



PUBLIC DISCLOSURE

April 23, 2019

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, and should not 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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Overall CRA Rating

The Lending Test is rated: Satisfactory.

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

- FNB's loan-to-deposit (LTD) ratio is reasonable given its substantial volume of public funds, low loan demand, and economic circumstances within the AA. Its quarterly average net LTD ratio is 18 percent.
- FNB originated a majority of its loans by number (82 percent) and dollar amount (88 percent) to borrowers located within the AA.
- FNB's lending activity reflects an excellent distribution of agricultural loans among farms of different sizes and consumer loans among individuals of different income levels, including low- and moderate-income borrowers.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CT generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CT are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing's, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A MD consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the Central County or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FNB is a community bank headquartered in Aspermont, TX, about 60 miles northwest of Abilene, TX and 100 miles southeast of Lubbock, TX. It is an intrastate bank with one banking office and is wholly owned by Aspermont Bankshares, Inc., a one-bank holding company. FNB reported total assets of \$68 million on December 31, 2018.

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 customers 24-hour access to banking services through its website at www.fnbaspermont.com and basic mobile banking. Internet banking services include account balance inquiries, funds transfers, and bill pay.

As of December 31, 2018, net loans totaled \$13 million and represented 22 percent of total deposits and 19 percent of total assets. FNB's loan products include agricultural, commercial, consumer, and residential real estate loans. Agricultural and consumer loans represent the bank's primary products over the evaluation period by dollar volume and number of loans, respectively. The loan portfolio composition for the evaluation period is depicted in the following table.

Loan Originations in 2016, 2017 and 2018 by Original Amount				
Loan Category	\$ of Loans (000s)	% of \$	# of Loans	% of #
Agricultural and Farmland	9,615	37	303	28
Commercial and Commercial Real Estate	9,179	35	112	11
Consumer	3,762	14	606	57
Residential Real Estate (1-4 Family)	3,633	14	43	4
TOTAL	26,188	100	1,064	100

Source: Bank Loan Trial Balance.

FNB's business strategy is to serve agricultural, commercial, and retail customers in Stonewall County. No legal impediments or other factors hinder FNB's ability to provide credit to its AA. The bank was rated "Satisfactory" at the previous CRA evaluation on November 17, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2016 through December 31, 2018. We evaluated FNB using Small Bank criteria, which collectively form the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities using the following performance criteria: loan-to-deposit ratio, lending in the AA, borrower distribution, geographic distribution, and responses to CRA-related complaints.

FNB's primary loan products are agricultural loans by dollar and consumer loans by number. Due to census changes in 2017, we selected samples for each primary product from different year combinations: one for 2016, and one for 2017-2018. We sampled 60 agricultural loans, 30 of which originated in 2016 and 30 originated in 2017-2018. Similarly, we sampled 60 consumer loans with the same distribution of origination dates. Due to changes in census data, results from 2016 were evaluated against 2010 US Census Data, and 2017-2018 were evaluated against 2015 ACS Census Data.

Data Integrity

We gathered accurate financial and geographic information directly from the bank's loan files.

Selection of Areas for Full-Scope Review

FNB has one AA that will receive a full-scope review.

Ratings

The bank's overall rating is based on the Stonewall County AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB’s performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

FNB’s net LTD ratio is reasonable given the bank’s size, financial condition, local competition, and AA credit needs. The bank’s quarterly average net LTD ratio for the 17 quarters from December 31, 2014 through December 31, 2018 was 18 percent, ranging from 15 percent to 22 percent, and has shown an increasing trend. Similarly situated banks with assets between \$45 million and \$80 million operating in counties contiguous to the AA had quarterly net LTD ratios averaging 44 percent, and ranging from 23 percent to 57 percent. Of these institutions, Spur Security Bank is the most comparable based on its geographic location, population density, and product offerings, including agricultural loans.

While below four similarly situated banks, FNB’s net LTD ratio is reasonable given the bank’s substantial volume of public funds coupled with low loan demand in the AA. Public funds are derived from Stonewall County, where FNB is the sole financial institution in operation, and adjacent King County, which lacks a bank or branch to provide financial services. Excluding public funds, FNB’s average quarterly net LTD ratio increases to approximately 26 percent.

