



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

December 7, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Sudan
Charter Number 12725**

**200 Main Street
Sudan, Texas 79371**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas 75201-3394**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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 bank'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 bank. Upon conclusion of such examination, the agency must prepare a written evaluation of the bank's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Sudan** prepared by the **Office of the Comptroller of the Currency**, the bank's supervisory agency, as of December 7, 1998. The agency rates the CRA performance of a bank consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

BANK'S CRA RATING: This bank is rated **Satisfactory**.

The lending performance of The First National Bank of Sudan is satisfactory. The following highlights the bank's performance:

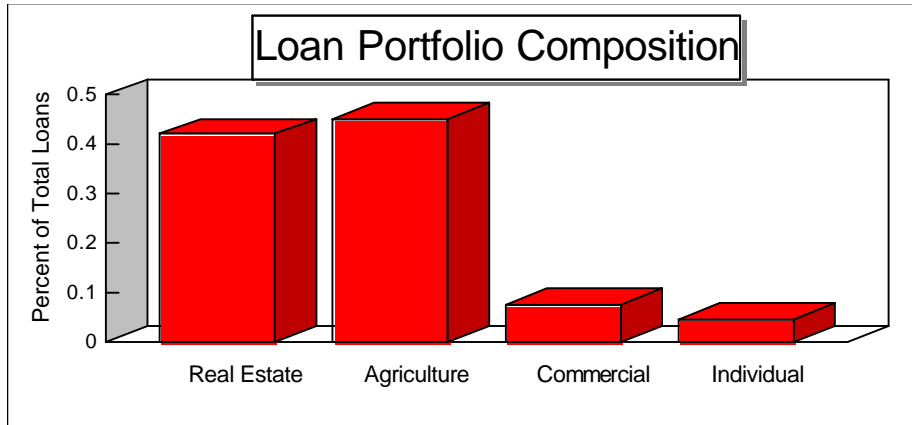
- The loan-to-deposit ratio is more than reasonable, given the bank's size, financial condition, capacity to lend, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- A rating of the geographic distribution of loans would not be meaningful.
- The bank has received no complaints since the last examination about its performance in meeting assessment area credit needs.

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

SMALL BANK ASSESSMENT CRITERIA	<u>The First National Bank of Sudan</u> 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	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF BANK

The First National Bank of Sudan (FNB) is a \$30 million bank in Sudan, Texas. The bank has one branch in Littlefield, Texas. Deposit products include certificates of deposit, demand deposit accounts, savings, NOW, and Money Market Deposit Accounts. Loan products include agricultural, small business, real estate, and consumer loans. Loans represent 67% of total assets as of September 30, 1998. A breakdown of the loan portfolio by purpose is shown below.



Source: September 30, 1998, Report of Condition

FNB's financial condition is favorable and there are no legal impediments that interfere with its ability to make credit available in the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The Board of Directors has designated Lamb County as the assessment area. The county is not located within a Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. The 1990 census reflects a county population of 15,072. The city of Sudan has a population of approximately 1,000.

The median family income for the State of Texas is \$24,586. The median family income for Lamb County is \$23,270. The county contains six census tracts, four middle-income, one upper-income, one moderate income, and no low income tracts. Twenty-four percent of total households in the assessment area are low income. Twenty percent of the households are middle income, 19 percent are moderate income and 37 percent are upper-income.

The economic base of the assessment area is agricultural. Major employers include Southwestern Public Service Company, Wheelabrator (coal service) and Farmer's Co-op Association. The county unemployment levels are seasonal and highly dependent on the local agricultural economy.

Credit needs in the assessment area are centered in agricultural loans to small and medium sized operations. There are no other financial institutions in the city of Sudan; however, there are five other financial institutions located within the bank's assessment area, in addition to the Farmers Home Administration and the Production Credit Association.

One community contact was made during this examination. Information obtained during this meeting did not identify any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, capacity to lend, and assessment area credit needs. The ratio has averaged 65.52 percent since March 30, 1997. However, FNB has a significant level of public school funds that are not available for lending. The average loan-to-deposit ratio increases to 93.06 percent when public school funds are subtracted from total deposits. The loan-to-deposit ratios for banks located within the assessment area range from a high of 63.40 percent to a low of 18.40 percent.

