



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 05, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank  
Charter Number 23182**

**118 North Garfield  
Rotan, TX 79546**

**Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424**

**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 (FNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 62 percent during the evaluation period. Such performance is reasonable given the available loan demand in the assessment area and compares favorably with other financial institutions located in agricultural communities.
- A substantial majority of FNB's loans are within the bank's assessment area. Based on a sample of loans, 83 percent of the number of loans and 82 percent of the dollar volume of loans were to borrowers within the assessment area.
- FNB has a reasonable penetration of loans to farms of different sizes, and individuals of different income (including low- and moderate-income) levels.
- A rating of the geographic distribution of the bank's loans would not be meaningful because there are no low- or moderate-income block-numbering areas in the bank's assessment area.
- There have been no complaints with respect to FNB's CRA performance.

## DESCRIPTION OF INSTITUTION

FNB is a rural community bank in Rotan, Texas, which is approximately 60 miles northwest of Abilene. FNB is an intrastate bank with one main office, with drive-up facilities. FNB is wholly owned by Rotan Bancshares, Inc. (RBI), a one-bank holding company located in Rotan, Texas. RBI reported assets of \$43.6 million as of December 31, 2002.

As of June 30, 2003, FNB had total assets of \$40.7 million, with 60 percent in the loan portfolio. The bank's primary loan products include agricultural and consumer loans. The following chart details the composition of FNB's loan portfolio as of June 30, 2003.

<b>Loan Portfolio Composition as of June 30, 2003</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural	9,171	36.69
Agricultural Real Estate	4,412	17.65
Commercial Real Estate	4,298	17.20
Commercial & Industrial	4,025	16.10
Consumer	2,083	8.33
Residential Real Estate	987	3.95
Other	20	0.08
<b>Total</b>	<b>24,996</b>	<b>100.00</b>

*Source: Report of Condition*

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on July 27, 1998.

FNB’s business strategy is to provide outstanding banking services to customers in central West Texas while increasing the long-term value of the owners’ investment. No legal impediments or other factors hinder FNB’s ability to provide credit in its assessment area. FNB’s Tier 1 Capital level is \$4.3 million representing 15.0 percent of adjusted average assets as of June 30, 2003. 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

FNB has designated Fisher County as its assessment area (AA). Fisher County is in the central rolling plains region of West Texas, approximately 60 miles northwest of Abilene. Rotan is the largest city in Fisher County. Roby, which is the county seat, is located approximately 10 miles south of Rotan. Smaller communities also located within the AA include Hobbs, McCaulley, and Longworth. Specific demographic data and economic data for this area are listed below.

<b>Demographic and Economic Characteristics of Fisher County AA</b>	
<b>Population</b>	
Number of Families	1,394
Number of Households	1,898
<b>Geographies</b>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100.00
% Upper-Income Census Tracts/BNA	0
<b>Median Family Income (MFI)</b>	
1990 MFI for AA	24,585
2002 HUD-Adjusted MFI	36,100
<b>Economic Indicators</b>	
Unemployment Rate	2.35
2002 Median Housing Value	27,012
% of Households Below Poverty Level	24.24

Source: 1990 Census data and HUD updated income data.

The bank’s AA is comprised of three contiguous block-numbering areas (BNAs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 1990 Census data, the AA has a total population of 4,842. There are 2,413 housing units in the AA, of which 60 percent are owner-occupied, 19 percent are renter-occupied and 21 percent are vacant. Approximately 24 percent of the families in the AA are considered low-income. Moderate-income families approximate 16 percent of the population, while middle- and upper-income families comprise the remaining 60 percent. The local economy is primarily agricultural based. Depressed crop prices and drought conditions have had a negative impact on the agricultural economy. The largest non-agricultural employers within the AA include the National Gypsum

Company, Fisher County Independent School District and Fisher County Hospital.

Competition is moderate in the AA with two financial institutions. An office of the Farm Services Agency is also located in Fisher County.

Two community members were contacted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The members indicated that the local economic conditions have been depressed, as the community is reliant upon agriculture. They indicated that the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB's performance is satisfactory, and management has been successful in meeting the credit needs of the bank's assessment area, including lending to farms of different sizes and individuals of different income (including low- and moderate-income) levels.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 62 percent since the prior CRA examination in July 1998. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 47 percent. Traditionally, FNB has primarily been an agricultural lender.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. 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 03/31/03)	Average Loan-to-Deposit Ratio
First National Bank, Anson	45,674	73.02
First National Bank of Aspermont	33,482	21.40
Hamlin National Bank	75,507	64.24
<b>First National Bank, Rotan</b>	<b>41,474</b>	<b>61.54%</b>
Snyder National Bank	105,075	29.63%

*Source: Institution Reports of Condition from September 1998 to March 2003*

### Lending in Assessment Area

A substantial majority of the bank's loans were made within its AA. In order to assess performance for this criteria, we reviewed 30 agricultural and 30 consumer loans originated between January 2000 and December 2002. Our analysis determined that 83.3 percent of the number of loans and 81.6 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Areas								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agricultural	26	86.7%	574	85.4%	4	13.3%	98	14.6%
Consumer	24	80.0%	137	69.0%	6	20.0%	62	31.0%
Total Reviewed	50	83.3%	711	81.6%	10	16.7%	160	18.4%

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 farms of different sizes and individuals of various income levels (including low- and moderate-income) within their AA. To perform our analysis, we reviewed income information of 26 agricultural and 24 consumer-purpose loans in the Fisher County AA.

Agricultural Loans - Based on 2002 Business Demographic Data, there are 73 farms with reported revenues located within the Fisher County AA. Of this number, 97.3 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the agricultural purpose sample, 100.0 percent were to farms reporting annual revenues below \$1 million. This level exceeds the assessment area information and reflects an excellent penetration of agricultural loans to small farms. The following chart reflects the results of our selected sample of agricultural loans originated in this AA.

Borrower Distribution of Loans to Farms in Fisher County Assessment Area		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	97.3%	3.7%
% of Bank Loans in AA by #	100.0%	0.0%
% of Bank Loans in AA by \$	100.0%	0.0%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects a reasonable penetration of consumer loans to low- and moderate-income households in the Fisher County AA. Based on 1990 Census Information, 29.5 percent of the households in the AA are low-income. The percentage of consumer loans to low-income borrowers is lower than the percentage of low-income households in the AA. Our review determined that 4.2 percent of consumer loans were made to low-income households. This level of performance is partially mitigated by the level of households below poverty level in the AA. According to 1990 Census Information, approximately 24.2 percent of the households in the AA are below poverty level. The distribution of consumer loans exceeds the income characteristics of the AA for moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

<b>Borrower Distribution of Consumer Loans in Fisher County Assessment Area</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	29.5%		13.7%		16.6%		40.2%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	4.2%	0.4%	37.5%	42.7%	25.0%	12.4%	33.3%	44.5%

Source: Loan sample; 1990 U.S. Census data.

### **Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of FNB's loans. The bank's AA consists of three middle-income BNAs. There are no low- or moderate-income BNAs in the bank's AA. Therefore, this type of analysis would not be meaningful.

### **Responses to Complaints**

No complaints relating to CRA performance have been received by FNB.

### **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.