



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**July 5, 2006**

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

**The First National Bank of Santo  
Charter Number 8176**

**100 Main Street  
Santo, TX 76472**

**Comptroller of the Currency  
Fort Worth  
9003 Airport Freeway Suite 275  
North Richland Hills, TX 75201**

**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.**

## 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 Santo, Santo, Texas as prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 5, 2006. 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.**

First National Bank of Santo's lending performance reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 59.5% is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs.
- A majority of the bank's loan activity is within the bank's assessment area.
- The geographic distribution of loans demonstrates reasonable penetration in the moderate income geographies (there are no low income geographies in the assessment area).
- The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- There have been no CRA related complaints filed against the bank.

## DESCRIPTION OF INSTITUTION

The First National Bank of Santo (FNB) is a community bank with the main facility located in Santo, Texas. This community is approximately 50 miles west of Fort Worth, Texas. FNB operates from three additional locations, Millsap, Texas, Mingus, Texas, and Palo Pinto, Texas. FNB is a full service bank offering traditional products and services. The main facility has been in operation since 1906. The Palo Pinto branch opened in April 1987, Mingus opened in June 1991, and Millsap opened in October 1998. Primary competition consists of state and national banks located in Palo Pinto and the surrounding counties.

As of July 5, 2006, FNB is independently owned and managed by local individuals. The bank is not controlled by a holding company and it has no affiliates or subsidiaries. Ownership is spread among 28 shareholders with one individual owning and controlling 55% of the bank. FNB has entered into an agreement to sell to Comanche National Corporation (CNC), which is the 100% owner of Comanche National Bank. Both parties are waiting on approval by the different regulatory agencies to consummate the transaction. There is no concern that this transaction would adversely affect FNB's willingness or ability to service the credit needs of the assessment area.

The most recent CRA examination was performed as of June 25, 2001. The bank received a satisfactory rating at that examination. There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment area.

As of March 31, 2006, FNB had total assets of \$73.6 million, total loans of \$40.5 million, and deposits of \$67.3 million. The principal lending focus includes commercial and real estate lending. The following table depicts the loan portfolio by major loan product type based on March 31, 2006 totals.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate	\$11,447	28.3%
Consumer Loans	\$9,150	22.6%
Commercial Real Estate	\$8,839	21.8%
Commercial	\$5,744	14.2%
Agricultural Production/Other Agricultural	\$3,935	9.7%
Farmland Real Estate	\$1,327	3.3%
Other Loans	\$63	0.1%
<b>Total</b>	<b>\$40,505</b>	<b>100.0%</b>
Percentage of Loans to Total Assets	55%	

## DESCRIPTION OF ASSESSMENT AREA

FNB has designated its assessment area as ten whole and contiguous block numbering areas (BNA's) and one census tract (CT). These geographies comprise an area that reaches into four counties, Eastland, Erath, Palo Pinto and Parker. The main facility and two branches are located in Palo Pinto County, with the Millsap branch located in Parker County. Of these eleven geographies, two are moderate-income, eight are middle-income, and one is upper income. The moderate-income geographies are located in eastern Palo Pinto County, in the community of Mineral Wells.

Generally, the assessment area is sparsely populated with a total population of approximately 35 thousand. The highest concentration of population is centered in and around Mineral Wells with other populated areas centered around FNB's four locations. The region outside of these populated areas is mostly ranching, farming and recreation. The assessment area is highly affected by the economy of Fort Worth, Texas and the surrounding communities (metroplex). Currently the area is experiencing population growth as a result of the metroplex growth and westward expansion. While enjoying the quieter lifestyle this area can provide, many of the local residents commute to the metroplex for employment.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	9,794
Number of Households	13,555
Geographies	
Number of Block Numbering Areas (BNAs), Census Tracts (CTs)	11
% Low-Income BNA's	0%
% Moderate-Income BNA's	18%
% Middle-Income BNA's	73%
% Upper-Income BNA's	9%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2006 HUD-Adjusted MFI	\$42,000
Economic Indicators	
Unemployment Rate	2.38%
Median Housing Value	\$50,684
% of Households Below Poverty Level	13.9%

Major area employers include the school districts of the communities served. Between Santo and Millsap, there are two large rock crushing businesses and many residents are involved in the hauling of the crushed rock. In Palo Pinto, Brazos Electric is a large employer. In Millsap, ACME Brick has been a long-time employer of a number of individuals. This area has also been considered the “cutting horse capital of the world” by many, which is reflective of the individuals and businesses moving in. Unemployment is low and averages under 3% for the assessment area.

