



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 12, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 23182

118 North Garfield
Rotan, TX 79546-0000

Office of the Comptroller of the Currency

LUBBOCK (WEST TEXAS) Field Office
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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.

First National Bank of Rotan (FNB) has a satisfactory record of meeting community credit needs based on the following:

- FNB's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area (AA). The loan-to-deposit ratio averages 64.66 percent.
- A majority of FNB's loans are located within the bank's AA. Based on a sample of 60 loans, 80.00 percent of the number and 56.15 percent of the dollar volume of loans were to borrowers located within the AA.
- The lending performance to individuals of different income levels and to businesses of different sizes is reasonable.

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 criterion, which includes four performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, 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 have been originated at the highest percentages by dollar and/or number of loans. Primary loan products during this evaluation period consist of agricultural and consumer loans. The loan sample consisted of 30 loans for each loan type originated between June 2003 and March 2009.

DESCRIPTION OF INSTITUTION

FNB is a community bank located in Rotan, Texas approximately 225 miles west of Dallas, 65 miles northwest of Abilene, and 125 miles southeast of Lubbock. FNB is an intra-state bank with one banking office with a drive-up facility.

FNB meets customers' needs by providing traditional commercial and consumer banking products and related financial products. Bank lobby and drive-through services are provided Monday through Friday. The bank provides customers access to their accounts through its website at www.fnbrotan.com. Internet services include account balance inquiries and account transfer activities.

As of March 31, 2009, FNB had total assets of \$55 million, with net loans and leases comprising 41.9 percent of this total. The bank's loan products include agricultural, commercial, consumer, and real estate. The following table depicts FNB's loan portfolio composition.

Loan Portfolio Composition as of March 31, 2009		
Loan Type	\$ (000)	%
Agriculture	8,258	35.35
Commercial	4,536	19.42
Agriculture Real Estate	3,608	15.45
Consumer	2,672	11.44
Residential Real Estate	1,556	6.66
Commercial Real Estate	1,526	6.53
Political Subdivisions	1,180	5.05
Other	22	0.10
TOTAL	23,358	100.00%

Source: March 31, 2009 Call Report

Management and the Board's primary focus is to serve agricultural, commercial, consumer and real estate customers in Fisher County. Based on FNB's financial condition, local economy, product offerings, and competition, the bank has the ability to meet the various credit needs in its community. FNB was rated Satisfactory at the previous CRA examination on August 05, 2003. 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 almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF FISHER COUNTY ASSESSMENT AREA

FNB has designated Fisher County as its AA. Roby is the county seat and is situated in the center of Fisher County. Other principal cities located within the AA include Rotan and McMcaulley. According to 2000 Census Data, Rotan is the largest of the three cities with a population of 1,611. Specific demographic data and economic data for Fisher County are listed on the following table.

Demographic and Economic Characteristics of Fisher County AA		
<i>Population</i>		
Number of Families		1,262
Number of Households		1,793
<i>Geographies</i>		
Number of Census Tracts		2
% 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
2007 & 2008 HUD-Adjusted MFI		41,800
2006 HUD-Adjusted MFI		43,100
2004 & 2005 HUD-Adjusted MFI		42,000
<i>Economic Indicators</i>		
Unemployment Rate		1.96%
2008 Median Housing Value		\$34,623
% of Households Below Poverty Level		15.78%

Source: 2000 Census data and HUD updated income data.

The AA consists of only whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA consists of two middle-income census tracts. The middle-income census tracts are located in the center portion of Fisher County and include the city of Rotan and Roby, which are approximately 10 miles apart. Federal agencies have designated the two middle-income census tracts as distressed and underserved non-metropolitan tracts due to population loss and the rural remote location.

According to 2000 Census data, the AA has a total population of 4,344. There are 2,277 housing units in the AA, of which 60.2 percent are owner-occupied, 18.8 percent are renter-occupied, and 21.6 percent are vacant. Approximately 27.6 percent of families in the AA are considered low-income. Moderate-income families approximate 16.9 percent, while middle- and upper- income families make up the remaining 55.5 percent. The median housing value is \$34,623 with the median age of housing stock at 53 years. The 2000 Census data reflects that 15.7 percent of the households in Fisher County are below the poverty level.

Primary competition in the AA is from one financial institution. In addition to FNB, there is one branch of a state bank that is located in the AA. The June 30, 2008 FDIC Deposit Market Share Report for Fisher County shows FNB to have the largest deposit market share with 76.1 percent.

The local economy is based on agriculture and livestock, particularly cotton and cattle farming. Cotton farming is the number one agricultural resource in Fisher County. Adjacent counties have benefited from the growing wind power market. Immense wind turbines are a familiar sight in the area. Primary industries providing employment in Fisher County include educational, health, social, agriculture, forestry, and mining.

As part of this CRA examination, two community contacts were made in the bank's AA to help ascertain credit needs. According to the contacts, the financial institutions of Fisher County are meeting the credit needs of the community, including those of low-and moderate income neighborhoods.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the analysis, and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 2003 through March 31, 2009 of 64.66 percent. During the evaluation period, FNB's loan-to-deposit ratio ranged from a low of 46.51 percent to a high of 79.91 percent. The average loan-to-deposit ratio of similarly situated banks within or contiguous to the AA for the same period was 49.7 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the AA is depicted below. Please note that these banks are listed alphabetically by city, and no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 3/31/09)	Average Loan-to-Deposit Ratio
The First National Bank of Anson	55,969	70.38
The First National Bank of Aspermont	36,760	12.46
Hamlin National Bank	91,001	68.12
Haskell National Bank	69,450	46.82
First National Bank – Rotan	54,716	64.66
First Financial Bank of Sweetwater	138,8026	51.06

Source: Institution Reports of Condition from June 2003 to March 2009

Lending in Assessment Area

FNB’s lending in its AA meets the standards for satisfactory performance. A majority of the bank’s loans were made within its AA. In order to assess performance for this criterion, we reviewed 30 farm and 30 consumer loans originated between June 2003 and March 2009. Our analysis determined that 80.0 percent of the number of loans and 56.15 percent of the dollar amount of loans in the sample were originated within the bank’s AA. The breakdown by loan category is depicted in the following table.

Lending in Fisher County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	25	83.33%	5	16.67%	100.0	630	52.73%	565	47.27%	100.0
Consumer	23	76.67%	7	23.33%	100.0	151	76.99%	45	23.01%	100.0
Totals	48	80.00%	12	20.00%	100.0	781	56.15%	610	43.85%	100.0

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 a reasonable distribution among individuals of various income levels (including low- and moderate-income) and businesses of different sizes within their AA. To perform our analysis, we reviewed income information of 25 farms and 23 consumer-purpose loans in the AA originated between June 2003 and March 2009.

Agricultural Loans - Based on 2008 Business Demographic Data, there are 68 farms within the AA. Of this number, 97.06 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the agricultural sample, 100 percent were to farms reporting annual revenues below \$1 million. This level exceeds the demographic composition of the AA and reflects an excellent penetration of loans to small farms. The following table reflects the results of our selected sample of agricultural loans originated in the AA.

Borrower Distribution of Farm Loans in Fisher County

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.06%	1.47%	1.47%	100%
% of Bank Loans in AA by #	100%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100%	0.00%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects a reasonable penetration of consumer loans to low-income households in the AA. Based on 2000 Census Data, 27.61 percent of households in the AA are low-income. Our review determined that 26.67 percent of consumer loans were made to low-income households. Our analysis reflects a reasonable penetration of consumer loans to moderate-income households in the AA. Approximately 16.90 percent of households in the AA are moderate-income, and 13.33 percent of the sampled consumer loans were to moderate-income households. The following table reflects the results of our selected sample of consumer loans originated in the AA.

Borrower Distribution of Consumer Loans in Fisher County								
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	27.61%	26.67%	16.90%	13.33%	17.51%	53.33%	37.98%	6.67%

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

Responses to Complaints

No complaints relating to CRA performance have been received by FNB during the evaluation period, and this has a neutral impact on the bank’s performance.

Fair Lending or Other Illegal Credit Practices Review

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