



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**August 29, 2005**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Quitaque  
Charter Number 11706**

**Fourth And Main  
Quitaque, TX 79255**

**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.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The First National Bank of Quitaque (FNB) has a satisfactory record of meeting community credit needs. We based our conclusion on FNB's lending practices. We evaluated these practices through review of samples of the bank's primary loan products. The rating is based on the following findings:

- FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs in the assessment area's. The ratio has averaged 52 percent since the last CRA examination.
- A majority of the bank's loans, 56 percent by number and 74 percent by volume, are to customers who live or operate their business within the assessment area.
- FNB has excellent penetration to borrowers of various income levels, and businesses and farms of different sizes.
- An analysis of the geographic distribution of loans was not performed because there are no low- or moderate-income census tracts in the bank's assessment area.
- There have been no complaints with respect to FNB's CRA performance.

## **DESCRIPTION OF INSTITUTION**

FNB is located in Quitaque, Texas; a community approximately 100 miles northeast of Lubbock in Briscoe County. FNB is an intrastate bank with one main office. FNB was chartered in 1920. The bank is wholly owned by Quitaque National Corporation of Delaware (QNCD), which is owned by Quitaque National Corporation (QNC).

As of March 31, 2005, FNB had total assets of approximately \$38 million, with 36 percent in the loan portfolio. The bank is primarily an agricultural lender. The following chart details a breakdown of FNB's loan portfolio as of March 31, 2005:

<b>Loan Portfolio Composition as of March 31,2005</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural	8,897	63.87
Commercial & Industrial	1,723	12.37
Consumer	1,711	12.28
Agricultural Real Estate	1,266	9.09
Residential Real Estate	172	1.23
Other	85	0.61
Commercial Real Estate	77	0.55
<b>Total</b>	<b>13,931</b>	<b>100.00</b>

Source: March 31, 2005 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 November 15, 1999. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area.

FNB’s business strategy is to provide outstanding banking services to customers in Briscoe and Swisher Counties, while increasing the long-term value of the owners’ investment. FNB’s tier 1 capital level represents 12.61 percent of adjusted average assets as of March 31, 2005. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB has designated its assessment area (AA) as Briscoe and Swisher counties. This meets the regulatory requirements of the Act as they are both whole geographies and do not reflect any illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. There are only middle income tracts within the AA.

FNB is located in the city of Quitaque, in the southeast portion of Briscoe County. Briscoe County is situated approximately 90 miles northeast of Lubbock on the northern edge of the South Plains. Silverton, the county seat, is the largest community in the county. Silverton is located in the southwest portion of the county. Both communities have banking facilities.

Swisher County is situated approximately 60 miles directly north of Lubbock. Communities located in this portion of the AA include Claytonville, Kress, Happy, Lakeview, Tulia, and Vigo Park. Financial institutions in this county are located in the communities of Kress, Happy, and Tulia.

Based on 2000 Census data, the assessment area has a total population of 7,771. There are 3,221 housing units in the assessment area, of which 63 percent are owner-occupied, 22 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 21 percent of the population, while middle- and upper-income families comprise the remaining 54 percent.

The local economy is agricultural based, primarily cattle and growing crops. Crops include cotton, peanuts, wheat, and milo. Adverse weather conditions and poor crop prices have negatively affected the local economy in the recent past. However, 2004 was a successful crop year for the area. Agriculture producers have been reliant on payments from government programs in order to meet expenses. The outlook for agriculture has improved recently, with favorable weather conditions resulting in good crop projections.

The largest non-agricultural employers within the AA include the school districts and the prison at Tulia. Tourism has become more important for Briscoe County with the opening of Caprock Canyon State Park and the Caprock Canyon Trailways. The state park is now the home range for one of the oldest free-roaming bison herds in the United States. There are small manufacturing businesses in Tulia and Quitaque.

Competition is high in the AA, especially for agriculture loans. This includes banks or branches of state or national associations in Tulia, Happy, Kress, and Silverton, as well as the Production Credit Association in Tulia. Banks or branches in communities just outside the AA, but in close proximity to Quitaque also provide competition.

Discussions with a representative from the community, and with bank management, indicates a limited supply of residential real estate in Quitaque. FNB makes loans for purchase of homes. Because of the limited number of homes on the market and availability of special programs offered by other institutions with large mortgage banking departments, loans for home purchase are very limited.

One individual in the community was interviewed 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 depressed. The individual indicated the local financial institution is very cooperative and diligent in trying to meet the community's credit needs, with several members of the bank's staff participating and chairing community assessment needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this CRA examination is from January 2003 thorough March 2005. This time period uses the most current 2000 U.S. Census data in the analysis. The loan-to-deposit ratio was calculated from the date of the last CRA evaluation, which is from March 2000 through December 2004. FNB's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to individuals of different income (including low-and moderate-income) levels and businesses of different sizes.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and the AA's credit needs. The bank's quarterly average loan-to-deposit ratio was 52 percent since the prior CRA examination in November 1999. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 50 percent.

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.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 12/31/04)</b>	<b>Average Loan-to- Deposit Ratio</b>
Citizens National Bank, Crosbyton	30,600	41.15%
First National Bank Floydada	79,108	45.11%
Kress National Bank, Kress	26,031	42.91%
<b>First National Bank, Quitaque</b>	<b>36,970</b>	<b>52.24%</b>
Security Bank, Idalou	117,467	67.84%

Source: Institution Reports of Condition from March 2000 to December 2004

**Lending in Assessment Area**

A majority of the bank’s loans were made within its assessment area. In order to assess performance for this criteria, we reviewed 24 agricultural loans and 24 consumer loans originated between January 2003 and March 2005. Our analysis determined that 71 percent of the number of loans and 72 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	15	62.5%	3,130	72.2%	9	37.5%	1,204	27.8%
Consumer	19	79.2%	77	62.6%	5	20.8%	46	37.4%
Total Reviewed	34	70.8%	3,207	72.0%	14	29.2%	1,250	28.0%

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 satisfactory penetration among individuals and families of various income levels (including low- and moderate-income) and small farms of different sizes within the assessment area. To perform our analysis, we reviewed income information of 15 agricultural loans and 19 consumer loans in the Briscoe and Swisher County assessment area.

Agricultural Loans - Based on 2004 demographic data, there are 207 agricultural operations with reported revenues located within the assessment area. Of this number, 93.7 percent are small farms which reported revenues less than or equal to \$1 million. All of the loans selected for the sample of agricultural loans were to small farms. This level exceeds the assessment area information and reflects an excellent penetration of loans to small farms. The following chart reflects the results of our review of agricultural loans originated in the assessment area.

Borrower Distribution of Loans to Small Farms in Briscoe and Swisher County Assessment Area				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	93.7%	2.9%	3.4%	100%
% of Bank Loans in AA by #	100%	0%	0.0%	100%
% of Bank Loans in AA by \$	100%	0%	0.0%	100%

Source: Loan sample

Consumer Loans - Our review determined that the geographic distribution of loans to low-income households exceeds the income characteristics of the AA. The bank made 87.5 percent of consumer loans to 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 Briscoe and Swisher County Assessment Area				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER

% of AA Households	21.9%		17.2%		21.1%		39.8%	
LOANS	% of Number	% of Amount						
Total	87.5%	58.99%	0.0%	0.0%	12.5%	41.01%	0.0%	0.0%

Source: Loan sample; 2000 U.S. Census data

**Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of FNB’s loans. The banks assessment areas consist of two middle-income census tracts. There are no low- or moderate-income census tracts 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 FNB.

**Fair Lending Review**

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