We considered information from our community contact in our assessment. According to this contact the immediate credit needs of the communities served are being met. FNB plays an active role to ensure the needs of all individuals are met, including low- and moderate-income individuals. FNB places a strong emphasis on establishing customer relationships and ensuring a high level of personal service.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our conclusions in this evaluation are based on the lending activity from the last examination dated June 25, 2001. Our sample included all 1-4 family home loans (224 loans) made since the last CRA examination, and 60 consumer auto and 60 business loans. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy.

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average LTD ratio for FNB since the last CRA examination is 59.5%. The bank has identified four other financial institutions as its primary competition. The average loan-to-deposit ratios for these institutions, for the same period, range from 53.2% to 62.3%. Based on this information, the bank's LTD ratio is reasonable and within the range of area competing banks.

### Lending in Assessment Area

The bank's lending within the assessment area meets the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, FNB's lending efforts are concentrated within its assessment area.

At this time, FNB does not track loans by location. To assess the bank's performance in this area we were required to sample a portion of the loan portfolio. We used the sample noted above to assess the bank's performance for this criterion. Based on our sample results, a majority of loans are within the bank's assessment area. The following table reflects the results of our assessment of the bank's efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	175	78%	\$8,763	73%	49	22%	\$3,295	27%
Automobile Loans	47	78%	\$432	82%	13	22%	\$92	18%
Business Loans	43	72%	\$1,110	66%	17	28%	\$564	34%
Total Reviewed	265	77%	\$10,305	72%	79	23%	\$3,951	28%

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

The bank's loan distribution, to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for this criterion. To assess the bank's efforts, we used the sample of loans noted above. Our analysis, noted in the tables below, indicates the

bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Additionally, the bank has no minimum loan amount in policy. A review of small loans reflected the bank has 98 loans with originating balances of \$1,000 or less, currently on the books. This indicates the bank willingly extends credit to meet the needs of the consumer. Overall, we concluded that the bank's performance is generally proportionate to the income levels of the families and households within the assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, bank meets the needs of the small businesses.

*1-4 Family Real Estate Lending*

1-4 FAMILY REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	23%		17%		18%		42%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	5%	4%	15%	9%	19%	12%	61%	75%

*Consumer Lending*

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	18%		19%		23%		40%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	28%	20%	20%	19%	20%	25%	28%	35%

Financial information was not available on 3% of the number and 1% of the dollar of our sample.

*Business Lending*

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses *Thirty one percent of assessment area businesses did not report revenue figures	65%	3%
% of Bank Loans in AA #	90%	7%
% of Bank Loans in AA \$	80%	19%

Financial information was not available on 3% of the number and 1% of the dollar of our sample.

**Geographic Distribution of Loans**

The bank's loan distribution, to the different geography income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the assessment area.

As noted before, the bank does not track loans by location; therefore, the sample noted earlier was used to assess the bank's effort in this criterion. Based on our analysis, the bank's lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table.

GEOGRAPHIC DISTRIBUTION OF LOANS						
Geographic Breakdown *	Moderate Income		Middle Income		Upper Income	
% of Geographies	18%		73%		9%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1-4 Family	3%	1%	95%	97%	2%	2%
Consumer	5%	8%	95%	92%	0%	0%
Business	5%	2%	95%	98%	0%	0%

\* There are no Low Income geographies in the assessment area

The moderate-income geographies are located in northeast Palo Pinto County in the community of Mineral Wells. There is no bank branch in, or near, these geographies, however, the bank chooses to include them in its assessment area. There are several financial institutions in Mineral Wells that service the credit needs of this community.

### Responses to Complaints

FNB has not received any complaints pertaining to its CRA performance during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation. The latest comprehensive fair lending examination was performed in February 1997. This examination found the bank to be in compliance with anti-discrimination laws and regulations.