



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 23, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Haskell National Bank
Charter Number 14149**

**601 North First Street
Haskell, Texas 79521**

**Comptroller of the Currency
Fort Worth Field Office
9003 Airport Freeway, Suite 275
North Richland Hills, Texas 76180**

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	1
DESCRIPTION OF HASKELL NATIONAL BANK.....	2
DESCRIPTION OF HASKELL AND TAYLOR COUNTIES.....	3
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	4

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 Haskell National Bank, Haskell, Texas, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 23, 2001. 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.

Haskell National Bank's lending performance reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- ◆ The bank's average loan-to-deposit ratio of 29.8% meets the standards for satisfactory performance given its size, financial condition, local competition and assessment area credit needs.
- ◆ A substantial majority of the loan activity is within the identified assessment areas, which exceeds the standards for satisfactory performance.
- ◆ The distribution of loans demonstrates satisfactory penetration among individuals of different income levels and businesses of different sizes. This meets the standards for satisfactory performance.
- ◆ The geographic distribution of loans demonstrates reasonable dispersion throughout the assessment area. This meets the standards for satisfactory performance.
- ◆ There have been no CRA complaints filed against the bank.

DESCRIPTION OF HASKELL NATIONAL BANK

Haskell National Bank (HNB) is a community bank with the main facility located in Haskell, Texas. The bank was originally chartered in 1890. Haskell is approximately 60 miles north of Abilene, Texas. HNB operates from an additional location in Abilene, Texas. The Abilene facility was opened in August 2000. HNB is a full service bank offering traditional products and services.

HNB is wholly owned by Haskell Bancshares, Inc. (HBI), a one-bank holding company. HBI has one controlling shareholder. HNB is managed by individuals that are local to the two locations. Primary competition consists of state and national banks located in the immediate and surrounding counties.

The most recent CRA examination was performed as of February 12, 1997. The bank received a satisfactory rating at that examination. There are no legal or financial impediments to HNB's ability to meet the credit needs of its assessment area.

As of June 30, 2001, HNB had total assets of \$58.7 million, total loans of \$16.9 million, and deposits of \$52.8 million. The principal lending focus includes agriculture and consumer lending in the Haskell area and commercial real estate and consumer real estate lending in the Abilene area. The following table depicts the loan portfolio by major loan product type based on June 30, 2001 totals.

Loan Type	Dollar Volume (000's)	Percent of the Portfolio
Agriculture	5,284	31.2
Consumer	4,275	25.2
1-4 Family Mortgages	3,593	21.2
Commercial Real Estate	2,996	17.7
Commercial	787	4.7
Total	16,935	100.0

DESCRIPTION OF HASKELL AND TAYLOR COUNTIES

HNB has identified two assessment areas; Haskell County for the Haskell facility, and Taylor County for the Abilene facility. Haskell County is not part of any Metropolitan Statistical Area (MSA), while Taylor County is a part of the Abilene, Texas MSA. There are 3 block numbering areas (BNA's) in Haskell County, all of which are designated middle-income. There are 36 census tracts (CT's) in Taylor County. Of these 36 CT's, 1 is low-income, 14 are moderate-income, 13 are middle-income, and 6 are upper-income areas. There are 2 CT's where the actual income levels are unknown. These income designations are based on the 1990 U.S. Census.

Generally, Haskell County is sparsely populated. The higher concentrations of population are centered in Haskell with a population of 3,200. Currently the area is not experiencing any significant population growth. The area is highly dependent on agriculture (farming and ranching). The primary crop product is cotton, with wheat and peanuts as secondary crops. There is limited oil and gas production in the area. A 500-bed medium security prison is under construction just outside Haskell, which should provide approximately 100 jobs and boost the area economy. The primary employers are the local school district and city government. There are numerous agriculture related service businesses, which employ a lot of area residents. Unemployment is low and averages about 3.3%.

Taylor County is more heavily populated. Abilene is the center of that population which totals approximately 116,800 individuals. The area is much more diversified with Dyess Air Force Base and 3 private colleges. The major employers include Dyess and the Abilene school district. Many individuals commute to Abilene from the surrounding area for employment. Unemployment is low and averages about 2.3% for the assessment area.

We considered information from community contacts in our assessment. According to these contacts the immediate credit needs of the communities served are being fulfilled. HNB plays an active role to ensure the individual credit needs are met, including low- and moderate-income individuals. HNB places a strong emphasis on establishing customer relationships and ensuring a high level of personal service.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our conclusions in this evaluation are based on the lending activity from the last examination dated February 12, 1997. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy.

