

SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Mount Vernon
Charter Number: 5409**

**101 West Main Street
Mount Vernon, TX 75457**

**Comptroller of the Currency
Longview Field Office
1800 West Loop 281 Suite 306
Longview, TX 75604**

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.

First National Bank of Mount Vernon has a satisfactory rating of meeting community credit needs. This rating is based on the following:

- A substantial majority of the bank’s loans are extended within their assessment area.
- The bank’s loan-to-deposit ratio is reasonable based on the bank’s performance context and lending opportunities within its assessment area.
- The distribution of loans demonstrates an excellent penetration among borrowers of different income levels and businesses of different sizes.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of First National Bank of Mount Vernon’s ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. Conclusions regarding the bank’s lending performance are based on residential mortgages, commercial loans including commercial real estate and consumer loans originated from January 1, 2006 to January 7, 2008.

DESCRIPTION OF INSTITUTION

First National Bank of Mount Vernon (FNB) is a \$125 million bank which serves Franklin County and surrounding areas through three branches in Mount Vernon and one at Lake Cypress Springs. FNB is wholly owned by Mount Vernon Bankshares, Inc. The bank offers a full range of loan and deposit products. The following chart reflects the distribution of the bank’s loan portfolio as of December 31, 2007.

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$36,276	63.31%
Commercial Real Estate Loans	\$8,484	16.35%
Agriculture	\$7,655	10.38%
Consumer	\$6,616	5.28%
Commercial	\$2,370	4.68%
Total	\$61,401	100.00%

There are no legal impediments or other factors that inhibit the bank’s ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated September 15, 2003.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's assessment area includes all of Franklin and Camp counties, the southwest quarter of Titus County, and the eastern half of Hopkins County. The assessment area consists of seven census tracts (CTs), which are all middle income areas. Refer to the bank's CRA Public File for a detailed listing. The bank's assessment area meets the requirements of the regulatory guidelines. The following table details the demographics for the assessment area (AA):

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	7,351
Number of Households	9,646
<i>Geographies</i>	
Number of Census Tracts	7
% 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
2006 HUD-Adjusted MFI	\$43,100
<i>Economic Indicators</i>	
Unemployment Rate (2000) Census	1.90%
2000 Median Housing Value	\$60,946
% of Households Below Poverty Level	14.31%

Within the assessment area, occupied housing units represent 78% of the total available, with owner-occupied housing at 63%, rental-occupied housing at 15%, and vacant housing units at 22%.

There are seven independent financial institutions located either within or adjacent to the assessment area. These institutions consist of other national and state chartered banks. The economy of the area is generally stable. The largest employers in the assessment area are Pilgrims Pride Corporation, Lowes Regional Distribution Center, Jordan Health Service, East Texas Medical Center, Carlton Manufacturing, Joe Tex, and the independent school districts. The industries that have the largest number of employees are poultry growing and processing, retail distribution, education, manufacturing, and health care.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is satisfactory. The bank's loan to deposit ratio is reasonable and a substantial majority of loans are within the bank's assessment area. Additionally, the distribution of loans reflects an excellent penetration among borrowers of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio has averaged 52.44% since the prior CRA examination in September 2003. We compared the average LTD ratio to five other independent national or state chartered banks located within or adjacent to FNB's AA. The average LTD ratio of all banks used for comparison equaled 79.07% during the evaluation period. This is significantly above FNB's; however, three of the banks operate large branch networks that serve multiple assessment areas. Given the loan demand and credit needs within FNB's AA, the LTD ratio is reasonable. Information on the comparable financial institutions is detailed in the following table:

Institution	Assets (000s) (as of 9/30/07)	Average LTD Ratio
First National Bank of Winnsboro	\$135,018	97.42%
Pilgrim Bank, Pittsburg	\$205,900	88.91%
Guaranty Bond Bank, Mt. Pleasant	\$579,248	82.31%
American National Bank, Mt. Pleasant	\$75,819	78.00%
City National Bank, Sulphur Springs	\$324,971	75.35%
First National Bank of Mount Vernon	\$124,913	52.44%
Average Loan to Deposit Ratio		79.07%

Lending in Assessment Area

A substantial majority of the bank's lending activity is located within the assessment area. Our review focused on the bank's primary product lines: residential mortgages, commercial loans, and consumer loans. We reviewed a sample of 25 residential mortgages, 26 commercial loans, and 25 consumer loans. This sample revealed approximately 86% of the number and 82% of the dollar amount of loans were extended in the bank's assessment area. The breakdown by loan category is illustrated in the following chart:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	22	88.00%	3	12.00%	25	\$1,862	93.33%	\$133	6.67%	\$1,995
Commercial	22	84.62%	4	15.38%	26	\$1,291	69.52%	\$566	30.48%	\$1,857
Consumer	21	84.00%	4	16.00%	25	\$190	82.25%	\$41	17.75%	\$231
Totals	65	85.53	11	14.47	76	\$3,343	81.88%	\$740	18.12%	\$4,083

Source: Loan Sample.

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

Residential mortgages, commercial loans, and consumer loans are the bank’s primary lending products. The distribution of residential mortgages reflects an excellent penetration based on loans to low and moderate income families.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	18.50%		16.96		23.17		41.37	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	13.04%	7.40	17.39	7.88	26.09	27.45	43.48	57.27

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

The distribution of consumer loans reflects an excellent penetration. Specifically, the percentage of loans to low and moderate-income households exceeds the percentage of these households in the assessment area.

BORROWER DISTRIBUTION OF CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	31.01%		16.76%		16.60%		35.63%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	36.36%	6.83%	27.27%	19.69%	9.10%	16.68%	27.27%	56.80%

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

The distribution of loans to businesses reflects a reasonable penetration. Approximately fifty-seven percent of businesses do not report their revenues; therefore the percentage of businesses by income level may not accurately reflect a true percentage in each income category. Our sample of business loans inside the assessment area revealed a substantial majority of the bank’s business loans were to businesses with revenues less than \$1 million.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses ³	40.38%	2.65%	56.97%	100.00%
% of Bank Loans in AA #	90.48%	9.52%	---	100.00%
% of Bank Loans in AA \$	97.07%	2.93%	---	100.00%

Source: Loan Sample; Dun & Bradstreet data.

Responses to Complaints

First National Bank of Mount Vernon has not received any CRA related complaints during the assessment period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices.