



PUBLIC DISCLOSURE

June 05, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number: 23182

118 North Garfield
Rotan, TX 79546

Office of the Comptroller of the Currency

5001 West Loop 289
Suite 250
Lubbock, TX 79414

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.

Table of Contents

Overall CRA Rating	1
Description of Institution	2
Scope of the Evaluation	2
Discriminatory or Other Illegal Credit Practices Review	3
State Rating	3
State of Texas	3
Appendix A: Scope of Examination	A-1
Appendix B: Summary of MMSA and State Ratings	B-1
Appendix C: Definitions and Common Abbreviations	C-1
Appendix D: Tables of Performance Data	D-1

Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The bank demonstrates a reasonable quarterly average net loan-to-deposit (LTD) ratio during the evaluation period.
- A majority of loans sampled were originated to borrowers located in the bank’s assessment area (AA).
- Lending to individuals of various income levels and businesses of different sizes is reasonable.

Loan-to-Deposit Ratio

Considering the bank’s size, financial condition, and credit needs of the AA, the bank’s loan-to-deposit ratio is reasonable.

The bank's loan-to-deposit ratio is reasonable given their capacity to lend, and considering demographic and economic data from the assessment area. First National Bank’s (FNB’s) average quarterly LTD ratio from June 30, 2019, to December 31, 2022, was 42.25 percent. Similarly situated institutions located in rural areas had an average quarterly loan-to-deposit ratio of 39.3 percent with a high average rate of 55.79, and a low average rate of 27.17 percent. The LTD ratio is performed at the bank level.

Lending in Assessment Area

A majority of the bank’s loans were originated to borrowers inside its assessment area. FNB originated and purchased 68.3 percent of its total loans by number and 57.8 percent by dollar amount inside the bank’s AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Agricultural	24	80	6	20	30	\$2,351	58.4	\$1,675	41.6	\$4,026
Consumer	17	56.7	13	43.3	30	\$95	46	\$110	54	\$205
Total	41	68.3	19	31.7	60	\$2,446	57.8	\$1,785	42.2	\$4,231

*Source: Bank Data
Due to rounding, totals may not equal 100.0%*

Description of Institution

First National Bank (FNB) is a \$98 million community bank headquartered in Rotan, TX, 111 miles southeast of Lubbock, TX. The bank was chartered in 1997 and is wholly owned by Rotan Bancshares, Inc., a one-bank holding company. FNB has no additional branches and provides traditional banking services to its customer base, focusing primarily on agricultural loans (crop production, equipment, farmland, livestock). As of December 31, 2021, net loans and leases totaled \$35.8 million and comprised 38 percent of assets and 30 percent of deposits. FNB has a 65 percent share of deposits in the AA.

First National Bank (FNB) has designated Fisher County, TX as its assessment area (AA). This area consists of one county, meets regulatory requirements, and does not arbitrarily exclude any low-or moderate-income areas. Fisher County has a total population of 3,858 people. The assessment area contains two census tracts, one designated upper-income and one designated middle-income. There are no low- or moderate-income tracts in the AA. There is one other financial institution operating in the AA. FNB possesses a 65 percent market share of deposits in the AA. Demographic information in the AA shows that 17.5 percent of the families in the AA are considered low-income and 17.5 percent of families are moderate-income. The unemployment rate is 4.4 percent and 13.4 percent of households are below the poverty level as of the 2015 census. The median family income is \$52,198. FNB received a satisfactory rating during the previous CRA evaluation dated April 24, 2019.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2019, through December 31, 2021. The year 2022 was not included in the scope of this evaluation. Peer data was not available for 2022 at the time of this report; thus, no meaningful analysis could be completed. The OCC evaluated FNB using small bank CRA performance standards that include five performance criteria: the LTD ratio, lending in the AA, lending to borrowers of different incomes and businesses of different sizes, geographic distribution of loans, and responsiveness to CRA complaints. To evaluate the bank's lending performance, the OCC selected a random sample of loans originated during the evaluation period based on identified primary products in the bank's AA. Primary loan types are those products originated at the highest percentage by number and/or dollar volume of loans and FNB's business strategy. During this evaluation period, primary products consisted of consumer and agricultural loans.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings. FNB has only one rating area, which is the State of Texas. The bank's overall rating is based on a full-scope review of the Fisher County assessment area. The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) 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.

State Rating

State of Texas

CRA rating for the State of Texas: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank demonstrates a reasonable quarterly average net loan-to-deposit ratio during the evaluation period.
- A majority of loans sampled were originated to borrowers located within the bank's AA.
- Lending to individuals of various income levels and businesses of different sizes is reasonable.

Description of Institution's Operations in Texas

First National Bank (FNB) is a \$98 million community bank headquartered in Rotan, TX, 111 miles southeast of Lubbock, TX. The bank was chartered in 1997 and is wholly owned by Rotan Bancshares, Inc., a one-bank holding company. FNB has no branches and provides traditional banking services to its customer base, focusing primarily on agricultural (crop production, equipment, farmland, livestock). Bank lobby and drive-through services are provided Monday through Friday. The bank provides customers access to their accounts through its website www.fnbrotan.com. Internet services include account balance inquiries, account transfer activities, and remote deposit capture. Management and the Board's primary strategy is to serve the agricultural, commercial, consumer, and real estate customers in Fisher County. As of December 31, 2021, net loans and leases totaled \$35.8 million and comprised 38 percent of assets and 30 percent of deposits. FNB has a 65 percent share of deposits in the AA. No legal impediments or other factors hinder FNB's ability to provide credit 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.

We contacted community organizations within each AA to develop community profiles, identify community development opportunities, and measure participation by local financial institutions. A description of the assessment area follows.

