

PUBLIC DISCLOSURE

September 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Pecos
Charter Number 8771**

**100 East 6th Street
Pecos, Texas 79772**

**Comptroller of the Currency
Southwestern District
Lubbock Field Office
5225 South 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 **First National Bank of Pecos** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 7, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

- The bank’s loan-to-deposit ratio is reasonable and has averaged 43 percent during the evaluation period.
- A majority of the loans to customers are within the assessment area.
- The distribution of lending to individuals and businesses of different income level is reasonable, given the demographics of the assessment area.
- We did not perform a geographical distribution analysis of lending patterns throughout the assessment area.
- The bank has received no complaints about its performance in meeting assessment area credit needs.

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

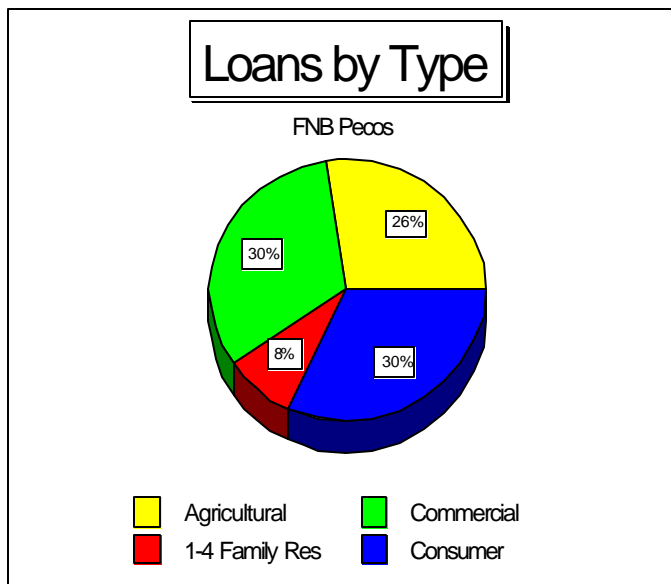
SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Pecos</u> PERFORMANCE LEVELS		
	Exceeds Standards For Satisfactory Performance	Meets Standards For Satisfactory Performance	Does Not Meet Standards For Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Because there are no low- or moderate-income areas, an analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	The bank has not received any complaints concerning its performance under CRA.		

DESCRIPTION OF INSTITUTION

The First National Bank of Pecos (FNB) is a \$89 million bank in Pecos, Texas. The bank was chartered in 1907 and is a subsidiary of First Pecos Bancshares, Inc., a one-bank holding company in Midland, Texas. The bank has two full service branches located in Kermit and Crane Texas. There are no ATM facilities. Deposit products include certificates of deposits, demand deposit accounts, and savings accounts. Loan products include agricultural, small business, and consumer loans.

Gross loans total \$28 million as of August 27, 1999, which are approximately 34% of the total assets of the bank. The following chart shows the composition of the loan portfolio.

First National Bank of Pecos (FNBP) has no legal impediments or other factors which inhibit the bank from meeting the identified credit needs in its assessment area. The last CRA examination was performed as of February 5, 1997, and resulted in a "Satisfactory record of meeting community credit needs." The evaluation period for this examination is from February 6, 1997 to September 7, 1999. The Kermit and Crane branches were obtained during this period.



DESCRIPTION OF ASSESSEMENT AREA

The Board of Directors has designated all of **Figure 1** the bank's assessment area (AA). Pecos, Texas is the largest city in the AA. This AA meets the requirements of the regulation by including full geographies and does not arbitrarily exclude low- or moderate-income areas. The counties are not in a MSA, but are comprised of contiguous counties. The dominant industries are oil and gas production, cattle, agricultural crops, and distribution services. The primary employers for the AA are Anchor West Food, the Crane, Kermit and Pecos school districts, and county governments.

The 1990 Census information shows that the population of the AA is 29,237. The AA includes eleven block numbering areas (BNAs) consisting of four moderate, three middle, and four upper income areas. The median family income for Texas according to the 1990 census was \$24,586. The 1999 HUD updated median family income for the AA is \$33,900.

Credit needs in the assessment area are centered in agricultural loans to small and medium sized operations. We reviewed the community contract data from two unrelated sources, a city employee and a county judge. Information obtained from these contacts does not indicate there are unmet credit needs in the assessment area.

There are eight other financial institutions in the assessment area of the bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and has averaged 43 percent during the evaluation period. The ratio as of June 30, 1999, was 33 percent. We compared this ratio to four other banks in the AA and nearby counties with a similar agricultural economy. These banks had average ratios ranging from 31 percent to 80 percent, and their lending also reflected the cyclical loan demand. The bank's ratio has ranged from 32 percent as of March 31, 1999, to 55 percent as of December 31, 1997. The ratio has declined over the evaluation period because of the acquisition of branch locations in Crane and Kermit.

Lending in the Assessment Area

A majority of the loans to customers are within the assessment area. Based on our sample, 69 percent of the number of loans and 64 percent of the dollar volume of loans were to borrowers residing or operating within the assessment area. From discussion with management, these borrowers also maintain some type of deposit relationship with the bank.

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

The distribution of lending to individuals and businesses of different income level is reasonable, given the demographics of the assessment area. Our review of a random sample of consumer loans showed that the bank extends credit to individuals with a range of income levels (including low and moderate income) and businesses of different sizes. See Figure 2 for details.

Loan Type	Loan Balance (000's)	% of Total loans
Real estate Loans	\$1,193	4
Commercial loans	\$8,290	30
Agricultural loans	\$7,211	26
Consumer Loans	\$8,309	30
Other Loans	\$2,686	10
Total Loans	\$27,689	100

Figure 2

During our evaluation, we reviewed bank reports on commercial, consumer, and agricultural lending relationships within the assessment area. All loans were to small businesses with annual revenues less than \$ 1 million and small farms with annual revenues less than \$500 thousand. This indicates that First National bank of Pecos does a satisfactory performance of lending to their customer base.

Geographic Distribution of Loans

A geographic distribution analysis of loans was not performed during this examination as it would not be meaningful. There are no distinguishable low income BNAs in the assessment area.

Responses to Complaints

The bank has received no complaints about its performance in meeting assessment area credit needs.

Record of Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.