



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 24, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Comanche National Bank  
Charter Number 4246

100 East Central Street  
Comanche, TX 76442-0000

Office of the Comptroller of the Currency

FORT WORTH Field Office  
9003 Airport Freeway Suite 275  
North Richland Hills, TX. 75201-3342

**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.**

The lending performance of the Comanche National Bank, Comanche, Texas, (CNB) reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- The bank's adjusted average loan-to-deposit ratio meets the standards for satisfactory performance given its size, financial condition, local competition and assessment area credit needs.
- A significant majority of the loan activity is within the identified assessment area, which exceeds the standards for satisfactory performance.
- The income distribution of loans exceeds the standards for lending activity among borrowers of different income levels and businesses of different sizes.
- The geographical distribution reflects satisfactory distribution into the census tracts of different income levels.

## **SCOPE OF EXAMINATION**

The bank has two designated assessment areas; Comanche and Parker County. The Comanche assessment area contains the vast majority of the lending; therefore we focused our attention to that assessment area. The evaluation period for our assessment of CNB's CRA efforts, was January 1, 2007 to February 22, 2010. Loan products evaluated included 1-4 family residential loans, consumer auto loans and general commercial loans. Our sample sizes consisted of 60 total loans (20 from each sample product). We performed a full-scope review of CNB's primary assessment area (see the following pages), which was the basis for our overall rating of CNB's CRA efforts.

## DESCRIPTION OF COMANCHE NATIONAL BANK

CNB is a full-service community bank located approximately 110 miles southwest of Fort Worth, Texas. The bank has five full-service office locations. The bank's main office is located in Comanche, Texas, with branches at;

- Santo, Texas, (approximately 85 miles northeast of the main facility),
- Mingus, Texas, (approximately 55 miles north of the main facility),
- Palo Pinto, Texas, (approximately 15 miles north of the Santo facility), and
- Millsap, Texas, (approximately 15 miles northeast of the Santo facility).

All facilities, except for the Palo Pinto facility, offer drive-up banking. Only the Comanche facility offers an ATM. CNB is independently owned by Comanche National Corporation (CNC), a one- bank holding company. On August 10, 2006, CNC acquired First National Bank of Santo along with its related branches in Mingus, Palo Pinto and Millsap. This bank was merged into CNB on February 29, 2008.

As of June 30, 2009, CNB had total assets of \$224 million, gross loans of \$95 million, and deposits of \$191 million. The bank provides all the traditional banking products and services to meet the needs of the communities served. The principal lending focus is primarily consumer-related and is broken out in the following table

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
1-4 Family Loans	31,700	33.4%
Agriculture Real Estate Loans	17,513	18.4%
Consumer Loans	15,512	16.3%
Commercial Real Estate Loans	13,069	13.8%
Commercial Loans	9,286	9.8%
Agriculture Production Loans	7,772	8.2%
Other	162	0.1%
<b>Total</b>	<b>95,014</b>	<b>100.0%</b>
Percentage of Loans to Total Assets	42.4%	

CNB's last CRA examination was performed as of October 2, 2003, and resulted in an "Outstanding" rating. CNB's financial condition does not inhibit its ability to meet credit needs in its assessment area. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

## DESCRIPTION OF THE ASSESSMENT AREAS

CNB has two identified assessment areas; Comanche and Parker County. The Comanche assessment area consists of seven whole and contiguous counties (Brown, Comanche, Eastland, Erath, Hamilton, Mills and Palo Pinto). This assessment area is not part of any Metropolitan Statistical Area (MSA). The other assessment area consists of Parker County. This county is part of the Fort Worth-Arlington, Texas MSA. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude low or moderate income geographies.

<b>Demographic and Economic Characteristics of the Comanche AA</b>	
Population	
Number of Families	38,504
Number of Households	55,729
Geographies	
Number of Census Tracts/BNA	42
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	4
% Middle-Income Census Tracts/BNA	33
% Upper-Income Census Tracts/BNA	4
<i>Median Family Income (MFI)</i>	
2000 Weighted Average for Median Family Income	\$30,207
2000 Census Bureau Estimated Median Household Income	\$41,800
Economic Indicators	
Unemployment Rate	3.26%
1990 Median Housing Value	\$53,025
% of Households Below Poverty Level	17.17%

<b>Demographic and Economic Characteristics of Parker County</b>	
Population	
Number of Families	24,461
Number of Households	31,151
Geographies	
Number of Census Tracts/BNA	13
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	1
% Middle-Income Census Tracts/BNA	10
% Upper-Income Census Tracts/BNA	2
<i>Median Family Income (MFI)</i>	
2000 Weighted Average for Median Family Income	\$46,656
2009 Census Bureau Estimated Median Household Income	\$60,500
Economic Indicators	
Unemployment Rate	2.06%
1990 Median Housing Value	\$93,390
% of Households Below Poverty Level	8.91%

The areas major employers include the Comanche Independent School District and the Consolidated Hospital District. Other large employers include Durham Pecans, Hi-Pro Feeds Co., Comanche National Bank and Bayer Motor Company. The local economy is primarily dependent on agriculture. Primary credit needs are for consumer, real estate and agricultural loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the previous CRA examination dated October 2, 2003. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the 1-4 family, consumer auto and general commercial portfolios in order to evaluate the bank's lending performance within the assessment area (refer to **SCOPE OF THE EXAMINATION** for details). For the **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes and Geographic Distribution of Loans** we replaced loans originated outside of the assessment area with loans originated inside the assessment area.

### Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination was used to determine performance in this area. The average LTD ratio for CNB since the last CRA examination was 58.3%. The assessment area and surrounding counties contained 12 other state and national banks with which to compare CNB. The average LTD ratios, for the same period, of these banks ranged from 35.8% and 100.4%. Based on the available information, CNB's LTD ratio was comparable to the competing banks and indicated that the bank is reasonably meeting the credit needs of the communities served.

### Lending in Assessment Area

CNB's lending within the assessment areas exceeds the standards for satisfactory performance.

This section quantifies what proportion of the bank's lending activity was within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, CNB's lending efforts are concentrated within the assessment area.

To assess the bank's performance in this area we used the samples described above. Based on our sample results, a majority of loans were within the bank's assessment area. The following tables reflect the results of our assessment of the bank's efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	18	90%	\$804	63%	2	10%	\$469	27%
Consumer Auto Loans	20	100%	\$104	100%	0	0%	\$0	0%
General Commercial Loans	17	85%	\$1,219	98%	3	15%	\$19	2%
<b>Total Reviewed</b>	<b>55</b>	<b>91.7%</b>	<b>\$1.323</b>	<b>73.1%</b>	<b>5</b>	<b>8.3%</b>	<b>\$488</b>	<b>26.9%</b>

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

CNB’s loan distribution to the different family and household income levels as well as businesses of different sizes, exceeds the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. CNB began tracking, for CRA purposes, this information in mid-2009 and uses it to internally monitor and assess CRA efforts. To assess CNB’s efforts, we used the samples described above in combination with the information aggregated internally. Additionally, management used the tracking information to report 58.5% of all consumers loans (excluding 1-4 family loans) were made to low and moderate income individuals, compared to the 41.2% makeup of the assessment area. Also, the bank does not have a minimum loan amount in policy. We reviewed the loan trial and noted a number of loans for \$1 thousand or less, and noted an additional number of other credits for \$1.5 thousand or less. Also, the bank offers an overdraft protection program. These combined factors indicate the bank is meeting the credit needs of the community.

*1-4 Family Loans -*

<b>Borrower Distribution of 1-4 Family Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of Assessment Area Families</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Families</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Families</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Families</b>	<b>% of Number of Loans</b>
<b>1-4 Family Loans</b>	<b>16.3%</b>	<b>0%</b>	<b>15.3%</b>	<b>15%</b>	<b>18.8%</b>	<b>20%</b>	<b>49.6%</b>	<b>65%</b>

*Consumer Auto Loans -*

<b>Borrower Distribution of Consumer Auto Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>
<b>Consumer Auto Loans</b>	<b>25.3%</b>	<b>25%</b>	<b>15.9%</b>	<b>25%</b>	<b>18.6%</b>	<b>15%</b>	<b>40.2%</b>	<b>35%</b>

*General Commercial Loans -*

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	54.48	3.06	42.46	100%
<b>% of Bank Loans in AA by #</b>	85%	10%	5%	100%
<b>% of Bank Loans in AA by \$</b>	19.5%	80.1%	0.4%	100%

**Geographic Distribution of Loans**

CNB’s loan distribution, to the different geography income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the assessment area.

As noted before, the bank obtains specific borrower information, including addresses but is not sufficiently detailed to track loans by location for CRA purposes. Therefore, the samples noted earlier were used to assess the bank’s effort in this section. Based on our analysis, CNB’s lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table.

<b>GEOGRAPHIC DISTRIBUTION OF LOANS</b>						
<b>Geographic Breakdown *</b>	<b>Moderate Income</b>		<b>Middle Income</b>		<b>Upper Income</b>	
<b>% of Geographies</b>	<b>9.5%</b>		<b>81%</b>		<b>9.5%</b>	
	<b>% of Number</b>	<b>% of Amount</b>	<b>% of Number</b>	<b>% of Amount</b>	<b>% of Number</b>	<b>% of Amount</b>
1-4 Family Loans	0%	0%	100%	100%	0%	0%
Consumer Auto Loans	0%	0%	100%	100%	0%	0%
General Commercial Loans	5%	0.4%	95%	99.6%	0%	0%

\* There are no Low Income geographies in the assessment area

There are two moderate income tracts in Mineral Wells, Texas, approximately 15 miles from the Millsap branch. Mineral Wells has a reasonable number of financial institutions to service the community. It is highly unlikely that an individual would travel outside of Mineral Wells to Millsap to conduct banking business. There are two other moderate income tracts in Brownwood, Texas, approximately 30 miles from the Comanche facility. Brownwood has a reasonable number of financial institutions to service the community. It is highly unlikely that an individual would travel outside of Brownwood to Comanche to conduct banking business. Lastly, there is a moderate income tract in Weatherford, Texas, which has numerous other financial institutions. The Millsap branch is approximately 20 miles west of this moderate income tract and it is highly unlikely the residents of this tract would travel outside of Weatherford, Texas to conduct banking business. Given these collective circumstances, the low level of loans in the moderate income tract does not negatively reflect on CNB's CRA efforts.

### **Responses to Complaints**

CNB has not received any complaints pertaining to its CRA performance during this evaluation period.

### **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.