



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Amarillo
Charter Number 23451**

**905 S. Fillmore
Amarillo, Texas**

**Office of the Comptroller of the Currency
Southwestern District Office
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 bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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 bank'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 bank. Upon conclusion of such examination, the agency must prepare a written evaluation of the bank'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 Amarillo** prepared by **Comptroller of the Currency**, the bank's supervisory agency, as of February 18, 1998. The agency rates the CRA performance of an bank consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

BANK'S CRA RATING: This bank is rated **Satisfactory**.

First National Bank of Amarillo (FNBA) has demonstrated satisfactory performance under the Community Reinvestment Act (CRA). The following factors were considered in determining this rating:

- The loan to deposit (LTD) ratio of 106% is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans are in the assessment area. The bank lends primarily within a 7-county area and 91% by number and 69% by volume of the outstanding loan portfolio balance are within the area.
- There is reasonable penetration of credit among individuals of different income levels and businesses and farms of different sizes.
- The geographic distribution reflects reasonable dispersion throughout the assessment areas.
- No complaints regarding performance under the Community Reinvestment Act have been received since the last examination.

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

SMALL BANK ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF AMARILLO</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		X	
Response to Complaints	No complaints regarding performance under the Community Reinvestment Act have been received since the last examination.		

DESCRIPTION OF BANK

FNBA is a \$144 million bank owned by Tejas Bancshares and currently operating in five locations, with the main office in Amarillo, Texas in the central Texas panhandle. This is the first CRA evaluation for this bank as there was a change in ownership and management, with conversion to a national charter in mid-1997. The prior charter was an \$18 million state bank, operating a single facility in Fritch, Texas, a small community 40 miles northeast of Amarillo. The current locations are the main office and two branches in Amarillo, a branch at the prior Fritch location, and a branch in Dalhart, Texas, approximately 85 miles northwest of Amarillo.

FNBA offers a wide variety of credit and deposit services to customers through each of the branch facilities. There are currently 24-hour ATM's operating at the two Amarillo branches and a terminal in a store in Dalhart. Installation is underway, and management anticipates completion of additional terminals at the Dalhart and Fritch branches within the next three months. Plans also include installation of deposit-taking ATM's at locations in Amarillo to help reach populations in areas where branches are not currently operating.

As shown in Chart 1, initial efforts of management have resulted in larger volumes of commercial loans. However, our review of loan originations since the beginning of 1998 shows increased lending to individuals and for consumer purposes. This reflects management's stated commitment to increased credit access for consumers through opening branches in more accessible areas and ensuring qualified lending staff is available at each location.

There is a high level of competition throughout the AA, with various financial institutions in each location served by FNBA. One national bank and a branch of a large regional bank provide competition for the business in Dalhart, with a local savings and loan providing additional competition in the real estate lending market. The Fritch credit union branch is a strong competitor in that area, due to the large number of persons who are current or retired employees of the Pantex plant. The primary competitors in Amarillo are a locally-owned national bank and a large regional bank both with several branches, ATM locations, and telephone and internet banking. A local credit union is also very competitive in consumer

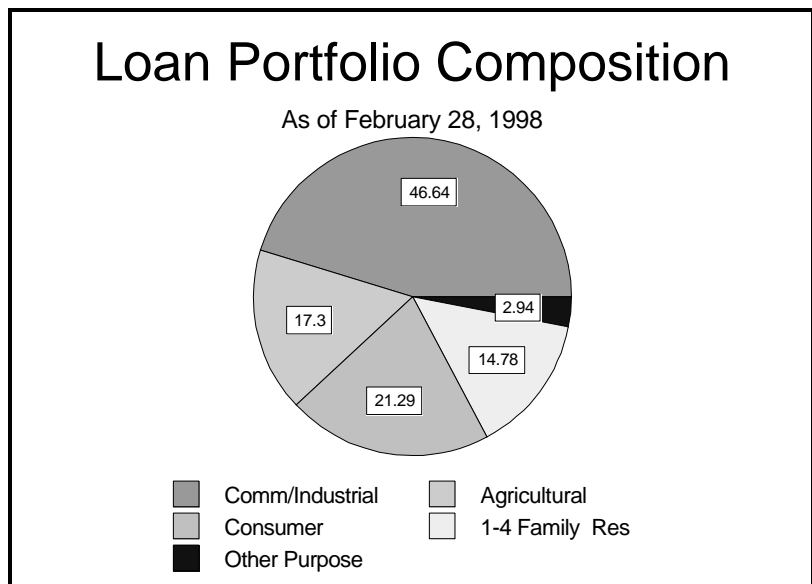


Chart 1

lending in this market. Other local institutions primarily serve niche markets and offer somewhat limited branch and ATM access.

