



SMALL BANK

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

PUBLIC DISCLOSURE

March 8, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Fort Stockton
Charter Number 14842**

**1000 West Dickinson
Fort Stockton, Texas 79735**

**Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, Texas 78216-4160**

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 First National Bank of Fort Stockton, Fort Stockton, Texas as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **March 8, 2004**. 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 Fort Stockton's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio is reasonable when compared with similarly situated financial institutions, and given the bank's resources, financial condition, local credit needs and competition.
- A substantial majority of loans and other lending-related activities are within the bank's assessment area (AA).
- The distribution of loans reflects excellent penetration among individuals of different income levels and among businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- The bank received no CRA-related complaints since the previous CRA examination.

DESCRIPTION OF INSTITUTION

The First National Bank of Fort Stockton (FNB), a \$43 million institution, was chartered in 1958. FNB is locally owned and is one of three community banks headquartered within the AA. The bank provides banking services through its one office located in the city of Fort Stockton, the county seat of Pecos County, Texas. FNB operates an automatic teller machine (ATM) in the drive-up facility adjacent to the office. All ATM instructions are in both English and Spanish. FNB is primarily a commercial lender, with management and the Board emphasizing loans to small businesses as well as consumers. The bank is not a subsidiary of any holding company and does not have any significant affiliate relationships.

As of December 31, 2003, net loans comprised 35% of FNB's total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Composition		
As of December 31, 2003		
Loan Category	\$ (000)	%
Commercial Real Estate	5,926	40
Commercial	3,481	24
Residential Real Estate	2,571	17
Consumer	1,956	13
Agricultural	852	6
Other	26	0
Total	14,812	100%

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA. The last CRA performance evaluation was done on June 1, 1999, and the bank was rated "Satisfactory." There have been no changes in the bank's corporate structure.

DESCRIPTION OF PECOS COUNTY

The bank's designated AA is Pecos County, Texas. We used information on the county from both the 1990 and 2000 U.S. Census in our evaluation. At the time of the 1990 U.S. Census, Pecos County consisted of five blocking-numbering areas (BNAs) with one designated as moderate-income, three designated as middle-income and one upper-income. The 2000 US Census shows four BNAs, consisting of two moderate-income and two middle-income BNAs. Currently, there are no low-income or upper-income BNAs in the county. According to the 1990 U.S. Census, the distribution of households by income levels in the AA was 28% low-income, 13% moderate-income, 17% middle-income, and 42% upper-income. The distribution of households by income levels according to the 2000 Census showed 25% as low-income, 16% moderate-income, 19% middle-income, and 40% upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Pecos County's largest industries are agriculture, oil and gas production and tourism. Fort Stockton, the county's largest city, is located on Interstate Highway 10, a major coast-to-coast highway bringing in many travelers and tourists. Fort Stockton is also the regional shopping center for Pecos County. It accounts for over forty-seven percent of the county's population and another 2,500 people live within five miles of the city limits. The largest employers are the State of Texas prison system and the Fort Stockton Independent School District. Additional demographic and economic characteristics of the AA are presented in the table below.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA		
	1990 U.S. Census	2000 U.S. Census
Population	14,675	16,809
Number of Families	3,741	4,013
Number of Households	4,720	5,156
Geographies		
Number of Census Tracts/BNA	5	4
% Low-Income Census Tracts/BNA	0	0
% Moderate-Income Census Tracts/BNA	20	50
% Middle-Income Census Tracts/BNA	60	50
% Upper-Income Census Tracts/BNA	20	0
<i>Median Family Income (MFI)</i>		
1990 Census MFI	\$24,586	-
2000 Census MFI	-	\$36,711
2000 HUD-Adjusted MFI	\$34,700	\$34,700
2001 HUD-Adjusted MFI	\$35,800	\$35,800
2002 HUD-Adjusted MFI	\$36,100	\$36,100
2003 HUD-Adjusted MFI	\$41,200	\$41,200
Economic Indicators		
Unemployment Rate-AA December 2003	4.9%	
Unemployment Rate-State December 2003	6.6%	
Unemployment Rate-National December 2003	5.7%	
Median Housing Value	\$36,816	\$41,218
% of Households Below Poverty Level	27%	19%

The two other community banks headquartered in the AA are Pecos County State Bank with total assets of \$82 million and Iraan State Bank with total assets of \$21 million. Pecos County is a very competitive banking market with credit unions, mortgage companies and finance companies.

One community contact, with a local small business owner, was conducted in conjunction with this evaluation. The contact indicated economic conditions are relatively good with stable growth. He also indicated area financial institutions are doing an adequate job of meeting commercial and consumer credit needs.

SAMPLING INFORMATION

Our review focused on FNB’s two main product lines: commercial and consumer loans. In each of the two main product lines, we sampled 30 loans where the bank collected income information. For the *Lending to Borrowers of Different Incomes, Lending to Businesses of Different Sizes and Geographic Distribution of Loans* analyses, we omitted the loans made outside of the AA and added loans to get to the sample size of 30 loans per product line. All loans sampled were originated between January 1, 2000 and December 31, 2003.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB has demonstrated satisfactory performance in meeting the credit needs of the AA, including low- and moderate-income households, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable given its size, financial condition, primary loan products, and AA’s credit needs. FNB extends a significant volume of commercial loans. These commercial loans are generally of small dollar amount, which limits the impact on the loan-to-deposit ratio, but do serve to meet the credit needs in the community. We also noted that FNB’s deposit base contained \$1.8 million in potentially volatile public funds at December 31, 2003. Refer to the table below for a comparative analysis of other community banks headquartered in the AA.

Institution	Assets as of 12/31/03 (000s)	Quarterly Average LTD Ratio 6/30/99 - 12/31/03
Pecos County State Bank	84,624	49%
Iraan State Bank	21,209	48%
FNB of Fort Stockton	42,904	43%

Lending in Assessment Area

A substantial majority of the bank’s lending-related activities are within the AA. From our sample, we determined that 90% of loans by number (or 96% by dollar volume) are made to borrowers located within the AA. The table on the following page shows the bank's lending activities in and out of the AA by type of loan sampled. This reflects an excellent record of providing credit services within the AA.

Total Loans Reviewed								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial and Commercial RE	28	93	1,835	98	2	7	40	2
Consumer	26	87	178	78	4	13	50	22
Total Reviewed	54	90	2,013	96	6	10	90	4

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

FNB demonstrates excellent penetration when lending to businesses of different sizes and to individuals with different income levels. A sample of 30 combined commercial and commercial real estate loans and 30 consumer loans made within the AA were used for this evaluation. We equally considered each of these loan products in the overall rating for this assessment factor.

The wide distribution of loans to borrowers with varying income levels reflects favorably on FNB meeting the credit needs of businesses and consumers. The following tables summarize the distribution of FNB's lending for commercial and consumer loans.

Distribution of Borrowers by Income Level								
Consumer								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Household (1990 U.S. Census) *	28		13		17		42	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	0	0	19	13	0	0	6	8
2001	15	8	15	26	0	0	6	13
2002	10	17	10	4	14	8	5	3
Total	25	25	44	43	14	8	17	24
% of AA Household (2000 U.S. Census) **	25		16		19		40	
2003	32	7	55	27	13	66	0	0
Total	32	7	55	27	13	66	0	0

* Portion of the loan sample that originated between January 1, 2000, and December 31, 2002.

** Portion of the loan sample that originated between January 1, 2003, and December 31, 2003.

FNB made the large majority of its business loans to businesses with gross annual revenues of less than \$1 million. The following table illustrates the lending distribution to businesses located within the bank's AA. A small business is defined as a business with gross annual revenues of less than \$1 million.

Borrower Distribution Of Loans To Businesses (Non-Farm)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses (Per 1990 U.S. Census)	94	6
% of Bank Loans in AA (by #) *	85	15
% of Bank Loans in AA (by \$) *	76	24
 		
% of AA Businesses (Per 2000 U.S. Census)	96	4
% of Bank Loans in AA (by #) **	100	0
% of Bank Loans in AA (by \$) **	100	0

* Portion of the loan sample that originated between January 1, 2000, and December 31, 2002.

** Portion of the loan sample that originated between January 1, 2003, and December 31, 2003.

Based on the 1990 and 2000 U.S. Census, this table shows respectively that 94% and 96% of the businesses in the AA earn less than \$1 million in gross revenues. FNB originated 85% of loans by number and 76% by dollar amount to small businesses during the period January 1, 2000 to December 31, 2002. In the year 2003, FNB originated 100% of the sampled loans and dollar amount to small businesses. The figures highlight the bank's strong commitment to these businesses.

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. The following tables illustrate the lending distribution of the sampled commercial and consumer loans originated in the AA.

Distribution of Business Loans (Non-Farm) by Tract Income Level								
Census Tract Income Level (1990 U.S. Census)*	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		32		41		27	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	0	0	19	41	0	0	6	5
2001	0	0	0	0	0	0	19	16
2002	0	0	15	22	15	3	26	13
Total	0	0	34	63	15	3	51	34
Census Tract Income Level (2000 U.S. Census)**	LOW (None)		MODERATE		MIDDLE		UPPER (None)	
% of AA Businesses	0		51		49		0	
2003	0	0	21	5	79	95	0	0
Totals	0	0	21	5	79	95	0	0

* 1990 U.S. Census: Pecos County had five blocking numbering areas: one moderate, three middle, and one upper income area.

** 2000 U.S. Census: Pecos County had four blocking numbering areas: two moderate and two middle income areas.

As reflected above, lending to businesses located in the AA closely followed the geographical distribution of those businesses as indicated by 1990 Census information. The re-designation of areas for the 2000 Census indicated a distribution more centered in middle income areas.

The consumer lending distribution suggests lending in the AA's moderate income areas to be proportional to, or exceeding, those area's portion of the total AA. Refer to the table below.

Distribution of Borrowers by Tract Income Level Consumer								
Census Tract Income Level (1990 Census)*	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Tracts	0		20		60		20	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	0	0	0	0	4	12	20	9
2001	0	0	16	21	4	12	16	18
2002	0	0	10	6	14	7	16	15
Total	0	0	26	27	22	31	52	42
Census Tract Income Level (2000 Census)**	LOW (None)		MODERATE		MIDDLE		UPPER (None)	
% of AA Tracts	0		50		50		0	
2003	0	0	65	27	35	73	0	0
Total	0	0	65	27	35	73	0	0

* 1990 U.S. Census: Pecos County had five blocking numbering areas: one moderate, three middle, and one upper income area.

** 2000 U.S. Census: Pecos County had four blocking numbering areas: two moderate and two middle income areas.

Responses to Complaints

No consumer complaints regarding the bank's CRA performance were received during the evaluation period.

Fair Lending Review

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