



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The State National Bank of Big Spring
Charter Number 12543

901 Main Street
Big Spring, TX 79721-1271

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.

State National Bank of Big Spring's (SNB) CRA performance is satisfactory. We based our conclusion on SNB's lending practices. We evaluated these practices by reviewing a sample of the bank's primary loan products. The rating is based on the following findings:

- SNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, local competition, and assessment area (AA) credit needs. The LTD ratio averaged 21.23 percent during the evaluation period.
- A substantial majority of SNB's loans are located within the AA. Based on a sample of 60 loans, 81.67 percent of the number of loans and 84.97 percent of the dollar volume of loans were to borrowers within the AA.
- SNB has a reasonable penetration to borrowers of various income levels and to businesses of different sizes.
- SNB's geographic distribution of loans reflects a reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

This Performance Evaluation assesses SNB's record of meeting the credit needs of the community in which it operates. We evaluated SNB using small bank performance criteria: LTD ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution, and responses to CRA-related complaints.

To evaluate SNB'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 consumer and commercial loans. The loan sample consisted of 30 consumer loans and 30 commercial loans originated between January 2008 and December 2010.

DESCRIPTION OF INSTITUTION

SNB is a community bank in Big Spring, Texas, which is approximately 100 miles south of Lubbock, Texas. The bank is wholly owned by SNB Financial, Inc., a single-bank holding company. As of December 31, 2010, SNB had total assets of \$268 million, with 15 percent of total assets in the loan portfolio.

SNB is an intrastate bank with the main office located in Big Spring, Texas, and two branches located in Lamesa, Texas and O'Donnell, Texas. The bank's primary loan products include consumer loans (by number of loans) and commercial loans (by dollar volume of loans). The following chart details a breakdown of SNB's loan portfolio as of December 31, 2010.

Loan Portfolio Composition as of December 31, 2010		
Loan Type	\$ (000)	%
Commercial Real Estate	5,248	13.30
Commercial	14,734	37.33
Residential Real Estate	1,111	2.82
Consumer	4,020	10.19
Agriculture	12,657	32.07
Agriculture Real Estate	1,690	4.28
Political Subdivisions	5	0.01
TOTAL	39,465	100.00%

Source: December 31, 2010 Call Report

Bank lobby services at the main bank and both branches are provided Monday through Friday from 9:00 AM to 4:00 PM. The bank provides traditional banking services including a variety of loan and deposit accounts. Drive-up facilities are located at all three locations and operate Monday through Friday from 8:30 AM to 4:00 PM. On Fridays, the drive up facility at the main bank has extended hours until 6:00 PM. SNB also offers online banking at www.statenb.com. The online banking service provides access to account information, online transfers between accounts, and bill pay services. Based on its financial condition, the local economy, product offerings, and competition, SNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on April 27, 2005.

SNB’s business strategy is to provide outstanding banking services to customers in the southern part of the South Plains region of West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder SNB’s ability to provide credit in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF ASSESSMENT AREA(S)

SNB has designated Howard, Dawson, and Lynn counties as its AA. All three counties are located on the high plains of West Texas, with Big Spring approximately 100 miles south of Lubbock. Big Spring is the largest city and the county seat of Howard County. Dawson and Lynn counties are located directly south of Lubbock. Lamesa is the largest city in these two counties and the county seat of Dawson County. Specific demographic data and economic data for the AA are listed in the following table.

Demographic and Economic Characteristics of the Big Spring AA	
<i>Population</i>	
Number of Families	13,373
Number of Households	18,473
<i>Geographies</i>	
Number of Census Tracts	15
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	13.33%
% Middle-Income Census Tracts	73.33%
% Upper-Income Census Tracts	13.33%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	35,739
2010 HUD-Adjusted MFI	46,500
2009 HUD-Adjusted MFI	45,600
2008 HUD-Adjusted MFI	43,600
2007 HUD-Adjusted MFI	41,800
<i>Economic Indicators</i>	
Unemployment Rate	3.43%
2010 Median Housing Value	\$40,588
% of Households Below Poverty Level	18.49%

Source: 2000 Census data and HUD updated income data.

The AA consists of three contiguous counties and does not arbitrarily exclude any low- or moderate-income geographies. There are 15 census tracts in the AA, 3 census tracts each in Dawson and Lynn counties, and 9 census tracts in Howard County. Two census tracts are designated as upper-income, eleven as middle-income, and two as moderate-income.

Based on 2000 Census data, the AA has a total population of 55,162. There are 21,760 housing units in the AA, of which 60 percent are owner-occupied, 25 percent are renter-occupied, and 15 percent are vacant. Approximately 22 percent of the families in the AA are considered low-income. Moderate-income families approximate 18 percent of the population, while middle- and upper-income families comprise the remaining 60 percent.

The local economy is based on agricultural-related activities. The largest non-agricultural employers within the AA include the local school districts, Veterans Administration Hospital, and Big Spring State Hospital.

Competition is strong in the AA. There are ten other banks, seven credit unions, and numerous finance companies. The credit unions represent the biggest competition to SNB.

