



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Crockett National Bank
Charter Number 17828**

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

**Comptroller of the Currency
San Antonio South Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, TX 78216**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

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

- The bank needs to improve the penetration of loans to low- and moderate-income residential related borrowers and to small business borrowers.
- The geographic distribution of loans is reasonably dispersed throughout the AAs.
- The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance and is considerably higher than those of similarly situated financial institutions.
- A substantial majority of loans are within the bank's assessment areas (AAs).
- There are no consumer complaints with respect to the bank's CRA performance during this evaluation period.

DESCRIPTION OF INSTITUTION

Crockett National Bank (CNB), with assets of \$152 million as of June 30, 2003, is a wholly owned subsidiary of Crockett County National Bancshares with assets of \$152 million. The main office is located in Ozona, Crockett County, Texas, with four branches located in San Angelo, Tom Green County, Texas. The bank operates one automated teller machine at the branch drive-in location on Koenigheim Street, San Angelo, Texas. Competition in Tom Green and Crockett Counties is strong with numerous financial institutions including national banks, state banks, credit unions, and finance companies.

CNB's loan portfolio is composed primarily of residential, agriculture, commercial, and consumer loan products. Net loans of \$119 million represent 78 percent of CNB's total assets. A summary of the loan portfolio follows:

Loan Portfolio Composition As of June 30, 2003		
Loan Category	\$ (000)	%
Residential Real Estate	44,078	36.7
Agriculture/Ranch Land	37,391	31.1
Commercial/Real Estate	33,217	27.6
Consumer	5,081	4.2
Other	432	.4
Total	120,199	100

There are no legal or financial circumstances that impede the bank's ability to help meet the

credit needs in its AAs. CNB's previous CRA rating, dated April 26, 1999, was "satisfactory." The bank's affiliate relationships include Crockett National Insurance and Angelo Legal Services, Inc.

DESCRIPTION OF TOM GREEN COUNTY AND CROCKETT COUNTY

CNB has designated two assessment areas (AAs). The first AA, Tom Green County, is in a Metropolitan Statistical Area (MSA) consisting of 23 census tracts described as 2 low-, 5 moderate-, 11 middle-, and 5 upper-income census tracts. The second AA, Crockett County, consists of one middle-income block-numbering area (BNA). Both AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AAs		
	<i>Tom Green County AA</i>	<i>Crockett County AA</i>
<i>Population</i>		
Number of Families	25,657	1,088
Number of Households	35,638	1,453
<i>Geographies</i>		
Number of Census Tracts/BNA	23	1
% Low-Income Census Tracts/BNA	9%	0%
% Moderate-Income Census Tracts/BNA	22%	0%
% Middle-Income Census Tracts/BNA	47%	100%
% Upper-Income Census Tracts/BNA	22%	0%
<i>Median Family Income (MFI)</i>		
1990 Census MFI	28,571	24,585
2002 HUD-Adjusted MFI	44,400	36,100
<i>Economic Indicators</i>		
Unemployment Rate	4%	2%
2002 Median Housing Value	\$52,051	\$42,700
% Owner Occupied Housing	54%	51%
% Households Below Poverty Level	16%	22%

The populations of the Tom Green County AA and the Crockett County AA (based on 1990 census data) were 98,458 and 4,078, respectively. Of the families living in the Tom Green County AA, 20 percent are low-income, 19 percent are moderate-income, 22 percent are middle-income, and 39 percent are upper-income. Of the families living in the Crockett County AA, 25 percent are low-income, 20 percent are moderate-income, 13 percent are middle-income, and 42 percent are upper-income.

Economic conditions in the communities are stable. Major employers of the Tom Green County AA include Goodfellow Air Force Base, retail businesses, service industries, the local school district, a university, and agriculture production. Crockett County has an agricultural based economy with gas well producers and processors. We conducted one community contact during this review. The contact was a for-profit real estate organization executive who indicated that

area banks were satisfactorily meeting the credit needs of county residents.

SAMPLING INFORMATION

Our review focused on CNB’s major product lines: 1-4 family residential loans, farm and business loans, and consumer (auto) loans. For the 1-4 family residential loan portfolio analysis, we used all of the loans reported by the bank on the Home Mortgage Disclosure Act Loan Application Register for the years 2000, 2001, and 2002. For the farm and business loans analysis and the consumer (auto) loans analysis, we sampled 20 loans from each product line for each AA. For the *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes* and the *Geographic Distribution of Loans* analyses, we excluded loans that were made outside of the AAs. All loans sampled were originated between January 1, 2000 and December 31, 2002 and randomly selected except for the 1-4 family residential loan population.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management has demonstrated “satisfactory” performance in meeting the credit needs of the AAs.