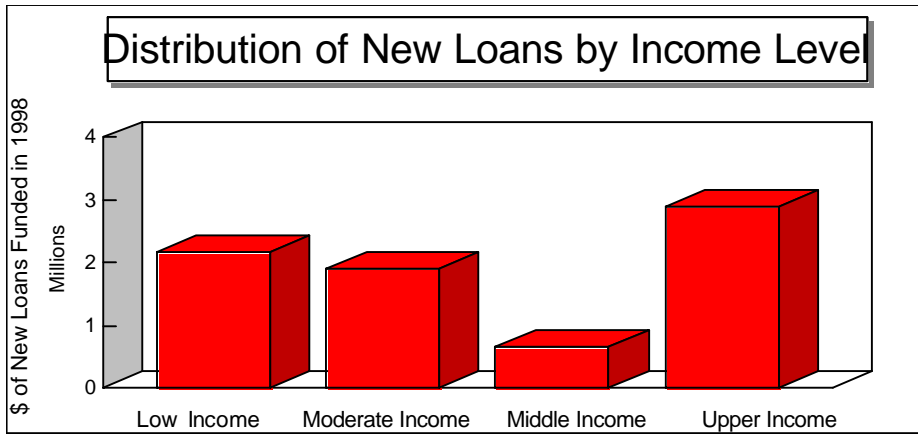
Lending in the Assessment Area

A majority of loans funded are within the assessment area. Based on an analysis of loans by zip code as of September 4, 1998, 82 percent of the number of loans and 78 percent of the dollar volume of loans were to borrowers residing or operating within the assessment area. Additionally, 86 percent of the number of deposits and 87 percent of the dollar volume of deposits were from depositors residing or doing business within the assessment area.

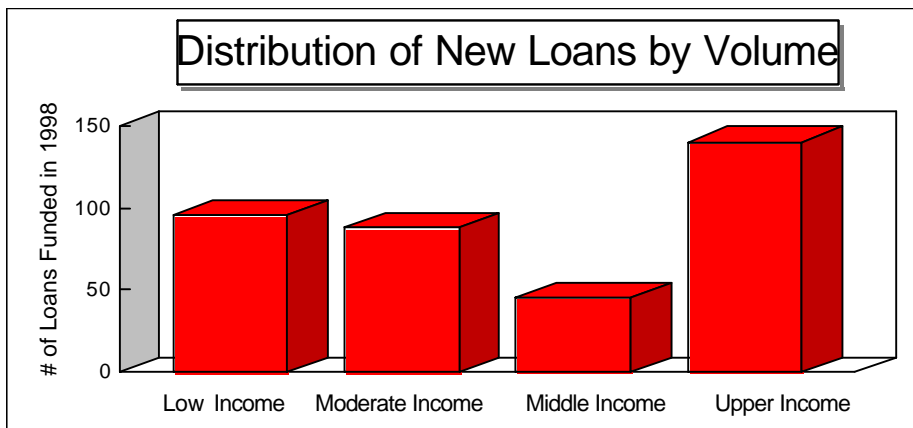
Loans to Borrowers of Different Incomes and Businesses of Different Sizes

We conducted an analysis of the loan portfolio to determine the loan distribution among the different income levels of the bank's borrower. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

The following chart shows the conclusions drawn from the income analysis.



Source: Internal bank records



Source: Internal bank records

During our examination, we reviewed a number of large commercial and agricultural lending relationships within the assessment area. All of these loans were to small businesses with annual revenues less than \$1 million and small farms with annual revenues less than less than \$500 thousand.

Geographic Distribution of Loans

We did not perform a geographical distribution analysis of lending patterns throughout the assessment area. The assessment area comprises six census tracts, four of which are middle income tracts, one upper income tract, one moderate income tract and no low income tracts.

Response to Complaints

The bank has received no complaints about its performance in meeting assessment area credit needs. We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations during this examination.