



PUBLIC DISCLOSURE

6/26/23

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 18609

729 W. 7th Avenue
Spearman, TX 79081

Office of the Comptroller of the Currency

5001 West Loop 289, Suite 250
Lubbock, Texas 79414

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, and should not 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

Overall CRA Rating..... 1
Description of Institution..... 2
Scope of the Evaluation..... 2
Discriminatory or Other Illegal Credit Practices Review..... 3
State Rating..... 4
 State of Texas..... 4
Lending Test 5
Appendix A: Scope of Examination..... A-1
Appendix B: Summary of MMSA and State Ratings..... B-1
Appendix C: Definitions and Common Abbreviations..... C-1
Appendix D: Tables of Performance Data..... D-1

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- A more than reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A majority of the loans sampled were made within the bank's AA.
- Lending to farms of different sizes is reasonable.
- Lending to individuals of different income levels is excellent.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is more than reasonable.

First National Bank's (FNB's) quarterly average LTD ratio for the 17 quarters from December 31, 2018 to March 31, 2023 is 82.2 percent. The average LTD of similarly situated institutions for the same period is 59.9 percent, with a low of 39.6 percent and a high of 78.9 percent. These institutions are all located within the AA and range in size from \$182 million to \$269 million in assets.

Lending in Assessment Area

A majority of the bank's loans are inside its assessment area (AA).

The bank originated and purchased 83 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	24	80	6	20	30	6,134	53	5,545	47	11,679
Consumer	26	87	4	13	30	149	81	34	19	183
Total	50	83	10	17	60	6,283	53	5,579	47	11,863

Description of Institution

First National Bank (FNB) is a community bank headquartered in Spearman, Texas, located in the Texas Panhandle. FNB is a single-state bank with three branches located in Spearman, Dumas, and Perryton, Texas. The bank is owned by Spearman Bancshares, a one-bank holding company with assets of \$28 million. As of March 31, 2023, the bank has total assets of \$278 million. Net loans and leases total \$183 million and represent roughly 68 percent of total assets. Tier 1 capital totals \$28 million. The primary loan products originated during the evaluation period by dollar volume are agricultural and commercial loans.

Loan Originations in 2019, 2020, and 2021 by Original Amount				
Loan Category	\$ of Loans (000s)	% of \$	# of Loans	% of #
Agricultural and Farmland	\$211,219	54%	421	13%
Commercial Loans	\$149,475	38%	987	31%
Consumer Loans	\$15,888	4%	1,636	52%
Residential Real Estate (1-4 Family) Loans	\$17,246	4%	109	3%
TOTAL	\$393,828	100%	3,153	100%

Source: Bank-reported origination Spreadsheets

The bank offers a full range of commercial and consumer banking products and financial services. This includes commercial and consumer loans, commercial and personal checking accounts, and certificates of deposit (CDs). Bank lobby and drive-through services are provided Monday through Friday. The bank provides 24-hour access to banking services through telebanking and its website at www.fnbspearman.com. Internet banking services include account balance inquiries, funds transfers, and bill pay. The bank has four Automated Teller Machines (ATMs) with one located in Spearman, one in Dumas, and two in Perryton, Texas. All three banking locations provide drive-up services Monday through Friday with the Spearman location offering extended drive-up hours on Thursday. Management and the Board's primary business strategy is to serve commercial, agricultural, and retail customers in Hansford, Moore, and Ochiltree counties. FNB was rated "Satisfactory" at its previous CRA evaluation dated April 3, 2019.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2019, through December 31, 2021. The year 2022 was not included in the scope of this evaluation. Peer data was not available for 2022 at the time of this report; thus, no meaningful analysis could be completed. The OCC evaluated FNB using small bank CRA performance standards that include five performance criteria: the LTD ratio, lending in the AA, lending to borrowers of different incomes and farms of different sizes, geographic distribution of loans, and responsiveness to CRA complaints. To evaluate the bank's lending performance, the OCC selected a random sample of loans originated during the evaluation period based on identified primary products in the bank's AA. Primary loan types are those products originated at the highest percentage by number and/or dollar volume of loans and business strategy. During the evaluation period, primary products consisted of consumer and agricultural loans in the Spearman AA.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is a blend of the state ratings, and where applicable, multistate ratings.

FNB has only one rating area, which is the State of Texas. The bank’s overall rating is based on a full-scope review of the Spearman AA within the state.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the “Scope” section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution’s lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Texas

CRA rating for the State of Texas¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- A more than reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A majority of the loans sampled were made within the bank's AA.
- Lending to farms of different sizes is reasonable.
- Lending to individuals of different income levels is excellent.

