



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

January 23, 1998

Community Reinvestment Act Performance Evaluation

**National Bank of Commerce
Charter #17829
1224 North Hobart
Pampa, Texas 79065**

**Comptroller of the Currency
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas**

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 **National Bank of Commerce** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January , 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The following factors support this assessment and reflect the commitment of National Bank of Commerce (NBC) to the principals of the Community Reinvestment Act (CRA):

- ▶ NBC's loan to deposit ratio is more than reasonable at 74%, and the average over the last two years is above 70%.
- ▶ A majority of loans and other lending-related activities are in the assessment area. Sixty-one (61%) percent of outstanding loans and almost 82% of the number of loans outstanding are within the bank's assessment area (AA).
- ▶ There is reasonable penetration of different income levels and businesses and farms of different sizes. Approximately 21% and 23% by number of new loan originations in our sample were extended to low- and moderate-income persons respectively. There is also a high level of loans to small businesses and small farms.
- ▶ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Our review of bank reports confirms that loans are granted to customers throughout all parts of the AA.

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

Small Institution Assessment Criteria	NATIONAL BANK OF COMMERCE Performance Levels		
	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		x	
Response to complaints	NO COMPLAINTS REGARDING BANK PERFORMANCE UNDER THE CRA HAVE BEEN RECEIVED		

Description of Institution

NBC is a \$55 million institution operating in Pampa, Texas. The bank's last CRA examination was completed in January 1995. NBC is principally owned by a two-bank holding company located in Waupaca, Wisconsin.

The bank has a single facility in Pampa, and the bank's only ATM location is at the bank site. A wide range of financial services are offered, including residential and commercial real estate loans, agricultural and commercial operating loans, consumer installment loans including loans for educational purposes, and a number of deposit services. Primary competition is from branches of larger banks or savings associations headquartered in other cities. There are also credit unions serving local memberships. These institutions provide similar financial services to NBC, although some institutions have the additional benefit of having other banking locations in nearby cities and towns.

Loan balances make up approximately 67% of total assets. Table 1 below reflects the composition of the bank's loan portfolio as of September 30, 1997.

Table 1

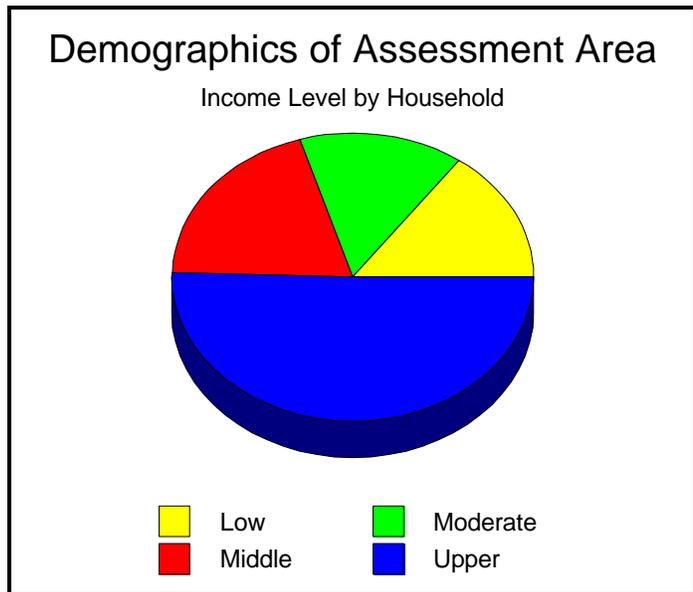
LOAN TYPE	LOAN BALANCE	% OF PORTFOLIO
REAL ESTATE	18,588	45.87%
COMMERCIAL	10,676	26.35%
AGRICULTURE	5,219	12.88%
INDIVIDUAL	6,039	14.90%
TOTAL	40,522	100.00%

There are no legal impediments to the bank's ability to make loans and offer other banking services to customers in the area. Through participation agreements, NBC and the sister bank, First National Bank, Waupaca, ensure that loan volumes are maximized.

Description of Assessment Area: Gray and Roberts Counties

The stated assessment area (AA) is all of Gray and Roberts Counties. This meets the regulatory requirements for including whole geographies, and the designated area does not arbitrarily exclude any low- or moderate- income areas. There are nine (9) Block Numbering Areas (BNA) in Gray County and one (1) in Roberts County. Pampa is the largest city in Gray county, with two smaller towns of Lefors and McLean. The only city shown in Roberts County is Miami. The AA includes Pampa which as stated above is the location of the bank's only office and only ATM. The bank also makes loans in surrounding counties, but the primary market is Gray and Roberts Counties. NBC also purchases and makes some loans for borrowers in Waupaca, Wisconsin, the location of the sister bank owned by the holding company.

The population of the two counties is approximately 25 thousand. Demographic information for the AA shows that low- and moderate-income persons reside throughout each BNA in the AA. However, no BNA's are designated as low-income, and only two BNA's in Gray County are designated as moderate-income areas. Data shows that the remaining BNA's are equally divided into four middle- and four upper-income areas. Weighted average of median household income falls below the weighted average MSA/Non-MSA updated median family income of \$31.5 thousand.



Primary credit needs identified in the AA relate to commercial and agricultural loans including those secured by real estate. Local residents also need financing for consumer purposes, specifically residential mortgages and home improvement loans, automobile loans, and other types of individual credit.

