

PUBLIC DISCLOSURE

November 29, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Midland
Charter Number 23681**

**123 North Colorado
Midland, Texas 79702**

**Office of the Comptroller of the Currency
Lubbock Field Office
5225 S. Loop 289, Suite 108
Lubbock, Texas 79702**

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 Midland** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 29, 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 loan-to-deposit ratio of the bank is reasonable and meets the standards for satisfactory performance averaging 30 percent from December 31, 1998, to September 30, 1999. The loan-to-deposit ratio for the quarter ending September 30, 1999, was 50 percent.
- A majority of the loans sampled during the examination are within the bank's assessment area: 86 percent of the number of loans and 79 percent of the dollar volume.
- The lending pattern reflects a reasonable penetration among individuals of different income levels and a good penetration among businesses of different sizes.
- Given the location of the banking office, the sample of loans reviewed during the examination reflects reasonable dispersion throughout the assessment area.
- There have been no consumer complaints regarding the bank's CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Midland (FNB) is located in Midland, Texas, and reported total assets of \$21 million at September 30, 1999. FNB currently has one full-service banking location in the city of Midland with no drive-up facilities or automated teller machines (ATMs). FNB has no affiliates.

At September 30, 1999, FNB had total assets of \$21 million. FNB's loan portfolio totaled \$8 million representing 37 percent of total assets. Figure 1 provides a general breakdown of the loan portfolio.

LOAN TYPE	LOAN BALANCE (000's)	% OF PORTFOLIO
Commercial Real Estate	3,939	50.60%
Commercial	3,082	39.59%
Consumer	709	9.11%
1-4 Family Residential	51	0.66%
Other	3	0.04%
TOTAL	7,784	100.00%

Source: September 30, 1999 Report of Condition

Figure 1

The bank has no legal or financial impediments that interfere with its ability to make credit available in its assessment area. FNB opened for business on November 16, 1998, and there has been no prior CRA rating.

FNB offers a variety of credit products, including commercial, first and second lien residential mortgage, and consumer loans.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The Board of Directors has designated Midland County as the bank's assessment area. The county is within the Midland/Odessa Metropolitan Statistical Area (MSA). This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

MIDLAND COUNTY

Midland County is located in the Permian Basin region approximately 120 miles south of Lubbock.

The estimated current population of the county is 121,300, including the city of Midland with an estimated 99,186 people. Information obtained from a local community organization estimates that the population has been relatively stable over the last several years. There is one institution of higher learning, Midland College, which is a two-year college that has approximately 4,700 students. The primary industry is oil and gas with additional activities in farming, ranching and small businesses.

The 1990 Census median family income for Midland County is \$30,955. The 1999 updated HUD median family income is \$39,800. Midland County contains twenty-six census tracts (CTs), including two low-income, three moderate-income, seven middle-income, and fourteen upper-income CTs. Thirty-three percent of the families have been identified as low- or moderate-income. Figure 2 shows the demographic composition of Midland County.

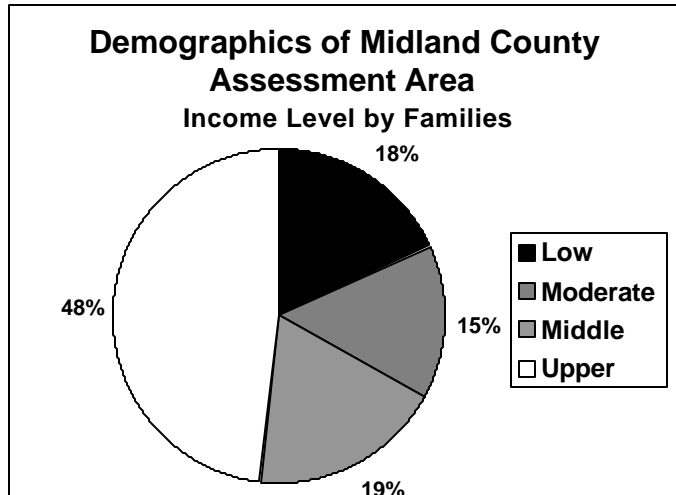


Figure 2

Major employers in Midland County include: Memorial Hospital and Medical Center, the City of Midland, Midland County, Midland Junior College, Midland Independent School District, Chevron USA, Inc. and Burlington Resources.

The Midland County economy is heavily influenced by oil and gas production. Over the last two years, low oil and gas prices and consolidation in the industry have adversely affected the local economy.

Other financial institutions located in Midland County include Community National Bank, and branches of Bank of America; Bank One Texas, N.A.; Chase Bank; Norwest Bank Texas, N.A.; First American Bank; First State Bank; and Western National Bank. State National Bank of West Texas has a loan production office located in Midland County. In addition, there are six credit unions and many finance companies.

Two community contacts were completed. These contacts were with a member of the City of Midland government and a member of the Midland Chamber of Commerce. The purpose of community contacts is to assist in developing a community profile, identifying opportunities for participation by local financial institutions, and evaluating the performance of those institutions. In general terms, the contacts felt that venture capital lending and affordable housing need additional bank involvement.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's quarterly ratio has averaged 30 percent since the bank's opening, and reflects an increasing trend. The loan -to-deposit ratio for the quarter ending September 30, 1999, was 50 percent. This compares favorably with the other locally owned financial institution in the assessment area which had a ratio of 54 percent as of September 30, 1999.

