



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

OCTOBER 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Canadian
Charter #6826
200 Main Street, P. O. Box 79
Canadian, Texas**

**Comptroller of the Currency
1600 Lincoln Plaza
500 N. Akard
Dallas, Texas**

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 CRA performance of **First National Bank of Canadian, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 15, 1996**. 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**.

Factors which indicate First National Bank of Canadian (FNBC) commitment to principals of the CRA:

- A substantial majority of loans are within the assessment area (AA), 88% of the bank's total number of loans are located within the AA and 94% of the number of loans sampled are within the AA.
- Lending patterns reflect a good penetration among individuals, small farm, and small businesses of different income levels. These included loans to low- and moderate- income parties.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF CANADIAN</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio			✘
Lending in Assessment Area	✘		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✘	
Geographic Distribution of Loans	REVIEW WOULD NOT BE MEANINGFUL AS THERE ARE NO LOW OR MODERATE INCOME AREAS; SEE REVIEW BY INCOME AND SIZE		
Response to Complaints	NO COMPLAINTS HAVE BEEN RECEIVED		

DESCRIPTION OF INSTITUTION

FNBC is a \$54 million institution in the City of Canadian, Texas, chartered in 1903. The institution operates two full service banking facilities. They include the main office in Canadian, Texas and a branch office in Higgins, Texas. The bank is a subsidiary of First Canadian Bancorp, Inc., a one bank holding company located in Canadian, Texas. There are no ATM facilities.

The bank's financial condition is very good. There are no legal impediments or other factors which inhibit this bank from meeting the identified credit needs in its AA. The last CRA examination was performed as of October 26, 1993, and resulted in a "Satisfactory record of meeting community credit needs." The bank experiences strong competition from a significantly larger branch, of a \$1.5 billion regional bank, in Canadian; three similarly sized financial institutions in the AA; and credit union access by the local school district and other local employers.

Gross loans comprise roughly 23 percent of Total Assets. Table 1 illustrates the composition of FNBC loan portfolio as of June 30, 1996.

Table 1

LOAN TYPE	LOAN BALANCE	% OF TOTAL LOANS
REAL ESTATE LOANS	1,425	12
COMMERCIAL LOANS	2,409	20
AGRICULTURAL LOANS	5,614	47
INDIVIDUAL LOANS	2,423	20
OTHER LOANS	36	1
TOTAL LOANS	11,907	100

DESCRIPTION OF HEMPHILL, LIPSCOMB AND ELLIS COUNTIES

FNBC's AA is defined as Hemphill and Lipscomb Counties in Texas and Ellis County, Oklahoma. The AA was expanded during this examination and meets regulatory requirements. The AA does not arbitrarily exclude low or moderate income geographies. The counties are not in an MSA, but they are political subdivisions. Canadian, Texas, Higgins, Texas, and Shattuck, Oklahoma are the largest cities in AA counties, respectively.

The dominant industries are oil and gas production, cattle, and agriculture. The primary employers for the AA are the local school districts, Midguard Energy Co., and King Well Servicing, Inc..

The population of the AA is approximately 11,360. This includes 3,720 persons in Hemphill County, Texas, 3,143 persons in Lipscomb County, Texas, and 4,497 persons in Ellis County, Oklahoma. The AA includes eight block numbering areas (BNAs). The two BNAs in Hemphill County, Texas are upper income tracts. Lipscomb County, Texas has three BNAs identified as middle income tracts. Ellis County, Oklahoma has three BNAs identified as middle income tracts. Median Census Family Income is \$26,210, and the HUD Median Income for 1996 is \$28,787 (non-MSA). The demographic information indicates that persons with low- to moderate-income levels live throughout each of the three counties and in all eight BNAs.

The eight BNAs consist of total households of 4,397 and total families of 3,270. Figure 1 and

