



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**State National Bank of West Texas
Charter Number 23117**

**Post Office Box 5240
1617 Broadway
Lubbock, Texas 79408**

**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 bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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 bank'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 bank. Upon conclusion of such examination, the agency must prepare a written evaluation of the bank's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **State National Bank of West Texas** prepared by the **Office of the Comptroller of the Currency**, the bank's supervisory agency, as of **February 23, 1998**. The agency rates the CRA performance of an bank consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

BANK'S CRA RATING: This bank is rated “**Satisfactory.**”

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment areas credit needs. The ratio has averaged 40.38% for the fifteen month period ending December 31, 1997. The loan-to-deposit ratio for the quarter ending December 31, 1997 was 56.85%. This level of lending is comparable to that of banks having similar characteristics in the area.
- A majority of the bank's loans and other lending related activities are within the bank's assessment area. Based on an analysis of the entire portfolio, 73% of the number of loans were in the bank's assessment area compared with 61% by dollar volume.
- The lending pattern reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans within the bank's assessment areas reflects a reasonable dispersion between different income census tracts and block numbering areas.
- There have been no consumer complaints regarding the bank's CRA performance.

The following table indicates the performance level of **State National Bank of West Texas** with respect to each of the five performance criteria.

SMALL BANK ASSESSMENT CRITERIA	<u>State National Bank of West Texas</u> 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		X	
Response to Complaints	No complaints regarding bank performance under the CRA have been received		

DESCRIPTION OF BANK

State National Bank of West Texas (SNB) was established in 1996 and is a \$158 million bank located in Lubbock, Texas. SNB has five banking locations that are located in three Assessment Areas (AAs). The main facility and two full service branches are located in the Lubbock County AA (Lubbock, Texas), one full service branch is located in the Hale County AA (Plainview, Texas) and one full service branch is located in the Howard County AA (Big Spring, Texas). In addition, SNB also has a mobile branch servicing Lubbock County and two loan production offices that are located in Friona, Texas and Midland, Texas. SNB is wholly-owned by a one-bank holding company, State National Bancshares, Inc. located in Lubbock, TX.

The bank faces a high level of competition from other financial institutions within the three assessment areas. The primary business focus is commercial, agricultural and consumer lending.

SNB's loan portfolio totals \$82 million representing 52% of total assets, and the investment portfolio totals \$55 million representing 35% of total assets. The following table provides a general breakdown of the loan portfolio as of December 31, 1997.

LOAN TYPE	LOAN BALANCE	% OF PORTFOLIO
REAL ESTATE	20,485	24.93%
COMMERCIAL	19,596	23.85%
AGRICULTURE	17,918	21.80%
INDIVIDUAL - INDIRECT	18,354	22.33%
INDIVIDUAL - DIRECT	5,828	7.09%
TOTAL	82,181	100.00%

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment areas. There was no prior CRA examination.

DESCRIPTION OF LUBBOCK, HALE AND HOWARD COUNTIES:

SNB has three assessment areas: 1) Lubbock County, Texas; 2) Hale County, Texas; and 3) Howard County, Texas. The counties where SNB has banking facilities determined the assessment areas. Lubbock County is located in a Metropolitan Statistical Area (MSA). The assessments meet the regulatory requirements for including whole geographies, and the designated areas do not arbitrarily exclude any low- or moderate-income areas.

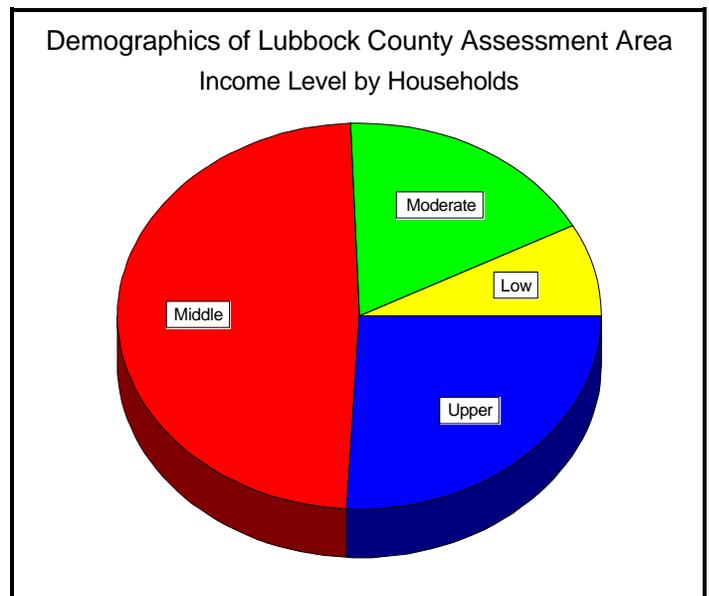
LUBBOCK COUNTY

The main office, two full-service branches, and a mobile branch are in Lubbock County and are located in the city of Lubbock, Texas. All banking facilities have drive-up windows with automated teller machines (ATMs) located at the branches. Lubbock County is located about 320 miles west of Dallas, Texas and includes the communities of Lubbock, Wolfforth, Idalou, Slaton, Shallowater and New Deal.

The total population of the county is 222,636 including the city of Lubbock with an estimated 186,206 people. Lubbock is the ninth largest city in the State of Texas and the largest city in West Texas. There are four colleges and universities within the Lubbock MSA. These include Texas Tech University, Lubbock Christian University, Wayland Baptist University - Lubbock Center, and South Plains College - Lubbock Center. The primary industry is agriculture, but Lubbock is a major regional center for business and industry as well.

The median family income for Lubbock County is \$39,400. Lubbock County contains sixty-three census tracts (CTs) including eight low-income, eleven moderate-income, twenty-eight middle-income, and fourteen upper-income CTs. Two CTs do not have income designations. Approximately 26% of the households have been identified as low- or moderate-income. The chart at right shows the demographic composition of Lubbock County.

Major employers in the Lubbock area are Texas Tech University, Texas Instruments, Plains Cooperative Oil Mill, Eagle Picher, Fleming Foods, Frito Lay, Methodist Hospital, and St. Mary of the Plains Hospital.



Credit needs in the assessment area are centered in agricultural, commercial and consumer, lending. There are twenty-seven financial institutions located in the Lubbock AA, including twelve locally-owned commercial banks. Three other financial institutions in the city of Lubbock are branches of out-of-area commercial banks. There are also two regional commercial banks. In addition, there are ten credit unions. The Lubbock AA also has numerous finance companies.

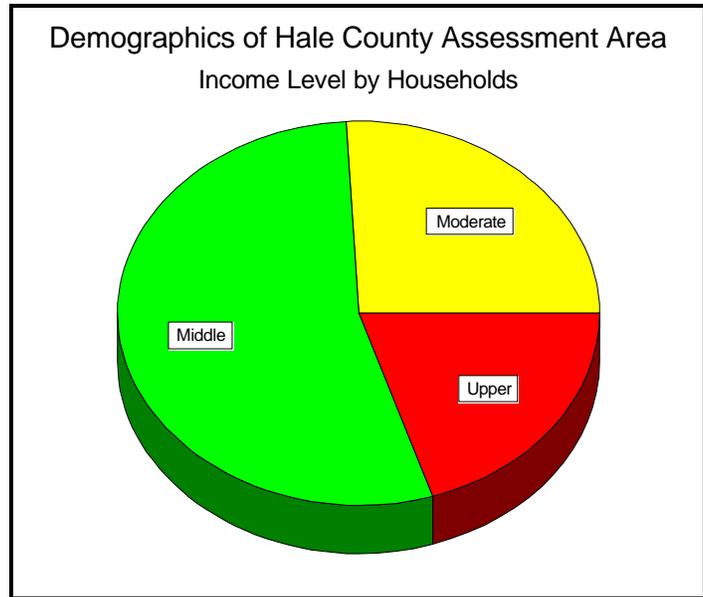
Two community contacts that were performed in 1997 were used during this examination. The contacts indicated that more affordable low- to moderate-income residential housing is needed.

HALE COUNTY

SNB has a full-service branch in the Hale County and is located in the city of Plainview, Texas. The branch has drive-up facilities and an ATM is located on the premises. Hale County is located approximately 50 miles north of Lubbock, Texas and includes the communities of Plainview, Hale Center, Abernathy, Edmonson, Happy Union, Cotton Center, and Petersburg.

