



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 16, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Fort Stockton
Charter Number 14842

1000 W. Dickinson
Fort Stockton, TX 79735-0000

Office of the Comptroller of the Currency

LUBBOCK (WEST TEXAS) Field Office
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.

First National Bank of Fort Stockton (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 similarly situated financial institutions and given the local credit needs and competition. The loan-to-deposit ratio averaged 31.08 percent during the evaluation period.
- A majority of FNB's loans are located within the assessment area (AA). Based on a sample of 60 loans, 80 percent of the number of loans and 64 percent of the dollar volume of loans were to borrowers within the AA.
- FNB's distribution of loans to businesses with gross revenues of less than \$1 million is excellent. The bank also has an excellent penetration of loans to consumers in low- and moderate-income households.
- The geographic distribution of loans reflects a reasonable dispersion throughout the 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 selected 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 commercial and consumer loans. The loan sample consisted of 30 commercial loans and 30 consumer loans originated between January 2008 and December 2009.

DESCRIPTION OF INSTITUTION

FNB is a \$59 million community bank located at 1000 West Dickinson in Fort Stockton, Texas. Fort Stockton is the county seat of Pecos County, TX and is located on Interstate 10 approximately 85 miles southwest of Odessa, TX. FNB is a subsidiary of FNB Holding Company, also located in Fort Stockton. FNB does not have any affiliate relationships.

The bank was rated Satisfactory at our previous CRA examination in March 2004. FNB has no legal or financial circumstances that could impede the bank's ability to meet the credit needs in the 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 a single location, which includes a drive-up facility and an ATM. The bank provides all customary banking services including a wide variety of loan

and deposit accounts. Bank lobby and drive-through services are provided Monday - Friday from 9:00 AM to 3:00 PM. FNB also offers a 24-hour tele-banking service and online banking at www.fnbfst.com. The online banking service offers access to account info, online transfers, and bill pay.

As of December 31, 2009, the bank had total assets of \$59 million with net loans and leases comprising 21.76 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 December 31, 2009				
Loan Type	\$ (000)	%	# of Notes	%
Commercial (including real estate)	5,807	45.21	108	12.16
Agriculture	1,627	12.67	28	3.15
Residential Real Estate	2,866	22.31	57	6.42
Agriculture Real Estate	5	0.04	1	0.11
Consumer	2,539	19.77	694	78.15
TOTAL	12,844	100%	888	100%

Source: December 31, 2009 Report of Condition & Bank Loan Trial Balance

DESCRIPTION OF ASSESSMENT AREA

The Board has established Pecos County as the bank’s AA. This area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. Pecos County has a population of approximately 16,809. The largest employers are SandRidge, the State of Texas prison system, and the Fort Stockton Independent School District. Specific demographic data and economic data for the AA are listed below.

Demographic and Economic Characteristics of Pecos County AA	
<i>Population</i>	
Number of Families	4,013
Number of Households	5,156
<i>Geographies</i>	
Number of Census Tracts	4
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	50
% Middle-Income Census Tracts	50
% Upper-Income Census Tracts	0
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,711
2005 HUD-Adjusted MFI	\$42,000
2006 HUD-Adjusted MFI	\$43,100
2007 HUD-Adjusted MFI	\$41,800
2008 HUD-Adjusted MFI	\$43,600
2009 HUD-Adjusted MFI	\$45,600
<i>Economic Indicators</i>	
Unemployment Rate	2.17%
2009 Median Housing Value	\$39,195
% of Households Below Poverty Level	19.88%

Source: 2000 Census data and HUD updated income data

There are four census tracts in the AA. Two tracts are designated moderate-income and two are designated middle-income. Demographic information in the AA shows that 25.92 percent of families are low-income and 20.91 percent of families are moderate-income. The unemployment rate is 2.17 percent, and 19.88 percent of households are below the poverty level as of the 2000 census. The 2009 HUD-Adjusted median family income is \$45,600.

In addition to FNB, three other institutions operate within the AA, and an additional eight banks operate in the surrounding counties. The September 30, 2009 FDIC Market Share Report for the AA shows that FNB has 28 percent of all deposits in the AA. Banks from communities in the surrounding counties also pursue loans in the AA, which results in a significant level of competition for loans in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate FNB’s lending performance, a sample of 60 loans was reviewed. Primary loan products offered by the bank were sampled. The sample consisted of 30 consumer loans and 30 commercial 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 March 31, 2004 through December 31, 2009 of 31.08 percent. During the evaluation period, FNB's loan-to-deposit ratio ranged from a low of 20.06 percent to a high of 38.50 percent. We noted that large public deposits account for a significant portion of the total deposit base. Without these public deposits, the average loan-to-deposit ratio would be higher.

The quarterly average loan-to-deposit ratio for banks in geographies similar to the AA is depicted below. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 12/31/09)	Average Loan-to-Deposit Ratio
Transpecos Banks	\$148,655	79.70%
Tejas Bank	\$27,949	51.90%
Pecos County State Bank	\$132,099	44.40%
First National Bank of Fort Stockton	\$59,019	31.08%

Source: Institution Reports of Condition from March 2004 to December 2009

Lending in Assessment Area

FNB's lending in the AA meets the standards for satisfactory performance. A majority of the bank's loans are made within its AA. Our analysis found that 80 percent of the number of loans and 64 percent of the dollar amount of loans in our sample were extended within the bank's AA. The breakdown by loan category is illustrated on the following table.

Table 1 - Lending in Pecos County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	24	80	6	20	30	1,254,400	63	720,000	36	\$1,974,400
Consumer	24	80	6	20	30	144,525	71	58,900	29	\$203,425
Totals	48	80%	12	20%	60	\$1,398,925	64%	\$778,900	36%	\$2,177,825

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 borrowers of various income levels and businesses of different sizes within its AA. To perform our analysis, we reviewed income information of 20 commercial loans and 20 consumer loans in the AA.

Commercial Loans - Based on 2009 Business Demographic Data, there are 1,064 non-farm businesses within the AA. Of this number 62.12 percent of non-farm businesses reported revenues less than or equal to \$1 million. Of the loans in our sample 95.24 percent were to businesses reporting annual revenues below \$1 million. This level reflects an excellent penetration of loans to small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses/Farms in Pecos County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62.12	3.38	34.49	100%
% of Bank Loans in AA by #	95.24	4.76	0.00	100%
% of Bank Loans in AA by \$	98.17	1.83	0.00	100%

Source: Loan sample; Dunn and Bradstreet Data

Consumer Loans - Our analysis reflects an excellent distribution of consumer loans to low- and moderate-income households. Based on 2000 Census information, 41.31 percent of households in the AA are low- and moderate-income. Our review determined that 68.42 percent of consumer loans were made to low- and moderate-income households.

Table 2B - Borrower Distribution of Consumer Loans in Pecos County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25.35	47.37	15.96	21.05	19.30	15.79	39.39	15.79

Source: Loan sample; U.S. Census data

Geographic Distribution of Loans

FNB's geographic distribution of loans reflects an overall reasonable dispersion throughout the AA given the bank's size, primary loan products, and the AA's demographics.

Commercial loans - The commercial loan sample shows reasonable penetration across all geographies. Based on 2000 Census information, 51.60 percent of businesses in the AA are located in moderate-income census tracts. Of the loans in our sample, 45 percent were to businesses located in the moderate-income tracts.

Table 3A - Geographic Distribution of Loans to Businesses in Pecos County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.00	0.00	51.60	45.00	48.40	55.00	0.00	0.00

Source: Loan sample; U.S. Census data

Consumer loans - The distribution of FNB's consumer loans reflects excellent penetration of moderate-income areas. Based on 2000 Census information, 51.84 percent of households are located in moderate-income census tracts. Of the loans in our sample, 73.68 percent were to households located in the moderate-income tracts.

Table 3B - Geographic Distribution of Consumer Loans in Pecos County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	51.84	73.68	48.16	26.32	0.00	0.00

Source: Loan sample; U.S. Census data

Responses to Complaints

No complaints relating to CRA performance have been received by FNB during the evaluation period, and this has a neutral impact on the bank's performance. FNB has systems in place to ensure that complaints are addressed in a timely manner.

Fair Lending or Other Illegal Credit Practices Review

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