

PUBLIC DISCLOSURE

April 26, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Crockett National Bank
Charter Number 17828**

**Highway 163 and First Street
Ozona, Texas 76943**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio South Field Office
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216-4605**

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 **Crockett National Bank, Ozona, Texas** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 26, 1999. 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**.

Crockett National Bank is responsive to the community's credit needs, including low- and moderate-income individuals and areas, as well as small businesses and small agricultural operations. This is evidenced by the following:

! The loan-to-deposit ratio exceeds the standards for satisfactory performance, averaging 69.5% over the 13 quarters since the prior CRA Evaluation. This compares favorably to similar institutions in the assessment areas.

! A substantial majority of loans are made within its assessment areas (AAs) which exceeds the standards for satisfactory performance. Approximately 95% of the number of all loans and 100% of residential loans, originated in 1998, are within the AAs.

! The distribution of borrowers reflects a satisfactory penetration among individuals of different income levels (including low and moderate income) and businesses and farms of different sizes.

! The geographic distribution of loans originated in 1998 reflects a reasonable dispersion throughout the AAs.

! There have been no consumer complaints regarding Crockett National Bank's CRA performance during this evaluation period.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CROCKETT NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	T		
Lending in Assessment Area	T		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		T	
Geographic Distribution of Loans		T	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Crockett National Bank (CNB) is an independently owned commercial bank headquartered in Ozona, Texas with one branch located in San Angelo, Texas. Assets totaled \$83 million on March 31, 1999, centered in loans \$54 million and securities \$18 million. CNB has an automated teller machine on its premises in San Angelo. Competition is considered strong. There are 26 other independent banks in the assessment area as well as several regional bank branch offices, numerous community bank branches, credit unions, and other financial services companies. CNB received an outstanding rating during its prior CRA examination, dated March 8, 1996.

CNB is a wholly owned subsidiary of Crockett National Bancshares, Inc., a one bank holding company. Lending is centered in 1-4 family residential real estate, agricultural, and commercial loans. A breakdown of the loan portfolio as of March 31, 1999, is shown below:

Loan Portfolio Composition as of March 31, 1999		
Loan Type	Dollar Volume (000's)	% of Loan Portfolio
1-4 Family Residential	15,949	29.40
Agriculture	10,995	20.27
Commercial Real Estate	10,365	19.11
Commercial	6,677	12.31
Farmland	5,675	10.46
Consumer	4,263	7.86
Other	319	0.59
Total	54,243	100.00

Management indicates the opportunities for community development projects are limited. There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs of the AAs.

DESCRIPTION OF THE ASSESSMENT AREAS

CNB has designated two AAs. The first, referred to as the Crockett County AA, is comprised of all of Crockett County and all of 14 other contiguous counties. The second is the entire San Angelo, Texas Metropolitan Statistical Area (MSA). The 14 other counties in the first AA include: Coke, Concho, Crane, Irion, Menard, Pecos, Reagan, Runnels, Schleicher, Sterling, Sutton, Terrell, Upton, and Val Verde. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The principal industries for the AAs are agriculture and oil and gas. In the San Angelo MSA, the largest employers are Goodfellow Air Force Base Training Center, San Angelo Independent School District, and medical related businesses.

The Crockett County AA is very large and includes 15 contiguous counties, including Crockett county, where CNB's headquarters is located. The AA has numerous small cities and towns and is comprised

primarily of ranches. The AA has 35 block numbering areas (BNA's). Six, or 17%, are characterized as moderate income BNA's; 21, or 60% are characterized as middle income BNA's; and 8, or 23%, are characterized as upper income BNA's. There are no BNA's characterized as low income in the AA. The 1990 census counted 102,703 people in the AA. The Census Bureau estimate of unemployment averaged 4.8%, with a range of 2.5% to 12.1%. The 1990 census median family income was \$24,586 and HUD's 1998 updated estimate of median family income is \$32,100, or an increase of nearly 31%. The percentage of families in this AA, by income level, is as follows: 24% low-income; 18% moderate-income; 19% middle-income; and 39% upper-income.

The San Angelo MSA is comprised of all of Tom Green county. The majority of the population resides in the city of San Angelo. There are also several other much smaller municipalities scattered throughout the rest of the county. The MSA is divided into 23 census tracts. Two, or 8%, are characterized as low income tracts, 5, or 22%, are characterized as moderate income tracts, 11, or 48%, are characterized as middle income tracts, and, 5, or 22%, are characterized as upper income tracts. The 1990 census counted 98,458 people in the MSA, and the Texas Employment Commission (TEC) estimates that there were 103,612 people in the MSA in 1997, an increase of 5%. The TEC estimated that unemployment was 3.0% in 1996, well below the state average. The 1990 census median family income was \$28,570. The Department of Housing and Urban Development's (HUD's) 1998 updated estimate of median family income is \$39,000, or an increase of nearly 37%. The percentage of families, by income level, is as follows: 20% low-income; 19% moderate-income; 22% middle-income; and 39% upper-income.

One community contact in Ozona was performed in conjunction with this evaluation. In the third quarter of 1998 a community contact was performed in San Angelo in conjunction with an examination of another financial institution. The contact in Ozona felt there was a need for: home refinancings, low cost home loans, and bill consolidation loans. The contact in San Angelo stated that no banks stood out as being exceptionally good or bad at meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

! *Loan to Deposit Ratio*

CNB's loan-to-deposit ratio exceeds the standard for satisfactory performance and is the highest of the 27 comparable institutions in the AA's as of December 31, 1998. CNB's quarterly loan-to-deposit ratio has averaged 69.5% since the prior CRA evaluation dated March 8, 1996. As of March 31, 1999, the loan-to-deposit ratio was 72.6%. The December 31, 1998 average loan-to-deposit ratio, for the 26 banks whose home offices are located in the AA, was 48.7%, and ranged from a low of 10.8% to a high of 73.5%. CNB's loan-to-deposit ratio was 74.0% on that date.