It is difficult to evaluate how this ratio compares with the other local institutions because the information on the branches is not available.

Lending in Assessment Area

A majority of the loans sampled during this examination are in the bank's AA. Our sample included all loans originated since the bank opened on November 16, 1998. Figure 3 summarizes the bank's record of lending in the assessment area based on our loan sample.

Loans in the Assessment Area				
Loan Location	\$ Amount of Loan		# of Loans	
In Assessment Area	\$14,857	79%	106	86%
Outside Assessment Area	\$ 3,984	21%	17	14%
Total Reviewed	\$18,841	100%	123	100%

Source: Loan Sample

Figure 3

The level of loans originated within the assessment area is reasonable and meets the criteria for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB is primarily a commercial and commercial real estate lender representing 51 percent and 40 percent of its loan portfolio, respectively. FNB has been responsive to the credit needs of businesses of different sizes. FNB's lending performance generally reflects the business demographic make up of the assessment area. As shown in Figure 4, 70 percent of the commercial and commercial real estate loans sampled in the assessment area are to companies with annual revenues under \$1 million. This compares favorably to the demographic make up of 75 percent of the commercial and commercial real estate with the assessment area having annual revenues under \$1 million.

Distribution of Commercial Loan Originations Sampled Within the Assessment Area By Business Revenues								
Sampled Loans in the Assessment Area					Annual Revenues < \$1 Million			
	#	%	\$(000)	%	#	%*	\$(000)	%*
Commercial Loans	46	100%	\$13,917	100%	32	70%	\$6,576	47%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:		< 1 Million	75%	*As a percentage of commercial loans sampled within the Assessment Area				
		> 1 Million	7%					
		Unknown	17%					

Source: Business Demographic Data and sampled loans in the assessment area reviewed during the examination.

Figure 4

The distribution of lending to businesses of different income levels is reasonable. The bank does not perform a commercial loan income analysis. However, our review of loan originated since November 18, 1998 showed that many small business loans are made to businesses with gross revenues of less than \$250 thousand. Figure 5 reflects the lending pattern.

Lending to Businesses of Different Income Levels Based on Sample Reviewed										
Gross Annual Revenues	< \$250,000		\$250,000 - < 500,000		\$500,000 - < \$1 million		> \$1 million		Total	
	#	%	#	%	#	%	#	%	#	%
Number of Loans	19	36%	10	19%	11	21%	13	24%	53	100%
Average Loan Size (000's)	117		581		259		524		334	

Source: Sample of loans reviewed during the examination

Figure 5

FNB has a good record of making consumer loans to individuals of different incomes. The percentages of the number of loans to low- and moderate-income individuals exceed the percentages of families in those income categories. Figure 6 summarizes FNB's record of consumer lending to individuals of different incomes.

Distribution of Loans to Individuals by Borrower Income \$(000)								
Income Level	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Consumer Loans	12	17%	14	20%	8	11%	36	51%
	\$	%	\$	%	\$	%	\$	%
	\$105	9%	\$94	8%	\$83	7%	\$834	75%
Distribution of Families in Assessment Area	#	%	#	%	#	%	#	%
	5,122	18%	4,377	15%	5,408	19%	13,926	48%

Source: Sample of loans reviewed during the examination

Figure 6

This review shows that FNB meets the criteria for satisfactory performance in lending to borrowers and businesses of different income levels.

Geographic Distribution of Loans

A geographic distribution analysis for commercial loans could not be conducted, as the bank does not routinely collect required information. However, the geographic distribution of FNB’s consumer loans we sampled is satisfactory. There are twenty-six census tracts in the assessment area, including two low-income, three moderate-income, seven middle-income and fourteen upper-income census tracts. Thirty-three percent of the families have been identified as low- or moderate-income. However, the geographies tend not to be well defined as to income level. Specifically, the middle-income census tracts have approximately 36% of its families in the low- and moderate-income categories, and the upper-income census tracts have approximately 21% of its families in the low- and moderate-income categories. The geographic distribution of loans is shown in Figure 7.

Distribution of Consumer Originations Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Census Tracts	2	8%	3	12%	7	27%	14	54%
Loan Product	#	%	#	%	#	%	#	%
Consumer Loans	2	3%	3	5%	14	24%	40	68%

Source: Consumer Loans sampled during this examination. Total loans exclude 10 loans located outside the Assessment Area and 1 loan within the Assessment Area that the geographic location could not be determined.

Figure 7

Response to Complaints

FNB has not received any complaints during this evaluation period regarding their CRA performance.

Record of Compliance with Antidiscrimination Laws

A Fair Lending examination was performed at this examination. Because of the limited time the bank has been in business, there were an insufficient number of loans to perform a comparative file review. Therefore, we reviewed the loan policy and a sample of loan applications. Based on this review, we did not identify any evidence of disparate treatment or discriminatory practices.