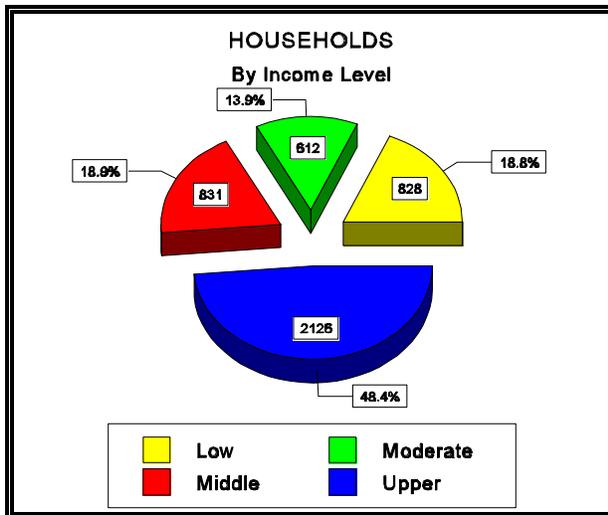


Figure 1

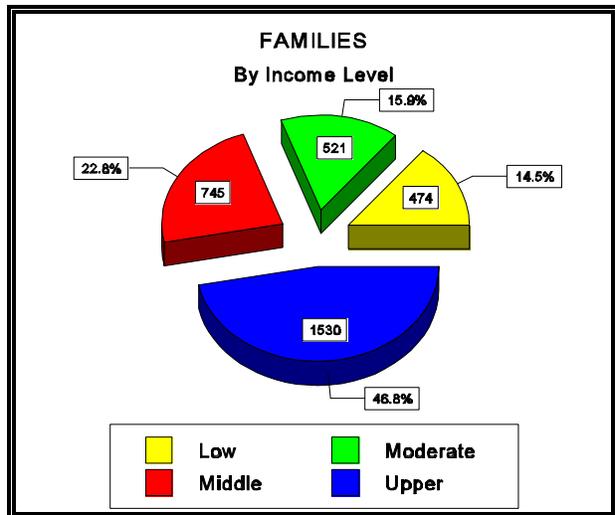


Figure 2

Figure 2 illustrate the distribution of households and families in the AA by income level.

Credit needs in the AA are centered in oil and gas-related businesses and small farm operating loans. There is also a need for home purchase and home improvement loans, automobile loans, and other consumer-type credits.

Two community contacts were made during this examination. Information obtained during this meeting did not identify any substantial unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

We reviewed the bank's net loan-to-deposit ratio for the quarters since the previous CRA evaluation in November 1993. The average ratio was 23.51% over the twelve quarters reviewed. The net loan-to-deposit ratio improved from its September 30, 1993, level of 23.45% to 25.51% as of June 30, 1996. The net loan-to-deposit ratio ranged between a low of

21.33% on March 31, 1994 to a high of 26.90% as of September 30, 1995. Although improved, the bank's net loan-to-deposit ratio is well below peer group banks within its AA. The peer bank group average net loan-to-deposit ratio over this same time period is 49.50%. However, the low loan-to-deposit ratio is mitigated by the bank's high level of lending to borrowers with the AA and the level of lending to borrowers at different income levels throughout the AA, including loans to low- and moderate- income borrowers. These Performance Criteria are discussed in more detail in the following paragraphs.

Lending in the Assessment Area

An analysis of the FNBC loan portfolio revealed that 88% of the number of the loans are to customers within the AA. Of the number of loans sampled during this examination, 94% were within the AA, representing 56% of the dollar amount of loans. This represents a substantial majority of the bank's loans. Table 2 reflects the distribution within and outside the bank's AA by loan type based on our file review sample.

**LOAN DISTRIBUTION WITHIN
AND OUTSIDE ASSESSMENT AREA***

Table 2

ASSESSMENT AREA	CONSUMER		REAL ESTATE		AG/BUSINESS		COMBINED	
	#	\$	#	\$	#	\$	#	\$
Within	100%	100%	100%	100%	80%	56%	94%	64%
Outside	0%	100%	0%	0%	20%	44%	6%	36%

*Based on file sample of 50 loans made within prior 12 months.

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

Based on our file sample, FNBC satisfactorily lends to persons of all income levels throughout the AA. As reflected in Table 3, credits are reasonably distributed among borrowers in varying income categories, including small farm and business borrowers.

**LOAN DISTRIBUTION TO BORROWERS
OF DIFFERENT INCOME LEVELS**

Table 3

INCOME LEVEL	CONSUMER		REAL ESTATE		AG/BUSINESS	
	#	\$	#	\$	#	\$
Low	25%	8%	0	0	70%	52%
Moderate	12.5%	14%	18%	5%	10%	5%
Middle	37.5%	8%	18%	48%	10%	2%
Upper	25%	70%	64%	47%	10%	41%

Geographic Distribution of Loans

Due to the limited number of geographies and the absence of any low or moderate income areas in the AA, a review of the geographic distribution of loans would not be meaningful.

We based our determination that the bank is satisfactorily lending across varying income levels and the entire assessment areas from our file sample.

A concurrent Fair Lending review was performed with this examination. Based on comparative file review of denied female applicants to approved male applicants, no disparate treatment or discriminatory practices were noted.

Responses to Complaints

No consumer complaints were received since the last examination. No violations of the substantive provisions of anti-discrimination laws and regulations were identified.