



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hamlin National Bank
Charter Number 12700

231 South Central Avenue
Hamlin, TX 79520

Office of the Comptroller of the Currency

9003 Airport Freeway
Suite 275
North Richland Hills, TX 76180-9127

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

Hamlin National Bank's (HNB) lending performance reflects a satisfactory response to community credit needs. Support for this assessment includes:

- HNB's loan-to-deposit ratio is reasonable given the resources, local credit needs, and local competition.
- A substantial majority of lending activities are within HNB's assessment area.
- The distribution of loans reflects reasonable penetration to low- and moderate-income families, households and small businesses/farms.
- The distribution of loans reflects reasonable dispersion throughout the assessment area.

SCOPE OF EXAMINATION

With the release of the **2010** Census data, the loans extended in 2012 will be presented in context of this data. Loans extended prior to 2012 will be considered in context of the **2000** Census data. This Performance Evaluation (Report) contains analysis and tables for both periods. For simplicity, any analysis on 2011, and earlier, data will be labeled "**2011 Data**" and analysis on 2012 data will be labeled "**2012 Data**".

Our review considered lending activity since the prior CRA examination (October 23, 2006) and focused on HNB's primary product lines for the two periods noted in the previous paragraph;

- **2011 Data**; 1-4 family purchase loans, agriculture loans and consumer auto loans.
- **2012 Data**; agriculture loans, commercial loans and consumer auto loans.

The **2011 Data** 1-4 family purchase loan sample considered all such loans originated since the prior CRA examination through December 31, 2011. For the remaining samples we randomly selected 20 loans from each of the remaining primary portfolios. For the **Lending to Borrowers of Different Incomes, Lending to Businesses of Different Sizes** and **Geographic Distribution of Loans** we omitted loans that were made outside of the assessment area and replaced them with loans inside the assessment area.

DESCRIPTION OF INSTITUTION

HNB is a community bank located in Hamlin, Texas, which is approximately 45 miles northwest of Abilene, Texas. HNB operates from two facilities; the main bank located in Hamlin, Texas and a branch located in Rule, Texas (Haskell County) approximately 35 miles north of the main bank. The main bank and branch facilities include full-service lobbies, internet banking and Telebank services. The main bank offers drive-through services and a 24-hour automated teller machine.

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 bank. HNB has no operating subsidiaries and has had no merger or acquisition activity during the evaluation period.

HNB'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 bill pay, account inquiries and intra-bank transfers.

At September 30, 2012, HNB reported total assets of \$96 million, total loans of \$47 million and total deposits of \$78 million. HNB's primary business is related to commercial, agriculture and general consumer purposes. The following table presents the bank's loan information as of September 30, 2012.

Loan Portfolio Composition	\$ (000)	%
Agricultural Production/Other Agricultural	\$13,001	27.6%
Commercial	\$12,557	26.6%
Farmland Real Estate	\$8,886	18.9%
Residential Real Estate	\$4,842	10.3%
Consumer Loans	\$4,254	9.0%
Commercial Real Estate	\$2,546	5.5%
Other Loans	\$1,049	2.1%
Total (49% of Total Assets)	\$47,135	100%

Source: September 30, 2012 Report of Condition

The most recent CRA examination was performed as of October 23, 2006 and HNB received a satisfactory rating. There are no legal, financial, or other factors that impede HNB's ability to meet the credit needs of its assessment area.

A recent community contact disclosed that HNB is meeting the credit needs of the assessment area. The main credit needs identified are small business/farm loans, home purchase/improvement loans and general consumer loans.

DESCRIPTION OF JONES AND HASKELL COUNTIES

HNB defines its assessment area to include all of Jones and Haskell Counties. The bank's designated assessment area consists of 8 census tracts. Refer to the following table for census tract (CT) designation. There is no income information reported for CT 201.02 (Jones County) and it is designated as Not Applicable (N/A). Such tracts usually are occupied by institutions such as prisons, universities, and so forth. CT 201.02 is an N/A tract because it only contains the Middleton and North Robertson Prison Units.

