



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

AUGUST 26, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Claude
Charter #7123
101 N. Trice
Claude, Texas 79019**

**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 Community Reinvestment Act (CRA) performance of **First National Bank of Claude, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 26, 1996**. 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.

Factors which indicate First National Bank of Claude (FNBC) commitment to principals of Community Reinvestment Act:

- three-year average loan to deposit ratio is 55.75%.
- 63% of outstanding loans are within the assessment area and 95% of originated loans sampled were within the assessment area.
- loans were made to small farms and businesses and to persons with low or moderate income.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>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	REVIEW WOULD NOT BE MEANINGFUL AS THERE ARE NO LOW OR MODERATE INCOME AREAS; SEE REVIEW BY INCOME AND SIZE		
Response to Complaints	NO COMPLAINTS HAVE BEEN RECEIVED		

DESCRIPTION OF INSTITUTION

FNBC is a \$21 million institution which has operated in the City of Claude, Texas, since 1904. During the second quarter of 1996, the bank began operating a Limited Purpose Office (LPO) for loan originations in the City of Panhandle, Texas. In August 1996, the LPO was approved as a full service branch of the bank. The bank is a subsidiary of First Caprock Bancshares, Inc., a one bank holding company located in Claude, Texas.

The size of the bank somewhat limits the size of loans the bank can make. However, through participation agreements with other banks, the bank is able to handle lines for customers in the area. In addition to providing two full service facilities, FNBC gives customers telephone access to account information and transactions through their Tele-Bank Line. Customers of the main bank location in the Claude currently have ATM access to their accounts.

Total loans comprise just above 50 percent of Total Assets. Table 1 illustrates the composition of FNBC loan portfolio as of June 30, 1996.

Table 1

LOAN TYPE	LOAN BALANCE	% OF TOTAL LOANS
REAL ESTATE LOANS	3,316	30.3
COMMERCIAL LOANS	1,710	15.7
AGRICULTURAL LOANS	4,562	41.7
INDIVIDUAL LOANS	1,271	11.6
OTHER LOANS	71	0.7
TOTAL LOANS	10,930	100.0

FNBC competition is primarily with two small financial institutions in the nearby communities of Groom and Panhandle, Texas. However, they also face competition from six national banks, one state bank, eleven credit unions, and one federal savings bank in Amarillo, Texas, which is only 30 miles from Claude. These institutions are able to provide similar banking and credit services to those offered at FNBC, and in some cases, product offerings may be more extensive due to the size of the institution.

There are no legal or other financial factors which prevent FNBC from being able to meet the credit needs of the assessment area.

DESCRIPTION OF ARMSTRONG AND CARSON COUNTIES

FNBC assessment area (AA) is defined as Armstrong and Carson Counties in the Texas Panhandle, east of Amarillo. The AA meets the regulatory requirements and does not arbitrarily exclude any low or moderate income geographies. The counties are not in an

MSA, but they are political subdivisions. Claude and Panhandle are the largest cities in the counties.

The primary industry of the area is agriculture, but there is also a nuclear weapons disassembly facility operated in Carson County which raises the tax base of the county. Aside from the primary industries, the local school districts are primary employers in both cities.

The population of the AA is approximately 8,600 with 2,021 persons in Armstrong County and 6,576 persons in Carson County, consisting of four block numbering areas (BNAs). The two BNAs in Armstrong county are middle income tracts. Carson county has one BNA identified as middle income and one identified as upper income. Median Census Family Income is \$24,586, and the HUD Median Income for 1996 is \$28,900 (non-MSA).

The demographic information on the two counties indicates that persons with low- to moderate-income levels live throughout both counties and in all four BNAs. Of 2,460 families in the AA, 306 (12.44%) are identified as having low income and 341 families (13.86%) have moderate income. There are 420 low or moderate income families living in middle income tracts and 227 low or moderate income families living in the upper income tract.

