



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 08, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**101 North Trice
Claude, TX 79019**

**Comptroller of the Currency
ADC-Lubbock (West Texas)
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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Claude (FNB) 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 65 percent during the evaluation period. Such performance is reasonable given the available loan demand and the moderate level of competition in the assessment area.
- A substantial majority of FNB's loans are within the bank's assessment area. Based on a sample of loans, 84 percent of the number of loans and 93 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNB 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 FNB's CRA performance

DESCRIPTION OF INSTITUTION

First National Bank of Claude is a community bank in Claude, Texas, which is approximately 30 miles west of Amarillo. FNB is an interstate bank with one main office, with drive-up facilities, and a branch in Tulia.

As of December 31, 2003, FNB had total assets of \$28.4 million, with 65.6 percent in the loan portfolio. The bank's primary loan products include agricultural, consumer, and real estate loans. The following chart details a breakdown of FNB's loan portfolio as of December 31, 2003.

Loan Portfolio Composition as of December 31, 2004		
Loan Category	\$ (000)	%
Agricultural	10,613	60.4
Agricultural Real Estate	4,500	25.6
Residential Real Estate	1,113	6.3
Commercial & Industrial	698	3.9
RE Nonfarm/Non Resident	415	2.4
Consumer	230	1.3
Other	18	0.10
Total	17,587	100.00

Source: December 31, 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, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on August 23, 1999.

FNB’s business strategy is to provide outstanding banking services to customers in the Panhandle of Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area. FNB’s Tier 1 Capital level is \$2.8 million, representing 15.61 percent of adjusted average assets as of December 31, 2003. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF SWISHER-ARMSTRONG ASSESSMENT AREA

FNB has designated Swisher and Armstrong Counties as its assessment area. The counties are located in the central Panhandle area of Texas. Tulia is the largest city in the assessment area and is also the county seat of Swisher County. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Swisher/Armstrong County AA	
Population	
Number of Families	2,833
Number of Households	3,739
Geographies	
Number of Census Tracts/BNA	15
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100.0%
% Upper-Income Census Tracts/BNA	0
Median Family Income (MFI)	
1990 MFI for AA	24,483
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	2.0%
2002 Median Housing Value	37,634
% of Households Below Poverty Level	20.9%

Source: 1990 Census data and HUD updated income data.

The bank's assessment area is comprised of two contiguous block numbering areas (BNA) in Armstrong County and four contiguous BNA’s in Swisher County. 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 10,154. There are 4,413 housing units in the assessment area, of which 60 percent are owner-occupied, 25 percent are renter-occupied and 15 percent are vacant. Approximately 25 percent of the families in the assessment area are considered low-income. Moderate-income families approximate 15 percent of the population, while middle- and upper-income families comprise the remaining 60 percent. The local economy is

based on agricultural and government services. The largest non-agricultural employers within the assessment area include the school districts, the State of Texas Highway Department, and local government.

Competition is moderate with several other financial institutions in the assessment area. The bank also competes with banks in the Amarillo and Plainview markets. One individual in the community 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 individual indicated that the local economy continues to be impacted by several years of drought. The individual did not identify any unmet credit needs in the community, and also indicated that the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to farms of different sizes and individuals of different income (including low-and moderate-income) levels.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 65.09 percent since the prior CRA examination in July 1999. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 44.10 percent. Traditionally, FNB has had a diverse loan portfolio offering commercial, agricultural and consumer 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 12/31/03)	Average Loan-to-Deposit Ratio
First National Bank, Claude	23,786	65.09
Donley County State Bank	25,623	28.76
First National Bank, Quitique	28,258	47.16
Kress National Bank	22,227	40.46
State National Bank, Groom	12,002	60.03

Source: Institution Reports of Condition from June 1999 to December 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 25 agricultural and 25 consumer loans originated between January 1999 and December 2002. Our analysis determined that 82.00 percent of the number of loans and 92.9 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)	%
Agricultural	20	80.0	2,582	93.9	5	20.0	166	6.1
Consumer	21	84.0	116	74.0	4	16.0	40	26.0
Total Reviewed	41	82.0	2,698	92.9	9	18.0	206	7.1

Source: Sample of loans used for CRA performance analysis

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

FNB'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 within its assessment area. To perform our analysis, we reviewed income information of 20 agricultural- and 21 consumer-purpose loans in the assessment area.

Agricultural Loans - Based on 2002 Business Demographic Data, there are 223 agricultural operations with reported revenues located within the assessment area. Operations with reported revenues of less than or equal to \$1 million represented 96.9 percent. Of the loans in the agriculture purpose sample, 85 percent were to operations reporting annual revenues of less than or equal to \$1 million. The following chart reflects the results of our selected sample of agricultural loans originated in the assessment area.

Borrower Distribution of Loans to Agricultural Operators in Armstrong - Swisher County Assessment Area		
Agricultural Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farm Operations	96.9	3.1%
% of Bank Loans in AA by #	85%	15%
% of Bank Loans in AA by \$	50.0%	50.0%

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, 49.6 percent of households in the assessment area are low- and moderate income. Our review determined that 61.1 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 the Armstrong - Swisher County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	32.5%		17.1%		16.5%		33.9%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	23.8%	6.1%	42.9%	71.4%	23.8%	13.7%	9.5%	8.8%

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

Geographic Distribution of Loans

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

Responses to Complaints

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

Fair Lending Review

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