Description of Institution's Operations in Texas

First National Bank (FNB) is a community bank headquartered in Spearman, Texas, located in the Texas Panhandle. FNB is a single-state bank with three branches located in Spearman, Dumas, and Perryton, Texas. The bank is owned by Spearman Bancshares, a one-bank holding company with assets of \$28 million. As of March 31, 2023, the bank has total assets of \$278 million. Net loans and leases total \$183 million and represent roughly 68 percent of total assets. Tier 1 capital totals \$28 million. The primary loan products originated during the evaluation period by dollar volume are agricultural and commercial loans.

FNB Spearman AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB Spearman AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	77.8	22.2	0.0
Population by Geography	38,482	0.0	0.0	82.3	17.7	0.0
Housing Units by Geography	14,333	0.0	0.0	81.6	18.4	0.0
Owner-Occupied Units by Geography	8,832	0.0	0.0	79.0	21.0	0.0
Occupied Rental Units by Geography	3,729	0.0	0.0	85.8	14.2	0.0
Vacant Units by Geography	1,772	0.0	0.0	85.9	14.1	0.0
Businesses by Geography	2,180	0.0	0.0	78.3	21.7	0.0

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

Farms by Geography	275	0.0	0.0	73.8	26.2	0.0
Family Distribution by Income Level	9,763	16.5	19.1	21.7	42.6	0.0
Household Distribution by Income Level	12,561	15.9	15.0	19.8	49.3	0.0
Median Family Income Non-MSAs - TX	\$52,198	Median Housing Value				\$90,918
		Median Gross Rent				\$675
		Families Below Poverty Level				13.7%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

FNB has designated Hansford, Moore, and Ochiltree Counties as its AA. These counties are located in the northern panhandle of Texas. The AA meets the legal requirements as it consists of whole geographies and does not arbitrarily exclude any low- or moderate-income census tracts. Economic conditions are stable. The AA is dependent on agricultural activity, as well as oil and gas production. Competition within the local market is strong as there are several banks, as well as branches of local, regional, and national banks operating in and around the AA. FNB has the third largest deposit market share at 15.5 percent within the AA. Centennial Bank has the highest market share of deposits at 17.3 percent, followed by First Bank Southwest at 17.1 percent.

We contacted a community organization that operates within the AA to build a community profile and identify opportunities for community development participation by local institutions. The Spearman AA is primarily comprised of oil & gas and agricultural dependent communities. The local economy is stable; however, growth has been relatively stagnant over the last few years relative to historical performance. Our contact identified the primary credit needs of the community to be residential real estate, general consumer loans, and small business loans. The contact further expressed that the perception and experience of the local community is positive in regard to local financial institution involvement.

Scope of Evaluation in Texas

The bank has one designated AA, the Spearman AA, that consists of Hansford, Moore, and Ochiltree Counties. The AA received a full-scope review. Refer to the table in appendix A for a list of all AAs under review. Consistent with the institution's primary lending focus, consumer and small farm loans were analyzed.

LENDING TEST

The bank's performance under the Lending Test in Texas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Spearman AA is good.

Distribution of Loans by Income Level of the Geography

Because the AA does not have any low- nor moderate-income CTs, this analysis is not meaningful and was not performed.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and farms of different sizes, given the product lines offered by the bank.

Small Loans to Farms

Refer to Table T in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

The distribution of small loans to farms reflects reasonable penetration. Bank originations and purchases slightly lag the demographic, but greatly exceed the aggregate lending to small farms that report less than \$1 million in revenues in the AA.

Consumer Loans

Refer to Table V in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of loans to individuals of different incomes is excellent. The percentage of bank-originated loans to low- and moderate-income borrowers greatly exceeds demographic distributions of lending to these borrowers.

Responses to Complaints

The OCC nor FNB received any CRA-related complaints over the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2019 to December 31, 2021	
Bank Products Reviewed:	Small farm and consumer loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Spearman AA	Full-Scope	Small farm and consumer loans

Appendix B: Summary of MMSA and State Ratings

RATINGS	FIRST NATIONAL BANK
Overall Bank:	Lending Test Rating
First National Bank	Satisfactory
State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2019-21	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Spearman AA	24	6,134	100	133	90.2	83.3	38.3	5.1	16.7	4.7	0	
Total	24	6,134	100	133	90.2	83.3	38.3	5.1	16.7	4.7	0	

Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower												2019-21	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Spearman AA	26	149	100	15.9	26.9	15	30.8	19.8	30.8	49.3	11.5	0	0
Total	26	149	100	15.9	26.9	15	30.8	19.8	30.8	49.3	11.5	0	0

Source: 2015 U.S Census; 01/01/2019 - 12/31/2021 Bank Data. Due to rounding, totals may not equal 100.0

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.