



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 22, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Lamesa National Bank  
Charter Number 13111**

**602 South 1st Street  
Lamesa, TX 79331**

**Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424**

**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.**

Lamesa National Bank (LNB) CRA performance is satisfactory. We based our conclusion on LNB's lending practices. We evaluated these practices through review of samples of the bank's primary loan products. The rating is based on the following findings:

- LNB's loan to deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area. The loan-to-deposit ratio has averaged 48.30 percent during the evaluation period.
- A majority of the bank's loans, 81.67 percent by number and 88.31 percent by volume, are to customers who live or operate their business within the assessment area.
- LNB's distribution of loans to farms with gross revenues of less than \$1 million. The bank's penetration of loans to small businesses with gross revenues of less than \$1 million.

## **DESCRIPTION OF INSTITUTION**

LNB is a community bank in Lamesa, Texas, which is approximately 60 miles south of Lubbock. LNB is an intrastate bank with one main office, with drive-up facilities. LNB reported average assets of \$194 million as of March 31, 2007.

As of March 31, 2007, LNB had total assets of \$182 million, with 40 percent in the loan portfolio. The bank's primary loan products include agricultural, commercial, and residential real estate loans. The following chart details a breakdown of LNB's loan portfolio as of March 31, 2007.

<b>Loan Portfolio Composition as of March 31, 2007</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural	42,616	58.33
Commercial & Industrial	19,607	26.83
Residential Real Estate	8264	11.31
Other	2074	2.84
Consumer	506	0.69
<b>Total</b>	<b>73,067</b>	<b>100.00</b>

*Source: March 31, 2007 Report of Condition*

Bank lobby and drive-through services are provided Monday through Friday, 9 a.m. to 3 p.m. Based on its financial condition, the local economy, product offerings, and competition, LNB has the ability to meet the various credit needs in its community. The bank was rated "Satisfactory" at the last CRA examination on September 30, 2002.

LNB's business strategy is to provide outstanding banking services to customers in the high plains of West Texas while increasing the long-term value of the owners' investment. No legal impediments or other factors hinder LNB's ability to provide credit in its AA. LNB's tier 1 capital

level is \$27.1 million representing 13.97 percent of adjusted average assets as of March 31, 2007. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF DAWSON COUNTY

LNB has designated Dawson County as its assessment area (AA). Dawson County is located in the high plains of West Texas. Lamesa is the largest city in Dawson County and is also the county seat. Other cities located within the AA include Ackerly and Welch. Specific demographic data and economic data for this area are listed below.

<b>Demographic and Economic Characteristics of Dawson County</b>	
<b>Population</b>	
Number of Families	3,536
Number of Households	4,696
<b>Geographies</b>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0
<b>Median Family Income (MFI)</b>	
2006 MFI for AA	33,400
2006 HUD-Adjusted MFI	43,100
<b>Economic Indicators</b>	
Unemployment Rate	2.96%
2006 Median Housing Value	40,683
% of Households Below Poverty Level	16.99

*Source: 2000 Census data and HUD updated income data.*

The bank's AA is comprised of one contiguous block numbering area (BNA). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 2000 Census data, the AA has a total population of 14,985. There are 5,500 housing units in the AA, of which 63 percent are owner-occupied, 23 percent are renter-occupied and 14 percent are vacant. Approximately 24.28 percent of the families in the AA are considered low-income. Moderate-income families approximate 18.99 percent of the population, while middle- and upper-income families comprise the remaining 56.73 percent. The local economy is based on agricultural and government services. The drought last year has negatively impacted the local economy due to the high reliance on agriculture. There has been record rainfall in 2007 and there are indications that the local crops will be good. Dawson County hopes to benefit from the anticipated construction of the Ports to Plains Highway and the Pacifica Del Entrada. These interstate routes will allow transportation from Mexico ports to American destinations. The largest non-agricultural employers within the AA include Lamesa County School District, the State of Texas prison, and the local hospital.

Competition is moderate with three other financial institutions: a branch of First United Bank - Dimmitt, a branch of State National Bank of Big Spring, and one local credit union. The Farm

Service Agency also has an office in Lamesa.

