

PUBLIC DISCLOSURE

November 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Quitaque
Charter Number 11706
4th and Main
Quitaque, Texas**

**Office of the Comptroller of the Currency
Lubbock Field Office
5225 S. Loop 289, Suite 108
Lubbock, Texas 79424**

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 **The First National Bank of Quitaque** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 15, 1999. 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.

- The bank's loan to deposit ratio has averaged 43% since the last examination. The ratio as of September 30, 1999, was 47%. This is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's loans are in the assessment area (AA). Based on our sample, 71% of the number of loans, and 81% of the volume of loans are in the assessment area.
- There is a reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses and farms of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- No complaints concerning the performance of the bank have been received since the last examination.

DESCRIPTION OF INSTITUTION

The First National Bank of Quitaque (FNB) is located in Quitaque, Texas, a community of approximately 500 persons in the southern Texas panhandle. It is owned primarily by the Stark and Bedwell families. FNB operates a single banking location in Quitaque.

There are other financial institutions in the AA which provide competition to FNB, 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. There are also banks or branches in communities outside the AA but near Quitaque. FNB's outstanding loans as of September 30, 1999 are slightly below \$12 million. It is primarily an agriculture lender as shown in Figure 1.

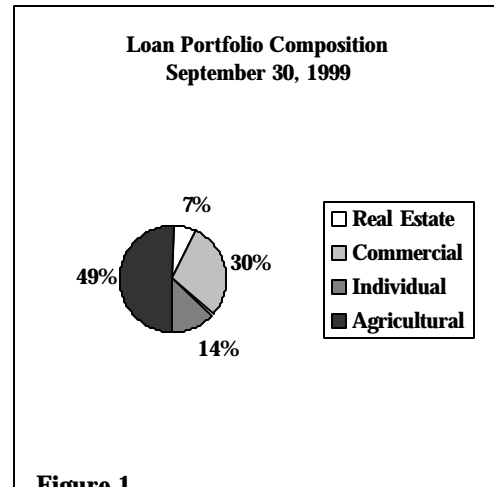


Figure 1

The bank's last CRA examination, dated December 4, 1995, resulted in an assessment of Satisfactory.

There are no legal impediments, which affect FNB's ability to lend, but the bank's size does impact the size of loans due to the lending limit.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The AA of the bank includes Briscoe and Swisher counties in the Texas panhandle. The AA meets regulatory guidelines and does not reflect any discriminatory practices.

Briscoe County is the county where the bank is located. It is located southeast of Amarillo.

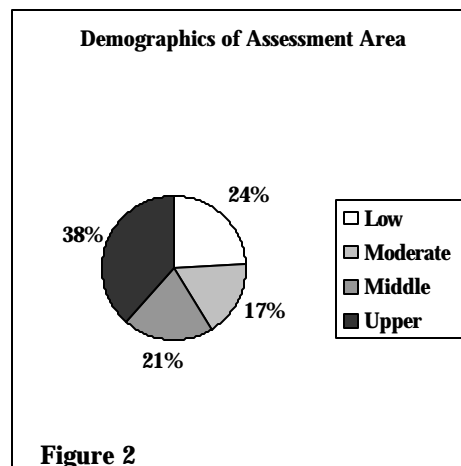
The largest community is Silverton, and Quitaque is in the southeast part of the county. Both of these cities have banking facilities. There are two block-numbering areas (BNA's) in the county, one designated as moderate income and one designated as middle income.

Swisher County is directly south of Amarillo. Three of its BNA's are designated middle income and one BNA is designated as upper income. Banks are located in Tulia, Kress, and Happy.

The primary industry in the AA is agriculture, but there are small manufacturing businesses in Tulia and Quitaque. The school districts are the primary employers, and the prison at Tulia provides employment for a number of residents from both counties. Tourism is becoming a more important factor for Briscoe County with the opening of Caprock Canyon State Park and the Caprock Canyon Trailways. The state park is the home range for one of the oldest free-roaming bison herds in the United States, and the opening of a Bison Center at the state park is expected to increase the volume of tourists to 250 thousand annually.

Agricultural production includes cattle and growing crops. Primary crops include cotton, peanuts, wheat, and milo. Adverse weather conditions and poor prices for agricultural products have negatively affected the local economy during recent years. Agricultural producers have been reliant on payments from government programs in order to meet expenses. The outlook for agriculture is slightly improved, with favorable weather resulting in good production. However, prices for agricultural products remain low, and farmers will continue to rely on payments from government programs.

