



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Texhoma
Charter Number 8852

222 West Main Street
Texhoma, OK 73949

Office of the Comptroller of the Currency

Lubbock Field Office
5225 South Loop 289 Suite 108
Lubbock, TX 79424

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, 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

First National Bank of Texhoma (FNBT) has a satisfactory performance record under the Community Reinvestment Act (CRA). This is supported by the following factors:

- FNBT's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area (AA). The loan-to-deposit ratio averaged 67.1 percent during the evaluation period.
- A majority of FNBT's loans are located within the AA. Based on a sample of 48 loans, 83.3 percent of the number of loans and 82.4 percent of the dollar volume of loans were to borrowers within the AA.
- Given the demographics of the AA, the distribution of borrowers reflects a reasonable distribution among individuals of different income levels, including low- and moderate-income, and farms of different sizes.
- An analysis of the geographic distribution of loans was not performed because there are no low- or moderate-income census tracts in the bank's AA.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB's record of meeting the credit needs of the community in which it operates. We evaluated FNBT under the small bank performance criterion, which includes five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution of loans, and responses to CRA-related complaints.

To evaluate FNBT's lending performance, a random sample of loans was taken based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentages by dollar and/or number of loans. Primary loan products during this evaluation period consisted of farm and consumer loans. The loan sample consisted of 25 farm loans and 23 consumer loans originated between August 2007 and January 2009.

DESCRIPTION OF INSTITUTION

FNBT is a \$114 million intra-state bank headquartered in Texhoma, Oklahoma 20 miles southwest of Guymon, Oklahoma, the largest city in the area. The bank is wholly-owned by Texhoma Bancshares Inc., a one-bank holding company located in Texhoma, Oklahoma. As of March 31, 2009, Texhoma Bancshares Inc. reported consolidated assets of \$11 million.

FNBT operates its main office at 222 Main Street in Texhoma, Oklahoma and has two branches located in nearby Goodwell, Oklahoma, and Guymon, Oklahoma. All three facilities include drive-up banking and ATMs. FNBT's business strategy is to provide outstanding banking services to customers while increasing the long-term value of the owners' investment. FNBT was rated Satisfactory at the previous CRA examination on November 18, 2002. FNBT has no legal or financial circumstances that could impede the bank's ability to help meet the credit

needs in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

The bank provides traditional banking services including a wide variety of loan and deposit accounts. The bank provides 24-hour access to banking services through its website at www.fnbtexhoma.com. Services include account balance inquiries, funds transfer activities, loan payment processing, and bill pay services. FNBT also has a 24-hour telebanking service.

As of March 31, 2009, the bank had total assets of \$114 million, with net loans and leases comprising 48.4 percent of this total. The bank's loan products include business, farm, consumer, and residential real estate loans. The following table depicts FNBT's loan portfolio composition.

Loan Portfolio Composition as of March 31, 2009		
Loan Type	\$ (000)	%
Agriculture	16,854	30.48
Consumer	10,572	19.12
Agriculture Real Estate	8,236	14.89
Residential Real Estate	6,461	11.68
Political Subdivisions	4,741	8.57
Commercial Real Estate	4,018	7.27
Commercial	3,946	7.14
Construction and Land Development	472	0.85
TOTAL	55,300	100.00%

Source: March 31, 2009 Report of Condition.

DESCRIPTION OF HANSFORD, TEXAS, SHERMAN, AND CIMMARON COUNTIES ASSESMENT AREA

The Board of FNBT has established Texas and Cimarron counties in Oklahoma and Hansford and Sherman counties in Texas as the bank's AA. This area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. The four counties combined have a population of approximately 31,810. Population totals have changed very little over the last five years. In addition, the economies and demographics of the four counties are substantially alike. Specific demographic data and economic data for the combined AA are listed in the following table.

Demographic and Economic Characteristics of Texas, Cimarron, Hansford, and Sherman Counties AA	
<i>Population</i>	
Number of Families	8,507
Number of Households	11,546
<i>Geographies</i>	
Number of Census Tracts	10
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	90.00%
% Upper-Income Census Tracts	10.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$35,776
2007 & 2008 HUD-Adjusted MFI	\$42,220
<i>Economic Indicators</i>	
Unemployment Rate	2.16%
2008 Median Housing Value	\$55,661
% of Households Below Poverty Level	13.75%

Source: 2000 Census data and HUD updated income data

There are ten census tracts in the AA. Nine are designated as middle-income, and one is designated as upper-income. Federal agencies have designated the middle-income census tracts in Cimarron County as distressed and underserved. Hansford County middle-income census tracts are designated as distressed, and the Sherman County middle-income census tract is designated as underserved. Eligible nonmetropolitan middle-income geographies are those designated by the agencies as being in distress or that could have difficulty meeting essential community needs (underserved). According to 2000 Census data, demographic information of the AA shows that 15.28 percent of families are low-income, and 15.80 percent are moderate-income. The unemployment rate is 2.2 percent, and 13.8 percent of households are below the poverty level as of the 2000 Census.

