



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Snyder National Bank
Charter Number 14270**

**1715 25th Street
Snyder, TX 79549**

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

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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	2
<i>DESCRIPTION OF INSTITUTION</i>	2
<i>DESCRIPTION OF SCURRY COUNTY</i>	3
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	4

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The Snyder National Bank (SNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 31 percent during the evaluation period. Such performance is reasonable given the available loan demand and the high level of competition between banks in the assessment area.
- A substantial majority of SNB's loans are within the bank's assessment area. Based on a sample of loans, 95 percent of the number of loans and 91 percent of the dollar volume of loans were to borrowers within the assessment area.
- SNB has a reasonable penetration of loans to businesses of different sizes, and individuals of different income (including low- and moderate-income) levels.
- A rating of the geographic distribution of the bank's loans would not be meaningful.
- There have been no complaints with respect to SNB's CRA performance.

DESCRIPTION OF INSTITUTION

SNB is a community bank in Snyder, Texas, which is located approximately 95 miles southeast of Lubbock. SNB is an intrastate bank with one main office, with drive-up facilities. SNB has one automatic teller machine (ATM), located at the drive-up facilities.

As of June 30, 2003, SNB had total assets of \$109.2 million, with 27 percent in the loan portfolio. The bank's primary loan products include commercial, consumer, and agricultural loans. The bank has a variety of deposit products and other banking services to meet the needs of their community. The following chart details a breakdown of SNB's loan portfolio as of June 30, 2003.

Loan Portfolio Composition as of June 30, 2003		
Loan Category	\$ (000)	%
Commercial & Industrial	7,719	25.96
Agricultural	5,897	19.83
Consumer	4,135	13.91
Residential Real Estate	4,089	13.75
Commercial Real Estate	2,859	9.62
Agricultural Real Estate	2,541	8.55
Construction and Land Development	1,329	4.47
Other	1,163	3.91
Total	29,732	100.00

Source: June 30, 2003 Report of Condition

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, SNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on May 11, 1998.

SNB’s business strategy is to provide outstanding banking services to customers in central West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder SNB’s ability to provide credit in its assessment area. As of June 30, 2003, SNB’s Tier 1 Capital level was \$10.7 million, representing 10.15 percent of adjusted average assets. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF SCURRY COUNTY

SNB has designated Scurry County as its assessment area. Scurry County is located at the base of the Llano Estacado in West Texas. Snyder is the largest city in Scurry County and is also the county seat. Smaller communities within the assessment area include Hermleigh, Fluvana, and Ira. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Scurry County	
Population	
Number of Families	4,383
Number of Households	6,394
Geographies	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	80.00%
% Upper-Income Census Tracts/BNA	20.00%
Median Family Income (MFI)	
1990 MFI for AA	30,955
2002 HUD-Adjusted MFI	24,585
Economic Indicators	
Unemployment Rate	3.04
2002 Median Housing Value	37,058
% of Households Below Poverty Level	15.95

Source: 1990 Census data and HUD updated income data.

The bank's assessment area is comprised of five contiguous block-numbering areas (BNAs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 1990 Census data, the assessment area has a total population of 18,634. There are 7,702 housing units in the assessment area, of which 61 percent are owner-occupied, 22 percent are renter-occupied and 17 percent are vacant. Approximately 17 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 16 percent of the population, while middle- and upper-income families comprise the remaining 67 percent. The local economy is based on agricultural and oil/gas exploration. Depressed crop prices and drought conditions have had a negative impact on the agricultural economy; however, the recent improvement in the oil/gas market has positively impacted the economy of Scurry County. The largest employers within the

assessment area include Patterson Petroleum, Texas State Department of Justice (Prison System), Snyder County Independent School District, and West Texas Junior College.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, small community banks, non-bank financial service providers and a credit union. In addition, Ag Texas Farm Credit Services, Farm Service Agency, and Federal Land Bank also have offices in Snyder.

One person was contacted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The person indicated that the local economy has stabilized, and did not identify any unmet credit needs in the community. They also indicated the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

SNB's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment areas, including lending to individuals of different income (including low-and moderate-income) levels and business of different sizes. We reviewed a sample of 30 consumer and 29 commercial loans to evaluate the lending practices. These two loan products were identified as primary products based on the composition of the loan portfolio and the loans originated since the last CRA examination.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of SNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 31.4 percent since the prior CRA examination in May 1998. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 45.2 percent. Although SNB's loan-to-deposit ratio was below similarly situated banks, it is reasonable given the available loan demand and the high level of competition within the assessment area. Traditionally, SNB has had a diverse loan portfolio offering commercial, consumer, and agriculture loan products.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 03/31/03)	Average Loan-to- Deposit Ratio
City National Bank of Colorado City	59,247	36.5%
First National Bank, Colorado City	26,161	35.9%
Roscoe State Bank	50,908	51.3%
Snyder National Bank	105,075	31.4%
West Texas State Bank	83,398	57.2%

Source: Institution Reports of Condition from June 1998 to March 2003

Lending in Assessment Area

A substantial majority of the bank’s loans were made within its assessment area. In order to assess performance for this criteria, we reviewed 29 commercial and 30 consumer loans originated between January 1999 and December 2002. Our analysis determined that 94.9 percent of the number of loans and 91.3 percent of the dollar amount of loans in the sample were extended within the bank’s assessment area. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	28	96.6%	2,196	91.7%	1	3.4%	200	8.3%
Consumer	28	93.3%	250	88.3%	2	6.7%	33	11.7%
Total Reviewed	56	94.9%	2,446	91.3%	3	5.1%	233	8.7%

Source: Sample of loans used for CRA performance analysis

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

SNB’s loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and businesses of different sizes with its assessment area. To perform our analysis, we reviewed income information of 28 business- and 28 consumer-purpose loans in the assessment area.

Commercial Loans - Based on 2002 Business Demographic Data, there are 812 businesses with reported revenues located within the assessment area. Of this number, 94.2 percent of businesses reported revenues less than or equal to \$1 million. Of the loans in the business purpose sample, 92.9 percent were to businesses reporting annual revenues below \$1 million. This level is comparable with the assessment area information and reflects a satisfactory penetration of business loans to small businesses. The following chart reflects the results of our selected sample of business loans originated in the assessment area.

Borrower Distribution of Loans to Businesses in Scurry County Assessment Area		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94.2%	5.8%
% of Bank Loans in AA by #	92.9%	7.1%
% of Bank Loans in AA by \$	94.5%	5.5%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the assessment area. Based on 1990 Census Information, 34.1 percent of households in the assessment area are low- and moderate income. Our review determined that 50.0 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the assessment area for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in the assessment area.

Borrower Distribution of Consumer Loans in Scurry County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	19.4%		14.7%		16.5%		49.4%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	14.3%	2.4%	35.7%	37.4%	25.0%	14.3%	25.0%	45.9%

Source: Loan sample; 1990 U.S. Census data.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of SNB's loans. The bank's assessment area consists of four middle- and one upper-income BNAs. There are no low- or moderate-income BNAs in the bank's assessment area. Therefore, this type of analysis would not be meaningful

Responses to Complaints

No complaints relating to CRA performance have been received by SNB.

Fair Lending Review

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