



PUBLIC DISCLOSURE

November 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Aspermont
Charter Number 5786

Washington & 7th Street
Aspermont, TX 79502

Office of the Comptroller of the Currency

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

- The First National Bank of Aspermont's (FNB) loan-to-deposit (LTD) ratio is reasonable given the low loan demand and economic circumstances within the assessment area (AA). The quarterly average net LTD is 17 percent.
- A majority of the bank's loans, 71 percent by number and 75 percent by dollar volume, were made to borrowers located within the AA.
- FNB has excellent penetration of loans to businesses of different sizes and individuals and families of various income levels.

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 guidelines, which include 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 were originated at the highest percentages by dollar volume and number of loans. Primary loan products during this evaluation period consist of commercial and consumer loans. Although agricultural loans represent the highest percentage of total loans as of September 30, 2014, commercial loans represent a higher percentage over the entire evaluation period per our analysis. The loan sample consisted of 27 commercial loans and 29 consumer loans originated from 2012 to 2014.

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 intrastate bank with one banking office.

As of September 30, 2014, FNB had total assets of \$58 million, with net loans and leases comprising approximately 14 percent of total assets. The bank's loan products include agricultural, commercial, consumer, and residential real estate loans. Commercial loans are FNB's primary loan product by dollar volume, and consumer loans are the primary loan product by number of loans over the evaluation period. The following table depicts FNB's loan portfolio composition as of September 30, 2014.

Loan Portfolio Composition as of September 30, 2014				
Loan Type	\$000s	% of \$	#	% of #
Commercial	3,299	37.53%	34	9.71%
Agricultural	3,320	37.77%	73	20.86%
Consumer	1,219	13.87%	217	62.00%
Residential RE	953	10.84%	26	7.42%
Total	8,791	100%	350	100%

Source: September 30, 2014 Uniform Bank Performance Report and Bank Reports

FNB offers a full range of traditional commercial and consumer loans, banking products, and other financial services. Bank lobby services are provided Monday through Friday from 9:30 a.m. to 3:00 p.m. The bank offers loans, checking accounts, certificates of deposit, safe deposit boxes, debit cards, 24-hour ATM, wire transfers, night depository, direct deposit, cashier's checks, and other services. The bank provides 24-hour access to banking services through its website at www.fnbaspermont.com. Internet banking services include account balance inquiries and bill pay. Several of these services are new or expanded since the last evaluation.

Management and the Board's primary focus are to serve consumer, commercial, and agricultural customers in Stonewall County. Commercial loans tend to be larger, while consumer loans are generally small. FNB does not have a minimum loan amount, and the average outstanding consumer loan balance at September 30, 2014 was \$560. The bank has the ability to meet the various credit needs in its community based on its financial condition, the local economy, product offerings, and competition.

FNB was rated "Satisfactory" at the previous CRA examination on February 23, 2009. 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 most requests for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF 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. The AA consists of one upper-income census tract and does not arbitrarily exclude low- and moderate-income geographies. Federal agencies have no longer designated the AA as a distressed and underserved nonmetropolitan middle-income geography. 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	424
Number of Households	592
<i>Geographies</i>	
Number of Census Tracts	1
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	0.00%
% Upper-Income Census Tracts	100.00%
<i>Median Family Income (MFI)</i>	
2013 MFI for AA	\$60,227
2012 HUD-Adjusted MFI	\$49,300
2013 HUD-Adjusted MFI	\$50,500
2014 HUD-Adjusted MFI	\$51,600
<i>Economic Indicators</i>	
Unemployment Rate	1.76%
2013 Median Housing Value	\$55,300
% of Households Below Poverty Level	12.84%

Source: 2010 US Census data and HUD updated income data

FNB is the only financial institution located in Stonewall County. Numerous financial institutions operate in adjacent counties, resulting in high area competition. These banks offer Stonewall County residents additional access to financial services as they travel to other locations for work and other purposes.

Local economic conditions remain stable with low unemployment of 1.76 percent. The local economy is based primarily on agricultural and oil and gas related activities. Livestock production and crop farming have been adversely affected by the ongoing drought. The two largest non-agricultural employers within the AA are the hospital and the local school district. Aspermont has the only school system in Stonewall County.

