



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 31, 2002

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.

The Lamesa National Bank (LNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 50 percent during the evaluation period. This ratio is reasonable given the available loan demand in the assessment area and compares favorably with other financial institutions located in nearby agricultural communities.
- A majority of LNB's loans are within the bank's assessment area. Based on a sample of loans, 78 percent of the number of loans and 74 percent of the dollar volume of loans were to borrowers within the assessment area.
- LNB has a reasonable penetration among individuals of different income levels and businesses and farms of different sizes.
- An assessment of the geographic distribution of the bank's loans would not be meaningful.
- There have been no complaints with respect to LNB's CRA performance.

DESCRIPTION OF INSTITUTION

LNB is a rural community bank in Lamesa, Texas, which is approximately 60 miles south of Lubbock. LNB is an intrastate bank with one main office, and with drive-up facilities. LNB has one Automatic Teller Machine (ATM) located at the main office.

As of June 30, 2002, LNB had total assets of \$155 million, with 50 percent in the loan portfolio. Although the bank is primarily an agricultural lender, other business and consumer purpose loans are available, and the bank has a variety of deposit products and other banking services to meet the needs of its community. The following chart details a breakdown of LNB's loan portfolio as of June 30, 2002.

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$ (000)	% of Loan Portfolio
Agricultural	55,169	64.49
Commercial and Industrial	14,209	16.61
Agricultural Real Estate	6,364	7.44
Other	5,097	5.96
Commercial Real Estate	2,567	3.00
Residential Real Estate	818	0.95
Consumer	748	0.87
Real Estate (Construction)	579	0.68
Total	85,551	100.00

Bank lobby and drive-through services are provided Monday through Friday. 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 November 3, 1997. No legal impediments or other factors hinder LNB’s ability to provide credit in its assessment area. 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. Lamesa is centrally located in Dawson County and is the county seat. Smaller communities also located within the assessment area include Welch and Patricia. Specific demographic data and economic data for this area are listed below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA	
<i>Population</i>	
Number of Families	3,836
Number of Households	5,055
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	16.67
% Middle-Income Census Tracts/BNA	50.00
% Upper-Income Census Tracts/BNA	33.33
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
<i>Economic Indicators</i>	
Unemployment Rate	3.76
2001 Median Housing Value	33,471
% of Households Below Poverty Level	25.80

The bank’s assessment area is comprised of the six contiguous block numbering areas in Dawson County. The area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 Census data, the assessment area has a total population of 14,349. There are 5,969 housing units in the assessment area, of which 62 percent are owner-occupied, 23 percent are renter-occupied and 15 percent vacant. Approximately 26 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 19 percent of the population, while middle- and upper-income families comprise the remaining 55 percent. The local economy is agricultural based. Depressed crop prices and drought conditions have had a negative impact on the agricultural economy. The largest non-agricultural employers within the assessment area include the Texas Department of Criminal Justice, Lamesa Independent School District, Medical Arts Hospital, and city and county government offices.

Competition is strong in the assessment area with three financial institutions, and a credit union. First Ag Credit FCS also has an office in Lamesa.

Two community contacts were conducted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. These contacts stated that local economic conditions are depressed, as the community is reliant upon agriculture. The contacts stated that the local financial institutions are active in the community and responsive to local credit needs. One contact stated that there is a need for low- and moderate-income housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LNB's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including farms and businesses of different sizes, consistent with the bank's resources and capabilities.

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 50 percent since the prior CRA examination in November 1997. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 38 percent. Traditionally, LNB has primarily been an agricultural lender. The bank's loan-to-deposit ratio has been negatively impacted by the extended drought conditions experienced in Dawson County. As a result, agricultural production loans have not been fully funded through the agriculture funding cycle resulting in a lower loan-to-deposit ratio.

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 RATIO		
Institution	Total Assets \$ (000's) (As of 06/30/02)	Average Loan-to-Deposit Ratio*
First National Bank of Brownfield	110,250	26.92%
First National Bank of Lamesa	106,974	27.99%
The Lamesa National Bank	155,296	50.39%
First National Bank of O'Donnell	35,960	77.88%
First National Bank of Stanton	51,626	25.32%
First National Bank of Tahoka	46,329	34.08%
Wilson State Bank	42,444	37.49%

* - The average LTD ratio for the seven banks is for the period from December 1997 through June 2002.

Lending in Assessment Area

A majority of the bank's loans were made within its assessment area. In order to assess performance for this criteria, we reviewed a sample of 20 agricultural and 20 commercial loans originated during 1998 through October 2002. Our analysis determined that 77.5 percent of the number of loans and 74.4 percent of the dollar amount of loans in the sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

LENDING IN ASSESSMENT AREA - TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Agricultural	15	75.0%	670	44.9%	5	25.0%	822	55.1%
Commercial	16	80.0%	2,304	91.9%	4	20.0%	204	8.1%
Total Reviewed	31	77.5%	2,974	74.4%	9	22.5%	1,026	25.6%

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

LNB's loan portfolio reflects a reasonable distribution of loans to individuals of different income (including low- and moderate-income) levels and farms and businesses of different sizes. Based on 2001 Business Demographic Data, there are 220 farms and 578 business with reported revenues located within the assessment area. Of this number 95 percent of farms and 95 percent of the businesses reported revenues less than or equal to \$1 million. Our analysis included 20 agricultural loans totaling \$1.4 million and 20 commercial loans totaling \$2.5 million, which originated from January 1998 through October 2002.

Agricultural Loans – LNB's primary loan product is agricultural loans. As seen in the following chart, 100 percent of the number and dollar volume of agriculture loans sampled were to small farms with gross annual revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	94.8%	5.2%
% of Bank Loans in AA #	100.0%	0.0%
% of Bank Loans in AA \$	100.0%	0.0%

Small Business Loans – Our analysis reflects a good distribution among businesses of different sizes. A majority of LNB's commercial loans are to small businesses with revenues less than \$1 million. The following chart reflects the results of our selected sample of small business loans originated in LNB's assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95.0%	5.0%
% of Bank Loans in AA #	80.0%	20.0%
% of Bank Loans in AA \$	91.9%	8.1%

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 geographic lending analysis would not be meaningful.

Responses to Complaints

No complaints relating to CRA performance have been received by LNB.

Fair Lending Review

An analysis of 1998, 1999, 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.