

Public Disclosure

January 11, 1999

Community Reinvestment Act Performance Evaluation

**Junction National Bank
Charter Number 14330**

**701 Main Street
Junction, Texas 76849**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North 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 CRA performance of **Junction National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 11, 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**.

Junction National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan volume, as measured by its loan-to-deposit ratio, meets the standard for satisfactory performance, averaging 37% since the previous CRA examination.
- The bank makes a majority of its loans within the assessment area.
- The distribution of borrowers reflects an adequate penetration among individuals of different income levels and businesses of different sizes.
- An analysis of the bank's geographic distribution of loans is not meaningful. There are no low- or moderate-income tracts in the bank's assessment area.
- The bank received no CRA-related complaints since the previous CRA examination.

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

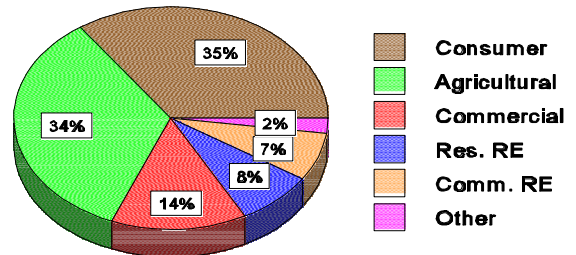
Junction National Bank Performance Levels			
Small Institution Assessment Criteria	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-deposit Ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans	An analysis of the bank's geographic distribution of loans is not meaningful.		
Response to complaints	No complaints were received since the previous examination.		

Description of Institution

Junction National Bank (JNB), a \$35 million financial institution, is one of two banks headquartered in the assessment area. The bank is locally owned. The bank's one office, located in Junction, Texas, includes a drive-up motor bank, a walk-in teller lobby, and an ATM. A second ATM is located off the bank's premises.

JNB is a full service bank that offers a variety of loan products with an emphasis on agricultural and consumer loans. As of September 30, 1998, consumer loans totaled 35% of the bank's \$12.5 million loan portfolio. Agricultural loans and commercial loans represented 34% and 14%, respectively. Residential real estate loans totaled 8%, and commercial real estate loans represented another 7%. Other loans account for 2% of the total.

Loan Portfolio Composition
As of September 30, 1998



The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. JNB has not opened or closed any branches since the last examination. At the previous CRA examination dated April 15, 1996, JNB received an "Outstanding" rating.

Description of Assessment Area

The bank's assessment area consists of Kimble county and includes two block numbering areas (BNAs). Both BNAs are designated as middle-income. There are no low- or moderate-income BNAs in the bank's assessment area.

Junction is a small, rural community in Kimble county with a population of about 2,700. Over 4,000 people live in Kimble county. Junction is roughly 95 miles southeast of San Angelo and 120 miles northwest of San Antonio. The economy is dominated by ranching of cattle, sheep, and goats. Many ranches receive significant additional income from deer and turkey hunting.

The median family income for the assessment area is \$20,623. The Texas 1998 nonmetropolitan median family income is \$32,100. Of all families in the assessment area, 21% are low-income, 26% are moderate-income, 20% are middle-income, and 33% are upper-income.

Examiners made community contacts with the local chamber of commerce and city government. The contacts revealed no unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low- and moderate-income families.

Loan-to-Deposit Ratio

The bank's volume of lending is satisfactory compared to other banks located in the assessment area. For the last 10 quarters ending June 30, 1998, the bank's average loan-to-deposit ratio was 37%. This compares to the average loan-to-deposit ratio of 44% for 11 banks headquartered in the assessment area and contiguous counties. Of the twelve banks, JNB has the ninth highest average loan-to-deposit ratio. The only other bank headquartered in the assessment area has an average loan-to-deposit ratio of 44%. The other banks have average loan-to-deposit ratios ranging from 25% to 59%.

Lending in Assessment Area

JNB extends a majority of its loans within the assessment area. Examiners verified management reports that show the bank made 75% of the number of its loans within the assessment area. By dollar volume, loans made in the assessment area represent 68% of the \$12.5 million loan portfolio.

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

The distribution of loans to borrowers of different income levels demonstrates satisfactory lending efforts to low- and moderate-income borrowers. Examiners reviewed consumer and residential real estate loans originated in the eighteen months ending September 30, 1998. Examiners also sampled commercial and agricultural loans made in the same time period. Based on this information, they determined the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants.

Examiners verified income information collection by the bank on its consumer loans. Of the 1,180 consumer loans made in the 18 month period ending September 30, 1998, the bank made 36% to borrowers with low-incomes and 26% to borrowers with moderate-incomes. JNB made 19% of the dollar volume of these loans to low-income families and 23% to moderate-income families. These numbers compare favorably to 20% of all families in the assessment area having low-incomes and 18% having moderate-incomes. The bank's level of residential real estate lending to low- and moderate-income borrowers is lower. Examiners reviewed all residential real estate loans made in the 18 month time period ending September 30, 1998. The bank made 5% of the number of real estate loans to borrowers with moderate-incomes, with no residential real estate loans being made to low-income families. Below is a breakdown of the bank's consumer and

residential real estate loans by borrower income level, compared to the percentage of families in the assessment area with those incomes.

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total Families	
Families	21%		26%		20%		33%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	422	36	312	26	238	20	208	18	1,180	100
Residential	0	0	1	5	5	26	13	69	19	100

The bank adequately lends to businesses of different sizes, with a significant number of loans made to small businesses. Based on a sample of 55 loans, the bank made 80% of its commercial loans to businesses with gross annual revenues under \$100,000. This includes 58% of the loans made to borrowers with gross annual revenues under \$50,000. The bank also makes its agricultural loans primarily to small farms. The bank made 73% of the 30 agricultural loans sampled to farms with gross annual revenues under \$100,000. A breakdown of the examiners' commercial loan sample by gross annual revenues follows.

Gross Revenues	Commercial		Agricultural	
	# of Loans	Percent	# of Loans	Percent
\$25,000 & Under	17	30%	2	7%
From \$25,001 to \$50,000	15	27%	9	30%
From \$50,001 to \$75,000	6	11%	6	20%
From \$75,001 to \$100,000	6	11%	3	10%
From \$100,001 to \$200,000	7	13%	8	26%
From \$200,001 to \$1,000,000	2	4%	2	7%
Over \$1,000,000	2	4%	0	0%
TOTAL	55	100%	30	100%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans is not meaningful. The assessment area contains no low- or moderate-income BNAs.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.