Institution	Total Assets (\$000s) As of 12/31/2018	Quarterly Average Net LTD Ratio
The First National Bank of Aspermont	67,891	18.25
Spur Security Bank	45,300	22.63
The First National Bank of Anson	62,995	56.64
Haskell National Bank	69,714	45.65
First National Bank	79,543	51.76

Source: Institution Reports of Condition from December 2014 to December 2018.

Several factors contribute to the limited lending opportunities available in the AA. Minimal rainfall reduced the bank’s agricultural loan demand. In addition, tenured farmers have since relied on cash balances to fund agricultural activities, further reducing related loan demand. As of 2018, Stonewall County’s population totaled only 1,414, which represents a declining trend since 2000 and limits lending opportunities in the AA. Based on 2010 US Census Data, approximately 26 percent of the county’s population consists of persons under 16 years old, with an additional 27 percent of persons over age 65. These age groups generally exhibit lower credit needs and/or have reliance on fixed income. FNB has recently expanded residential lending activities based on community credit needs for affordable housing arising from the uptick in oil and gas activity given the rise in associated commodity prices.

Lending in Assessment Area

A majority of FNB's loans, 82 percent by number and 88 percent by dollar amount, were extended to borrowers within the bank's AA. Results by loan category are depicted in the following table.

Lending in Stonewall County AA										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	50	83	10	17	60	821	94	52	6	872
Consumer	48	80	12	20	60	293	76	95	24	388
Totals	98	82	22	18	120	1,114	88	147	12	1,260

Source: Loan sample.

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

FNB's lending activity within its AA reflects an overall excellent distribution among farms of different sizes and borrowers of different income levels.

Agricultural Loans

FNB's agricultural lending activity reflects excellent distribution among farms of different sizes within the AA. Agricultural loans originated in 2017-2018 with less than or equal to \$1 million in gross annual revenues totaled 50 percent, below the census demographic of 95 percent of AA farms. Agricultural loans originated in 2016 with less than or equal to \$1 million in gross annual revenues totaled 46 percent, below the census demographic of 97 percent of AA farms. 50 percent of the 2017-2018 sample and 54 percent of the 2016 sample did not contain income information, resulting in a high unavailable/unknown portion of the sample. No loans had revenues over \$1 million.

Borrower Distribution of Loans to Farms in Aspermont AA: 2017-2018				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	95	0	5	100%
% of Bank Loans in AA by #	50	0	50	100%
% of Bank Loans in AA by \$	51	0	49	100%

Source: Loan sample; Dun and Bradstreet data.

Borrower Distribution of Loans to Farms in Aspermont AA: 2016				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	0	3	100%
% of Bank Loans in AA by #	46	0	54	100%
% of Bank Loans in AA by \$	63	0	37	100%

Source: Loan sample; Dun and Bradstreet data.

Management asserted that loans without income information are generally made to small operations. These loans are typically small dollar amounts and well-secured by varying forms of collateral including CDs, livestock, and equipment. To verify, we reviewed the distribution of farm loans by size. 100 percent of farm loan origination amounts were less than or equal to \$250,000, with 93 percent less than or equal to \$25,000. This supports an excellent distribution of loans to small farms.

Consumer Loans

FNB's consumer lending activity reflects an excellent distribution among borrowers of different income levels. Consumer loans originated in 2017-2018 to low-income (39 percent) and moderate-income (26 percent) households significantly exceed the demographics of 30 percent and 10 percent, respectively. Consumer loans originated in 2016 to low-income (24 percent) exceed the demographic of 21 percent, while originations to moderate-income (36 percent) households significantly exceed the demographic of 8 percent. The following tables reflect the results of our consumer loan samples.

Borrower Distribution of Consumer Loans in Stonewall County AA: 2017-2018								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	30	39	10	26	18	9	43	9

Source: 2017-18 Consumer Loan Sample; 2015 U.S. Census data.

Borrower Distribution of Consumer Loans in Stonewall County AA: 2016								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	21	24	8	36	17	4	54	28

Source: 2016 Consumer Loan Sample; 2010 U.S. Census data

Geographic Distribution of Loans

Because the AA does not contain any census tracts designated as low- or moderate-income, this analysis would not be meaningful and was not performed.

Responses to Complaints

Neither the OCC nor FNB has received any CRA-related complaints during this evaluation period. This has a neutral effect on the bank's CRA performance.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 1/1/16 to 12/31/18	
Financial Institution		Products Reviewed
The First National Bank of Aspermont (FNB) Aspermont, Texas		Agricultural Loans, Consumer Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Stonewall County	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Stonewall County Assessment Area

Demographic Information for Full-Scope Area: Stonewall County AA (2017-2018)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1	0	0	100	0	0
Population by Geography	1,414	0	0	100	0	0
Owner-Occupied Housing by Geography	469	0	0	100	0	0
Businesses by Geography	112	0	0	100	0	0
Farms by Geography	22	0	0	100	0	0
Family Distribution by Income Level	391	21	13	23	44	0
Distribution of Low- and Moderate-Income Families throughout AA CTs	130	0	0	100	0	0
Median Family Income (MFI) HUD Adjusted MFI for 2018 Families Below the Poverty Level	= \$52,076 = \$56,500 = 13.8%	Median Housing Value Unemployment Rate		= \$49,700 = 3.3%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 U.S. Census (ASC), and 2018 HUD updated MFI.

Demographic Information for Full-Scope Area: Stonewall County AA (2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1	0	0	0	100	0
Population by Geography	1,490	0	0	0	100	0
Owner-Occupied Housing by Geography	477	0	0	0	100	0
Businesses by Geography	121	0	0	0	100	0
Farms by Geography	29	0	0	0	100	0
Family Distribution by Income Level	424	13	14	20	53	0
Distribution of Low- and Moderate-Income Families throughout AA CTs	114	0	0	0	100	0
Median Family Income (MFI) HUD Adjusted MFI for 2016 Families Below the Poverty Level	= \$47,817 = \$52,400 = 7.3%	Median Housing Value Unemployment Rate		= \$55,300 = 3.9%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

FNB has designated Stonewall County as its AA. Aspermont is the county seat and largest city within the county. The AA meets legal requirements as it consists of whole geographies and does not arbitrarily exclude any low- or moderate-income CTs. Effective 2017, the AA's sole census tract changed from an upper-income to a middle-income designation. Federal agencies have designated the AA as distressed and underserved given population loss coupled with the remote geographic location. Stonewall County contains limited, but diversified, credit needs including agricultural, commercial, consumer, and residential loans.

Economic conditions are stable, primarily influenced by agricultural and oil and gas related ventures. Recent increases in oil and gas commodity prices have contributed to the stabilization of the local economy, despite the continued decline in population. The AA has experienced a slowdown in the agricultural industry given intermittent drought conditions, with many small operators shifting to cattle as their secondary source of income. An increase in 1-4 family residential real estate lending activities has replaced a portion of the traditional agricultural lending in the area. Major employers within the AA include the Stonewall Memorial Hospital and Aspermont Independent School District. AA unemployment rates are improving, declining from 3.9 percent in December 2016 to 3.3 percent in December 2018. This remains below the state of Texas and the nation at 3.6 percent and 3.7 percent, respectively.

Competition within the bank's AA is low, as FNB is the only financial institution located in Stonewall County. Despite the lack of direct local competition, several community banks as well as numerous branches of regional and national banks operate in counties adjacent to the AA, resulting in an overall high level of competition. Banks in surrounding communities offer further access to financial services to Stonewall County residents as they commute outside of the AA for employment and various activities.

An individual representing an economic development organization in the community was interviewed for the purpose of determining a community profile, identifying community development opportunities, and understanding participation by local financial institutions. Economic conditions in the community are highly dependent on agricultural activity as well as oil and gas production, and are susceptible to weather related effects and changes in commodity prices. The primary community credit need includes affordable housing, both for existing residents who seek to relocate within the community and individuals employed by oil and gas firms attracted by the lower cost of living. Local banks and other financial institutions are willing to assist as they are able, and there were no unmet credit needs identified.