



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**April 27, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The State National Bank of Big Spring  
Charter Number 12543**

**901 Main Street  
Big Spring, TX 79721**

**Comptroller of the Currency  
Lubbock (west Texas)  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424**

**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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

The State National Bank of Big Spring (SNB) has a satisfactory CRA performance. We based our conclusion on SNB's lending practices. We evaluated these practices through a review of the bank's primary loan products. The rating is based on the following findings:

- SNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 21.87 percent since the last CRA examination.
- A majority of the bank's loans, 81.0 percent by number and 80.8 percent by volume, are to customers who live or operate a business within the assessment area.
- SNB has an excellent penetration among individuals of different income levels and businesses and farms of different sizes.
- SNB's geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- There were no complaints about the bank's CRA performance.

## DESCRIPTION OF INSTITUTION

SNB is a community bank in Big Spring, Texas, which is approximately 100 miles south of Lubbock. SNB is an intrastate bank with one main office, and two branches. SNB is wholly owned by SNB Financial, Inc, a one-bank holding company located in Big Spring, Texas. SNB Financial reported assets of \$181 million as of December 31, 2004.

As of December 31, 2004, SNB had total assets of \$183.9 million, with 24 percent in the loan portfolio. The bank's primary loan products include agricultural loans (by dollar volume of loans) and consumer loans (by number of loans). The following chart details a breakdown of SNB's loan portfolio as of December 31, 2004.

<b>Loan Portfolio Composition as of December 31, 2004</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural	19,807	43.95
Commercial & Industrial	10,492	23.27
Consumer	4,350	9.66
Commercial Real Estate	4,254	9.44
Agricultural Real Estate	2,992	6.64
Residential Real Estate	2,510	5.57
Other	664	1.47
<b>Total</b>	<b>45,069</b>	<b>100.00</b>

*Source: December 31, 2004 Report of Condition*

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, SNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on October 25, 1999.

SNB’s business strategy is to provide outstanding banking services to customers in the southern part of the south plains region of west Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder SNB’s ability to provide credit in its assessment area. SNB’s Tier 1 Capital level is \$22.4 million, representing 12.54 percent of adjusted average assets as of December 31, 2004. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## DESCRIPTION OF HOWARD/LYNN/DAWSON COUNTIES

SNB has designated Howard, Lynn, and Dawson Counties as its assessment area. All three counties are on the high plains of west Texas, with Big Spring approximately 100 miles south of Lubbock. Big Spring is the largest city and the county seat of Howard County. Smaller communities located within this county include Coahoma and Forsan. Dawson and Lynn Counties are located directly south of Lubbock. Lamesa is the largest city in these two counties and the county seat of Dawson County. Smaller communities located within this assessment area include Tahoka, O’Donnell, and Wilson. Specific demographic data and economic data for the assessment area are listed below.

<b>Demographic and Economic Characteristics of Howard/Lynn/Dawson County AA</b>	
Population	
Number of Families	13,373
Number of Households	18,473
Geographies	
Number of Census Tracts	15
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	13.3
% Middle-Income Census Tracts	73.3
% Upper-Income Census Tracts	13.4
Median Family Income (MFI)	
1990 MFI for AA	37,739
2002 HUD-Adjusted MFI	42,000
Economic Indicators	
Unemployment Rate	2.78
2002 Median Housing Value	40,505
% of Households Below Poverty Level	18.00

Source: 2000 Census data and HUD updated income data.

The bank’s assessment area is comprised of fifteen contiguous census tract areas (CT’s). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 2000 Census data, these three counties have a total population of 55,162. There are 21,760 housing units in the assessment area, of which 60 percent are owner-occupied, 25 percent are renter-occupied, and 15 percent are vacant. Approximately 22 percent of the families in the county are considered low-income. Moderate-income families represent approximately 18 percent of the population, while middle- and upper-income families comprise the remaining 60 percent. Persons

over 65 represent 14.4 percent of the population. Correctional institutions house 11 percent of the assessment area population.

The local economy is based on agricultural-related activities. Depressed crop prices and high oil prices have had a negative impact on the agricultural economy. The largest non-agricultural employers within the assessment area include the local school districts, Cornell Corrections, Inc, Veterans Administration Hospital, Big Spring State Hospital, and Price Construction.

Competition is fierce in the assessment area. There are eleven banks, eight credit unions, and three finance companies that operate within the assessment area. Additionally, Farm Credit and Farm Service Agency have a large impact on the agricultural market in Dawson and Lynn County markets.

One individual in the community was interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual indicated that the local economy has stabilized. The individual also indicated the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation for this CRA examination is from November 1999 through May 2005. The loan-to-deposit ratio was calculated for the period between March 2000 and December 2004. SNB's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to farms of different sizes and individuals of different income (including low-and moderate-income) levels.

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio of SNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 22 percent since the prior CRA examination in October 1999. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 33 percent. SNB's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to farms of different sizes and individuals of different income (including low-and moderate-income) levels.

Traditionally, SNB has primarily been an agricultural and consumer lender. Consumer lending represents a significant segment of the bank's loan portfolio. As of April 30, 2005 approximately 45 percent of the number of loans extended by SNB were consumer loans, which tend to be for smaller dollar amounts. The bank had 1,233 consumer loans booked as of April 30, 2005, of which 327 (26.5 percent) were for less than \$1,000.

The four largest deposit relationships in the bank total \$16.5 million dollars and represent 9.8 percent of total deposits at December 31, 2004. The bank does not have a lending relationship with any of these customers.

During the evaluation period, the loan-to-deposit ratio ranged from 14.07 percent to 31.42 percent. Since the bank's acquisition of FNB O'Donnell in the first quarter of 2003, the loan-to-deposit ratio has averaged 27.75 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$(000's) (As of 06/30/04)	Average Loan-to-Deposit Ratio
State National Bank, Big Spring	139,008	21.87%
First National Bank Lamesa	98,432	30.15%
Lamesa National Bank	140,389	53.84%
Snyder National Bank	93,367	31.03%
First National Bank Stanton	47,895	26.65%

Source: Institution Reports of Condition from March 2000 to December 2004

### Lending in Assessment Area

A substantial majority of the bank's loans were made within its assessment area. In order to assess performance for these criteria, we reviewed 34 agricultural loans and 29 consumer loans originated in 2004 through May 2005. Our analysis determined that 81 percent of the number of loans and 81 percent of the dollar amount of loans in the sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Areas								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Commercial	27	79.4%	2584	80.8%	7	20.6%	613	19.2%
Consumer	24	83.0%	127	81.0%	5	17.0%	30	19.0%
Total Reviewed	51	81.0%	2711	80.8%	12	19.0%	643	19.2%

Source: Sample of loans used for CRA performance analysis.

### Selection of Assessment Area for Full Scope Review

The bank has identified Howard, Dawson, and Lynn Counties as its assessment area. It was determined that these counties meet the definition of one assessment area.

### Lending to Borrowers of Different Incomes and to Small Farms of Different Sizes

SNB's loan portfolio reflects an excellent penetration among individuals and families of various income levels (including low- and moderate-income) and small farms of different sizes within its assessment area. To perform our analysis, we reviewed income information of 27 agricultural and 24 consumer loans in the assessment area.

Agricultural Loans - Based on 2002 Business Demographic Data, there are 549 agricultural operations with reported revenues located within the assessment area. Of this number, 92 percent of businesses reported revenues less than or equal to \$1 million. Of the loans in the small farms sample, 95.8 percent were to businesses reporting annual revenues below \$1 million. This level is comparable to the assessment area information and reflects a reasonable penetration of loans to small farms. The following chart reflects the results of the sample of small farm loans originated in the assessment area.

<b>Borrower Distribution of Loans to Businesses in Howard/Dawson/Lynn County's Assessment Area</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	91.8%	3.6%	4.6%	100%
% of Bank Loans in AA by #	95.8%	4.2%	0.0%	100%
% of Bank Loans in AA by \$	92.7%	7.3%	0.0%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the assessment area. Based on 2000 Census Information, 42 percent of households in the assessment area are low- and moderate income. Our review determined that 79.2 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the assessment area for low- and moderate-income households. The following chart reflects the results of the sample of consumer loans originated in the assessment area.

<b>Borrower Distribution of Consumer Loans in Howard/Dawson/Lynn County's Assessment Area</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25.2%		17.1%		17.9%		39.8%	
LOANS	% of Number	% of Amount						
Total	50.0%	29.0%	29.2%	21.6%	4.1%	1.4%	16.7%	48.0%

Source: Loan sample; 2000 U.S. Census data.

### Geographic Distribution of Loans

SNB's geographic distribution of loans within the census tracts is reasonable given the bank's business strategy and locations. Our analysis included 27 business-, and 24 consumer purpose loans in the assessment area. 2000 demographic information indicates that the low- and moderate-income areas are located in the northern portion of the City of Big Spring.

Agricultural Loans - The performance in the low- and moderate-income census tracts is lower than the demographic composition of the assessment area. However, the low- and moderate-income census tracts are located in residential and small business areas. The land suitable for agricultural purposes is located primarily in the middle-income census tracts. The following chart reflects the results of our selected sample of business loans originated in SNB's assessment area.

<b>Geographic Distribution of Agricultural Loans in Howard/Lynn/Dawson County Assessment Area</b>								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0.0%		20.3%		75.0%		4.7%	
LOANS	% of Number	% of Amount						
Total	0.0%	0.0%	0.0%	0.0%	100%	100%	0.0%	0.0%

Source: Loan sample; Dunn and Bradstreet data

*Consumer Loans* - Our analysis indicated that the geographic distribution of SNB’s lending in the low- and moderate-income census tracts for consumer loans exceeds the demographic composition of the assessment area. Our review determined that 26.1 percent of consumer loans were located in low- and moderate-income census tracts. The following chart reflects the results of our selected sample of consumer loans originated in SNB’s assessment area.

<b>Geographic Distribution of Consumer Loans in Howard/Lynn/Dawson County Assessment Area</b>								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0.0%		10.4%		73.8%		15.8%	
LOANS	% of Number	% of Amount						
Total	0.0%	0.0%	26.1%	12.6%	73.9%	87.4%	0.0%	0.0%

Source: Loan sample; 2000 U.S. Census data.

**Responses to Complaints**

No complaints relating to CRA performance have been received by SNB.

**Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.