



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**June 25, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Haskell National Bank  
Charter Number 14149**

**601 North First Street  
Haskell, TX 79521**

**Comptroller of the Currency  
Fort Worth  
9003 Airport Freeway Suite 275  
North Richland Hills, TX 75201**

**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-to-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 **Haskell National Bank, Haskell, Texas** as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of **June 25, 2007**. 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.**

Haskell National Bank's lending performance reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 42.5% is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs.
- A significant majority of the bank's loan activity is within the bank's assessment area.
- The geographic distribution of loans demonstrates reasonable penetration in the moderate income geographies (there are no low income geographies in either assessment area).
- The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- There are no CRA related complaints filed against the bank.

## DESCRIPTION OF HASKELL NATIONAL BANK

Haskell National Bank (HNB), originally chartered in 1890, is a community bank with the main facility located in Haskell, Texas (Haskell County). Haskell is approximately 60 miles north of Abilene, Texas. HNB operates from an additional location in Abilene, Texas (Taylor County). The Abilene facility was opened in August 2000. HNB is a full service bank offering traditional products and services.

HNB is wholly owned by Haskell Bancshares, Inc. (HBI), a one-bank holding company. HBI has one controlling shareholder. HNB is managed by individuals that are local at the two locations. Primary competition consists of state and national banks, and branches of state and national banks, located in the assessment areas and surrounding counties.

The most recent CRA examination was performed as of September 23, 2001. The bank received a satisfactory rating at that examination. There are no legal or financial impediments to HNB's ability to meet the credit needs of its assessment areas.

As of March 31, 2007, HNB had total assets of \$62.2 million, total loans of \$24.4 million, and deposits of \$55.6 million. The principal lending focus includes agriculture and consumer lending in the Haskell area and consumer real estate and consumer lending in the Abilene area. The following table depicts the loan portfolio by major loan product type based on March 31, 2007 totals.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
1-4 Family Residential Real Estate	\$6,781	27.8%
Consumer Loans	\$4,686	19.2%
Agricultural Production/Other Agricultural	\$4,276	17.5%
Commercial Real Estate	\$4,088	16.8%
Farm Land Real Estate	\$2,386	9.8%
Commercial Loans	\$1,587	6.5%
Other Loans	\$578	2.4%
<b>Total</b>	<b>\$24,382</b>	<b>100.0%</b>
Percentage of Loans to Total Assets 39%		

## DESCRIPTION OF HASKELL AND TAYLOR COUNTIES

HNB has identified two assessment areas; Haskell County for the Haskell facility, and Taylor County for the Abilene facility. Haskell County is not part of any Metropolitan Statistical Area (MSA), while Taylor County is a part of the Abilene, Texas MSA.

Generally, Haskell County is sparsely populated with 6,093 individuals, and not experiencing any significant population growth. The area is highly dependent on agriculture (farming and ranching). The primary crop product is cotton, with wheat and peanuts as secondary crops. There is limited oil and gas production in the area. A 500-bed medium security prison was constructed several years ago and is located just outside the Haskell city limits. This facility employs approximately 150 individuals. Other significant employers include the local school district and city government. There are numerous agriculture related service businesses, which employ a lot of area residents. Unemployment is low and averages about 2.2%.

Taylor County is more heavily populated with 126,555 individuals. Abilene is the economic center and has a much more diversified economy. Major employers include Dyess Air Force Base, Hendrick Medical Center, Abilene State School, Abilene school district and 3 private colleges. Many individuals commute to Abilene from the surrounding area for employment. Unemployment is low and averages about 3.9% for the assessment area.

The following table provides basic demographic information for the assessment areas.

<b>Demographic and Economic Characteristics of the Assessment Areas *</b>		
	<i>Haskell Co.</i>	<i>Taylor Co.</i>
<b>Population</b>		
Number of Families	1,790	32,728
Number of Households	2,571	47,269
<b>Geographies</b>		
# Low-Income BNA/CT	0	0
# Moderate-Income BNA/CT	0	9
# Middle-Income BNA/CT	2	17
# Upper-Income BNA/CT	0	8
# Unknown-Income BNA/CT	0	2
<b>Median Family Income (MFI)</b>		
2000 MFI for Assessment Area	\$36,300	\$39,988
2006 HUD Adjusted MFI	\$43,100	\$47,500
<b>Economic Indicators</b>		
Unemployment Rate	2.2%	3.9%
2000 Median Housing Value	\$33,877	\$58,969
% of Households Below Poverty Level	21.4%	14.2%

\* Derived from the 2000 Census Bureau and 2006 Housing and Urban Development Agency (HUD) data.

We considered information from community contacts in our assessment. According to these contacts the immediate credit needs of the communities served are being fulfilled. HNB plays an active role to ensure the individual credit needs are met, including low- and moderate-income individuals. HNB places a strong emphasis on establishing customer relationships and ensuring a high level of personal service.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our conclusions in this evaluation are based on the lending activity from the last examination dated September 23, 2001. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. For analysis purposes, our samples included 1-4 family purchase loans, consumer auto loans and business loans.

