



SMALL BANK

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

PUBLIC DISCLOSURE

February 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Stanton
Charter Number 8094**

**119 Saint Peter
Stanton, TX 79782**

**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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Stanton (FNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 25 percent during the evaluation period. Such performance is reasonable given the available loan demand in the assessment area and compares with other financial institutions located in agricultural communities.
- A substantial majority of FNB's loans are within the bank's assessment area. Based on a sample of loans, 80 percent of the number of loans and 89 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNB has an excellent penetration of loans to farms of different sizes, and individuals of different income (including low- and moderate-income) levels.
- An analysis of the geographic distribution of loans is not meaningful because there are no low- and moderate-income geographies in FNB's assessment area.
- There have been no complaints with respect to FNB's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a rural community bank in Stanton, Texas, which is approximately 25 miles northeast of Midland. FNB is an intrastate bank with one main office, with drive-up facilities. FNB is an independent bank and not a subsidiary of a bank holding company. FNB does not have any affiliates.

As of September 30, 2003, FNB had total assets of \$56.3 million, with 23 percent in the loan portfolio. The bank's primary loan products include agricultural and consumer loans. The following chart details a breakdown of FNB's loan portfolio as of September 30, 2003.

Loan Portfolio Composition as of September 30, 2003		
Loan Category	\$ (000)	%
Agricultural	4,292	33.02
Consumer	2,754	21.19
Commercial & Industrial	1,967	15.13
Agricultural Real Estate	1,889	14.53
Residential Estate	687	5.29
State and Political Subdivisions	626	4.82
Commercial Real Estate	439	3.38
Other	344	2.64
Total	12,998	100.00

Source: September 30, 2003 Report of Condition

Bank lobby and drive-through services are provided Monday through Friday. The bank has two automated teller machines (ATMs). Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on February 9, 1999.

FNB’s business strategy is to provide outstanding banking services to customers in West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area. As of September 30, 2003, FNB’s Tier 1 capital level was \$8.0 million, representing 14.32 percent of adjusted average assets. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF MARTIN AND GLASSCOCK COUNTIES

FNB has designated Martin and Glasscock Counties as its assessment area (AA). Martin and Glasscock counties are located in the Permian Basin region of West Texas, approximately 20 miles northeast of Midland. Stanton is the largest city in Martin County and is the county seat. Garden City is the largest community in Glasscock County and is the county seat. Smaller communities also located within the AA include Ackerly, Lenora, Tarzan and St. Lawrence. Specific demographic data and economic data for this area are listed below.

Demographic and Economic Characteristics of Martin/Glasscock Counties AA	
Population	
Number of Families	1,692
Number of Households	2,087
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	66.7
% Upper-Income Census Tracts/BNA	33.3
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
Economic Indicators	
Unemployment Rate	3.7
2002 Median Housing Value	43,872
% of Households Below Poverty Level	17.9

Source: 1990 Census data and HUD updated income data.

The bank’s AA is comprised of three contiguous block-numbering areas (BNAs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 1990 Census data, the AA as a total population of 6,403. There are 2,639 housing units in the AA, of which 55 percent are owner-occupied, 24 percent are renter-occupied and 21 percent are vacant. Approximately 20 percent of the families in the AA are considered low-income. Moderate-income families approximate 19 percent of the population, while middle- and upper-income families comprise the remaining 61 percent. The local economy is agricultural based. Depressed crop prices and drought conditions have had a negative impact on the agricultural economy. The largest non-

agricultural employers within the AA include the Martin and Glasscock Independent School Districts, Caprock Electric, and Wes Tex Telephone Cooperative.

Competition is moderate in the AA with three financial institutions.

We contacted one individual for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. This individual indicated that the local economy has stabilized. The individual stated that there is a need for affordable housing, and also indicated the locally owned financial institution is cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this CRA examination is from January 2000 through December 2002. The loan-to-deposit ratio was calculated for the period January 1999 through September 2003. FNB'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 FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 25 percent since the prior CRA examination in January 1999. During the evaluation period, FNB's loan-to-deposit ratio ranged from a low of 20.6 percent to a high of 30.6 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 37 percent.

Traditionally, FNB has primarily been an agricultural lender. The bank's loan-to-deposit ratio has been negatively impacted by the extended drought conditions experienced in Martin and Glasscock Counties. The last year that there was a successful cotton crop in the AA was 1997. As a result, agricultural production loans have not been fully funded through the agriculture funding cycle resulting in a lower loan-to-deposit ratio. In addition, consumer lending represents a significant segment of the bank's loan portfolio. As of September 30, 2003, approximately 70 percent of the number of loans extended by FNB were consumer loans, which tend to be for smaller dollar amounts.

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 09/30/03)	Average Loan-to-Deposit Ratio
The State National Bank of Big Spring	148,592	16.84%
The First National Bank of Lamesa	104,276	28.23%
The Lamesa National Bank	165,002	51.71%
The First National Bank of Stanton	56,274	25.32%
The First National Bank of Sterling City	38,249	49.61%

Source: Institution Reports of Condition from January 1999 to September 2003

Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. In order to assess performance for this criteria, we reviewed 30 agricultural and 30 consumer loans originated between January 2000 and December 2002. Our analysis determined that 80.0 percent of the number of loans and 88.8 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Area								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agricultural	22	73.3%	836	88.3%	8	26.7%	111	11.7%
Consumer	26	86.7%	102	93.2%	4	13.3%	7	6.8%
Total Reviewed	48	80.0%	938	88.8%	12	20.0%	118	11.2%

Source: Sample of loans used for CRA performance analysis

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

FNB's loan portfolio reflects an excellent distribution among individuals of various income levels (including low- and moderate-income) and businesses of different sizes within their AA. To perform our analysis, we reviewed income information of 22 agricultural and 26 consumer-purpose loans in the Martin/Glasscock Counties AA.

Agricultural Loans - Based on 2002 Business Demographic Data, there are 131 farms with reported revenues located within the Martin/Glasscock Counties AA. Of this number, 97.7 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the agricultural purpose sample, 100 percent were to farms reporting annual revenues below \$1 million. This level exceeds the assessment area information and reflects an excellent penetration of agricultural loans to small farms. The following chart reflects the results of our selected sample of agricultural loans originated in this AA.

Borrower Distribution of Loans to Farms in Martin/Glasscock Counties Assessment Area		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	97.7%	2.3%
% of Bank Loans in AA by #	100.0%	0.0%
% of Bank Loans in AA by \$	100.0%	0.0%

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 Martin/Glasscock Counties AA. Based on 1990 Census Information, 37.5 percent of households in the AA are low- and moderate income. Our review determined that 88.4 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Borrower Distribution of Consumer Loans in Martin/Glasscock Counties Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	17.8%		19.7%		15.4%		47.1%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	50.0%	26.5%	38.4%	50.0%	7.7%	21.5%	3.9%	2.0%

Source: Loan sample; 1990 U.S. Census data.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of FNB's loans. There are no low- or moderate-income BNAs in the bank's AA. FNB's AA consists of two middle- and one upper-income BNAs. Therefore, this type of analysis would not be meaningful.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

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