



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

October 23, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hamlin National Bank
Charter Number 12700**

**231 South Central Avenue
Hamlin, TX 79520**

**Comptroller of the Currency
Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, TX 75201**

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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of the Hamlin National Bank, Hamlin, TX, as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 23, 2006. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Hamlin National Bank (HNB) has a satisfactory record of meeting the community credit needs of its assessment areas (AA). We based our conclusion on the bank's lending practices. The factors and data supporting this rating are as follows:

- A significant majority of loans, 85% in number and 94% in dollar volume, are originated in Hamlin's AA.
- The bank's average loan-to-deposit ratio of 78% exceeds the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment areas credit needs.
- The distribution of loans to borrowers of different incomes shows a reasonable penetration of loans to individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans indicates that loans have been originated in each income level census tract located in the AA. The penetration of commercial loans is good and the dispersion of consumer loans is adequate throughout the AA.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.

DESCRIPTION OF INSTITUTION

Hamlin National Bank (HNB) is a \$90 million community bank located in Hamlin, Texas, which is located approximately 45 miles northwest of Abilene, Texas. The bank has two locations in Jones County and one location in Haskell County. The main banking facility is located in downtown Hamlin. One branch is located in Hawley, Texas and serves the communities of Hawley, Hodges, and the Fort Phantom Lake Area. The second branch is located in Rule, Texas and serves Haskell County. The main bank and branch facilities include full-service lobbies, drive-through lanes, 24-hour automated teller machines (ATM) and Telebank services.

HNB is locally-owned and managed. The bank is a subsidiary of Hamlin Financial Corporation of Delaware, which itself is a wholly-owned corporation of The Hamlin Financial Corporation. The parent company does not own any other community banks. HNB has no operating subsidiaries and has had no merger or acquisition activity during the evaluation period.

The bank's main lending focus includes business, agriculture, and retail lending. HNB offers a wide variety of loan and deposit products for both individuals and businesses. In addition, the bank offers Internet-based banking services, including account inquiries and intra-bank transfers.

Total loans outstanding as of September 30, 2006, amounted to \$58 million, which represents 65% of \$90 million in total assets. The following chart details the composition of HNB's loan portfolio as of September 30, 2006.

Loan Portfolio Composition	\$ (000)	%
Agricultural Production/Other Agricultural	\$14,115	24.30
Farmland Real Estate	\$5,475	9.42
Consumer Loans	\$5,455	9.39
Commercial Real Estate	\$5,971	10.28
Commercial	\$19,575	33.69
Residential Real Estate	\$5,745	9.89
Other Loans	\$1,761	3.03
Total	\$58,097	100%

Source: September 30, 2006 Report of Condition

The most recent CRA examination was performed as of May 14, 2001. The bank received a satisfactory rating at that examination. There are no legal, financial, or other factors that impede the bank's ability to meet the credit needs of its AA.

A recent community contact disclosed that the local financial institution is meeting the credit needs of the AA. The main credit needs identified are small business lending and home improvement loans.

DESCRIPTION OF JONES AND HASKELL COUNTIES ASSESSMENT AREA

HNB defines its assessment area to include all of Haskell and Jones Counties. The bank's designated AA consists of 8 census tracts. There are no low-income tracts, 2 moderate-income tracts, 5 middle-income tracts, and no upper-income tracts. There is one tract for which income level is noted as not applicable (N/A). N/A tracts have population; but, there is no reported income by the population to allow a designation of Low to Upper Income with respect to the area median income. Such tracts usually are occupied by institutions, such as prisons, universities, and so forth. Census Tract 201.02 is an N/A tract because it only contains the Abilene North Robertson Prison Unit.

The AA meets the requirements of the CRA regulations and does not arbitrarily exclude low- or moderate-income areas. Specific and economic data for this area are listed below.

Demographic and Economic Characteristics of Jones and Haskell Counties Assessment Areas	
Population	
Number of Families	6,325
Number of Households	8,714
Geographies	
Number of Census Tracts	8
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	25.00%
% Middle-Income Census Tracts	62.50%
% Upper-Income Census Tracts	0.00%
% NA Census Tracts	12.50%
Median Family Income (MFI)	
2000 MFI for AA	\$39,086
2005 HUD-Adjusted MFI	\$46,400
Economic Indicators	
Unemployment Rate	2.15%
2000 Median Housing Value	\$36,086
% Households Below Poverty Level	9.59%

Source: 2000 Census data and HUD updated income data.

Based on updated Housing and Urban Development (HUD)-2006 Census information, the AA area has a total population of 26,878. There are 10,791 housing units in the AA, of which 64% are owner-occupied, 17% are renter-occupied, and 19% are vacant. Approximately 25% of the families in the AA are considered low-income.

Based on 2006 Dun and Bradstreet business demographic data, there are 1,293 businesses in the AA, of which 50% reported gross annual revenue less than or equal to \$1 million and 4% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 46% or 543 businesses did not report revenues.

