



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 30, 2009

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

Lubbock Field Office
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.

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

First National Bank of Stanton (FNB) has a satisfactory performance record under the Community Reinvestment Act (CRA). This is supported by the following factors:

- FNB's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics. The loan-to-deposit ratio averaged 30.3 percent during the evaluation period.
- A majority of FNB's loans are located within the assessment area (AA). Based on a sample of 49 loans, 81.6 percent of the number of loans and 72.2 percent of the dollar volume of loans were to borrowers within the AA.
- FNB's distribution of loans to farms with gross revenues of less than \$1 million is reasonable. The bank has an excellent penetration of loans to consumers in low-income households.
- An analysis of the geographic distribution of loans was not performed because there are no low- or moderate-income census tracts in the bank's AA.

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 under the small bank performance criterion, which includes five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution of loans, and responses to CRA-related complaints.

To evaluate FNB's lending performance, a random sample of loans was taken based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by dollar and/or number of loans. Primary loan products during this evaluation period consisted of farm and consumer loans. The loan sample consisted of 24 farm loans and 25 consumer loans originated between January 2008 and December 2008.

DESCRIPTION OF INSTITUTION

FNB is a \$72 million community bank located in Stanton, Texas. Stanton is located 24 miles northeast of Midland, Texas, the largest city in the area. FNB is an intra-state independent bank and is not a subsidiary of a holding company. FNB does not have any affiliate relationships.

FNB is located at 119 N. St. Peter Street in Stanton, Texas. At the previous CRA examination in February 2004, the bank was rated Satisfactory. FNB's business strategy is to provide outstanding banking services to customers in West Texas while increasing the long-term value of shareholder's investments. FNB has no legal or financial circumstances that could impede the bank's ability to help meet the credit needs in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

FNB is a full-service bank operating from one location, which includes drive-up banking and an ATM. The bank provides all customary banking services including a wide variety of both loan and deposit accounts. Bank lobby and drive-through services are provided Monday thru Friday. The bank is open from 9:00 AM to 3:00 P.M. The drive-up offers extended hours on Thursdays. FNB also has a 24-hour telebanking service.

As of March 31, 2009, the bank had total assets of \$72 million with net loans and leases comprising 26.0 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 March 31, 2009		
Loan Type	\$ (000)	%
Agriculture	2,452	25.63
Consumer	3,244	25.49
Commercial	4,183	23.75
Commercial Real Estate	2,959	9.21
Residential Real Estate	1,514	7.27
Agriculture Real Estate	4,444	6.27
Political Subdivisions	259	2.38
TOTAL	19,055	100.00%

Source: March 31, 2009 Report of Condition

DESCRIPTION OF THE ASSESSMENT AREA

The Board of FNB has established Martin and Glasscock counties as the bank’s AA. This area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. The two counties are contiguous and have a combined population of approximately 6,152. Specific demographic data and economic data for the AA are listed below.

Demographic and Economic Characteristics of Glasscock and Martin Counties AA	
<i>Population</i>	
Number of Families	1,619
Number of Households	2,109
<i>Geographies</i>	
Number of Census Tracts	3
% 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>	
2000 MFI for AA	36,380
2006 HUD-Adjusted MFI	43,100
2007 & 2008 HUD-Adjusted MFI	41,800
<i>Economic Indicators</i>	
Unemployment Rate	1.87%
2008 Median Housing Value	\$53,701
% of Households Below Poverty Level	17.02%

Source: 2000 Census data and HUD updated income data

There are three census tracts in the AA. All census tracts are designated as middle-income. Federal agencies have designated the middle-income census tract in Glasscock County as a distressed and underserved nonmetropolitan middle-income geography. The two middle-income census tracts in Martin County have been designated as distressed. Eligible nonmetropolitan middle-income geographies are those designated by the Agencies as being in distress or that could have difficulty meeting essential community needs (underserved). According to 2000 Census data, demographic information of the AA shows that 18.5 percent of families are low-income, and 17.8 percent are moderate-income. The unemployment rate is 1.9 percent, and 17.0 percent of households are below the poverty level as of the 2000 Census.

In addition to FNB, two other banks operate within the AA. The June 30, 2008 FDIC Market Share Report for the AA shows FNB to have the largest deposit market share with 50.4 percent. Banks from communities in other counties also pursue loans in the AA, and this results in a significant level of competition for loans in the area.

