



PUBLIC DISCLOSURE

June 22, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Shamrock
Charter Number 7306**

**201 North Main Street
Shamrock, Texas 79079**

**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 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 of Shamrock** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 22, 1998. 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**.

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

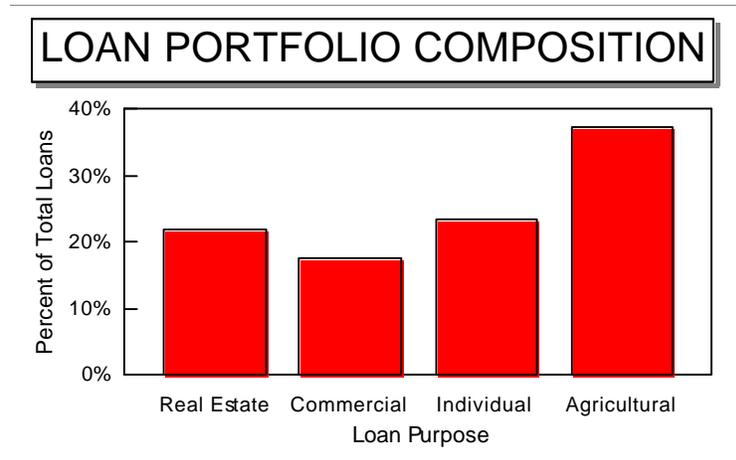
- The loan-to-deposit ratio is reasonable (considering public funds, large depositor concentrations, and low denial rates) given the bank's size, financial condition, capacity to lend, and assessment area credit needs.
- A substantial majority of loans and other lending related activities are in the 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 substantiated complaints about its performance in meeting assessment area credit needs.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Shamrock</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 INSTITUTION

First National Bank of Shamrock (FNB) is a \$25 million institution in Shamrock, Texas. The bank has no branches and one Automated Teller Machine. Deposit products include demand deposit, savings, NOW, super NOW, and money market accounts. The bank also offers certificates of deposit with various maturities. Loan products include agricultural, small business, real estate, and consumer loans. The bank does not make home equity loans. Loans represent 27% of total assets as of March 31, 1998. A breakdown of the loan portfolio by purpose is shown below.



Source: March 31, 1998 Report of Condition

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

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Wheeler County, Texas. 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 U.S. Census reflects a county population of 5,879. This represents an 18% decline from the 1980 U.S. Census. The total population declined another 7% from 1990 through 1995.

The economic base of the assessment area is agricultural. Eighty-six percent of total county land is in farms or ranches. Agricultural related activities include cattle, wheat, cotton, and peanuts. There is no significant industrial base. Major employers include various independent school districts, and state and county government.

The updated median family income of all non-MSAs for the State of Texas is \$32,100. The county contains two Block Numbering Areas, one middle-income and one upper-income. Thirty-

five percent of total families in the assessment area are low- or moderate-income. Nineteen percent are middle-income, and forty-six percent are upper-income.

Credit needs in the assessment area include farm operations, cattle, small business, and various consumer needs. We performed a community contact during the evaluation. This contact stated that there are no significant unmet credit needs in the assessment area. The only other commercial bank with its main office in the assessment area is a small state-chartered bank in Mobeetie. Two community banks outside the assessment area have branches in Wheeler County, one of which is in the City of Shamrock.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, capacity to lend, and assessment area credit needs. The ratio has averaged 34% since March 31, 1996. The loan-to-deposit ratio was 30% as of March 31, 1998. This ratio is considered reasonable because of the following factors:

- FNB's lending activity is generally consistent with that of similarly situated banks in the assessment area. The state-chartered community bank in Mobeetie had a loan-to-deposit ratio of 34% as of March 31, 1998. Before its recent purchase and conversion to a branch, a state-chartered bank in Shamrock had a loan-to-deposit ratio of 44% as of year-end 1997.
- FNB has a concentration of large balance depositors who have limited borrowing needs. Sixteen non-public depositors represent 10% of total deposits. These depositors have no borrowing relationships with the bank.
- The bank approves most the loan applications it receives. Only 11% of the 272 applications received thus far in 1998 have been denied.

Lending in the Assessment Area

A substantial majority of loans are in the assessment area. Management performed a geographic distribution analysis of the loan portfolio in early 1998. This analysis showed that 92% of all loans are made to persons or businesses in the assessment area, with a majority of those to residents of Shamrock. We substantiated these results with our own analysis. Eighty-four percent of the loans we reviewed in our fair lending analysis were to borrowers who live in Wheeler County.

Loans to Borrowers of Different Incomes and Businesses of Different Sizes

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. Using unsecured consumer loans selected for review in our fair lending analysis, we determined the following income distribution.

Distribution of Consumer Loans			
Income Category	No. of Loans	Percent	Percentage of Families in assessment area
Low	14	37%	18%
Moderate	13	34%	17%
Middle	6	16%	19%
Upper	5	13%	46%

Source: Internal bank records and 1990 U.S. Census

During our examination, we reviewed several large commercial and agricultural lending relationships within the assessment area. All 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 an income-based geographical distribution analysis of lending patterns throughout the assessment area. The assessment area comprises only two Block Numbering Areas, neither of which are low- or moderate-income.

Response to Complaints

The bank has received no substantiated 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.