



PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First State Bank of Canadian, N.A.
Charter Number 23513**

**115 Main Street
Canadian, Texas 79014**

**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 State Bank of Canadian, N. A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 6, 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 practices of First State Bank of Canadian, N.A. (FSB) reflect a satisfactory responsiveness to the community's credit needs, as evidenced by the following:

- ▶ the bank's average loan to deposit ratio is the second highest in the area, at 58%;
- ▶ a majority of the bank's consumer and small business loans originated within the bank's assessment area;
- ▶ the bank's lending practices do not exclude low or moderate income individuals; and
- ▶ no consumer complaints were noted concerning the bank's lending practices.

The following table indicates the performance level of First State Bank of Canadian, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First State Bank of Canadian, N.A. 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	Distribution not performed as it would not be meaningful		
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

FSB is located in the city of Canadian, Hemphill County, Texas. The bank was chartered in December, 1997, and is wholly owned by Olney Bancshares of Texas, Inc. Before that time, the bank operated as a branch of Boatman's - First National Bank of Amarillo, and subsequently NationsBank, on the current premises.

There are no impediments to FSB's ability to meet the various credit needs of its community. As of June 30, 1998, assets totaled \$30,417,558. Primary lending products are agriculture, farmland, one to four family home improvement loans, oil and gas-related loans, and consumer automobile loans. Other loan and deposit products are typical of banks located in rural communities. There are no branches. FSB owns and operates the only ATM in the city.

DESCRIPTION OF HEMPHILL COUNTY

The Board has designated Hemphill County, Texas, as the bank's assessment area. This designation meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The assessment area includes two upper income block numbering areas (BNAs). There are no low or moderate income BNAs in the county. The average non-MSA median family income is \$24,586. Low income households comprise 15% of all households in the county, while another 11% are moderate income households. Middle income households comprise 17% and upper income households total 57% of the county population.

Hemphill County is located in the Northeast portion of the Texas Panhandle, near the Oklahoma border. The population of the county is 3,720. Agriculture and energy are the primary economic forces in the area. Major employers include the CSC Corporation, the local school district, Crescendo Oil, and King Well Servicing, Inc.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FSB's lending performance is satisfactory. The bank makes agriculture, mortgage, home improvement, home equity, consumer, and small business loans on a regular basis. The loans penetrate all parts of the assessment area. Loans to individuals and businesses span varying income levels. Our fair lending review revealed no evidence of discriminatory practices. No violations of the substantive provisions of antidiscrimination laws were noted.

We conducted three community contacts during this examination. Each person interviewed indicated that FSB personnel are active in the community and do a good job of meeting identified community needs. They also expressed excitement about the new bank ownership and its positive impact on the community.

Loan to Deposit Ratio

The bank's loan to deposit ratio compares favorably to similar institutions in Hemphill and contiguous counties. FSB's average quarterly ratio through March 31, 1998, was second highest, at 58.30%. The average ratio for the nine other institutions in the county ranged from a low of 21.85% to a high of 72.74% over the same time frame. Because of the cyclical nature of agricultural lending, FSB's ratio increased to 78% as of June 30, 1998. Information about competitor's ratios as of June 30, 1998, was not readily available during this examination.

Assessment Area Concentration

A majority of FSB's loans are made within its assessment area. All loans made since January 1, 1998, were reviewed. We found that 596 of 818 loans, or 73%, were within the bank's assessment area. This represents 67% of the dollar volume of loans outstanding on July 14, 1998.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FSB's loan distribution reflects a satisfactory penetration among borrowers of different income levels. Of 54 loans sampled, eleven (11), or 20%, were to low income individuals, while eight (8), or 15%, were to moderate income borrowers. The combined total of 35% compares favorably to county demographics, which show that 25% of the households in the county are low or moderate income households. Loans to upper income individuals comprise 37% of the sample.

An additional indicator that the bank lends to borrowers of differing income levels is the volume of small dollar loans, which are presumed to be to low or moderate income individuals. Eighty-nine (89) of 818 loans, or 11%, originated for less than \$1,000.

FSB also has a satisfactory practice of lending to small businesses and farms. Our credit quality sample included 18 loan relationships which were primarily for small business and small farm purposes. Five (5) of these loans, or 28%, were small business loans (businesses with annual revenues of less than \$1,000,000). Another seven (7), or 39%, were small farm loans (agricultural ventures with income less than \$500,000).

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of FSB's loans. Because there are no low or moderate income BNAs in the bank's assessment area, this type of analysis would be meaningless.

Response to Substantiated Complaints

FSB received no documented or substantiated complaints regarding its lending practices or its ability to meet the credit needs of the community.