The AA is reliant on both the agriculture and the oil and gas industry. While the national economy has shown a downward trend over the past two years, the local economy remains stable. The primary employers in the AA are the local school systems, Caprock Electric, the City of Stanton, Rusty's Oil Field Service, and Helena Fertilizer. There are also 132 farms in the AA. The local retail business climate in the AA remains stable. However, families located in Martin and Glasscock counties travel outside the AA to nearby Midland and Big Spring for a majority of their retail services.

As part of this CRA examination, a community contact was made. The purpose of this interview was to determine a community profile, identify opportunities for participation by local financial institutions, and determine the performance of local financial institutions. According to the contact, the immediate credit needs of the community are being fulfilled. The contact stated that the local banks are responsive in meeting the needs of the local community. The contact noted that the biggest credit needs are housing, small consumer loans, and small business loans. The contact also stated there is a need for affordable housing for elderly people on fixed incomes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate FNB's lending performance, a sample of 49 loans was reviewed. Primary loan products offered by the bank were sampled. The sample consisted of 25 consumer loans and 24 farm loans. Based on the analysis, and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average loan-to-deposit ratio from September 30, 2002 through March 31, 2009 of 30.3 percent. During the evaluation period, FNB Stanton's loan-to-deposit ratio ranged from a low of 19.6 percent to a high of 46.1 percent.

The quarterly average loan-to-deposit ratio for banks in the AA, and banks in geographies

similar to the AA, is depicted in the following table. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 03/31/09)	Average Loan-to-Deposit Ratio
The Lamesa National Bank	\$216,999	48.94%
The State National Bank of Big Spring	\$221,064	22.10%
The First Bank of West Texas	\$130,426	64.64%
The First National Bank of Sterling City	\$84,894	40.82%
The First National Bank of Stanton	\$72,169	30.26%

Source: Reports of Condition from September 2002 to March 2009

Lending in Assessment Area

FNB's lending in the AA meets the standard for satisfactory performance. A majority of the bank's loans are made within its AA. In order to assess performance for this criterion, we reviewed 24 farm loans and 25 consumer loans originated between January 2008 and December 2008. Our analysis found that 81.6 percent of the number of loans and 72.2 percent of the dollar amount of loans were extended within the bank's AA. The breakdown by loan category is illustrated on the following table.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	20	80.0	5	20.0	100.0	166	79.8	42	20.2	100.0
Farm	20	83.3	4	16.7	100.0	1,746	71.5	695	28.5	100.0
Totals	40	81.6	9	18.4	100.0	1,912	72.2	737	27.8	100.0

Source: Sample of loans used for CRA performance analysis

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

FNB's loan portfolio reflects excellent distribution among individuals of different income levels and farms of different sizes within the AA. To perform our analysis, we reviewed income information of 20 farm loans and 20 consumer loans in the AA.

Farm Loans – Based on the sample of agricultural loans made in the AA, FNB reflects a reasonable distribution of loans to small farms. Based on 2008 Business Demographic Data, there are 132 farms located within the Martin/Glasscock Counties AA. Of this number, 99.2 percent of the farms reported revenues of less than or equal to \$1 million. Of the loans in the farm sample, 70.0 percent were to farms reporting annual revenues below \$1 million. This level reflects a reasonable penetration of loans to small farms.

Borrower Distribution of Farm Loans in Martin and Glasscock Counties				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.24%	0.76%	0.0%	100%
% of Bank Loans in AA by #	70.00%	0.00%	30.00%	100%
% of Bank Loans in AA by \$	61.72%	0.00%	38.28%	100%

Source: Loan sample; Dunn and Bradstreet Data

Consumer Loans – Our analysis reflects excellent penetration of consumer loans to low- and moderate-income households. Based on 2000 Census Information, 21.3 percent of households in the AA are low income. Our review reflected 60.0 percent of consumer loans were made to low-income households. This level of performance significantly exceeds the percentage of low-income households in the AA. Approximately 15.0 percent of households in the AA are moderate-income, and 15.0 percent of the sampled consumer loans were to moderate-income households. This performance meets the percentage of moderate-income households in the AA. The following table reflects the results of our selected sample of consumer loans.

Borrower Distribution of Consumer Loans in Martin and Glasscock Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	21.34%	60.00%	14.98%	15.00%	20.29%	15.00%	43.39%	10.00%

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

Geographic Distribution of Loans

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

Responses to Complaints

No complaints relating to CRA performance have been received by FNB, and this has a neutral impact on the bank’s performance.

Fair Lending of Other Illegal Credit Practices Review

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