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

<i>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF JONES AND HASKELL COUNTIES</i>		
	<i><u>2000 Census Data</u></i>	<i><u>2010 Census Data</u></i>
Population		
Number of Families	6,325	5,832
Number of Households	8,714	8,571
Geographies		
Number of CT's	8	8
% Low-Income CT's	0	0
% Moderate-Income CT's	2	1
% Middle-Income CT's	5	5
% Upper-Income CT's	0	1
% N/A-Income CT's	1	1
Median Family Income (MFI)		
MFI for Jones County	\$39,086	\$51,705
HUD-Adjusted MFI	\$51,300	\$51,300
Economic Indicators		
Unemployment Rate	2.7%	5.0%
Median Housing Value	\$36,090	\$46,521
% of Households Below Poverty Level	18.67%	14.28%

Source: 2000 & 2010 U.S. Census data.

The economy of the area is not well-diversified and is dependent primarily on the agriculture and oil and gas industries. In recent years the area has suffered through one of the worst droughts on record. The area is primarily dry-land farming and recent crops are low yielding. Cattle grazing is decreasing since wheat crop yields are low. Unemployment levels in the area have remained low but slightly increasing. School districts, city government, hospitals and a local pet food manufacturer are the main employers in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the prior CRA examination dated October 23, 2006. We used loan, borrower income, and assessment area data provided by management and tested it for accuracy. Refer to the **SCOPE OF EXAMINATION** section of this Report for details on the sampling process.

Loan-to-Deposit Ratio

HNB's loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the prior CRA examination was used to determine performance in this area. The average LTD ratio for HNB since the prior CRA examination was 67%. The assessment area, and surrounding counties, contains 14 other financial institutions with which to compare HNB. The average LTD ratios, for the same period, of these institutions ranged from 15% to 88%. HNB's LTD ratio is within the range of competing institutions. This ratio is reasonable and reflects satisfactory efforts to meet the credit needs of the communities served.

Lending in the Assessment Area

HNB's lending practice reflects a substantial majority of the lending activity within the assessment area, which exceeds the standards for satisfactory performance.

This section quantifies what proportion of the bank's lending activity was within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, a substantial majority of HNB's lending efforts are concentrated within the assessment area.

To assess the HNB's performance, we used the samples described above. Based on our sample results, a substantial majority of loans were originated within HNB's assessment area. The following tables reflect the results of our assessment of HNB's efforts to lend within its assessment area.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<i>2011 Data</i>										
1-4 Family Purchase	85	80.2	21	19.8	106	3,019	68.4	1,395	31.6	4,414
Agriculture	17	85.0	3	15.0	20	1,892	83.4	377	16.6	2,269
Consumer Auto	14	70.0	6	30.0	20	158	66.7	79	33.3	237
<i>2011 Data Total</i>	<i>116</i>	<i>79.5</i>	<i>30</i>	<i>20.5</i>	<i>146</i>	<i>5,069</i>	<i>73.3</i>	<i>1,851</i>	<i>26.7</i>	<i>6,920</i>
<i>2012 Data</i>										
Agriculture	17	85.0	3	15.0	20	863	80.6	208	19.4	1,071
Commercial	13	65.0	7	35.0	20	1,793	70.1	764	29.9	2,557
Consumer Auto	18	90.0	2	10.0	20	120	85.1	21	14.9	141
<i>2012 Data Total</i>	<i>48</i>	<i>80.0</i>	<i>12</i>	<i>20.0</i>	<i>60</i>	<i>2,776</i>	<i>73.7</i>	<i>993</i>	<i>26.3</i>	<i>3,769</i>
<i>Overall Totals</i>	<i>164</i>	<i>79.6</i>	<i>42</i>	<i>20.4</i>	<i>206</i>	<i>7,845</i>	<i>73.4</i>	<i>2,844</i>	<i>26.6</i>	<i>10,689</i>

Source: Data reported under HMDA and loan samples.

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

HNB's loan distribution to the different family and household income levels as well as businesses of different sizes reflects reasonable penetration to borrowers of different incomes and businesses of different sizes. This meets the standards for satisfactory performance.

HNB obtains and analyzes applicant income information during the loan decision process; however this information is not used for CRA purposes. To assess HNB's efforts, we used the samples described above. Also, the bank does not have a minimum loan amount in policy. We reviewed the loan trial and noted a number of loans for \$1,000 or less (the lowest was \$100.00), and noted an additional number of other credits for \$1,500 or less. These combined factors indicate HNB is meeting the credit needs of the community.