We interviewed one community contact for the purpose of determining a community profile, identifying opportunities for participation, and ascertaining the performance of local financial institutions. The biggest challenge facing the community is the low and declining, as well as aging, population. New businesses are not especially attracted to the area; however, those that do wish to open have not had any issues obtaining financing. In the residential sector, there is a shortage of available contractors willing to leave the larger surrounding markets to construct a smaller volume of less expensive homes. The local area has also been experiencing a severe shortage of water. According to our contact, FNB has been very active in assisting with solutions through the commitment to lend the necessary funds to find alternative sources of water. Local and area institutions are cooperative in trying to meet all community credit needs, and there were no unmet credit needs identified.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average net LTD ratio from March 31, 2009 to September 30, 2014 is 16.70 percent. Although this is below that of four other similarly situated banks averaging 43 percent, it is reasonable given the high volume of public funds and the low loan demand in the AA. This is an increase from the prior evaluation when the quarterly average net LTD was 12.35 percent.

During the evaluation period, the net LTD ratio ranged from a low of 11.71 percent at December 31, 2009 to a high of 20.67 percent at December 31, 2012, showing an increasing trend. These increases have come despite the bank maintaining a significant amount of public funds throughout the evaluation period. Public funds are from Stonewall County (where FNB is the only financial institution) and neighboring King County, which does not have a bank or branch to provide services. Deducting public funds from the calculation, FNB's quarterly average net LTD ratio increases to approximately 27 percent.

Similarly situated banks include those between \$30 million and \$85 million in total assets, located in counties adjacent to Stonewall County. Spur Security Bank is the most similar to FNB based on geographic location and population density. Quarterly average LTD ratios for each similarly situated bank are depicted in the following table.

Loan-to-Deposit Ratios		
Institution	Total Assets as of 9/30/14 (\$000s)	Average Net LTD Ratio
The First National Bank of Aspermont	57,748	16.70
Spur Security Bank	42,539	29.11
The First National Bank of Anson	56,006	46.95
Haskell National Bank	75,663	48.84
First National Bank	75,330	48.33

Source: Institution Reports of Condition from March 31, 2009 to September 30, 2014

A number of factors have resulted in low lending opportunities in the community. The extended drought reduced loan demand from FNB's agricultural borrowers. Farmers did not harvest crops during the majority of the rating period, and ranchers reduced herds significantly, which lowered their need for loans. The total population in the county is only 1,490, a decline of 12 percent since 2000. Based on 2013 census data, about 25 percent of the population in Stonewall County consists of persons 65 years and older, with another 22 percent under age 18. These two groups tend to have fewer borrowing needs and more fixed incomes. FNB has increased residential lending in response to identified community credit needs for housing. As noted above, there are many banks serving the area, resulting in high competition for few loans.

Lending in Assessment Area

FNB Aspermont originates a majority of loans inside its AA. About 71 percent of the number of loans and 75 percent of the dollar amount of loans in our sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in Stonewall County AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	20	74.07	7	25.93	27	3,259	74.92	1,091	25.08	4,350
Consumer	20	68.97	9	31.03	29	111	86.73	17	13.27	128
Totals	40	71.43	16	28.57	56	3,370	75.26	1,108	24.74	4,478

Source: Sample of loans used for CRA performance analysis

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

FNB's loan portfolio reflects an overall excellent penetration of loans to businesses of different sizes and individuals and families of various income levels (including low- and moderate-income) within the AA. To perform our analysis, we reviewed income information for 20 commercial loans and 20 consumer loans extended in the Stonewall County AA during the evaluation period.

The distribution of commercial loans reflects excellent penetration among businesses of different sizes. Our sample found 85 percent of commercial loans by number and 87 percent by dollar amount were originated to businesses with gross annual revenues less than or equal to \$1 million. This exceeds the 69 percent of the AA businesses that reported revenues less than or equal to \$1 million. The following table details the results of our sample of business loans originated within the AA.

Borrower Distribution of Loans to Businesses in Stonewall County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.59	3.85	27.56	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	86.55	13.45	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of consumer loans reflects excellent penetration of loans to low- and moderate-income households in the AA. Consumer loans to low- and moderate-income households are 35 percent by number of loans for both borrower income levels. In each case, the distribution exceeds the demographic of 22 percent and 9 percent, respectively. The following table reflects the results of our selected sample of consumer loans originated in the assessment area.

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	22.13	35.00	8.61	35.00	16.39	15.00	52.87	15.00

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

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 upper-income census tract. There are no low- to moderate-income census tracts in the AA; therefore, this type of analysis would not be meaningful.

Responses to Complaints

No complaints related to FNB’s CRA performance have been received by the OCC or FNB during the evaluation period. As such, this has a neutral impact on the bank’s overall performance. FNB has the necessary systems in place to ensure that complaints are addressed in an appropriate and timely manner.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

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