In addition to FNBT, there are six banks operating within the AA and three consumer loan companies. The June 2008 FDIC Market Share Report for the AA shows FNBT to have the second largest deposit market share with 11.4 percent. Banks from communities in other counties also pursue loans in the AA. This results in a significant level of competition for loans in the area.

The AA is primarily reliant on agriculture. Even though the national economic condition has shown a downward trend, the local economy remains stable. The long-term outlook remains positive. The primary employers in the AA are Murray Farms, Seaboard Food, and the local utility companies. It is also noted that there are 514 farms in the AA. The local retail business climate in the AA remains stable. In addition to the local population, consumers outside of the city travel to Guymon for retail services.

As part of this CRA examination, two community contacts were made for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. According to both contacts, the immediate credit needs of the community are being fulfilled. Both stated that the local banks were responsive in meeting the needs of the local community. Housing within the AA overall is adequate. However, one contact indicated that there is a need for new housing in Guymon. The contact stated that there are a few new homes being built, but those are generally pre-sold.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate FNBT’s lending performance, a sample of 48 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 23 consumer loans and 25 farm loans. Based on the analysis and consistent with available resources and capabilities, FNBT is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

FNBT’s loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average loan-to-deposit ratio from June 30, 2002 through March 31, 2009 of 67.1 percent. During the evaluation period, FNBT’s loan-to-deposit ratio ranged from a low of 57.2 percent to a high of 77.4 percent.

The quarterly average loan-to-deposit ratio for banks in the AA, and banks in geographies similar to the AA, is depicted below. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 12/31/07)	Average Loan-to-Deposit Ratio
The Bank of the Panhandle	\$100,400	65.78%
The First State Bank of Spearman	\$97,004	49.08%
The First State Bank of Stratford	\$165,549	69.96%
The City National Bank and Trust Co. of Guymon	\$155,735	48.21%
The First National Bank of Texhoma	\$114,241	67.09%

Source: Reports of Condition from September 30, 2002 to March 31, 2009

Lending in Assessment Area

FNBT's lending in their AA meets the standard for satisfactory performance. A majority of the bank's loans were made within its AA. In order to assess performance for this criterion, we reviewed 25 farm loans and 23 consumer loans originated between August 2007 and January 2009. Our analysis determined that 83.3 percent of the number of loans and 82.4 percent of the dollar amount of loans in the sample were originated within the bank's AA. The breakdown by loan category is depicted in the following table.

Lending in the Assessment Area						
Loan Type	Number of Loans				Dollar of Loans (000's)	
	Inside		Outside		Total	Total
	#	%	#	%		
	\$	%	\$	%		

Consumer	20	86.95	3	13.05	100.0	351,622	91.81	31	8.19	100.0
Farm	20	80.00	5	20.00	100.0	3,940,364	81.65	885	18.35	100.0
Totals	40	83.33	8	16.67	100.0	4,291,986	82.40	916	17.60	100.0

Source: Sample of loans used for CRA performance analysis

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNBT’s loan portfolio reflects a reasonable distribution among borrowers of various income levels and farms of different sizes within their AA. To perform our analysis, we reviewed income information of 20 farm loans and 20 consumer loans in the AA.

Farm Loans – Based on the sample of agricultural loans made in the AA, FNBT reflects a reasonable distribution of loans to small farms. Based on 2008 Business Demographic Data, there are 538 farms within the AA. Of this number, 91.4 percent of the farms reported revenues less than or equal to \$1 million. Of the loans in our sample, 80.0 percent were to farms reporting annual revenues below \$1 million. This level is near the AA ratio and reflects a reasonable penetration of loans to small farms. The following table reflects the results of our sample of farm loans originated in the AA.

Borrower Distribution of Farm Loans in Texas, Cimarron, Hansford, and Sherman Counties AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	91.45%	5.02%	3.53%	100%
% of Bank Loans in AA by #	85.00%	5.00%	10.00%	100%
% of Bank Loans in AA by \$	89.09%	9.14%	1.77%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans – Our analysis reflects a reasonable distribution of consumer loans to low- and moderate-income households. Based on 2000 Census information, 17.7 percent of households in the AA are low-income. Our review reflected 20.0 percent of consumer loans were made to low-income households. Approximately 14.6 percent of households in the AA are moderate-income, and 20.0 percent of the sampled consumer loans were to moderate-income households. This performance meets the income characteristics of the AA. The following table reflects the results of our sample of consumer loans originated in the AA.

Borrower Distribution of Consumer Loans in Texas, Cimarron, Hansford, and Sherman Counties								
AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	17.72%	20.00%	14.59%	20.00%	17.96%	25.00%	49.73%	35.00%

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

Because no census tracts are identified as low- or moderate-income, this analysis was not considered meaningful, and therefore it was not performed.

Responses to Complaints

No complaints relating to CRA performance have been received by FNBT during the evaluation period, and this has a neutral impact on the bank’s performance. FNBT has systems in place to ensure that complaints are addressed in a timely manner.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.