DESCRIPTION OF ASSESSMENT AREA

FNBA has defined the AA as seven counties in the Texas panhandle: Dallam, Hartley, Moore, Hutchinson, Carson, Potter, and Randall. These are contiguous counties and represent the areas where the bank’s offices are located and where the majority of the loans are extended. The first five counties are primarily rural economies where the main industries are related to agriculture production and oil and gas production. The primary employers in Potter and Randall counties are healthcare providers, the school districts, Iowa Beef Processors, Inc., and Mason & Hanger, operator of Pantex Nuclear Facility.

Table 1 - DEMOGRAPHICS OF ASSESSMENT AREA

COUNTY	#BNA/CT	% OF MSA MED INC	#BNA/CT IN INCOME LEVEL			
			LOW	MOD	MID	UPPER
CARSON	2	123.46	0	0	1	1
DALLAM	3	96.08	0	0	3	0
HARTLEY	2	137.31	0	0	1	1
HUTCHINSON	9	131.45	0	1	4	4
MOORE	4	122.97	0	0	3	1
POTTER/RANDALL	43	83.14	7	16	14	6
AMARILLO MSA	25	124.85	0	1	12	12
TOTAL	88	83.54	7	18	38	25

Data from census-reporting software

Table 1 above shows that of the twenty block-numbering areas (BNA’s) in these counties, only one is designated as a moderate-income area. All others are middle- or upper-income. The main city in Potter and Randall counties is Amarillo, an MSA with 68 census tracts (CT). Of these, seven are low-income and 18 are moderate-income areas. Unemployment is low throughout the AA estimated at between 3% and 4%. The adjusted median family income for the non-MSA counties is \$31.5 thousand. The adjusted median family income for the MSA is \$39.8 thousand. The table gives a more detailed explanation of the AA by county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

We calculated FNBA's loan to deposit ratio (LTD) as of the examination to be 106%. The current LTD substantially exceeds the standard for satisfactory performance under this criterion.

The CRA rating for the bank under the state charter was "needs improvement" primarily due to the very low LTD of 8.8% at the 1996 examination. With changes in the structure of the bank which include additional branches, management has increased the LTD so that the average over the last five quarters, including the three quarters prior to the charter change, is 88%. We compared this average and the bank's current level to the LTD from several area banks in the AA. The five-quarter average for these banks ranged from 49% to 68%. As deposit growth increases, it is likely that the LTD may decline from the current level. However, management is committed to meeting the credit needs identified in each area served by FNBA.

Lending in the Assessment Area

FNBA lends primarily to borrowers who reside within the defined AA. We used the sample of loans selected for the Fair Lending review to observe the current practices for originated loans. This review of the Fair Lending sample showed that 93% both by number and volume of loans were extended to borrowers within the AA. To further evaluate the level of lending within the AA, we reviewed a report of the loan portfolio, showing the number and volume of loans by zip code as of January 31, 1998. Using this information to evaluate the total loans outstanding, we determined the level of lending within the AA in total. Our review of the portfolio balance is shown in Table 2 which follows.

Table 2 - LENDING PATTERNS WITHIN OR OUTSIDE THE AA

LOCATION	LOANS OUTSTANDING			
	#	%	\$	%
TOTAL IN AA	1,757	90.90%	99,768.0	68.75%
OUTSIDE AA	176	9.11%	45,342.9	31.25%
COMBINED TOTAL	1,933	100.00%	145,110.9	100.00%

As is shown by our reviews, the levels of loans originated and outstanding balances within the AA are considered reasonable, and they meet the standard for satisfactory performance.

