



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 7, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Aspermont
Charter Number 5786**

**Washington and 7th Street
Aspermont, Texas 79502**

**Comptroller of the Currency
ADC Debra Garland – Lubbock (West Texas)
5225 South Loop 289, Suite 108
Lubbock, Texas 79423**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Aspermont's (FNBA) CRA performance is satisfactory. We based our conclusion on FNBA's lending practices. We evaluated these practices through a review of the bank's primary loan products. The rating is based on the following findings:

- FNBA's loan to deposit ratio has averaged 22 percent since the last CRA examination. This is considered satisfactory based on the economy, the demographics of the assessment area, and the credit needs in the assessment area.
- A majority of the bank's loans, 84 percent by number and 73 percent by volume, are to customers who live or operate their business within the assessment area.
- FNBA has a reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses and farms of different sizes.
- There were no complaints about the bank's CRA performance.

DESCRIPTION OF INSTITUTION

FNBA operates from a single facility in Aspermont in Stonewall County. At the last CRA examination in April 1998, the bank achieved a Satisfactory rating. The bank offers a number of loan products, including commercial operating loans, real estate loans, agriculture-purpose loans, and consumer loans, including 1-4 family residential loans. It also offers a variety of deposit products to meet the needs of the community. At this time, there is no acquisition or merger activity planned. There were no legal or other impediments identified that would impact the bank's ability to provide credit.

Total loans of \$4.1 million represent 12.6 percent of total assets at December 31, 2002. Commercial loans are the primary loan product by dollar volume (49 percent of the total loan portfolio), and consumer loans are the primary loan product by number of loans (54 percent of the total number of loans outstanding). The following chart shows the portfolio composition as of December 31, 2002.

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$ (000)	%
Commercial Loans	2,008	48.85
Agriculture Loans	1,110	27.00
Consumer Loans	688	16.73
Residential Real Estate Loans	305	7.42
Total	4,111	100

FNBA is one of thirteen financial institutions in Stonewall County and the adjacent counties. Eight of those institutions also have offices outside this area or additional branches in the area. FNBA has approximately 5.23 percent of the total deposits in the ten county area. This is about 36 percent of the deposits held by the association that holds the largest market share in the area.

DESCRIPTION OF STONEWALL COUNTY

The bank has designated Stonewall County as its assessment area. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Stonewall County is located in central Texas, approximately 100 miles to the southeast of Lubbock, Texas and 50 miles to the northwest of Abilene, Texas. Total population is estimated at 1,493 persons as of the examination. Aspermont is the largest community in the county with a population of approximately 1,200. The local economy is reliant on agriculture, primarily ranching, though some oil and gas production remains. The county population declined from 2,013 in the 1990 census to 1,693 in the 2000 census. This is almost a 16 percent decline in the population. Since the 2000 census, recent reports show the population has declined an additional 12 percent. Published reports show that Stonewall County has the largest percentage population decline in the state.

Based on 1990 census data, the unemployment level of the county was very low, 1.24 percent, but the level averaged 3.7 percent in 2002. One factor in the increasing unemployment is the conversion of farm and ranch land to the Conservation Reserve Program or to hunting leases. Both of these situations result in fewer job opportunities for farm or ranch work. In addition, oil and gas production has declined, eliminating many related jobs. Retail businesses have been significantly impacted by the declining population, which has resulted in further deterioration of the local economy. The following chart reports demographic and economic factors as of the 1990 census

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	2,013
Number of Families	564
Number of Households	800
<i>Geographies</i>	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	1
% Upper-Income Census Tracts/BNA	1
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	25,048
2002 HUD-Adjusted MFI	36,100
<i>Economic Indicators</i>	
Unemployment Rate	1.24
1990 Median Housing Value	28,804
% of Households Below Poverty Level	17.25

There are small financial institutions in adjacent counties, but generally, the economic conditions in those areas are stronger than those in Stonewall County. Retail businesses are still active, and there are jobs for the people living in the communities, or they commute to jobs nearby. Unemployment levels in those counties range from 2 percent to 3.3 percent.

