



**Comptroller of the Currency
Administrator of National Banks**

Licensing Operations
Southwestern District Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3342

**Conditional Approval #542
September 2002**

DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION OF FIRST NATIONAL BANK IN MUNDAY, MUNDAY, TEXAS (CHARTER NUMBER 13593) TO PURCHASE CERTAIN ASSETS AND ASSUME CERTAIN LIABILITIES OF THE HASKELL, TEXAS BRANCH OF FIRST NATIONAL BANK, HASKELL, TEXAS (CHARTER NUMBER 18479); APPLICATION CONTROL #2002-SW-02-0016

DECISION

Introduction

On May 17, 2002, application was made to the Office of the Comptroller of the Currency (OCC), pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization for First National Bank in Munday, Munday, Texas (FNB Munday) to purchase certain assets and assume certain liabilities of the Haskell, Texas branch of First National Bank, Haskell, Texas (FNB Haskell).

The Financial Institutions Involved

As of March 31, 2002, FNB Munday, located in Munday, Texas, had total assets of \$51 million and total deposits of \$47 million. On the same date, the target branch of FNB Haskell, located in Haskell, Texas, had total assets to be acquired of \$16 million and total deposits to be acquired of \$16 million.

In a separate, but related transaction, FNB Haskell will relocate its head office from Haskell, Texas to Lubbock, Texas by establishing an interim national bank in Lubbock, Texas at the site of its current branch office. The resulting bank will elect to have its head office in Lubbock, Texas at the newly established head office of the interim national bank. FNB Haskell will retain its current head office as a branch. Shortly thereafter, FNB Haskell's newly established branch will be sold to FNB Munday in a purchase and assumption transaction.

Competitive Analysis

The relevant geographic area for this proposal is Haskell County. This is the area where competition between FNB Munday and FNB Haskell is direct and immediate. Within this geographic area, FNB Munday operates one office in Rochester and FNB Haskell operates one office in Haskell. Haskell County has a population of 6,093. The OCC considers an area with such a small population to be economically insignificant from a competitive standpoint. (See Decision of the Comptroller of the Currency on the application to merge The National Bank and Trust Company of Norwich, New York, with National Bank of Oxford, Oxford, New York, dated April 8, 1983.) Because the OCC does not recognize the market as being economically significant, any anticompetitive effects resulting from this transaction are considered de minimus.

Banking Factors

The Bank Merger Act requires this Office to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of both institutions do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

Community Reinvestment Act (CRA)

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities has revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, is less than satisfactory. FNB Haskell has not entered into any commitments with community organizations, civic associations or other entities regarding providing banking services to the relevant community. No change in community services is planned.

FNB Munday currently has offices in Haskell County, Texas and Jones County, Texas. It is anticipated that all current offices of FNB Munday, as well as the newly acquired branch, will remain open. As a result of this proposal, FNB Munday will increase its market share in the Haskell County market.

Conclusion

We have analyzed this proposal to the Bank Merger Act (12 U.S.C. 1828) and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. The application is hereby approved subject to the conditions listed below. These conditions will be considered conditions "imposed in writing by the agency in connection

with the granting of any application or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

1. The bank's Total Risk Based Capital (RBC) will be no less than 10%, Tier One RBC will be no less than 9%, and The RBC Leverage ratio will be no less than 6.5% by year end 2002.
2. In addition, the bank will achieve Total RBC of no less than 11%, Tier One RBC of no less than 10%, and a RBC Leverage ratio of no less than 7% by year end 2003.
3. Should the bank fail to meet any of the above conditions, the Board of Directors will provide for additional capital funds to achieve the above minimum ratios within 90 days.

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

/s/ Karen H. Bryant

Karen H. Bryant
Licensing Manager

Date August 9, 2002