An individual in the community was interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The individual indicated that the local economy is primarily driven by the oil and gas, farming/ranching, and transportation industries. This individual indicated that the local financial institutions are trying to meet the community's limited credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate SNB'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, SNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

SNB's LTD ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average LTD ratio from March 31, 2005 through December 31, 2010 of 21.23 percent. During the evaluation period, SNB's LTD ratio ranged from a low of 13.66 percent to a high of 31.88 percent. The average LTD ratio of similarly situated banks within the AA for the same period was 69.16 percent.

Competition is strong in the AA. There are seven credit unions in the bank's AA representing the biggest competition to SNB. Credit unions are not-for-profit, which allows them to offer higher rates on savings and lower rates on loans. SNB is unable to match these rates. Additionally, one of SNB's primary loan products is consumer loans. While these loans are large in number, they are small in dollar volume. By number volume, consumer loans represent 59 percent of the total loan portfolio. The bank has also experienced an influx of deposits due to near-record cotton prices. Deposits grew approximately \$42 million during the fourth quarter of 2010. These factors contribute to SNB's LTD ratio being lower than that of similarly situated banks.

The quarterly average LTD ratio for each similarly situated bank in or contiguous to the AA is listed below. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 12/31/10)	Average Loan-to- Deposit Ratio
First Bank & Trust Co.	470,456	91.07
Lone Star State Bank of West Texas	384,369	56.72
Lamesa National Bank	272,700	47.16
State National Bank of Big Spring	267,683	21.23
Western Bank	191,972	81.67

Source: Institution Reports of Condition from March 2005 to December 2010

Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. In order to assess the performance for these criteria, we reviewed 30 consumer loans and 30 commercial loans that were originated between January 2008 and December 2010. Our assessment found that 81.67 percent of the number of loans and 84.97 percent of the dollar volume of loans were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Big Spring AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	27	90.00%	3	10.00%	100.00%	\$4,869	85.68%	\$814	14.32%	100.00%
Consumer	22	73.33%	8	26.67%	100.00%	\$130	65.16%	\$70	34.84%	100.00%
Totals	49	81.67%	11	18.33%	100.00%	\$4,999	84.97%	\$884	15.03%	100.00%

Source: Sample of loans used for CRA performance analysis

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

SNB’s loan portfolio reflects a reasonable penetration among individuals and families of various income levels (including low- and moderate-income) and businesses of different sizes within their AA. Our analysis reviewed income information of 27 commercial and 22 consumer loans in the AA.

Commercial Loans – Based on 2010 Business Demographic Data, there are 3,240 businesses with reported revenues located within the AA. Of this number, 72.13 percent of businesses reported revenues less than or equal to \$1 million. Of the loans in the commercial purpose sample, 66.67 percent were to businesses reporting annual revenues below \$1 million. This level is comparable to the AA information and reflects a reasonable penetration of loans to small businesses. The following chart reflects the results of the sample of commercial loans originated in the AA.

Borrower Distribution of Business Loans in the Big Spring AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	72.13%	3.12%	24.75%	100%
% of Bank Loans in AA by #	66.67%	25.93%	7.40%	100%
% of Bank Loans in AA by \$	11.56%	87.10%	1.34%	100%

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 AA. Based on 2000 Census Information, 42.33 percent of households in the AA are low- and moderate-income. Our review determined that 50.00 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.

Borrower Distribution of Consumer Loans in Big Spring AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Not Reported	
	% 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	% of AA Households	% of Number of Loans
Consumer Loans	25.20%	27.27%	17.13%	22.73%	17.89%	13.63%	39.78%	18.19%	0.00%	18.18%

Source: Loan sample; U.S Census data

Geographic Distribution of Loans

SNB’s geographic loan distribution is satisfactory. Performance for commercial and consumer lending reflects a reasonable dispersion throughout the AA. Our analysis included 27 commercial loans and 22 consumer loans.

Commercial Loans – Geographic distribution of commercial loans in the AA is excellent. The geographic distribution of sampled commercial loans in moderate-income census tracts is higher than the percentage of businesses in these areas. The percentage of businesses located in moderate-income census tracts is 16.54 percent, and our loan sample reflected that 22.22 percent of business loans were located in moderate-income census tracts. The following table summarizes the distribution of business loans by census tract income level.

Geographic Distribution of Loans to Businesses in Big Spring 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%	16.54%	22.22%	69.76%	59.26%	13.70%	18.52%

Source: Loan sample; Dunn and Bradstreet data.

Consumer Loans – Geographic distribution of consumer loans in the AA is satisfactory. The geographic distribution of sampled consumer loans in moderate-income census tracts is in line with the percentage of households in these areas. In the AA, 10.35 percent of households are located in moderate-income census tracts, and our sample reflected that 9.52 percent of consumer loans were located in moderate-income census tracts. The following table summarizes the distribution of consumer loans by census tract income level.

Geographic Distribution of Consumer Loans in Big Spring AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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%	10.35%	9.52%	73.81%	66.67	15.84%	23.81%

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

Responses to Complaints

No complaints relating to CRA performance have been received by SNB during the evaluation period, and this has a neutral impact on the bank’s performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.