

PUBLIC DISCLOSURE

August 23, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Claude
Charter Number 7123**

**101 North Trice
Claude, Texas 79019**

**Comptroller of the Currency
Southwestern District
Lubbock Field Office
5225 South Loop 289, Suite 108
Lubbock, Texas 79424**

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 **The First National Bank of Claude** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 28, 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.**”

- The bank’s loan-to-deposit ratio has averaged 68.08% from June 30, 1996 to June 30, 1999. As of June 30, 1999 the ratio of 59.11% compares favorably with other area banks in similar agricultural economies.
- A substantial majority of the loans we sampled at this examination are extended to borrowers within the bank’s assessment area, 90% of the number of loans and 94% of the dollar volume.
- The bank has a reasonable penetration of loans to borrowers of all income levels and also to businesses and farms of different sizes.
- Because there are no low or moderate income areas identified within the assessment area, we determined that an analysis of the geographic distribution of loans would not be meaningful.
- We found that there had been no consumer complaints regarding the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Claude</u> 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	Because there are no low- or moderate-income areas, an analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	The bank has not received any complaints concerning its performance under CRA.		

DESCRIPTION OF INSTITUTION

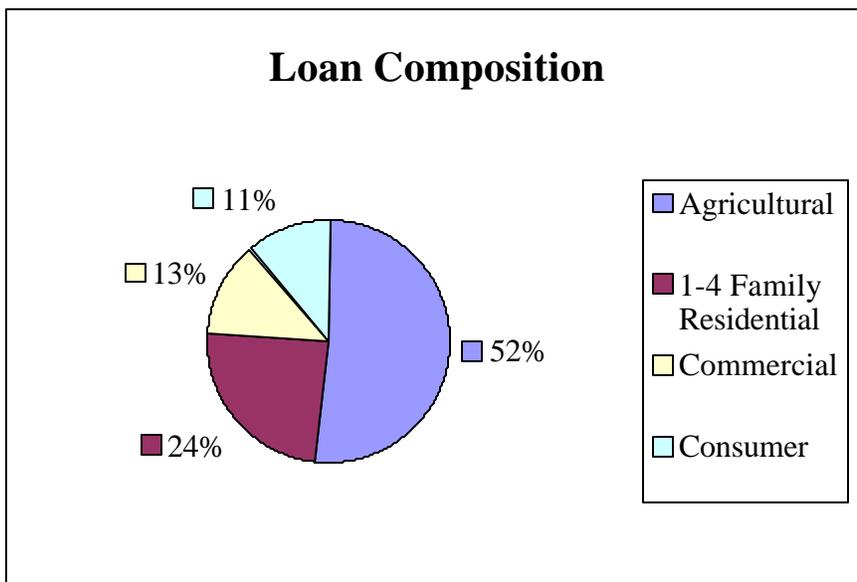
The First National Bank of Claude (FNB) has total assets of \$31 million as of June 30, 1999. The bank's main location is in Claude, Texas, with a full service branch located in Tulia, Texas. Claude is located in the Texas panhandle, approximately 30 miles east of Amarillo, Texas on U.S. Highway 287. Tulia is located approximately 55 miles south of Amarillo on Interstate Highway 27. The bank is wholly owned by First Caprock Bancshares, Inc., a one-bank holding company in Claude, Texas. There are no other affiliates.

Figure 1

Gross loans total \$17 million as of June 30, 1999, which are approximately 55% of the bank's total assets. Figure 1 shows the composition of the loan portfolio.

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. At the last examination, August

26, 1996, the bank's performance was rated Satisfactory. The evaluation period for this examination is from August 1, 1996 to July 31, 1999. The Tulia branch was opened during this period, and the bank also sold a prior branch that was located in Panhandle, Texas.



DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) includes all of Armstrong and Swisher counties in the Texas panhandle. This AA meets the requirements of the regulation by including full geographies and does not arbitrarily exclude low- or moderate-income geographies.

Armstrong County includes the city of Claude and several smaller communities. The 1990 Census information shows that the population is 2,021. Information obtained from our community contact and bank management indicates that the population of Claude remains steady due to the proximity to several businesses on the east side of Amarillo and the desirability of the smaller school system. Demographic information indicates that both of the block numbering areas (BNA's) in the county is designated as middle income areas. Median family income averages 113% of the 1999 updated median income for all non-MSA's in Texas of \$33,900.