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

CNB needs to improve its performance in this category. The distribution of loans does not reflect a reasonable penetration to low- and moderate-income individuals given the demographics of the AAs.

Residential loans are the largest concentration of loans in the bank as shown in the Loan Portfolio Comparison table in the Description of Institution section of this document. The following table reflects the distribution of the loans in our Tom Green County residential sample and shows that the bank made residential loans to low- and moderate-income families but at a proportionally lower level compared to the percentage of low- and moderate-income families in the AA. Because of the low demand for new housing in Crockett County, a table was not prepared.

TOM GREEN COUNTY RESIDENTIAL RELATED REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.9		18.6		22.2		39.3	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made during 2000 - 2002	11.2	8.3	10.4	7.0	20.2	19.3	58.2	65.4

The following tables illustrate the lending distribution to businesses and farms located within the bank's AAs. As the tables reflect, the percent of number of loans granted to small businesses and farms is below the percentage of small businesses and farms in the AAs.

TOM GREEN COUNTY AA BORROWER DISTRIBUTION OF LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95	5
% of Bank Loans in AA #	70	30
% of Bank Loans in AA \$	78	22

CROCKETT COUNTY AA BORROWER DISTRIBUTION OF LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97	3
% of Bank Loans in AA #	95	5
% of Bank Loans in AA \$	81	19

The following tables indicate the bank has a good record of consumer loan originations to low-income borrowers. Fifty percent and 25 percent of consumer loans sampled (by number) were made to low-income individuals in the Tom Green County AA and Crockett County AA, respectively. However, the bank made loans to moderate-income households at a proportionally lower level compared to the percentage of moderate-income households in the AA.

TOM GREEN COUNTY AA CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23.8		15.9		19.6		40.7	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made during 2000 - 2002	50.0	37.5	10.0	4.6	25.0	41.1	15.0	16.8

CROCKETT COUNTY AA CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	27.4		16.0		15.1		41.5	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made during 2000 - 2002	25.0	10.0	10.0	25.7	35.0	23.5	30.0	40.8

Geographic Distribution of Loans

CNB's overall geographic distribution of loans throughout the Tom Green County AA is satisfactory and meets the standards for satisfactory performance. As there is only one BNA, a middle-income, in Crockett County, a table depicting geographic distribution would not be meaningful.

The following tables indicate that the bank makes loans to businesses, farms, and households in

the moderate-income census tracts, where the bank has a branch, at a level that compares favorably to the percentage of businesses, farms, and households in those census tracts. We noted that there were no business, farm, or consumer loans in our sample in the two low-income census tracts in the Tom Green County AA. However, a review of the bank's loan portfolio, from which our samples were taken, indicates that the bank has borrowers in those census tracts. The bank does not have a branch in either of the two low-income census tracts that are served by numerous other financial institutions.

TOM GREEN COUNTY AA BUSINESSES AND FARMS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Bus. & Farms	14.3		16.7		41.9		27.1	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made during 2000 - 2002	0	0	15.0	5.4	60.0	65.1	25.0	29.5

TOM GREEN COUNTY RESIDENTIAL RELATED REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied Units	1.7		17.3		52.9		28.1	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made during 2000 - 2002	2.0	1.8	12.9	9.8	47.0	39.4	38.1	49.0

TOM GREEN COUNTY AA CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	3		19		52		26	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans made during 2000 - 2002	0	0	35.0	28.6	55.0	59.8	10.0	11.6

Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. Since the previous examination, the quarterly LTD ratio ranged from 72.99 to 88.65 percent with an average of 80.32 percent. The following chart shows CNB's LTD ratio to be considerably higher than those of other similarly situated banks in the AAs.

Institution	Assets as of 6/30/03 (000's)	Average LTD Ratio 3/31/99 – 6/30/03
<i>Crockett National Bank</i>	<i>152,150</i>	<i>80.32</i>
First National Bank of Sonora	120,463	61.98
Texas State Bank	143,145	49.20
San Angelo National Bank	321,993	48.80
Ozona National Bank	133,361	45.67
First National Bank of Mertzton	123,312	30.09

Lending in Assessment Area

CNB's lending in the AAs meets the standard for satisfactory performance. A substantial majority of the bank's lending activity is within its AAs. As illustrated in the following table, 79 percent of the number and 72 percent of the dollar amount of sample loans were made in the bank's AAs. The following table reflects the bank's lending in and out of the AAs by type of loan sampled:

Lending In and Out of the Assessment Areas								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Residential	358	79	19,151	72	95	21	7,531	28
Commercial/Agriculture	15	75	578	82	5	25	129	18
Consumer	17	85	264	79	3	15	70	21
Total Reviewed	390	79	19,993	72	103	21	7,730	28

Responses to Complaints

There have been no CRA-related consumer complaints received since the previous evaluation.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.