### Loan-to-Deposit Ratio

HNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

This ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average for this examination totals 42.5%. There are three other competing state and national banks, chartered in Haskell and Taylor counties, with LTD ratios ranging from 74.2% to 33.4%. There are several branches of other financial institutions, chartered outside the assessment areas, which HNB competes directly with. Financial information was not available on these individual branches for comparison purposes. HNB's LTD ratio is within the range of competing banks and is considered reasonable.

### Lending in the Assessment Areas

HNBs lending within each assessment area meets the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within each assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment areas, would be considered less than satisfactory. However, HNB's lending efforts are concentrated within each assessment area.

At this time, HNB does not track loans by location. To assess the bank's performance in this area, we were required to sample a portion of the loan portfolio. We used the samples noted above to assess the bank's performance for this criterion. Based on our sample results, a significant majority of loans are within each assessment area. The following table reflects the results of our assessment of the bank's efforts to lend in its assessment areas.

HASKELL COUNTY ASSESSMENT AREA - TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	23	96%	\$816	92%	1	4%	\$69	8%
Automobile Loans	17	85%	\$118	75%	3	15%	\$40	25%
Business Loans	17	85%	\$883	87%	3	15%	\$132	13%
<b>Total Reviewed</b>	<b>57</b>	<b>89%</b>	<b>\$1,817</b>	<b>88%</b>	<b>7</b>	<b>11%</b>	<b>\$241</b>	<b>12%</b>

TAYLOR COUNTY ASSESSMENT AREA - TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	26	72%	\$1,255	66%	10	28%	\$655	34%
Automobile Loans	18	90%	\$148	91%	2	10%	\$15	9%
Business Loans	18	90%	\$1,721	97%	2	10%	\$46	3%
<b>Total Reviewed</b>	<b>62</b>	<b>82%</b>	<b>\$3,124</b>	<b>81%</b>	<b>14</b>	<b>18%</b>	<b>\$716</b>	<b>19%</b>

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

The bank's loan distribution, to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

HNB obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for this criterion. To assess the bank's efforts, we used the samples noted above. Our analysis, noted in the tables below, indicates the bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Overall, we concluded that the bank's performance is generally proportionate to the income levels of the families and households within each assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, FNB meets the credit needs of the small businesses located in the assessment areas.

#### 1-4 Family Real Estate Lending -

HASKELL COUNTY ASSESSMENT AREA - 1-4 FAMILY REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	27%		22%		19%		32%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Sample Totals	14%	9%	23%	9%	23%	19%	36%	59%

Financial information was not available on 4% of the number and 4% of the dollar of our sample

TAYLOR COUNTY ASSESSMENT AREA - 1-4 FAMILY REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18%		18%		24%		40%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Sample Totals	12%	6%	15%	16%	8%	12%	65%	66%

Consumer Auto Lending -

HASKELL COUNTY ASSESSMENT AREA - CONSUMER AUTO LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	32%		20%		17%		31%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Sample Totals	25%	11%	15%	18%	25%	22%	25%	39%

Financial information was not available on 10% of the number and 10% of the dollar of our sample

TAYLOR COUNTY ASSESSMENT AREA - CONSUMER AUTO LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	22%		17%		20%		41%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Sample Totals	20%	19%	20%	22%	15%	14%	45%	45%

Business Lending -

HASKELL COUNTY ASSESSMENT AREA - BUSINESS LOANS				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	55%	3%	42%	100%
% of sample Loans in AA by #	90%	10%		100%
% of sample Loans in AA by \$	81%	19%		100%

TAYLOR COUNTY ASSESSMENT AREA - BUSINESS LOANS				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	5%	29%	100%
% of sample Loans in AA by #	85%	15%		100%
% of sample Loans in AA by \$	69%	31%		100%



## Geographic Distribution of Loans

HNB's loan distribution, to the different geography income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of each assessment area.

The Haskell County assessment area does not contain low- or moderate-income geographies, therefore a geographic distribution analysis is not considered necessary. We did perform a geographic distribution analysis on the Taylor county assessment area. As noted before, the bank does not track loans by location; therefore, the samples noted earlier were used to assess the bank's effort in this criterion. Based on our analysis, the bank's lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table.

<b>TAYLOR COUNTY ASSESSMENT AREA - GEOGRAPHIC DISTRIBUTION OF LOANS</b>						
<b>Geographic Breakdown *</b>	<b>Moderate Income</b>		<b>Middle Income</b>		<b>Upper Income</b>	
<b>% of Geographies</b>	<b>25%</b>		<b>47%</b>		<b>22%</b>	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1-4 Family	19%	12%	39%	34%	42%	54%
Consumer	15%	10%	45%	52%	40%	38%
Business	5%	1%	35%	13%	60%	86%

\* There are no Low Income geographies in the assessment area. Also, two of the geographies (6%) are designated as Unknown Income by the U.S. Census Bureau.

## Responses to Complaints

HNB has not received any CRA related complaints since the last CRA examination.

## Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation.