



PUBLIC DISCLOSURE

November 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Stanton
Charter Number 8094

119 N. St. Peter
Stanton, TX 79782

Office of the Comptroller of the Currency

5225 South Loop 289
Suite 108
Lubbock, TX 79424-1319

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The First National Bank of Stanton's (FNB) CRA performance is Satisfactory. The rating is based on the following:

- FNB's quarterly average net loan-to-deposit (LTD) ratio of 34 percent is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans, 83 percent by number and 91 percent by dollar volume, were made to borrowers within the AA.
- FNB has an excellent penetration to businesses of different sizes and to borrowers of various income levels.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB's record of meeting the credit needs of the community in which it operates. We evaluated FNB using small bank performance criteria, including LTD ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution, and responses to CRA-related complaints.

To evaluate FNB's lending performance, we selected a random sample of loans from the bank's primary loan types. Primary loan types are those products that were originated at the highest percentage by number or dollar amount of loans. We sampled 30 commercial loans and 35 consumer loans originated between January 1, 2013 and September 30, 2014.

DESCRIPTION OF INSTITUTION

FNB is a community bank headquartered in Stanton, Texas, approximately 24 miles northeast of Midland, Texas. FNB is an intrastate bank with two banking offices and a drive-up facility. The bank is not a subsidiary of a holding company and has no affiliate relationships. As of September 30, 2014, FNB had total assets of \$133 million, with net loans and leases comprising 38 percent of this total. The bank's loan products include business, farm, consumer, and residential real estate loans. The following table depicts FNB's loan portfolio composition.

Loan Portfolio Composition as of September 30, 2014				
Loan Type	\$000 of Loans	% of \$	# of Loans	% of #
Commercial and Commercial Real Estate	26,471	51.88	281	20.30
Agricultural and Farm Real Estate	12,644	24.79	114	8.24
Residential Real Estate	4,449	8.72	23	1.66
Consumer	6,951	13.62	964	69.65
States and Political Subdivisions	500	0.99	2	0.15
TOTAL	51,015	100.00	1,384	100.00

Source: September 30, 2014 Call Report

In addition to the main office in Stanton, TX, the bank opened a branch in Midland, TX on March 1, 2012 and expanded its AA to include Midland County. However, we did not review the Midland County AA due to the short period of time the branch has been in operation.

Management and the Board’s primary focus are to serve the agricultural, commercial, and consumer customers in Martin County. FNB has no legal or financial circumstances that could impede the bank’s ability to help meet the credit needs in its assessment area. FNB was rated “Satisfactory” at the previous CRA examination on April 30, 2009.

FNB offers a full range of commercial and consumer banking products and related financial products. Lobby and drive-through services are provided Monday through Friday. The bank provides 24-hour access through telebanking and its website at www.fnbstanton.com. Services include account balance inquiries, funds transfer activities, and loan payment services.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB has designated Martin County as its assessment area (AA). Stanton is the county seat and the largest city in the assessment area. The AA consists of a whole county and does not arbitrarily exclude low- or moderate-income geographies. Demographic and economic data for the AA are listed in the following table.

Demographic and Economic Characteristics of Martin County	
<i>Population</i>	
Number of Families	1,147
Number of Households	1,492
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	100.00%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$45,857
2011 HUD-Adjusted MFI	\$48,600
2012 HUD-Adjusted MFI	\$49,300
2013 HUD-Adjusted MFI	\$50,500
<i>Economic Indicators</i>	
Unemployment Rate	2.27%
2013 Median Housing Value	\$75,992
% of Households Below Poverty Level	10.46%

Source: 2010 Census data and HUD updated income data

Based on the 2010 Census data, the AA has a total population of 4,799. Upper-income families approximate 38.45 percent of the population, middle-income families are 18.83 percent, moderate-income families are 29.56 percent, and low-income families are 13.16 percent.

Local economic conditions are good with very low unemployment of just over 2 percent. Economic activity is centered in agricultural-related businesses. The largest non-agricultural employers within the AA include the Martin County Independent School District, Sharyland Utilities, and West Tex Telephone Cooperative. There is one other financial institution serving the AA; FNB ranks first in deposit market share at 72 percent.

We interviewed a community contact for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and ascertaining the performance of local financial institutions. The largest challenge facing the community is a shortage of housing for low- and moderate-income individuals. The contact identified no unmet credit needs in the community, but stated that local financial institutions are cooperative in trying to meet community credit needs as they arise.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio from September 30, 2009 through September 30, 2014 was 34 percent, ranking third among five similarly situated banks averaging 41.5 percent. During the evaluation period, FNB's loan-to-deposit ratio ranged from a low of 19 percent in the first quarter of 2011 to a high of 45 percent at the end of 2012, showing an increasing trend.

Similarly situated banks are those with total assets ranging from \$100 million to \$350 million located in or adjacent to Martin County but not primarily operating in the Midland-Odessa MSA. Below is the quarterly average LTD ratio for each similarly situated bank.

Loan-to-Deposit Ratios		
Institution	Total Assets (\$000s) as of 9/30/2014	Quarterly Average Net Loan-to-Deposit Ratio
The First National Bank of Stanton	\$133,315	34.04
The First National Bank of Sterling City	\$158,066	27.54
The National Bank of Andrews	\$197,609	58.51
Western Bank	\$184,300	71.77
The State National Bank of Big Spring	\$316,276	14.99
The Lamesa National Bank	\$308,590	34.86

Source: Institution Reports of Condition from September 30, 2009 to September 30, 2014

Lending in Assessment Area

FNB originates a majority of its loans inside the AA. About 83 percent by number and 91 percent by dollar amount were originated within the AA. The breakdown by loan category is illustrated in the following table.

Lending in Martin County AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	26	86.70	4	13.30	30	\$1,698	91.88	\$150	8.12	\$1,848
Consumer	28	80.00	7	20.00	35	\$443	88.07	\$60	11.93	\$503
Totals	54	83.07	11	16.93	65	\$2,141	91.07	\$210	8.93	\$2,351

Source: Sample of loans used for CRA performance analysis

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

FNB's borrower distribution reflects an overall excellent penetration for both businesses of different sizes and households of different income levels.

The distribution of commercial loans reflects an excellent penetration to businesses of different sizes. About 62 percent of AA businesses reported revenues less than or equal to \$1 million. Our sample found that 88 percent of commercial loans were to small businesses reporting annual revenues below \$1 million. The following table reflects the results of our selected sample of business loans originated in the AA.

Borrower Distribution of Business Loans in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	61.69	5.04	33.27	100%
% of Bank Loans in AA by #	88.46	7.69	3.85	100%
% of Bank Loans in AA by \$	85.28	14.72	-	100%

Source: Loan Sample; 2013 Dun and Bradstreet data

The distribution of consumer loans reflects an excellent penetration among households of different income levels. Consumer loans originated to low-income households (43 percent) is excellent, as it exceeds the demographic of 17 percent. The borrower distribution of consumer loans to moderate-income households (21 percent) is also excellent, as it slightly exceeds the demographic of 19 percent, even after the very large volume to low-income households. The following table shows the results of our sample of consumer loans.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of #of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	17.29	42.86	19.24	21.43	21.85	25.00	41.62	10.71

Source: Loan Sample; 2013 U.S. Census Data

Geographic Distribution of Loans

Because no census tracts are identified as low- or moderate-income, this analysis is not meaningful and was not performed.

Responses to Complaints

FNB has not received any CRA-related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices, in any geography by the bank or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.