



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 26, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Spearman
Charter Number 18609**

**729 West 7th Street
Spearman, Texas 79081**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas 75201-3394**

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.

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 **First National Bank Spearman** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The lending performance of the First National Bank Spearman is satisfactory. The following highlights the bank's performance:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- An analysis of the geographic distribution of loans would not be meaningful.
- No complaints concerning CRA performance have been received since the last examination.

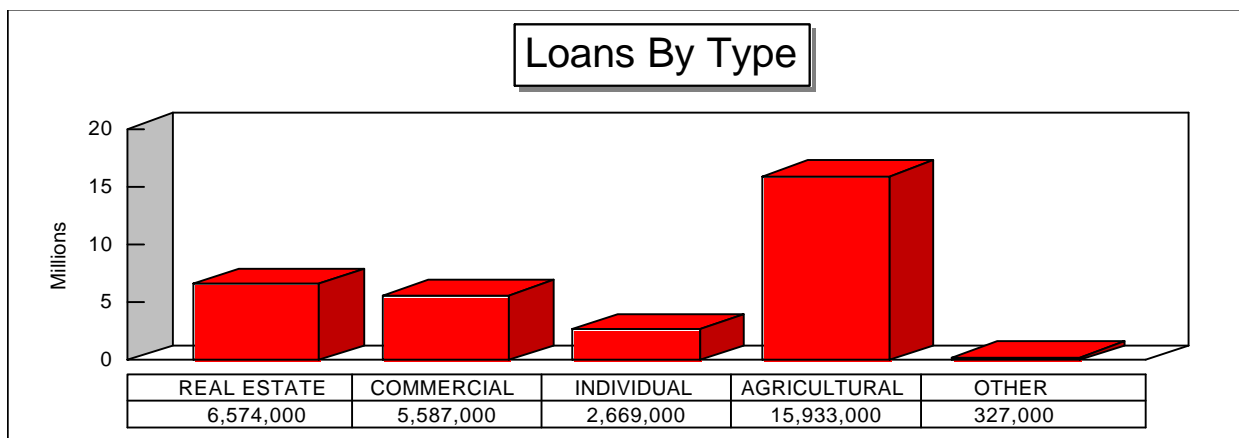
The following table indicates the performance level of First National Bank Spearman with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Spearman National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION

The bank offers traditional loan and deposit products. The bank has no branches but has an Automatic Teller Machine (ATM) located in the bank's drive-up facility. The ATM is accessible twenty-four hours a day. The bank does not face any legal impediments or other factors which inhibit it from meeting the credit needs of the assessment area. The prior CRA performance evaluation as of November 3, 1994, rated the bank "Satisfactory."

Gross loans represented 54% of average assets as of June 30, 1997. A breakdown of the bank's loan portfolio as of June 30, 1997, is depicted below:



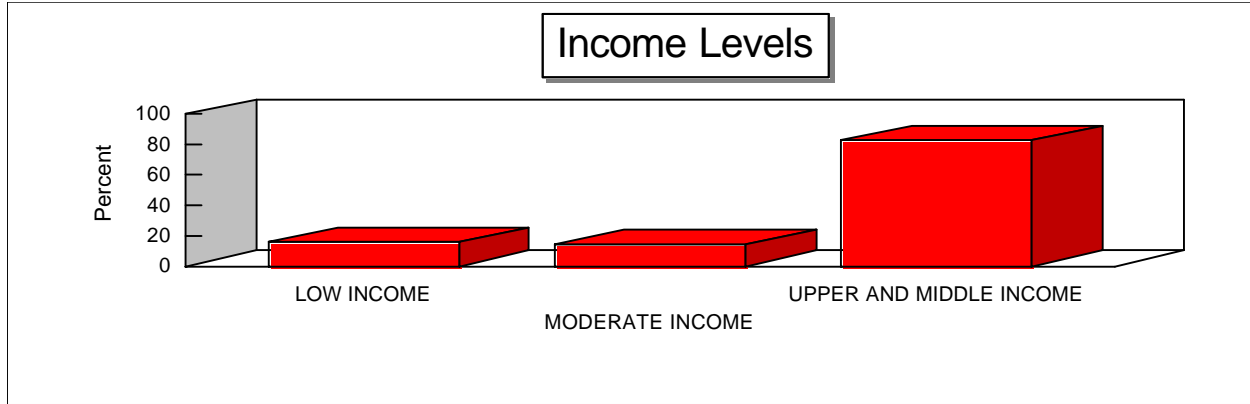
DESCRIPTION OF HANSFORD AND OCHILTREE COUNTIES

The Board of Directors has designated Hansford and Ochiltree Counties as the bank's assessment area. Neither county is located within a Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. According to the 1990 census, Hansford and Ochiltree Counties had a combined population of 14,976.