Borrower Distribution of Consumer Auto Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
<u>2011 Data</u>	27.3%	35.0%	17.0%	25.0%	18.7%	20.0%	37.0%	5.0%
<i>(Income information was not available on 15% of the number and 19% of the dollars sampled.)</i>								
<u>2012 Data</u>	23.8%	45.0%	15.4%	20.0%	20.4%	5.0%	40.4%	15.0%
<i>(Income information was not available on 15% of the number and 22% of the dollars sampled.)</i>								

Source: Loan sample and 2000 & 2010 U.S. Census data.

Borrower Distribution of 1-4 Family Purchase								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
<u>2011 Data</u>	24.8%	14.1%	21.0%	24.7%	22.0%	21.2	32.2	37.6

Source: Data reported under HMDA and 2000 U.S. Census data.

Overall, a majority of the number of HNB's commercial loans are to businesses with gross annual revenues of less than \$1 million. The following table illustrates the lending distribution to businesses located within the bank's assessment area.

Borrower Distribution of Agriculture Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<u>2011 Data</u>				
% of AA Businesses	97.3%	1.4%	1.3%	100%
% of Bank Loans in AA by #	90.0%	5.0%	5.0%	100%
% of Bank Loans in AA by \$	98.4%	1.1%	0.5%	100%
<u>2012 Data</u>				
% of AA Businesses	97.3%	1.4%	1.3%	100%
% of Bank Loans in AA by #	75.0%	5.0%	20.0%	100%
% of Bank Loans in AA by \$	47.4%	45.9	6.7%	100%

Source: Loan samples and Dunn and Bradstreet data.

Borrower Distribution of Commercial Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<u>2012 Data</u>				
% of AA Businesses	68.4%	1.9%	29.7%	100%
% of Bank Loans in AA by #	75.0%	5.0%	20.0%	100%
% of Bank Loans in AA by \$	60.2%	24.9	14.9%	100%

Source: Loan samples and Dunn and Bradstreet data.

Geographic Distribution of Loans

HNB’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area, given the bank’s size, primary loan products, and the assessment area demographics.

The following tables illustrate the lending distribution of our samples during the rating period. The 2000 Census designated CT 202 (Jones County) as moderate income. This CT encompassed the community of Anson, Texas, and the immediate surrounding area. The other moderate income CT (CT 204, Jones County) is located around the community of Stamford, Texas. These communities are serviced by a sufficient number of financial institutions to meet the credit needs of the respective communities. The 2010 Census designated CT 202 as middle income. It is not reasonable to assume the residents of Anson and Stamford would bypass local institutions to seek credit in Hamlin. Therefore, while the following tables reflect a small level of activity in the moderate income CTs the overall geographic dispersion is considered reasonable.

Geographic Distribution of 1-4 Family Purchase Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
<u>2011 Data</u>	0.0%	0.0%	29.9%	2.4%	70.1%	97.6%	0.0%	0.0%

Source: Data reported under HMDA and 2000 U.S. Census data.

Geographic Distribution of Consumer Auto 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 Households	% of Number of Loans	% of AA Households	% of Number of Loans
2011 Data	0.0%	0.0%	30.2%	5.0%	69.8%	95.0%	0.0%	0.0%
2012 Data	0.0%	0.0%	17.3%	5.0%	75.2%	95.0%	7.5%	0.0%

Source: Loan Samples and 2000 & 2010 U.S. Census data.

Geographic Distribution of Loans to Businesses/Farms (1)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
2011 Data								
Agriculture	0%	0.0%	25%	15.0%	62.5%	85.0%	0%	0.0%
2012 Data								
Agriculture	0%	0.0%	12.5%	10.0%	62.5%	90.0%	12.5%	0.0%
Commercial	0%	0.0%	12.5%	10.0%	62.5%	90.0%	12.5%	0.0%

Source: Loan Samples and 2000 & 2010 U.S. Census data.

(1) The "% of AA Businesses/Farms" columns do not total 100% due to the N/A CT discussed earlier.

Responses to Complaints

There were no CRA related complaints since the prior CRA Examination.

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.