We met with one individual from the community during the examination. The individual confirmed the declining economy and increased difficulty in finding a job with livable wages for a family. In 1990, over 17 percent of households were below the poverty level. Discussion with the individual and with bank management did not identify any local credit needs that are unmet.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Overall, FNBA has satisfactory performance under the CRA.

We evaluated FNBA based on lending performance and its practices to meet the credit needs of the community. Over 70 percent of the home loans as of the examination date originated at \$20 thousand or less. Many borrowers find it difficult to obtain home loans for these small balances. We observed that FNBA makes a very large number of low-dollar loans. This meets a credit need in the community where the average income is below the updated HUD median family income.

We used a sample of commercial loans and consumer loans to reach our conclusions regarding FNBA's lending performance. More detailed explanation of our review of the loan samples is below.

Loan-to-Deposit Ratio

FNBA's average loan-to-deposit ratio since the last CRA examination is approximately 22 percent. The highest ratio was in March 1999 at 26.12 percent, and the lowest was in December 2002 at 15.72 percent. This ratio is reasonable for the bank.

A number of factors were considered in assessing the reasonableness of the loan-to-deposit ratio, including a decline in loan demand. Total loans have declined 36 percent over the past five years due to the declining population. This has resulted in lower credit needs. During the same time frame, deposits declined only 9.6 percent. Bank reports list a number of large depositors who have been long-time customers of the bank and who have no need to borrow money. The bank is also the depository institution for local public funds balances that total almost \$5 million at the year-end 2002. These public funds are secured by investments, which reduces the amount of deposits available for loans.

The following chart compares FNBA's average loan-to-deposit ratio to other banks in contiguous counties. We used only banks with a single office in the assessment area for comparison.

LOAN-TO-DEPOSIT RATIO		
Institution	Assets (as of 12/31/02)	Average LTD Ratio
Haskell National Bank, Haskell	60,223	31.26
Kent County State Bank, Jayton	21,837	58.07
Spur Security Bank, Spur	28,818	48.23
First National Bank, Rotan	43,594	61.25
<i>First National Bank of Aspermont</i>	32,505	21.96

Lending in Assessment Area

A majority of loans made by FNBA are to borrowers who live or operate businesses in the assessment area. The following chart shows the results of our review of the consumer and commercial loan samples.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	19	76.0	2,364	71.4	6	24.0	945	28.6
Consumer	23	92.0	176	92.0	2	8.0	16	8.0
Total Reviewed	42	84.0	2,540	72.6	8	16.0	961	27.4

Source: Bank records and US Census Bureau Data

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

FNBA has a reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses and farms of different sizes.

We compared income levels of consumer borrowers to the income levels of households in the assessment area. FNBA's lending to low- or moderate-income borrowers exceeds the level of low- or moderate-income households in the assessment area. The following chart shows the comparison of borrower income to household income levels.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23.3		15.0		19.8		42.0	
LOANS	% Number	% Amount	% Number	% Amount	% Number	% Amount	% Number	% Amount
Total	43.5	21.1	26.1	41.0	17.4	13.9	13.0	24.0

FNBA makes loans to businesses with various revenue levels, including small businesses, meeting the standard for satisfactory performance. FNBA's lending practices are better reflected by the number of loans made to small businesses because the larger loans were to those businesses with larger revenues. We observed FNBA makes a number of small loans to businesses. Over 40 percent of commercial operating loans as of the examination were in original amounts of \$5 thousand or less, and almost 57 percent of those loans were \$10 thousand or less. The following chart shows the loans to businesses with revenues both above and below \$1 million.

BORROWER DISTRIBUTION OF LOANS TO SMALL BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	96	4
Bank Loans: % of Number in AA	75	25
Bank Loans: % of Dollars in AA	39	61

Geographic Distribution of Loans

Because there are no low- or moderate-income areas identified, a review of the geographic distribution of loans would not be meaningful.

Responses to Complaints

There were no complaints received about FNBA's CRA performance.

Fair Lending Review

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.