The principal industrial employers are Hoechst-Celanese and Cabot Corporation, both located just outside Pampa. In addition, the Pampa Independent School District employs a large number of persons. Other major employers are agriculture and oil and gas related businesses.

Through participation with the Pampa Economic Development Corporation (PEDC), NBC supports continuing industrial and commercial growth. PEDC has been influential in securing additional jobs for the community of Pampa and has also assisted businesses in being able to retain local jobs. One primary project at this time is development of an industrial park which would provide completed facilities to attract new business to the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

We reviewed NBC's loan to deposit (LTD) ratio since the last examination. NBC's LTD exceeds the standard for satisfactory performance. The average ratio for the period is 70.37%. The LTD ratio as of September 1997 is 73.87%. This ratio is more than reasonable for the location and size of the bank, giving consideration to the economy of the area. We compared this ratio to other banks in the community and in similar economic areas and found NBC's ratio exceeds that of the other banks. We also reviewed the effect purchased loans would have on the ratio. The ratio of LTD within the

AA for the current year is 46.96%. This level also exceeds the performance of other institutions in the community which had LTD ratios ranging from 27.00% to 37.00%.

Lending in the Assessment Area

NBC lends primarily within its AA. We based this assessment on our review of loans originated between November 1996 and October 1997 and the portfolio total. The pattern is shown in Table 2.

Table 2

In/Out of AA	Loans Originated		Total Loans	
In AA	\$20,332	62.04%	\$25,420	61.39%
Outside AA	\$12,441	37.96%	\$15,990	38.61%
Total	\$32,773	100.00%	\$41,410	100.00%

The levels of loans originated and outstanding which are extended to borrowers within the AA are considered reasonable, and they meet the standard for satisfactory performance.

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

To determine NBC’s practices regarding loans to persons of different incomes, we reviewed a limited sample of loans. Based on the file information, we observed that the bank satisfactorily lends to persons of different income levels. The results of the review are shown on Table 3 below.

Table 3

LEVEL NAME	POPULATION % IN AA	LOANS ORIGINATED	
		#	%
LOWER	16%	23	21%
MODERATE	15%	25	23%
MIDDLE	19%	21	19%
UPPER	50%	42	38%
TOTAL	100%	111	100%

We reviewed bank reports of outstanding loans extended for small farms or small businesses as of September 30, 1997. These reports shows that there were 536 loans with outstanding balances of \$17.4 thousand extended to small businesses. There were 128 loans to small farms totaling \$6.5 thousand. This is further illustrated by Table 4.

Table 4

CATEGORY	# LOANS OUTSTANDING	BALANCE OUTSTANDING
SMALL BS		
TO 100M	490	7,137.3
TO 250M	24	2,782.8
TO 500M	14	4,343.3
TO 1MM	8	3,176.2
TOTAL SM BS	536	17,439.6
SMALL FARM		
TO 100M	105	2,774.0
TO 250M	14	1,955.0
TO 500M	9	1,772.9
TOTAL SM FM	128	6,501.9
TOTAL SM BS/FM	664	23,941.5

These reviews show that NBC meets the standard for satisfactory performance in lending across levels of income and business revenues.

Geographic Distribution of Loans

Although there are no low-income BNA's, there are moderate-income levels located in Gray County. We reviewed the bank's reports of loans originated within each BNA to determine the bank's practice of lending throughout the AA. Report data was not available by type of loan, but we reviewed lending practices across geographic areas in total. The review showed that the bank lends to persons in all of the BNA's in the AA. This review is demonstrated in Table 5.

LOANS ACROSS GEOGRAPHIC AREAS

Table 5

BNA #	CATE- GORY	LOANS ORIGINATED				TOTAL PORTFOLIO			
		\$000'S	%	#	%	\$000'S	%	#	%
9501	MID	2,404	11.82%	114	7.19%	3,215	12.65%	304	7.21%
9502	UP	5,332	26.22%	116	7.32%	5,388	21.20%	315	7.47%
9503	UP	3,611	17.76%	238	15.02%	5,133	20.19%	623	14.77%
9504	UP	2,368	11.65%	243	15.33%	4,225	16.62%	652	15.45%
9505	MID	1,223	6.02%	199	12.56%	1,950	7.67%	535	12.68%
9506	MOD	1,900	9.34%	192	12.11%	1,725	6.79%	523	12.40%
9507	MID	2,283	11.23%	285	17.98%	2,446	9.62%	725	17.18%
9508	MOD	1,085	5.34%	193	12.18%	1,002	3.94%	503	11.92%
9509	MID	126	0.62%	5	0.32%	336	1.32%	39	0.92%
TOTAL IN AA		20,332	100.00%	1,585	100.00%	25,420	100.00%	4,219	100.00%

NOTE: TOTAL PORTFOLIO AS OF 10/31/97, LOANS ORIGINATED 11/1/96 - 10/31/97

A concurrent Fair Lending examination was performed at this examination. Based on comparative file review of denied minority applicants and approved non-minority applicants, we did not identify any evidence of disparate treatment or discriminatory practices.

Responses to Complaints

There were no complaints received by the bank since the last examination, based on our review of the Public File and discussion with bank management.