



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 23, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Aspermont
Charter Number 5786

Washington & 7th Street
Aspermont, TX 79502-0000

Office of the Comptroller of the Currency

Lubbock Field Office
5225 South Loop 289 Suite 108
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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.

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

- Given performance context issues, FNB's loan-to-deposit (LTD) ratio is reasonable. The LTD ratio averaged 12.35 percent in this evaluation period, which is below banks of similar size and characteristics in or near the assessment area (AA). However, we noted that other banks with only one location are also experiencing declining LTD ratios due to economic changes in the area.
- A substantial majority of loans are within the bank's AA. Approximately 90 percent of the number and 60 percent of the dollar volume of loans were to borrowers located within the AA.
- Given the demographics of the AA, the distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- An analysis of the geographic distribution of loans was not performed because there is no low- or moderate-income census tract in the bank's 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 LTD 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 taken based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentages by dollar volume and/or number of loans. Primary loan products during this evaluation period consist of agricultural and consumer loans. The loan sample consisted of 25 loans for each loan type originated in 2008.

DESCRIPTION OF INSTITUTION

FNB is a community bank located in Aspermont, Texas, approximately 60 miles northwest of Abilene and 100 miles southeast of Lubbock. FNB is an intra-state bank with one banking office.

FNB meets customers' needs by providing traditional commercial and consumer banking products and related financial products. Bank lobby services are provided Monday through Friday. The bank offers checking accounts and certificates of deposit to customers, along with access to safe deposit boxes.

As of December 31, 2008, FNB had total assets of \$37 million, with net loans and leases comprising approximately 10 percent of this total. The bank’s loan products include consumer, agricultural, and commercial loans. The primary loan product by dollar volume is consumer loans. Agricultural loans are the primary loan product by number of loans. The following table depicts FNB’s loan portfolio composition.

Loan Portfolio Composition as of December 31, 2008		
Loan Type	% by Dollars of Loans	% by Number of Loans
Consumer	39.6	70.6
Real Estate	22.6	6.0
Commercial	22.6	7.8
Agricultural	15.2	15.6
Total	100.0	100.0

Source: December 31, 2008 Uniform Bank Performance Report and Bank Reports

Management and the Board’s primary focus are to serve consumer, agricultural, and commercial customers in Stonewall County. The bank has the ability to meet the various credit needs in its community based on financial condition, the local economy, product offerings, and competition. FNB was rated “Satisfactory” at the previous CRA examination on April 7, 2003. FNB has no legal or financial circumstances that could impede the bank’s ability to help meet the credit needs 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 STONEWALL COUNTY ASSESSMENT AREA

FNB has designated Stonewall County as its AA. Aspermont is the county seat and is located in the center of Stonewall County. Other communities located within the AA include Old Glory, Swenson, and Peacock. Specific demographic data and economic data for Stonewall County are listed on the following table.

Demographic and Economic Characteristics of Stonewall County	
<i>Population</i>	
Number of Families	486
Number of Households	710
<i>Geographies</i>	
Number of Census Tracts	1
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	100.00%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2008 HUD-Adjusted MFI	\$41,800
<i>Economic Indicators</i>	
Unemployment Rate	1.30%
2008 Median Housing Value	\$32,500
% of Households Below Poverty Level	19.44%

Source: 2000 US Census data and HUD updated income data

The AA consists of one middle-income census tract and does not arbitrarily exclude low- and moderate- income geographies. Federal agencies have designated the AA as a distressed and underserved nonmetropolitan middle-income geography. Eligible nonmetropolitan middle-income geographies are those designated by the agencies as being in distress or that could have difficulty meeting essential community needs (underserved).

According to 2000 Census data, the AA has a total population of 1,693. There are 936 housing units in the AA, of which 59.8 percent are owner-occupied, 16.4 are renter-occupied, and 23.8 percent are vacant. Approximately 22.0 percent of families in the AA are considered low-income. Moderate-income families approximate 19.6 percent, while middle- and upper-income families comprise the remaining 58.4 percent. The median housing value is \$32,500, with the median age of housing stock at 50 years. The 2000 Census data reflects that 19.4 percent of households in Stonewall County are below the poverty level.

FNB is the only financial institution located in Stonewall County and therefore has a 100 percent deposit market share. There are 16 financial institutions that operate facilities in adjacent counties. These banks offer Stonewall County residents additional access to financial services as they travel to other locations for work or other purposes.

The local economy is based on agricultural and oil and gas related activities. The largest non-agricultural employer within the AA is the local school district. Aspermont has the only school system in Stonewall County. City-Data.com information reflects that there were 243 students enrolled in Aspermont schools during 2007.

As part of this CRA examination, two community contacts were made in the bank’s AA to help ascertain credit needs. According to the contacts, there is a need for additional housing, especially rental properties. The contacts stated that FNB was responsive in meeting the credit needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s CRA performance is satisfactory based on our review of samples of agricultural and consumer loans. We reviewed the level of lending, specifically lending inside the AA, and the bank’s practices of lending to low- or moderate-income individuals and to farms of different sizes.