Fisher County AA

FNB has designated Fisher County as its assessment area (AA). Fisher County is located 111 miles southeast of Lubbock, TX. The bank has no branches. There is one other financial institution in the AA with FNB possessing a 65 percent market share of deposits. The bank's AA is comprised of two census tracts, one that is designated middle-income and one that is designated upper-income. There are no low- or moderate-income census tracts in the AA. The AA does not arbitrarily exclude low- and moderate-income (LMI) geographies. Demographic information in the AA shows that 17.5 percent of the families in the AA are considered low-income and 17.5 percent of families are moderate-income. The unemployment rate is 4.4 percent and 13.4 percent of households are below the poverty level as of the 2015 census. The median family income is \$52,198.

The community contact in the AA noted that the local economy has seen a downturn due to larger nation-wide economic pressures such as inflation. The economic decline is exacerbated by a declining population in this small, rural community. The largest employer(s) in the area are the local hospital and school district; however, the local economy is heavily tied to agriculture. There is a gypsum plant locally that also provides employment opportunities. Community development opportunities from financial institutions is limited but loans to small businesses and farmers was identified as the primary credit need of the community.

Assessment Area: First NB Rotan 2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	50.0	50.0	0.0
Population by Geography	3,858	0.0	0.0	55.5	44.5	0.0
Housing Units by Geography	2,166	0.0	0.0	57.1	42.9	0.0

Owner-Occupied Units by Geography	1,183	0.0	0.0	50.4	49.6	0.0
Occupied Rental Units by Geography	484	0.0	0.0	72.7	27.3	0.0
Vacant Units by Geography	499	0.0	0.0	57.7	42.3	0.0
Businesses by Geography	225	0.0	0.0	62.7	37.3	0.0
Farms by Geography	52	0.0	0.0	55.8	44.2	0.0
Family Distribution by Income Level	1,030	17.5	17.5	21.1	44.0	0.0
Household Distribution by Income Level	1,667	20.9	17.6	20.4	41.0	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$62,538
			Median Gross Rent			\$502
			Families Below Poverty Level			13.4%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Texas

The institution has designated Fisher County as its AA. The AA received a full-scope review. Refer to the tables in appendix A for a list of all AAs under review. Consistent with the institution's primary lending focus, consumer and agricultural business loans were analyzed.

Lending Test

The bank's performance under the Lending Test in Texas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Fisher County AA is good.

Distribution of Loans by Income Level of the Geography

The institution's AA contains one census tract that is designated middle-income and one census tract that is designated upper-income. As such, there are no low-to-moderate income census tracts in the AA and an analysis of the geographic distribution of loans would not be meaningful and therefore was not performed.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Small Loans to Farms

Refer to Table T in the State of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

Distribution of loans to farms that report revenue less than \$1 million is reasonable. Approximately 79 percent of bank-originated loans were made to farms with revenue under \$1 million. Loans originated to farms in the AA with revenue over \$1 million were only 8.33 percent. 12.5 percent of the loans originated in the AA had no revenue information that was reported. While loans to farms with revenue less than \$1 million is marginally below the AA demographic and loans to farms with revenue not available were higher than the demographic, a review of the agricultural loan sample noted that loans to farms with revenue not available were small dollar loans which is a reasonable proxy for loans to farms with revenue less than \$1 million.

Consumer Loans

Refer to Table V in the State of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

FNB does not obtain income information for consumer borrowers. Therefore, we used a proxy based on the dollar size of consumer loans originated to determine the distribution of consumer loans to borrowers of various income levels. The bank originated a total of 1,740 consumer loans during the evaluation period for a total dollar volume of \$7 million. Approximately 13 percent of the number of total consumer loans were originated for amounts between \$0 and \$500; 22 percent were originated for amounts between \$501 and \$1,000; and 26 percent were originated for amounts between \$1,001 and \$2,500. The majority of consumer loans originated during the evaluation period (61%) were for amounts of \$2,500 or less, while 39 percent were originated for amounts over \$2,500. Only 10 percent of total consumer loans were originated for an amount of \$10,000 or greater. FNB does not have a minimum loan balance and makes loans as small as \$95. This analysis supports a reasonable distribution of loans to low- and moderate-income borrowers.

Responses to Complaints

The bank did not receive any CRA-related complaints during the performance evaluation period.

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 MSAs and non-MSAs 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:	January 1, 2019, to December 31, 2021	
Bank Products Reviewed:	Small farm and consumer loans.	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Texas		
Fisher County AA	Full Scope	Small farm and consumer loans.

Appendix B: Summary of MMSA and State Ratings

RATINGS FIRST NATIONAL BANK	
Overall Bank:	Lending Test Rating
First National Bank	Satisfactory
State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

Metropolitan Division: 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 Metropolitan Division 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: 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 Metropolitan Statistical Area 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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table V. Borrower Distribution of Loans to Consumers by Loan Size -** Compares the percentage distribution of the number of loans originated and purchased by the bank by loan size.

Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
First NB Rotan 2021	24	\$2,146	80	74	96.4	79	43.2	1.8	8.3	1.8	12.5
Total	24	\$2,146	80	74	96.4	79	43.2	1.8	8.3	1.8	12.5

*Source: 2019 D&B Data; 01/01/2019 - 12/31/2019 Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Loan Size	# of Loans	% of #	\$ of Loans (000s)	% of \$
\$0 - \$500	234	13%	\$69	1%
\$501-\$1,000	379	22%	\$294	4%
\$1,001-\$2,500	455	26%	\$791	11%
\$2,501-\$5,000	299	17%	\$1,125	16%
\$5,001-\$10,000	206	12%	\$1,469	21%
>\$10,000	167	10%	\$3,382	47%
Total	1740	100%	\$7,130	100%

Source: Bank Loan Originations 2019-2021