The primary credit needs of the community relate to the agricultural economy. Lending is primarily needed for agricultural production. Local residents also need financing for home purchase or home improvement, automobiles, or other consumer items.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

We reviewed the bank's loan-to-deposit ratio for the quarters since the last examination in 1993. The average ratio was 55.75% over the twelve quarters reviewed. The ratio as of June 30, 1996, was 55.78%. This level is considered reasonable for the size and location of the bank as well as the economy of the area. We observed that the average ratio is comparable to ratios for other banks in the area with similar asset size. Lending volume is somewhat seasonal due to the level of agricultural loans extended.

Lending in the Assessment Area

The FNBC lends primarily within its AA. Our assessment is based on a review of a sample of loans originated in June 1995 and July 1996. This is illustrated in Figure 1 and Figure 2.

Table 2 reflects the distribution of loans within and outside the AA by loan type.

Table 2: SAMPLE SUMMARY

LN TYPE	IN AA				OUTSIDE AA				TOTAL BY TYPE			
	#	%	\$	%	#	%	\$	%	#	%	\$	%
COMMERCIAL	5	6.2	72.0	1.2	5	6.2	112.4	1.9	10	12.4	184.4	3.0
AG-RELATED	22	27.2	5,524.8	91.0	2	2.4	75.5	1.2	24	29.6	5,600.3	92.3
CONSUMER	28	34.6	191.7	3.2	19	23.5	92.2	1.5	47	58.0	283.9	4.7
TOTAL SAMPLE	55	67.9	5,788.5	95.4	26	32.1	280.1	4.6	81	100.0	6,068.6	100.0

ALL %'S ARE BASED ON TOTAL LOANS SAMPLED

As illustrated in Figures 1 and 2 and Table 2, this distribution is a very good level of lending within the AA, indicating that the bank is concerned primarily with local needs. Our review showed that this lending pattern was consistent for all types of loans extended.

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

Using file information for the loans sampled, we observed that the bank lends to persons with low- and moderate-income levels. FNBC also lends for small business and agriculture purposes. Based on our lending sample, 27.2% of loans by number (.9% by volume) were to low or moderate income borrowers. Also, the sample showed 11.1% of loans by number and 1.8% by volume were to small businesses, while 22.2% by number and 28.9% by volume were to small farm borrowers. These levels indicate that FNBC satisfactorily lends to persons of all income levels through the AA.

Geographic Distribution of Loans

Due to the limited number of geographies and the absence of any low or moderate income areas in the AA, a review of the geographic distribution of loans would not be meaningful.

We based our determination that the

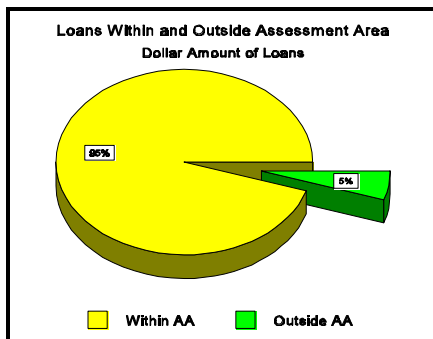


Figure 1

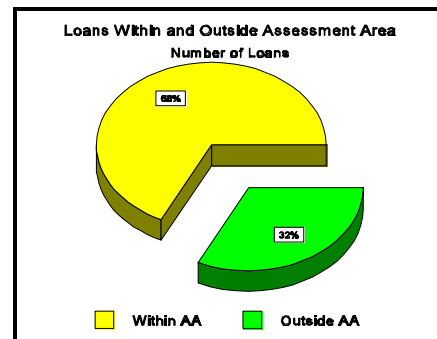


Figure 2

bank is satisfactorily lending to all areas from our review detailed above of lending across various income levels.

A concurrent Fair Lending review was performed with this examination. Based on comparative file review of denied female applicants to approved male applicants for automobile loans, no disparate treatment or discriminatory practices were noted.

Responses to Complaints

The Public File did not contain any complaints filed since the last examination.