Loan-to-Deposit Ratio

FNB’s LTD ratio is below that of other similarly situated banks, but is considered reasonable because of the low loan demand and economic circumstances of Stonewall County. This determination is based on the bank’s quarterly average LTD ratio from June 30, 2003 through December 31, 2008 of 12.35 percent. During the evaluation period, FNB’s LTD ratio ranged from a low of 9.80 percent on March 31, 2006 to a high of 15.10 percent on December 31, 2004. We obtained the quarterly LTD ratios for four banks in the counties contiguous to Stonewall County to compare the quarterly LTD averages for the examination period. Some of these banks have multiple branches, and some communities have larger populations or different demographics from the city of Aspermont and/or Stonewall County.

The quarterly average LTD ratio for each similarly situated bank in or contiguous to the AA is depicted in the following table.

Loan-To-Deposit Ratio		
Institution	Total Assets \$ (000’s) (As of 12/31/08)	Average Loan-to Deposit Ratio*
The First National Bank of Aspermont	37,293	12.35%
Haskell National Bank	65,140	46.96%
First National Bank Rotan	51,331	65.45%
Spur Security Bank	33,644	39.21%
Kent County State Bank	14,856	57.41%

Source: Institution Reports of Condition from June 2003 to December 2008

A number of factors have resulted in the decline in loan volume in the community. The AA has declined in population. Census records show that the population has declined by 17 percent from the 2000 Census through July 2007. There have been declining borrowing needs as several of the local farms have been sold due to retirement and/or estate planning. In addition, with higher oil and gas prices in recent years, many of the local residents have benefited from increased revenues from sources other than farming or other commercial ventures. Individuals who have started the few new local businesses have not required bank financing to fund operations. According to 2000 Census data, approximately 24 percent of the AA’s population is 65 years old or older. This demographic group tends to have lower borrowing needs. Either these individuals are unable to qualify for loans because of very limited income, or they do not need to

borrow money because of sufficient funds from other sources. In addition, approximately 23 percent of the population is less than 17 years old.

Lending in Assessment Area

FNB’s level of lending to borrowers in the AA exceeds the standards for satisfactory performance. A substantial majority of the bank’s loans were made within its AA. In order to assess performance for this criterion, we reviewed 25 consumer-purpose and 25 agriculture-purpose loans originated in 2008. Our analysis determined that 90 percent of the number of loans and 60 percent of the dollar amount of loans in the sample were originated within the bank’s AA. The lower dollar amount volume was due to one large agriculture-purpose loan to a borrower located outside the AA. The breakdown by loan category is depicted in the following table.

Lending in Stonewall County AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	23	92%	2	8%	25	167	90%	20	10%	187
Agriculture	22	88%	3	12%	25	447	53%	396	47%	843
Totals	45	90%	5	10%	50	614	60%	416	40%	1,030

Source: Sample 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 23 consumer- and 22 agriculture-purpose loans in the AA originated in 2008.

Consumer Loans: Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the AA. Based on 2000 Census data, 28 percent of households in the AA are low-income. Our review determined that 39 percent of consumer loans were made to low-income households. Approximately 17 percent of households in the AA are moderate-income, and 39 percent of the sampled consumer loans were to moderate-income households. The following table reflects the results of our selected sample of consumer loans originated in the AA.

Borrower Distribution of Consumer Loans in Stonewall 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	28%	39%	17%	39%	16%	13%	39%	5%

Source: Loan sample; U.S. Census data Note: One borrower did not report income.

Farm Loans:

Based on 2008 Business Demographic Data, there are 13 farms within the AA. Of this number, 100 percent of farms reported revenues less than or equal to \$1 million. FNB’s agricultural borrowers’ operations are primarily secondary to other employment. Income, if reported, is not typically agricultural income. Because reliable income information was not available, our analysis used loan size as a proxy for income. We based our conclusions about the bank’s performance on the fact that 21 of the 22 loans in the sample were for less than \$50 thousand. All of the loans were for less than \$100 thousand. Using loan size as a proxy for farm income, the bank met the demographic comparison and reflects an excellent penetration of loans to small farms. The following table reflects the results of our selected sample of farm loans originated in the AA.

Borrower Distribution of Loans to Farms by Loan Size in Stonewall County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollar Volume
\$0 - \$50,000	21	96%	349	78%
\$50,000 - \$100,000	1	4%	98	22%
\$100,001 - \$250,000	0	0%	0	0%
\$250,001 - \$500,000	0	0%	0	0%
Over \$500,000	0	0%	0	0%

Source: Loan sample; U.S. Census data.. Note: One borrower did not report income

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of FNB’s loans. The bank’s AA consists of one middle-income census tract. There are no low- to moderate-income census tracts in the bank’s AA; therefore, this type of analysis would not be meaningful.

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.

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.