Two community contacts were interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. Both contacts indicated that the biggest challenges facing the community are a shortage of housing and the lack of a skilled workforce. Neither contact identified any unmet credit needs in the community. The community contacts indicated the local financial institutions are cooperative in trying to meet the community's credit needs. The contacts did indicate that in the future financial institutions may need to respond to developing needs of the community such as online banking, debit cards, and additional ATMs

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses FNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to businesses and farms of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate LNB's lending performance, a sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 30 farm loans and 30 business loans. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of LNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 48.30 percent since the prior CRA examination in October of 2002. The average loan-to-deposit ratio of similarly situated banks within or contiguous to the assessment area for the same period was 34.19 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 03/31/07)	Average Loan-to-Deposit Ratio
State National Bank of Big Spring	190,998	23.34
<b>Lamesa National Bank</b>	182,284	48.30
Snyder National Bank	114,757	30.92
First National Bank of Tahoka	54,636	36.01
Wilson State Bank	48,880	32.39

Source: Institution Reports of Condition from December 2002 to March 2007

### Lending in Assessment Area

LNB's lending in their AA meets the standards for satisfactory performance. A majority of the

bank's loans were made within its AA. In order to assess performance for this criterion, we reviewed 30 farm and 30 commercial loans originated between March 2005 and May 2007. Our analysis determined that 81.67 percent of the number of loans and 88.31 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

<b>Lending in the Assessment Area</b>								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Farm	26	86.67	2,335	94.80	4	13.33	128	5.20
Commercial	23	76.67	804	73.69	7	23.33	287	26.31
Total Reviewed	49	81.67	3,140	88.33	11	18.33	415	11.67

Source: Sample of loans used for CRA Performance analysis

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

LNB's loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and businesses of different sizes with their AA. To perform our analysis, we reviewed income information of 26 agricultural- and 23 consumer-purpose loans in the Dawson County AA.

Farm Loans - Based on 2006 Business Demographic Data, there are 280 agricultural operations with reported revenues located within the Dawson County AA. Of this number, 96.4 percent of operations reported revenues less than or equal to \$1 million. Of the loans in the agriculture purpose sample, 96.1 percent by number were to operations reporting annual revenues below \$1 million. This level is reflective of the assessment area information and reflects an excellent penetration of agricultural loans to small operators. The following chart reflects the results of our selected sample of agricultural loans originated in this AA.

<b>Borrower Distribution Farm Loans in Dawson County</b>		
Agricultural Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farm Operations	96.4%	3.6%
% of Bank Loans in AA by #	96.1%	3.9%
% of Bank Loans in AA by \$	79.8%	20.2%

Source: Loan Sample; Dunn and Bradstreet data

Small Business Loans – Based on 2006 Business Demographic Data, there are 568 total small businesses with reported revenues located within the Dawson County AA. Of this number, 96.1 percent of operations reported revenues less than or equal to \$1 million. Of the loans in the small business purpose sample, 91.3 percent by number were to operations reporting annual revenues below \$1 million. The sample by dollar amount of the loans was skewed by one large operation. Sam Stevens is one of the largest manufacturers in the county and revenues are in excess of \$9 million. Because of this, we placed more emphasis in our analysis on the number of loans made to small businesses in the AA. Our analysis indicates that the level of penetration of small business

loans is reasonable.

<b>Borrower Distribution of Small Business Loan in Dawson County</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Business Operations	96.1%	4.9%
% of Bank Loans in AA by #	91.3%	8.7%
% of Bank Loans in AA by \$	11.6%	88.4%

Source: Loan Sample; Dunn and Bradstreet data

### **Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of LNB's loans. The bank's assessment area consists of three middle-income census tracts. There are no low-to moderate-income census tracts in the bank's assessment area; therefore, this type of analysis would not be meaningful.

### **Responses to Complaints**

No complaints relating to CRA performance have been received by LNB during the evaluation period. FNB has systems in place to ensure that complaints are addressed in a timely manner.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs