Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

1/24/2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Fort Stockton
Charter Number 14842

1000 W. Dickinson
Fort Stockton, TX 79735

Office of the Comptroller of the Currency

5001 West Loop 289
Suite 250
Lubbock, TX 79414

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, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory.**

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on a reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period
- A majority of loans sampled are within the bank's assessment area (AA)
- Lending to individuals of various income levels and businesses of different sizes is reasonable

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's Loan-to-deposit (LTD) ratio is reasonable.

The First National Bank of Fort Stockton's (FNB or bank) quarterly average LTD ratio for the 22 quarters from September 30, 2016 through September 30, 2021, is 57.93 percent. This is up from the last CRA Evaluation when the average net LTD was 35.28 percent, reflecting increased loan demand. During the evaluation period, FNB's net LTD ratio ranged from a low of 48.56 percent on December 31, 2016 to a high of 68.25 percent on June 30, 2019. The average net LTD ratio of similarly situated banks (below $315 million in total assets and located within the AAs) for the same period was 43.51 percent.

Lending in Assessment Area

A majority of the bank's loans are inside the assessment area (AA).

The bank originated and purchased 75 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans $(000s)				Total $(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		$	%	$	%	
Small Business	20	66.7%	10	33.3%	30	$1,372	52.1%	$1,261	47.9%	$2,633
Consumer	25	83.3%	5	16.7%	30	$384	81.4%	$88	18.6%	$472
Total	45	75.0%	15	25.0%	60	$1,756	56.6%	$1,349	43.4%	$3,105

Description of Institution

FNB is a community bank headquartered in Fort Stockton, Texas, located in the southwest portion of the state. As of September 30, 2021, FNB had total assets of $143 million. FNB is a single state bank with its main office and drive through located in Fort Stockton, Texas. FNB purchased an existing branch in Iraan from Tejas Bank in April 2015 (dba Brave National Bank). During the evaluation period, FNB closed the branch in Jarrell effective January 31, 2017, and opened a loan production office in Crane effective September 27, 2018.

The bank's business strategy is to provide a wide variety of banking services geared to its customer's needs and the local economy. Bank lobby and drive-through services are provided Monday through Friday, with Saturday service available at the drive-through. FNB also offers banking services through its website at www.fnbfst.com.

As of September 30, 2021, net loans and leases comprised 48.7 percent of total assets. The bank's primary loan products include commercial loans (by dollar volume of loans) and consumer loans (by number of loans).

FNB has designated Pecos County and Crane County as its AA. The AA is comprised of whole geographies, meets regulatory requirements, and does not arbitrarily exclude any low to moderate income areas. There are four census tracts in Pecos County, of which two are upper income and two are middle income. There is one census tract in Crane County, which is an upper income census tract.

In addition to FNB, there is a local state bank and larger regional bank in the Pecos AA. The June 30, 2021 FDIC Deposit Market Share Report shows that FNB ranks second in Pecos County with 33 percent of all deposits. The local state bank holds the majority of deposits at 51 percent, while the larger regional bank holds 15 percent. The bank does not have a full-service branch in the Crane AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2019 to December 31, 2021. The OCC evaluated FNB using small bank CRA performance standards that include five performance criteria: the LTD ratio, lending in the AA, lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans, and responsiveness to CRA complaints. Geographic distribution of loans was not considered as the bank's AA does not contain any low- to moderate-income census tracts (CTs).

To evaluate FNB's lending performance, the OCC selected a random sample of loans originated during the evaluation period based on identified primary products in the AA. Primary loan types are those products originated at the highest percentage by number and/or dollar volume of loans and business strategy. During this evaluation period, primary products consisted of commercial and consumer loans.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same

metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

FNB only has one rating area, which is the State of Texas. The bank's overall rating is based on a full-scope review of the combined FNB Fort Stockton AA.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Texas

CRA rating for the State of Texas: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The Lending Test rating is based on a reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period
- A majority of loans sampled are within the bank's assessment area (AA)
- Lending to individuals of various income levels and businesses of different sizes is reasonable

Description of Institution's Operations in Texas

FNB is a community bank headquartered in Fort Stockton, Texas, located in the southwest portion of the state. As of September 30, 2021, FNB had total assets of $143 million. FNB is a single state bank with its main office and drive through located in Fort Stockton, Texas. FNB purchased an existing branch in Iraan from Tejas Bank in April 2015 (dba Brave National Bank). During the evaluation period, FNB opened a loan production office in Crane and closed the branch in Jarrell effective January 31, 2017.

The bank's business strategy is to provide a wide variety of banking services geared to its customer's needs and the local economy. Bank lobby and drive-through services are provided Monday through Friday, with Saturday service available at the drive-through. FNB also offers banking services through its website at www.fnbfst.com.

FNB has designated Pecos County and Crane County as its AA. The AA is comprised of whole geographies, meets regulatory requirements, and does not arbitrarily exclude any low to moderate income areas. There are four census tracts in Pecos County, of which two are upper income and two are middle income. There is one census tract in Crane County, which is an upper-income census tract.

In addition to FNB, there is a local state bank and larger regional bank in the Pecos AA. The June 30, 2021 FDIC Deposit Market Share Report shows that FNB ranks second in Pecos County with 33 percent of all deposits. The local state bank holds the majority of deposits at 51 percent, while the larger regional bank holds 15 percent. The bank does not have a full-service branch in the Crane AA. The previous CRA evaluation was completed in 2016 and FNB received a satisfactory rating.

We contacted a local organization to develop a community profile and identify opportunities for community development participation by local financial institutions. The contact stated that Fort Stockton was not as heavily impacted by the pandemic and associated drop in oil prices as other communities in the area, but that recovery has also been slower. The contact noted that the area financial institutions continue to serve community credit needs and are regularly involved in community development activities.

Pecos & Crane Combined AA

Table A – Demographic Information of the Assessment Area Assessment Area: Combined						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	5	0.0	0.0	40.0	60.0	0.0
Population by Geography	20,537	0.0	0.0	27.2	72.8	0.0
Housing Units by Geography	7,244	0.0	0.0	34.2	65.8	0.0
Owner-Occupied Units by Geography	4,209	0.0	0.0	29.4	70.6	0.0
Occupied Rental Units by Geography	1,672	0.0	0.0	32.7	67.3	0.0
Vacant Units by Geography	1,363	0.0	0.0	51.1	48.9	0.0
Businesses by Geography	1,077	0.0	0.0	32.6	67.4	0.0
Farms by Geography	44	0.0	0.0	29.5	70.5	0.0
Family Distribution by Income Level	4,002	18.2	11.5	16.7	53.6	0.0
Household Distribution by Income Level	5,881	20.3	13.2	14.7	51.8	0.0
Median Family Income Non-MSAs - TX		$52,198	Median Housing Value			$75,595
			Median Gross Rent			$750
			Families Below Poverty Level			11.7%

Source: 2015 ACS and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Scope of Evaluation in Texas

As discussed earlier, the institution has two AA. These are bank delineated non-MSA AAs within the same state, which are combined and evaluated as a single area. Refer to the table in appendix A for a list of all AAs under review. Consistent with the institution's primary lending focus, commercial and consumer loans were analyzed.

LENDING TEST

The bank's performance under the Lending Test in Texas is rated Satisfactory.

Conclusions for Areas Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Pecos and Crane AA is good.

Distribution of Loans by Income Level of the Geography

The Pecos and Crane County AAs do not contain low- or moderate-income census tracts. For this reason, a geographic distribution analysis of the AA is not meaningful and was not performed.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Small Loans to Businesses

Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of loans to small businesses reflects a reasonable distribution. The percentage of bank originated loans to small businesses are slightly below the percentage of businesses within the AA that report less than $1 million in revenues. In the AA, it is reported that 74 percent of businesses report less than $1 million in revenues. In our loan sample the percentage of businesses that report less than $1 million is 70 percent. However, lending to small businesses by FNB exceeds the aggregate lending at 22 percent.

Consumer Loans

Refer to Table V in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of consumer loans reflects reasonable distribution among different income levels. The distribution of loans to low and moderate borrowers is consistent with the level of low to moderate income households in the AA. In the AA, it is reported that 20 percent of households are low income and 13 percent of households are moderate income. In our sample the percentage of loans to low income households is 20 percent and the percentage of loans to moderate income households is 16 percent. This is reasonable considering the 11.7 percent poverty rate and relative median housing value of $75.6 thousand within the AA.

Responses to Complaints

FNB did not receive any CRA-related complaints during the performance evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term "full-scope," and those that received a less comprehensive review, designated by the term "limited-scope".

Time Period Reviewed:	01/01/19 to 12/31/21	
Bank Products Reviewed:	Small business and consumer loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	**Type of Exam**	**Other Information**
Pecos & Crane Combined AA	Full-scope	Commercial and consumer loans

Appendix B: Summary of MMSA and State Ratings

RATINGS	First National Bank of Fort Stockton
Overall Bank:	Lending Test Rating
First National Bank of Fort Stockton	Satisfactory
State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the "bank" include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) "aggregate" is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table R. **Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to $1 million) originated and purchased by the bank to businesses with revenues of $1 million or less to: 1) the percentage distribution of businesses with revenues of greater than $1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table V. **Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2019-2021
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Pecos & Crane Combined AA	20	1,371,686	100	228	74	70	22	5	30	21	0
Total	20	1,371,686	100	228	74	70	22	5	30	21	0
Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0											

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2019-2021
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Pecos and Crane Combined AA	25	383,949	100	20	20	13	16	15	16	52	48	0	0
Total	25	383,949	100	20	20	13	16	15	16	52	48	0	0
Source: 2015 U.S Census; 01/01/2019 - 12/31/2021 Bank Data. Due to rounding, totals may not equal 100.0													