The population of the two counties is approximately 10,000 persons. The population has declined slightly since the last census in 1990, and the population, especially in the Quitaque area is aging. Figure 2 shows the demographics of the area. Low- and moderate-income individuals live throughout the AA.



The discussions we had with representatives of the community and with bank management indicate that there is limited supply of residential real estate in

Quitaque. Because there are no builders or tradesmen in the area, the construction cost of a new home in Quitaque is high. FNB makes loans for purchase of homes, including loans for homes valued under \$30 thousand. Because of the limited number of homes on the market and availability of special programs offered by other institutions with large mortgage banking departments, no loans for home purchase secured by the residence have been extended during the last two years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

FNB's loan to deposit (LTD) ratio as of September 30, 1999 is 47.13%. The bank's quarterly average LTD from September 1996 to June 1999 is 43.46%. We compared this to seven other banks in the county and nearby similar communities. The other banks' LTD for this period ranged from 13.59% to 74.05%. In comparison with the other community banks with only one location, FNB's average is reasonable, and it meets the standard for satisfactory performance.

Lending in Assessment Area

The bank has a majority of loans in the AA. Based on our sample of consumer, agriculture, and commercial loans advanced during 1999, 71% by number and 81% by volume of loans are to borrowers within the AA. Management prepared a summary of loan balances by location. It shows that 63.22% of total loans are to borrowers in the bank's AA. This level meets the criteria for satisfactory performance for this factor.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

We used our sample of 30 consumer loans, 28 agricultural purpose loans, and 26 commercial loans to evaluate FNB's performance in lending to individuals with varying income levels and to businesses and farms with varying revenue levels. We found that the bank meets the standard for satisfactory performance in this area. Our review of the income level of borrowers showed that the bank has a reasonable penetration among individuals of different income levels. The lending level in each income category compares favorably to the level of families in each category in the AA. This is displayed in Figure 3.

Income Level	Low	Moderate	Middle	Upper
# of loans	10	10	5	5
%	33.34	33.34	16.66	16.66
\$ of loans	38,578	63,240	36,419	56,973
%	19.76	32.4	18.66	29.19
Population				
# of families	676	485	585	1079
%	23.93	17.17	20.71	38.19

Figure 3 - Based on a sample of consumer loans originated during 1999; population data is based on demographic information available on the AA.

We also noted that the bank makes loans to small farms and businesses. Our sample review is reflected in Figure 4. It demonstrates that the bank has a reasonable penetration among businesses and farms of different sizes. The level of loans to farms and small businesses compares favorably to the level of these businesses in the AA.

Revenue Level (000's)	<100	100 - 250	250 - 500	500 -1,000	1,000 +	Total
Agriculture Loans						
#	9	6	9	4	0	28
%	32.14%	21.43%	32.14%	14.29%	0.00%	1.00%
\$	114,338	342,088	1,449,236	1,230,000	0	3,135,662
%	3.65%	10.91%	46.22%	39.23%	0.00%	100.00%
Business Loans						
#	13	8	2	3	0	26
%	50.00%	30.77%	7.69%	11.54%	0.00%	1.00%
\$	239,661	600,719	452,000	434,222	0	1,726,602
%	13.88%	34.79%	26.18%	25.15%	0.00%	100.00%

Figure 4 - Based on a review of a sample of agriculture and commercial purpose loans advanced during 1999; data for farm and business revenues based on business demographics of AA.

Geographic Distribution of Loans

Based on zip code reports, 29% of outstanding loans are to borrowers in Quitaque, which is in a moderate income BNA. Demographic information on the AA shows that 6.4% of the families in the AA live in the moderate income BNA. Approximately 35% of loans are to borrowers who live in the middle and upper income BNA's of the AA. There are no low-income areas identified in the AA. The high level of loans in the community reflects the bank's commitment to make loans in the moderate-income area and indicates a reasonable dispersion throughout the AA. This meets the standard for satisfactory performance.

Response to Complaints

No complaints regarding FNB's performance under the CRA have been received since the last CRA evaluation.

Record of Compliance with Antidiscrimination Laws

Concurrent with our CRA examination, we conducted a Fair Lending review. We reviewed rates and terms on loans to male and female borrowers for purchase of a vehicle. Based on this review, we did not identify any instances of illegal discrimination or disparate treatment on a prohibited basis.