The total population of the county is 34,671 including the city of Plainview with an estimated 21,700 people.

Demographic information for the AA reflects that low- and moderate-income persons reside throughout each BNA in the AA. The median family income for Hale County is \$25,036 while the statewide nonmetropolitan median family income for Texas is \$24,586 (1990 U.S. Census). In 1997, the U.S. Department of Housing and Urban Development reported a statewide nonmetropolitan median family income of \$31,500 for the State of Texas. Hale County contains nine block numbering areas (BNAs) including two moderate-income, six middle-income, and one upper-income BNAs. No BNAs were identified as low-income. Approximately 26% of the households have been identified as moderate income. The chart at right shows the demographic composition of Hale County.



Major employers in the Hale County are Wal-Mart Distribution Center, Excel Corporation, Azteca Milling Company, Plainview Independent School District, Methodist Hospital, Texas Department of Criminal Justice, Central Plains MH/MR & SA, and Wayland Baptist University. Credit needs in the assessment area are centered in agricultural, commercial and consumer lending. There are eight financial institutions located in the Hale County assessment area. One locally-owned commercial bank is located in the city of Plainview. Three other financial institutions in the city of Plainview are branches of area commercial banks, including this financial bank. There is also one regional commercial bank. In addition, there are three credit unions. The Hale County AA also has three finance companies.

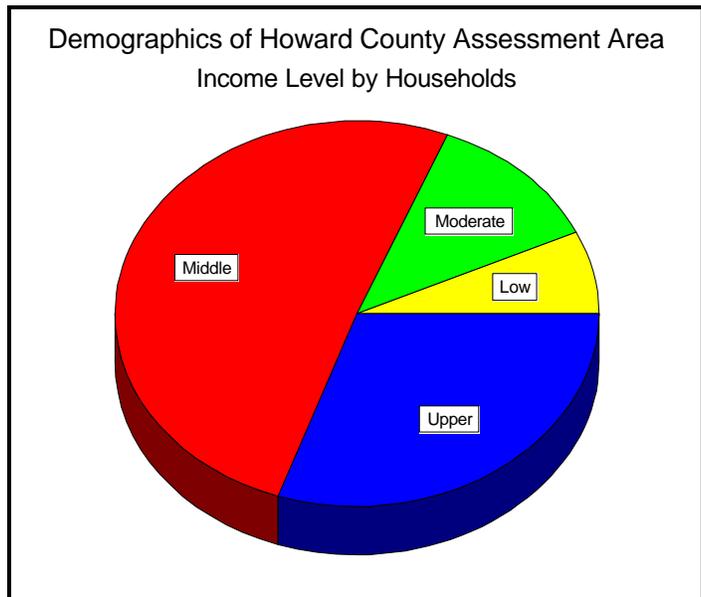
One community contact that was performed in 1997 was used during this examination. The contact indicated that more affordable low- to moderate-income residential housing is needed.

HOWARD COUNTY

SNB has a full-service branch in the city of Big Spring. The branch has drive-up facilities and an ATM is located on the premises. Howard County is located approximately 100 miles south of Lubbock, Texas and includes the communities of Big Spring, Coahoma, Fairview, Vincent and Vealmoor.

The total population of the county is 32,343 including the city of Big Spring with an estimated 23,093 people.

The median family income for Howard County is \$27,926 while the statewide nonmetropolitan median family income for Texas is \$24,586 (1990 U.S. Census). In 1997, the U.S. Department of Housing and Urban Development reported a statewide nonmetropolitan median family income of \$31,500 for the State of Texas. Howard County contains nine block numbering areas (BNAs) including one low-income, one moderate-income, five middle-income, and two upper-income BNAs. Approximately 19% of the households have been identified as low or moderate-income. The chart at right shows the demographic composition of Howard County.



Major employers in the Howard County are Howard College, Big Spring Independent School District, Coahoma Independent School District, Big Spring State Hospital, Veterans Administration, City of Big Spring, U.S. Justice Department and Cornell Corrections.

