



**Comptroller of the Currency
Administrator of National Banks**

SMALL BANK

PUBLIC DISCLOSURE

July 20, 1998

COMMUNITY REINVESTMENT ACT Performance Evaluation

**PORTALES NATIONAL BANK
Charter Number 8348**

**109 East Second Street
Portales, New Mexico 88130**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY
Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 CRA performance of **Portales National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 20,1998**. 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.**”

Management is responsive in meeting the credit needs of their assessment area.

- Overall, lending to individuals of various income levels and businesses of different sizes is excellent. Our analysis revealed the bank lends in all areas of its community equitably and its lending surpasses the demographics of the assessment area.
- Portales National Bank has done a good job of lending within its assessment area.
- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- Portales National Bank's geographic distribution of loans within Roosevelt County is reasonable.

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

PORTALES NATIONAL BANK Performance Levels			
Small Institution Assessment Criteria	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Lending to borrowers of different incomes and to businesses of different sizes	✓		
Loan-to-deposit ratio		✓	
Lending in assessment area	✓		
Geographic distribution of loans		✓	
Response to complaints	No complaints relating to CRA activities were received since the prior examination		

DESCRIPTION OF INSTITUTION

Portales National Bank (PNB) is a Subchapter S corporation wholly owned by Portales National Bancshares, Inc., a one bank holding company. As of June 30, 1998, PNB had \$73 million in total assets. The bank's main office is located in the downtown business district of Portales, New Mexico. In addition to the main office, the bank has two branches and two automatic teller machines (ATM). The South Branch is located on the west side of Portales and offers full deposit banking services and drive-in facilities. A second branch is at the Eastern New Mexico University (ENMU) campus and offers full deposit banking services and an ATM. An additional ATM is at the main office.

The bank's lending focus is primarily in consumer and agricultural loans. Total outstanding loans as of July 21, 1998 were \$25 million. Of these, 15% were agricultural (ag) loans, 53% real estate secured (26% ag/commercial and 27% residential), 7% commercial, 22% consumer, and 3% other loans. There are no legal or financial impediments preventing the bank from meeting the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

PNB has defined its assessment area as Roosevelt County, a non-metropolitan statistical area. This assessment area consists of five block numbering areas (BNA) designated as one moderate-income BNA, three middle-income BNAs, and one upper-income BNA. This information is based on the statewide non-metropolitan family income derived from 1990 census information. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Of all the families in the assessment area, 25% are designated as low-income, 15% as moderate-income, 18% as middle-income, and 42% as upper-income. If the census tract/block numbering area is less than 50% of the statewide non-metropolitan median income, it is categorized as low-income; moderate-income is between 50% and 79%; middle-income is 80% to 119%; and, upper-income is 120% and above. The 1998 updated New Mexico non-metropolitan median income is \$30,600.

The population of the Roosevelt County is 16,702. The third largest four-year university in New Mexico, ENMU, is in Portales. Cannon Air Force Base is located eleven miles outside the city limits and more than 150 families associated with the base live in Portales. Agriculture is the major industry of Roosevelt County. The leading crops are peanuts, cotton, wheat, corn, milo, and hay. Livestock feeding and dairy farming are also important to the local economy. Industrial enterprises include soft drink canners, grain storage and shipping, trucking, and milk processing. Primary employers in the bank's assessment area are ENMU, Portales Schools, Plains Regional Medical Center, CTL Trucking (milk transport), Southwest Canners, and local municipal entities.

LOAN DISTRIBUTION BY BORROWER INCOME LEVEL				
Loan Type				

PNB's level of consumer loans to low- and moderate-income individuals significantly exceeds the demographics of its assessment area. Our analysis revealed that 68% of consumer loan originations were made to low- and moderate-income individuals. Demographic information for Roosevelt County show that 40% of the families are considered low- and moderate-income. The bank's consumer loan portfolio represent 67% of the total number of loans originated from August 1995 through July 1998.

Our analysis of originated residential real estate/mobile home loans shows that the bank's lending profile is comparable with the demographics of its assessment area. During this rating period, the bank originated 41% of their housing loans to borrowers with low- and moderate-incomes. PNB has offered promotions for conventional home loans since April 1996, however, they have not had a large response from consumers because loan demand is low. Residential real estate loans represented only 5% of the total number of loan originations during this timeframe.

LENDING TO BUSINESSES OF DIFFERENT SIZES						
Loan Type (# of loans in sample)	Business Gross Revenues (\$000s)					
	<100	100-250	251-499	500-749	750-1,000	1,000+
Agriculture (62)	98%	2%	0%	0%	0%	0%
Commercial (38)	84%	11%	0%	3%	0%	2%

The bank's distribution of commercial and agriculture loans to businesses and farms of different sizes is very good. We reviewed a sample of business loans originated from August 1995 through July 1998. Of the 100 business loans in our sample, 38 were commercial and 62 were agriculture loans. This reflects the business activity in the assessment area. The results of our analysis shows 100% of the agriculture loan originated were made to "small farms" and 97% of the commercial loan originated were made to "small businesses." The Office of the Comptroller of the Currency defines "small business" as a business with gross revenues less than one million dollars and "small farms" as an agricultural operation with gross revenues less than five hundred thousand dollars. During this rating period, the average agriculture loan amount was \$59 thousand and the average commercial loan amount was \$21 thousand.

Lending in the assessment area

PNB has done an excellent job of lending within its assessment area. During August 1995 to July 1998, the bank originated 3,362 loans totaling approximately \$43 million. Of these, 2,898 or 86% of the total number of loans originated during the rating period were in the bank's assessment area. This translates to approximately \$37 million, or 86%, of the bank's net dollar loan volume originated inside the assessment area. We verified the accuracy of this information by testing data in the bank's automated loan reports.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio is low. However, there are mitigating factors which explain the reasonableness of the ratio given the bank's size, financial condition, and assessment area credit

the evaluation period for this rating, PNB's average ratio was 38%.

financial institution in this county. Local financial institution loan-to-deposit ratios are not comparable because they are branches of banks with main offices outside PNB's assessment area. Mitigating factors which justify the low loan-to-deposit ratio include:

- promotions for mortgage products and have had very little response.
- Deposits have grown 33% since September 1995 vs. loan growth of 10% during the same June 1998.
- loans. Our analysis indicated that although the loan dollar volumes are low, the bank does make a significant number of small loans.

PNB's geographic distribution of loans within Roosevelt County is reasonable. We reviewed a total of 588 loans, or 17%, of the total number of loans originated during August 1995 through

its assessment area. The results of our analysis revealed that loans were made in all BNAs in Roosevelt County with 32% made to the moderate-income BNA. This is reflective of the area's

GEOGRAPHIC DISTRIBUTION OF LOAN ORIGINATIONS				
Income Designation of BNA	Tracts	%of AA	# of Loan Origination	Originations
Low	0%		0	0%
	20%	31%		32%
Middle		49%	179	
Upper	20%		124	24%
	N/A	N/A		10%
Total		100%	518	

Response to Complaints

During the evaluation period, PNB did not receive any complaints from the public regarding its CRA performance. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations. Our Fair Lending review did not indicate any evidence of apparent disparate treatment or other illegal credit practices.