Loan-to-Deposit Ratio

HNB's loan-to-deposit ratio meets the standards for satisfactory performance.

This ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average for this period totals 29.8%. There are 4 other competing state and national banks in the counties included in HNB's assessment areas. This does not include Savings & Loans, Credit Unions, or branches of financial institutions headquartered outside the counties. The loan-to-deposit ratios for these institutions, at June 30, 2001, ranged from 38.9% to 87.4%. The combined average ratio for these banks was 56.7%. While HNB's ratio is below the range of competing banks, it is not significantly below this range and has been improving quarterly for the last 18 months. Based on the overall analysis, the bank's LTD ratio is reasonable.

Lending in Assessment Area

The bank's lending within the assessment areas exceeds the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, HNB's lending efforts are substantially concentrated within its assessment area.

At this time, HNB does not track loans by location. To assess the bank's performance in this area we were required to sample a portion of the loan portfolio. For our sample products, we chose used auto loans and commercial loans. Our sample included 80 loans made within the last year, and of these loans, 76 or 95% were within HNB's assessment areas.

Based on our sample results, a substantial majority of loans are within the bank's assessment area.

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

The bank's loan distribution, to the individual household income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the community.

As noted before, the bank does not track loans by location; therefore, the samples noted earlier were used to assess the bank's effort in this area. Based on our analysis, the bank's lending efforts reasonably penetrate into the different household income levels. The results of our analysis are illustrated in the following tables.

Haskell County Assessment Area

	Household Distribution *		Sample Distribution	
	#	%	#	%
Low	755	27.4	6	30.0
Moderate	429	15.6	3	15.0
Middle	490	17.8	6	30.0
Upper	1,079	39.2	5	25.0
Totals	2,753	100.0	20	100.0

* Based on 1990 U.S. Census

Taylor County Assessment Area

	Household Distribution *		Sample Distribution	
	#	%	#	%
Low	10,201	23.6	5	25.0
Moderate	6,925	16.1	3	15.0
Middle	8,436	19.5	0	0.0
Upper	17,625	40.8	10	50.0
Unknown	0	0.0	2	10.0
Totals	43,187	100.0	20	100.0

* Based on 1990 U.S. Census

Based on our commercial loan review, the bank is making a significant effort to meet the needs of small businesses. Of the 40 loans that we reviewed in our commercial sample, 36, or 94.7%, were to businesses meeting the definition of "small business" by CRA.

Additionally, the bank does not have a minimum loan amount. We reviewed a report on small loans for lending activity in the year 2001. During this period, the bank extended 797 loans to individuals and businesses. Of these loans, 106 or 13.3% were originated in amounts of \$1,000 or less. This further supports the bank's efforts to meet the credit needs of the low- and moderate-income households.

Geographic Distribution of Loans

The bank's loan distribution, to the income levels of the CT/BNA's, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the community.

As noted before, the bank does not track loans by location; therefore, the samples noted earlier were used to assess the bank's effort in this area. There are no low- or moderate- income geographies in Haskell County, therefore, a geographic distribution would not be meaningful. There are 36 CT's in Taylor County and a geographic distribution analysis was performed (see the table below). Based on our analysis, the bank's lending efforts reasonably penetrate into CT's of the different income levels. The results of our analysis are illustrated in the following table.

Taylor County Geographic Distribution

	CT Distribution *		Consumer Sample	Commercial Sample	Sample Totals	
	#	%	#	#	#	%
Low	1	2.8	0	0	0	0.00
Moderate	14	38.9	1	5	6	15.0
Middle	13	36.1	14	9	23	57.5
Upper	6	16.6	5	6	11	27.5
Unknown	2	5.6	0	0	0	0.00
Totals	36	100.0	20	20	40	100.0

* Based on 1990 U.S. Census

In Taylor County, it appears that the lending activity occurs mostly in the middle- and upper-income areas. This is primarily the result of the branch facility being open only for the last 14 months. The facility opened in an area of Abilene in close proximity with established financial institutions. It is expected that in the next 3-5 years, as the bank becomes more established, the lending activity, as well as the geographic distribution, will improve.

Responses to Complaints

HNB has not received any CRA related complaints since the last examination.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of this information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with this CRA evaluation.