The economy is primarily agriculture-related, with economic swings dependent on current crop

production. Major employers in Claude and Armstrong County are the Claude Independent School District and Gilvin and Terrill Construction. Many residents of Claude are employed at the nearby Pantex nuclear facility, the IBP beef processing plant, or one of the Texas Department of Corrections units in Amarillo.

Swisher County to the south has a 1990 population of 8,133. It includes the city of Tulia and a number of smaller communities including Kress and Happy. Although the economy is also primarily tied to agriculture, there are several small businesses in Tulia and nearby communities. In addition to the local school systems, Roll-a-Cone and the local prison unit also provide local employment opportunities for the residents. Demographic information shows that the county income is 96% of the 1999 updated median income of \$33,900. Three of the BNA's are identified as middle income areas, and the fourth is an upper income area.

The primary credit need in both counties is agricultural purpose loans. FNB offers both operating and financing loans for agricultural borrowers. They also provide a variety of other credit products, including commercial, first and second lien residential mortgage, and consumer loans. They also offer a wide variety of deposit and banking products to meet the needs of these communities.

The primary competition identified in the Claude area is from banks in Amarillo or in Clarendon, which is approximately 30 miles to the east. The Tulia location faces competition from a branch of Norwest Bank. Both offices have strong competition for agricultural loans from the Production Credit Association offices in Tulia and Amarillo. Agricultural loans are the primary product for both offices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable and has averaged 68% during the evaluation period. The ratio as of June 30, 1999, was 59%. The loan volume is seasonal, typical to banks with a high volume of agricultural loans. We compared this ratio to four other banks in the AA and nearby counties with a similar agricultural economy. These banks had average ratios ranging from 38% to 65%, and their lending also reflected the cyclical loan demand. Based on this review, we determined that FNB's loan-to-deposit ratio is reasonable, meeting the standard for satisfactory performance.

- **Lending in the Assessment Area**

A substantial majority of the loans sampled during this examination were to borrowers living in the bank's AA. The sample consisted of consumer, agriculture, and commercial loans. Figure 2 shows the bank's level of lending both inside and outside the AA.

Figure 2

Loans In The Assessment Area		
Loan Location	Number of Loans	Volume of Loans

	#	%	\$	%
In Assessment Area	77	89.53	2,207	94.28
Outside Assessment Area	9	10.47	134	5.72
Total Loans Reviewed	86	100.00	2,341	100.00

Source: Sample of loans reviewed during the examination

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

Based on the loan sample reviewed, we found that FNB has a reasonable penetration of loans to individuals of different income levels and businesses and farms of different sizes. Loans to individuals are reflected in Figure 3.

Figure 3

Lending to Individuals of Different Income Levels					
Income Level	#	%	\$	%	Population
Low	14	36.84%	62	31.31%	22.59%
Moderate	8	21.05%	35	17.68%	15.50%
Middle	3	7.89%	10	5.05%	21.32%
Upper	5	13.16%	53	26.77%	40.59%
Unknown	8	21.05%	38	19.19%	0.00%
Total	38	100.00%	198	100.00%	100.00%

Source: New loans sampled during the examination

FNB is primarily an agricultural lender with agriculture loans comprising 52% of its loan portfolio. There is also a significant volume of loans extended for commercial purpose loans. Figure 4 reflects FNB’s pattern of lending to farms and businesses of different revenue levels.

Figure 4

Lending to Farm and Business Borrowers with Different Revenue Levels				
Revenue Level	Farm		Commercial	
	#	\$	#	\$
<= 100M	10	296	11	215
>100M - <=250	3	190	1	100
>250M- <=500	4	575		
>250M- <=1,000			2	135
Revenues Unknown	4	565	11	118
Total	21	1,626	25	568

Source: New loans sampled during the examination

- **Geographic Distribution of Loans**

Because none of the BNA’s in the AA are designated as low- or moderate-income, an analysis of the geographic distribution of loans would not be meaningful. The demographic information shows that there are low- and moderate-income persons throughout both counties. The bank’s pattern of lending to these residents was reflected in Table II.

- **Response to Complaints**

FNB has not received any complaints during this evaluation period regarding their CRA performance.

OTHER FACTORS

- **Record of Compliance with Antidiscrimination Laws**

We performed a Fair Lending review at this examination. Based on a comparative file review of approved unsecured consumer loans to male and female applicants, we did not identify any evidence of disparate treatment or discriminatory practices.