitors. As illustrated below, ratios for the market banks as of March 31, 2002 and quarterly averages beginning September 30, 2001 range from approximately 46 to 72 percent:

BANK	LOCATION	TOTAL ASSETS 03-31-02 (\$000)	LTD RATIO 03-31-02	QUARTERLY AVG. LTD RATIO
First Bank & Trust	Ennis	\$20,593	141.44%	127.38%
First State Bank	Maypearl	\$18,783	64.62%	66.53%
Commercial State Bank	Palmer	\$44,587	46.74%	46.06%
Ennis State Bank	Ennis	\$89,744	72.06%	72.57%

LENDING IN ASSESSMENT AREA

To assess the bank's lending performance under the CRA, a sample of 17 commercial, 26 motor vehicle, and 17 small business loans secured by real estate originated during the six-month period of July 1, 2001 through December 31, 2001 was reviewed. The bank's lending within its assessment area is satisfactory. The table below shows that by number and dollar volume, the bank extended a majority of the sampled loans inside the assessment area:

DISTRIBUTION OF CONSUMER AND COMMERCIAL LOANS				
LOCATION	NUMBER	PERCENT OF NUMBER	DOLLAR AMOUNT	PERCENT OF DOLLAR VOLUME
Within AA	41	68	4,964,250	81
Outside AA	19	32	1,185,013	19
TOTAL	60	100%	\$6,149,263	100%

The following table details FB&T's lending in the assessment area by each product reviewed:

ANALYSIS OF LENDING IN THE ASSESSMENT AREA								
LOAN TYPE (COLLATERAL)	INSIDE ASSESSMENT AREAS				OUTSIDE ASSESSMENT AREAS			
	#	%	\$000'S	% OF \$	#	%	\$000'S	% OF \$
Consumer (Motor Vehicle)	17	65	434	73	9	35	158	27
Commercial (Real Estate)	14	82	3,106	84	3	18	588	16
Commercial/Ag (Other)	10	59	1,424	76	7	41	439	24
TOTAL	41	68%	\$4,964	81%	19	32%	\$1,185	19%

As the table above illustrates, the majority of loans by number and dollar amount were made within the bank's AA. For motor vehicle loans, 65 percent of the number and 73 percent of the dollar volume were originated inside the AA. Similarly, 82 percent of the number and 84 percent of the dollar amount of commercial loans were secured by real estate; and 59 percent of the number and 76 percent of the dollar volume of commercial/agriculture loans were made within the AA. This is indicative of the bank's efforts to make loans to members of its community.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

FB&T meets the standards for satisfactory performance in this category with a reasonable distribution of loans to individuals with different income levels and businesses of different sizes within its assessment area.

The Department of Housing and Urban Development (HUD) updates the median family income (MFI) annually. The 2001 MFI for the Dallas PMSA is \$64,400, an increase of almost six percent compared to 2000 figures. For purposes of this assessment, the 2001 MFI information will be used. The income level categories are detailed in the following chart:

DALLAS TEXAS MSA HUD-ADJUSTED MEDIAN FAMILY INCOME	
INCOME LEVEL %	2001
Low income 0 < 50	\$0 - < \$32,200
Moderate income 50 < 80	\$32,200 - < \$51,520
Middle income 80 < 120	\$51,520 - < \$77,280
Upper income >= 120	\$77,280 and up
Median Family Income	\$64,400

The analysis revealed that 19 percent of the motor vehicle loans sampled were made to low- income borrowers. Also, 13 percent of the motor vehicle loans were made to moderate-income borrowers. While these figures are less than the percentage of families in low and moderate tracts of 24.3 and 19.2 percent, respectively, this could be impacted by a higher percentage of families 29.9% who live below the poverty level in low income census tracts.

DISTRIBUTION OF MOTOR VEHICLE LOANS BY MEDIAN FAMILY INCOME LEVEL					
	LOW	MODERATE	MIDDLE	UPPER	INCOME N/A
Number of Loans	3	2	5	6	1
% of Number	19	13	31	37	0
Dollar Volume	34,805	26,921	210,533	144,656	0
% of Dollar Volume	8	6	50	35	0
Percent of Families	24.3%	19.2%	25.3%	31.2%	N/A

The Community Reinvestment Act defines a small business loan as one with gross annual revenues less than \$1,000,000. The table below depicts the lending distribution of sampled commercial loans inside the assessment area:

DISTRIBUTION OF COMMERCIAL LENDING BY GROSS REVENUE		
GROSS ANNUAL REVENUE	#	%
Less than \$100,000	9	37.5
\$100,000 to less than \$250,000	3	12.5
\$250,000 to less than \$500,000	5	20.8
\$500,000 to less than \$750,000	3	12.5
\$750,000 to less than \$1,000,000	1	4.2
Over \$1,000,000	3	12.5
TOTAL	24	100%

As the chart above illustrates, the bank originates a significant percentage of loans, 87.5 percent, to businesses with gross annual revenues below \$1,000,000. Further, approximately 38 percent of the commercial loans reviewed were made to businesses with gross revenues below \$100,000. This demonstrates the bank's efforts to meet the needs of small businesses in its AA.

GEOGRAPHIC DISTRIBUTION OF LOANS

According to the 1990 census data for the Dallas PMSA, 23.3 percent of the population resides in low- and moderate-income census tracts, whereas in Ellis county that figure is almost 32 percent. The table below illustrates the distribution of the population by census tract income level:

DISTRIBUTION OF POPULATION BY CENSUS TRACT INCOME LEVEL						
Census Tract Income Level	Total Tracts		Total Families		Total Population	
	#	%	#	%	#	%
Low income	1	5.3	854	3.7	3,538	4.2
Moderate income	5	26.3	4,050	17.5	16,245	19.1
Middle income	12	63.1	16,044	69.3	57,650	67.6
Upper income	1	5.3	2,191	9.5	7,734	9.1
TOTAL	19	100.0%	611,505	100.0%	85,167	100.0%

The bank's geographic distribution of loans sampled reflects adequate dispersion throughout the assessment area. The analysis revealed that 27 percent of loans were made in moderate-income census tracts. No loans were made in low-income census tracts; however, according to 1990 census data, 29.9 percent of the families residing in low-income census tracts live below the poverty level. Therefore, qualifying residents in low-income areas for loans may present a problem for lenders unless there are supplemental financing mechanisms. Two consumer loans, or 12 percent, were made in moderate-income census tracts, slightly below the 17.5 percent families residing in moderate-income areas. Nine commercial loans, or 38 percent were made in moderate-income tracts.

The table below depicts distribution of lending by census tract income level:

DISTRIBUTION OF LENDING BY CENSUS TRACT INCOME LEVEL						
CENSUS TRACT INCOME LEVEL	MOTOR VEHICLE		COMMERCIAL		TOTAL	
	#	%	#	%	#	%
Low-income	0	0	0	0	0	0
Moderate-income	2	12	9	38	11	27
Middle-income	14	82	13	54	27	66
Upper-income	1	6	2	8	3	7
TOTAL	17	100.0	24	100.0	41	100.0

Demographic data and feedback from community contacts indicate there are opportunities in Ellis County for lending to low- and moderate-income individuals and in low- and moderate-income areas. One community contact involved in economic development indicated a need for very small dollar loans, less than \$5,000, for micro-entrepreneurs. These funds could help strengthen their businesses, stabilize and increase their incomes, create additional employment and contribute to the economic revitalization of their communities. Additionally, the contact said it would be beneficial for banks to sponsor small business workshops that target low- and moderate-income individuals who are exploring entrepreneurship. The community contact representing a community-based organization in Ennis expressed the need for loans to low- and moderate-income elderly citizens in the area.

RESPONSE TO COMPLAINTS

The bank has not received any CRA-related complaints.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS (ECOA, FHA OR HMDA)

No violations of the anti-discrimination laws were noted at the concurrently conducted consumer compliance examination.