Hansford County's primary city is Spearman, the county seat. The economy is primarily agricultural based. The major crops are wheat and corn. Major employers in Hansford County are the Hansford Hospital District, 108; Spearman Independent School District, 105; and Hansford County, 39.

Ochiltree County's primary city is Perryton, which is also the county seat. Major crops in this agricultural based economy are wheat and corn. Major employers in Ochiltree County are the Perryton Independent School District, 277; Ochiltree General Hospital, 114; and Gorman-Phillips, 73.

The statewide median family income for non-MSA areas is \$24,586. The median family income for Hansford and Ochiltree Counties is \$30,379. The assessment area contains six block numbering areas (BNA). There are no low or moderate-income BNA's. The median income of families in the remaining BNA's are depicted below:



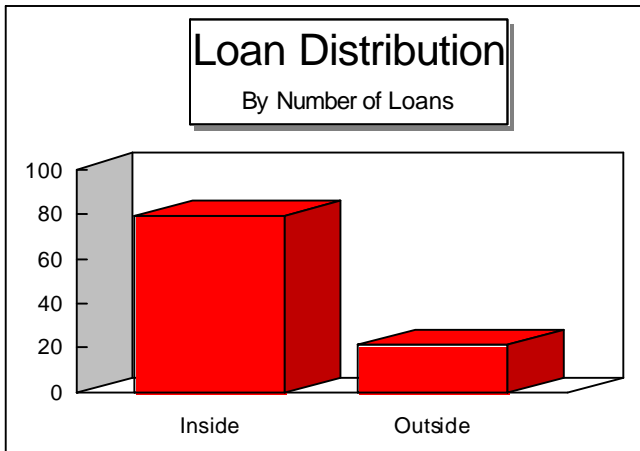
Credit needs in the assessment area are centered in small farm operating loans. There are five other financial institutions in the assessment area resulting in a highly competitive environment. All five banks are locally-owned unit banks. The area's unemployment rate is 6.96%.

A community contact was made in Ochiltree County in June 1996 and in Hansford County in November 1997. Information obtained from those contacts did not identify any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 59% since March 31, 1996. During this period, it has ranged from a low of 55% on December 31, 1996, to a high of 62% on March 31, 1996. The ratio for similarly situated institutions located within the assessment area has averaged 45%.



Lending in the Assessment Area.

A majority of loans and other lending related activities are in the bank's assessment area. As of October 31, 1997, the bank had originated 75% of the dollar amount and 79% of the number of its loans to borrowers residing within the assessment area.

Loans to Borrowers of Different Income and Businesses of Different Sizes

The distribution of lending to individuals and businesses of different income levels is reasonable. The bank does not perform a borrower income analysis. However, our review of randomly selected credits indicated that the bank extends credit to individuals with a range of income levels. The bank regularly extends loans to individuals with origination balances of less than \$1 thousand. As of November 6, 1997, the loan portfolio contained 93 or \$53 thousand in loans with origination balances less than \$1,000. Historically, the majority of these loans are extended to low- or moderate-income borrowers.

Because no analysis of business borrower income was performed, we used the number of loans at various dollar amounts as a proxy for loans to businesses of different income levels. The bank's loan portfolio is centered in agricultural loans. Our past experience with the bank, indicates that a substantial majority of agricultural loans are extended to borrowers with gross annual revenues of less than \$1 million. Below is a table illustrating the bank's portfolio of agricultural loans.

AGRICULTURAL LOANS AS OF SEPTEMBER 30,1997		
RANGE	NUMBER OF LOANS	AMOUNT
\$0, - \$100,000	269	\$7,243,000
\$100,001-\$250,000	62	\$6,417,000
\$250,001-\$1,000,000	23	\$5,910,000
TOTAL	354	\$19,570,000

Geographic Distribution of Loans

A geographical distribution analysis of lending patterns throughout the assessment area was not performed. The assessment area encompasses a large geographical area which includes a very diverse population representing all income categories. Therefore, a geographical lending analysis would not be meaningful.

Response to Complaints

No consumer complaints have been received since the last examination. No violations of the substantive provisions of antidiscrimination laws and regulations were identified during this examination. The bank is developing policies and procedures to assist in preventing illegal discrimination.