Lending to Borrowers of Different Income and Revenue Levels

FNBA lends to borrowers of different income levels and to businesses with differing revenue levels. We determined this through review of income levels of borrowers represented in the Fair Lending sample, with 10.99% and 8.06% of loan balances originated to low and moderate income persons respectively. Demographic information shows that approximately 4% and 17% of families in the AA are categorized as low- or moderate-income. We also observed the level of

new small loans, \$5 thousand or less, originated at all the branches in the months of January and February, 1998, and Table 3 shows the results of our review of new loans.

Table 3 - SMALL LOANS BY BRANCH

Branch	Main		Fritch		Dalhart		Bivins		Patterson	
	#	\$	#	\$	#	\$	#	\$	#	\$
Originated Lns	164	25,166	34	218	96	14,303	28	228	4	36
Small Loans*	16	60	24	49	14	41	12	29	1	1
% Small Loans	9.8	.2	70.6	22.5	14.6	.3	42.9	12.6	25.0	1.4

*Small Loans: all loans ≤5,000

By review of the number and volume of small loans by branch, we approximated the bank's level of lending to borrowers of lower income levels. The lower percentage for volume of small loans at the Main bank and Dalhart branch reflect that lending at these branches has a concentration in commercial lending and agricultural purpose lending respectively.

To determine the bank's practices of making small loans to farms and businesses, we reviewed the balances for these types of loans as defined for the Consolidated Report of Condition. Table 4 below shows FNBA's level of small loans to farms and business customers in comparison to the total loans at February 28, 1998.

Table 4 - SMALL LOANS TO BUSINESSES AND FARMS

LOANS TO	BUSINESSES				FARMS			
	#	%*	\$	%*	#	%*	\$	%*
≤ 100M	374	66.91%	8,834.2	14.62%	38	34.86%	1,160.2	5.18%
>100≤250	94	16.82%	10,796.4	17.86%	26	23.85%	2,035.7	9.08%
>250 - ≤500					18	16.51%	2,219.3	9.90%
>250 - ≤1,000	72	12.88%	18,431.9	30.50%				
TOTAL SMALL FARM/ BS	540	96.60%	38,062.5	62.98%	82	75.23%	5,415.2	24.16%

*Comparison as a percentage of the outstanding loans for each type

Based on the lending patterns shown by Tables 3 and 4, we determined that FNBA has a reasonable distribution of loans to persons of different income levels and to businesses and farms of different revenue levels. This meets the standard of satisfactory performance for this criterion.

Geographic Distribution of Loans

FNBA lends to borrowers throughout the AA, with loans extended in all counties designated. At the time of the examination, use of the software to plot the distribution of loans by BNA or CT had not been implemented. FNBA management stated that the software which has been acquired will give management the information needed to determine their level of lending to all parts of the assessment including low- and moderate-income areas. This will enable them to ensure the needs of all parts of the communities are being met.

We evaluated the geographic distribution by the review of lending within each county since no further details were available to determine the exact distribution at the BNA/CT level. Table 5 below shows the level of lending in each county, based on zip code information. FNBA's lending shows a reasonable dispersion throughout the AA. This meets the standard for satisfactory performance.

Table 5 - LENDING WITHIN THE AA

COUNTY	% TOT AA POP	LOANS OUTSTANDING			
		#	%	\$	%
CARSON	2.7	11	0.63%	34.5	0.03%
DALLAM	2.2	237	13.49%	29,011.5	29.08%
HARTLEY	1.5	21	1.20%	850.0	0.85%
HUTCHINSON	10.4	321	18.27%	2,724.5	2.73%
MOORE	7.2	7	0.40%	47.6	0.05%
POTTER/RANDALL	76.0	1,160	66.02%	67,099.9	67.26%
TOTAL IN AA	100.0	1,757	100.00%	99,768.0	100.00%

OTHER INFORMATION

A fair lending review focused on rates and terms on loans secured by automobiles and compared male vs. female applicants. We noted no discrimination or disparate treatment in this review.

Based on our review and discussion with management, there were no complaints received by the bank regarding their performance under the CRA since their last examination.