The economy of the area is not well-diversified and is dependent primarily on the agriculture and oil and gas industries. In 2006, the area had one of the worst droughts on record. The cotton and wheat crops did not make. There was no income from grazing cattle since there was no wheat crop. However, both oil and cattle prices are currently strong. Unemployment levels in the area have remained low and stable. School districts, city government, hospitals and a local pet food manufacturer are the main employers in the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

HNB's performance under the CRA is satisfactory. Conclusions with respect to the following three performance criteria, Lending in the Assessment Area, Lending to Borrowers of Different Incomes and Businesses of Different Sizes, and Geographic Distribution of Loans, are based on a sampling of the institution's loan portfolio that originated within the AA. Our review focused on commercial, real estate, and consumer loans. Our sample included 20 commercial loans, 19 residential real estate loans, and 32 consumer vehicle loans totaling \$3.7 million.

Loan-to-Deposit Ratio

HNB's loan to deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 77.51% over the 9 quarters beginning June 30, 2003 and concluding June 30, 2006. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets (000's) As of June 30, 2006	Average Loan-To-Deposit Ratio
First National Bank of Anson	\$45,391	70.70%
Hamlin National Bank	\$90,493	77.51%
Haskell National Bank	\$58,196	47.71%

Source: Institutions Report of Condition from June 2004 to June 2006

Lending in Assessment Area

A significant majority of the bank's loans were made within its AA, which reflects an excellent commitment to meeting the credit needs of the AA. For purposes of this evaluation, examiners analyzed a sample of commercial loans, real estate, and consumer loans originated since the last CRA exam. The commercial loan sample consisted of 20 loans totaling \$2,914,242. The sample of real estate loans consisted of 19 loans totaling \$549,000. The sample of consumer loans consisted of 32 vehicle loans totaling \$248,770. Our analysis determined that 86% of the number of loans and 88% of the dollar amount of loans in the sample were extended within the bank's AA. The table below reflects the distribution by product type.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90.00	2	10.00	20	2,664	91.42	250	8.58	2,914
Res. Real Estate	15	78.95	4	21.05	19	373	67.94	176	32.06	549
Consumer	28	87.50	4	12.50	32	236	94.78	13	5.22	249
Totals	61	85.92	10	14.08	71	3,274	88.19	438	11.81	3,712

Source: Sample of loans used for CRA performance analysis.

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

Overall, performance for lending to borrowers of different incomes and businesses of different sizes is adequate and meets the standards for satisfactory performance. To perform our analysis, we reviewed income information for 20 commercial and agriculture loans and 19 consumer loans. We placed more weight on the bank's record of providing commercial loans including agriculture, since those loans represent the largest percentage.

Commercial Loans

The bank's lending to businesses of different sizes meets the standard for satisfactory performance. The bank emphasizes commercial and agriculture lending and markets its products to all business sizes in the AA. The sample of 20 business loans reviewed found that 60% of the number and 41% of the dollar volume of loans were extended to businesses with gross revenues of less than \$1 million per year.

Consumer Loans

Consumer lending meets the standard for satisfactory performance. Based on 2000 U. S. Census information, 27% of the households in the AA are low-income. Approximately 17% of the households are moderate-income. Based on bank-furnished data, the bank made 28% of its consumer loans to low- and moderate-income households. The distribution of residential real estate loans meets the income characteristic of the AA.

Borrower Distribution of Residential Real Estate Loans								
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	27.31%	5.56 %	17.00%	22.22 %	18.72%	16.67%	36.97%	38.89%

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

Geographic Distribution of Loans

A comparison of the three primary loan types shows that the geographic distribution of loans is adequate and meets the standards for satisfactory performance.

Commercial Loans

The bank's record of lending to businesses of various sizes reflects an adequate geographic dispersion throughout the bank's AA. There are no low-income or upper-income census tracts in the bank's AA. There is 6% of the number of loans in moderate-income census tracts compared to 29% of AA businesses moderate-income census tracts. The majority of businesses are located in the middle income tracts of the AA. The following Chart reflects the results of our selected sample of commercial loans originated in the AA.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	0.00%	0.00%	28.57%	5.56%	71.43%	94.44%	0.00%	0.00%

Source: Loan sample; Dun & Bradstreet data.

Consumer Loans

The bank meets the standards for satisfactory performance in geographic distribution of consumer loans compared to the income characteristics of the AA. There are no low or upper-income tracts. Our analysis indicates that the number of the bank's loans is below the percentage of households in the moderate-income tracts. However, there are 2 moderate-income census tracts in comparison with 5 middle-income census tracts in the AA. Of the sample of 28 vehicle loans, 4 were made to borrowers in moderate-income tracts with the remainder being in

the middle-income census tracts. The following chart reflects the results of our selected sample of consumer loans originated in the AA.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Household s	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	29.85%	14.29%	70.15%	85.71%	0.00%	0.00%

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

Responses to Complaints

During this evaluation period, HNB did not receive any consumer complaints that relate to CRA 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.