Credit needs in the assessment area are centered in agricultural, commercial and consumer lending. There are thirteen financial institutions located in the Howard County assessment area. One locally-owned commercial bank is located in the city of Big Spring. Four other financial institutions in the city of Big Spring are branches of area commercial banks, including this bank. In addition, there are eight credit unions. The Howard County AA also has five finance companies.

The community contact in Big Spring identified the need for home loans for low- and moderate-income individuals as primary credit needs in this community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

- **Loan-to-Deposit Ratio**

SNB's loan-to-deposit (LTD) ratio averaged 40.38% for five quarters since opening October 1, 1996. The LTD ratio ranged from a high of 56.85% in December 1997 to a low of 15.82% in December 1996. The low in December 1996 was immediately after SNB opened. We compared this ratio to six other banks in the community and in similar economic areas and found SNB's ratio is comparable to that of the other banks.

Considering these factors, SNB's LTD ratio is reasonable given the bank's size, financial condition, and assessment areas credit needs.

- **Lending in the Assessment Area**

A majority of the bank's loans are in the bank's assessment area. SNB conducted a formal analysis of the lending activities in and out of its assessment area using financial information as of February 6, 1998. The analysis revealed that approximately 61% of the dollar amount of the loans and 73% of the number of loans were made to customers residing in the assessment areas. The following table shows the results of this review.

Loan Distribution by Assessment Areas				
Loan Location	\$ Amount Outstanding		# of Loans	
In Assessment Area	\$49,860	60.57%	2,160	72.97%
Outside Assessment Area	\$32,462	39.43%	800	27.03%
Total	\$82,322	100.00%	2,960	100.00%

The levels of loans originated and outstanding which are extended to borrowers within the AA are considered reasonable, and they meet the criteria for satisfactory performance.

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

To determine SNB's lending practices regarding loans to persons of different incomes, we reviewed a limited sample of loans. Based on the file information, we observed that the bank satisfactorily lends to persons of different income levels. The following table shows the results of the review.

Income Level	Population % In Assessment Area	Loans Originated	
		#	%
Low	7%	11	37%
Moderate	18%	9	30%
Middle	49%	6	20%
Upper	26%	4	13%
Total	100%	30	100%

We reviewed bank reports of outstanding loans extended for small farms or small businesses as of March 10, 1998. These reports showed that a majority of the number of small business and agricultural loans are below \$250,000. The following table reflects the lending pattern.

Lending to Businesses of Different Sizes Based on Outstanding Loans as of March 10, 1998										
	Less than 100,000		100,000 - 250,000		250,000 - 1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Small Business	222	64	57	16	63	18	7	2	349	100
Agricultural	238	73	56	17	25	8	6	2	325	100
Total	460	68	113	17	88	13	13	2	674	100

This review shows that SNB meets the criteria for satisfactory performance in lending across levels of income and business revenues.

- **Geographic Distribution of Loans**

We reviewed bank reports of outstanding loans to perform a geographic distribution analysis of lending patterns throughout the assessment areas. The three assessment areas encompass three counties that are a large geographical area and includes a very diverse population representing all income categories. The following table reflects the bank's lending activity as of February 6, 1998.

Lending within the Assessment Areas						
Tract Description	Census Tracts/BNAs within Assessment Area		# of Loans within Assessment Area		\$ Outstanding of Loans within Assessment Area	
	#	%	#	%	\$ (000's)	%
Low	9	11	111	5.14	4,211	8.44
Moderate	14	17	357	16.53	5,868	11.77
Middle	39	48	1,061	49.12	24,147	48.43
Upper	17	21	631	29.21	15,635	31.36
N/A	2	3	N/A	N/A	N/A	N/A
Totals	81	100	2,160	100.00	49,861	100.00

This analysis shows that SNB's level of lending to all areas within their assessment area is considered reasonable and meets the criteria for satisfactory performance.

A Fair Lending examination was performed at this examination. Based on a comparative file review of approved direct used motor vehicle purchase loans between male and female applicants, we did not identify any evidence of disparate treatment or discriminatory practices.

- **Response to Complaints**

SNB has not received any complaints or negative comments from the public regarding their CRA performance. In addition, our review of SNB's fair lending performance found no evidence of disparate treatment or discriminatory practices.