! *Lending in the Assessment Areas*

Crockett County Assessment Area

A substantial majority of loans are extended within this AA. A sample of residential, consumer, small business, and small farm loans originated in 1998 revealed that 92% of the number and 85% of the dollars were extended in CNB’s AA. Our sample included 50 loans totaling \$1.5 million. The following tables reflect lending in the two AAs by type of loan.

Loans in Crockett County AA (15)				
Loan Type	Number	Percent	Amount (000's)	Percent
Residential	6	100	547	100
Consumer	15	100	110	100
Small Businesses	11	85	395	87
Small Farms	14	88	230	67
Totals	46	92	1,282	85

San Angelo MSA Assessment Area

A substantial majority of loans are extended within this AA. A sample of residential, consumer, small business, and small farm loans originated in 1998 revealed that 96% of the number and 93% of the dollars were extended in CNB’s AA. Our sample included 228 loans totaling \$9.7 million.

Loans in San Angelo MSA 7200				
Loan Type	Number	Percent	Amount (000's)	Percent
Residential	174	100	7,934	100
Consumer	15	79	101	73
Small Businesses	16	84	745	69
Small Farms	13	81	227	40
Totals	218	96	9,007	93

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

Crockett County Assessment Area

CNB meets the standard for satisfactory performance of this criteria with good penetration of consumer loans to low and moderate income individuals and small businesses and small farms. The residential loan sample included all originations in 1998. The bank's policy requires a 20% down payment for the loan to be on the bank's books. The bank brokers loans to the secondary market which do not meet the down payment requirement. Although records are not maintained, management stated that they have successfully placed loans for individuals other than those in the upper income family group. The following tables reflect distribution of the loan origination sample by family income levels and by size of businesses and farms. The loan distribution by family income levels is compared to the demographic data for the respective AA.

Loan Sample Distribution by Income Group for Crockett County AA (15)										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	24%		18%		19%		39%		100%	
# of Families	6,633		4,750		5,123		10,481		26,987	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	3	20	2	14	5	33	5	33	15	100
Residential	-0-	-0-	-0-	-0-	-0-	-0-	6	100	6	100
Total	3	14	2	10	5	24	11	52	21	100

Loans to Businesses and Farms of Different Sizes - Crockett County AA (15)												
Revenue (000's)	<\$100		\$100-\$250		\$250-\$500		\$500-\$1,000		>\$1,000		Totals	
	#	%	#	%	#	%	#	%	#	%	#	%
Businesses	7	54	3	23	1	8	2	15	0	0	13	100
Farms	12	75	4	25	0	0	0	0	0	0	16	100
Totals	19	66	7	24	1	3	2	7	0	0	29	100

Note: Dollar amounts were not included in the above table as they would not have been meaningful.

San Angelo MSA Assessment Area

CNB meets the standard for satisfactory performance of this criteria with good penetration of consumer and residential loans to low and moderate income individuals and small businesses and small farms. The distribution generally reflects the income characteristics of the AA.

Loan Sample Distribution by Income Group for San Angelo MSA 7200										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	20%		19%		22%		39%		100%	
# of Families	5,112		4,759		5,703		10,083		25,657	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	4	21	2	11	3	15	10	53	19	100
Residential	17	10	28	16	31	18	98	56	174	100
Total	21	11	30	16	34	18	108	56	193	100

Loans to Businesses and Farms of Different Sizes - San Angelo MSA 7200												
Revenue Ranges (000's)	<\$100		\$100-\$250		\$250-\$500		\$500-\$1,000		>\$1,000		Totals	
	#	%	#	%	#	%	#	%	#	%	#	%
Businesses	6	32	4	21	1	5	4	21	4	21	19	100
Farms	11	69	3	19	1	6	0	0	1	6	16	100
Totals	17	49	7	20	2	6	4	11	5	14	35	100

Note: Dollar amounts were not included in the above table as they would not have been meaningful.

! *Geographic Distribution of Loans*

Because CNB does not geocode its loans, other than the ones required by the Home Mortgage Disclosure Act, the analysis of the bank's distribution of loans was limited to residential loans in the San Angelo MSA. Six percent (6%) of these loans were originated in low income census tracts, which comprise eight percent (8%) of the census tracts. Eighteen percent (18%) of these loans were originated in moderate income tracts, which comprise twenty-two percent (22%) of the census tracts.

For the Crockett County AA, we saw lending occurring in the moderate BNA of Menard County. Val Verde and Pecos counties are included in the AA because of the bank's agricultural lending there. The moderate income BNA's in those counties are located in Ft. Stockton and Del Rio which are both adequately banked and far enough from Ozona that it would not be reasonable to expect the bank to serve other than the agricultural customers located in the parts of the county reasonably close to the bank. We saw lending to agricultural customers in these parts of Val Verde and Pecos counties.

Based on the analysis of residential loan products and observations, we conclude that CNB has reasonable distribution of lending throughout its AA.

! *Responses to Complaints*

No complaints concerning CNB's CRA performance have been received during this evaluation period.

! *Record of Compliance with Anti-discrimination Laws*

No violations of the substantive provisions of anti-discrimination laws and regulations were identified.