

PUBLIC DISCLOSURE
(SMALL BANK)

March 25, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank in Graham
Charter Number 4418**

**623 Elm Street
Graham, Texas 76450**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394**

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 Community Reinvestment Act (CRA) performance of **First National Bank in Graham** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 25, 1999. 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*.

First National Bank in Graham's (FNB) lending performance reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following:

- < The loan-to-deposit ratio is reasonable and comparable to the ratios of other banks within the assessment area.
- < The majority of the bank's loan activity occurred within its assessment area.
- < The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank in Graham 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	Was not performed as it would not be meaningful		
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

FNB is owned by First Graham Bancorp, Inc., a one bank holding company. Shareholders of the holding company are local individuals. FNB consists of a main bank and one branch location. The main bank is located in Graham, Texas. The branch is located in Bryson, Texas, and was acquired in July 1998. FNB reported total assets of \$113 million as of December 31, 1998.

The bank offers a variety of loan products including consumer, real estate, and business loans. The loan portfolio consists of business loans (57%), home mortgage loans (24%), consumer loans (12%), and agricultural loans (7%).

FNB's financial condition does not inhibit its ability to meet credit needs within its assessment area. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated its assessment area as the four block numbering areas (BNA's) surrounding, and including, the cities of Graham and Bryson. Graham is located in Young County and is approximately 100 miles northwest of Fort Worth. Bryson is located in Jack County and is approximately 10 miles east of Graham. The assessment area has a total population of 13,603 and a median family income of \$31.5 thousand, according to 1990 census data. Both cities are in non-Metropolitan Statistical Areas. The assessment area consists of three middle income BNA's and one upper income BNA. The local economy has stabilized and is becoming more diversified. However, the oil and gas industry, along with agriculture, is still the underlying base of the economy. The primary credit needs are housing, general consumer, small business, and agriculture loans. Community contacts with local business and civic leaders indicate that there are no unmet credit needs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's lending performance is satisfactory. The bank makes consumer, real estate, business, and agricultural loans throughout the assessment area to individuals with different income levels and to businesses of different sizes. This review focused primarily on lending activities in the city of Graham as the branch in Bryson was not purchased until July of 1998. A review of the fair lending regulations revealed no evidence of discriminatory practices, and no violations of the substantive provisions of antidiscrimination laws.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable when compared to the ratios of its competitors. As of December 31, 1998, FNB's loan-to-deposit ratio was 49% with total loans outstanding of \$49 million.

The bank's five quarter average ratio was also 49%. The ratios for four other banks or branches within the assessment area ranged from 23% to 85%.

Loans within the Assessment Area

A majority of the loans are made within the bank's assessment area. We sampled 60 loans (20 business, 20 consumer, and 20 residential real estate) to determine FNB's lending within its assessment area. BNA information was not available on each specific loan; as a result, we used loans originated in and near the cities of Graham and Bryson as a conservative estimate. The following table reflects our findings:

	Within the Assessment Area				Outside the Assessment Area			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
Commercial	18	90%	2,018	99%	2	10%	15	1%
Consumer	15	75%	113	72%	5	25%	43	28%
Residential RE	14	70%	524	43%	6	30%	705	57%
Total	47	78%	2,655	78%	13	22%	763	22%

Loans to Borrowers of Different Income Levels

FNB's loan distribution reflects a reasonable penetration among borrowers of different income levels. We sampled 11 consumer loans and 15 residential real estate loans to determine FNB's lending to borrowers of different income levels. The following table reflects our findings:

	Income Level			
	Low	Moderate	Middle	Upper
% of Total # of Loans	19%	19%	19%	43%
% of Total \$ of Loans	2%	4%	55%	39%
% of Families within the Assessment Area	17%	16%	19%	48%

The bank has no minimum loan amount and routinely makes loans for \$1 thousand or less. During 1997 and 1998, the bank originated 474 loans less than \$1 thousand for consumer purposes totaling \$327 thousand. Also, during this same period the bank originated 28 home mortgage loans less than \$15 thousand that totaled \$275 thousand.

The bank's lending to small businesses exceeds the standards of satisfactory performance. Of 14 loans sampled, 12 or 86% of the number, and \$1.8 million or 97% of the dollar amount, were to businesses with gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

A geographic distribution analysis was not performed during this examination as it would not be meaningful. There are no distinguishable low or moderate income BNAs within the assessment area.

Response to Complaints

The bank has not received any complaints regarding its CRA efforts, or performance, since the prior CRA examination.