



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**September 20, 2005**

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

**First National Bank of Olney  
Charter Number 21478**

**307 West Main Street  
Olney, TX 76374**

**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.**

**INSTITUTION'S CRA RATING**

*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 the 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 First National Bank of Olney, Olney, Texas** as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 20, 2005. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**This institution is rated Satisfactory.**

The lending performance of The First National Bank of Olney reflects satisfactory responsiveness to the needs of the communities served. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 92% since the previous CRA examination **exceeds the standards** for performance given the bank's size, financial condition, competition, and assessment area (AA) credit needs.
- A substantial majority of the bank's lending activities are within the AA.
- The distribution of loans within the AA demonstrates satisfactory penetration among individuals of different income levels and businesses of different sizes, which **meets the standards** for satisfactory performance.
- A geographic distribution analysis was not performed because there are no low- or moderate-income block numbering areas (BNAs) within the AA.
- There have been no CRA complaints filed against the bank.

## DESCRIPTION OF INSTITUTION

First National Bank of Olney (FNB) is a community bank located in Olney, Young County, Texas, which is located approximately 45 miles south of Wichita Falls, Texas. The bank operates from a single location with no branches. The bank has no Automated Teller Machines, on-site or off-site. A multi-lane drive-in facility is available to the bank's customers. Hours of operation are commensurate with those of other local banks. The bank is not located in a Metropolitan Statistical Area (MSA).

FNB is a full-service community bank offering a wide variety of loan and deposit products. The bank also offers Internet banking services through [www.fnbolney.com](http://www.fnbolney.com). The bank had total assets of \$44 million and net loans of \$38 million as of June 30, 2005. The primary business focus remains agriculture lending with 46% of the loan portfolio centered in agriculture related loans. The following tables present the bank's loan and deposit information as of June 30, 2005.

### First National Bank of Olney - Loan Portfolio June 30, 2005

Loan Category	Dollar Volume (000's)	Percentage of Loan Portfolio
Real Estate:		
Construction/Land Dev.	-0-	0%
Farmland	\$ 7,944	21%
1-4 Family Mortgage	\$ 6,598	17%
Nonfarm/Nonresidential	\$ 7,517	20%
Agriculture	\$ 9,459	25%
Commercial	\$ 3,515	9%
Consumer/Other	\$ 3,398	8%
Total	\$38,431	100%

### First National Bank of Olney - Deposit Portfolio June 30, 2005

Deposit Category	Dollar Volume (000's)	Percentage of Total Deposits
Demand Deposits	\$15,919	41%
Savings/Now	\$ 1,699	4%
MMDA	\$ 6,290	16%
CD's less than \$100,000	\$ 8,384	22%
CD's greater than \$100,000	\$ 6,572	17%
Total	\$38,864	100%

FNB is 100% owned by Olney Bancshares of Texas, Inc., a multi-bank two-tiered holding company. The bank is affiliated through common ownership with Farmers National Bank of Seymour, First Coleman National Bank, Graham National Bank, Citizens National Bank of Breckenridge, First National Bank of Borger, First State Bank, N. A. of Canadian, Friona State Bank, N. A., and Rose Rock Bank of Oklahoma City, a state bank charter. All of these banks are

located in the state of Texas except the Rose Rock Bank, which is located in the state of Oklahoma.

FNB's financial condition does not inhibit its ability to meet credit needs in its AA. Additionally, the bank has no legal impediments that would inhibit its ability to meet community credit needs. The last CRA examination performed at FNB was conducted on August 16, 1999. The rating assigned at that examination was Outstanding. The evaluation period for this CRA examination is from August 1999 through September 20, 2005.

## **DESCRIPTION OF FNB OLNEY’S ASSESSMENT AREA**

The Board of Directors has defined its AA as a four county area consisting of Young, Baylor, Throckmorton, and Archer counties. They contain a total of 10 BNAs. All of the BNAs chosen as the AA are contiguous, the AA is legal and it meets the requirements of the regulation. Approximately 32,740 persons live within the AA. The AA is not in a MSA. Graham, located in Young County, is the largest community within the AA. All of the BNAs that comprise the AA are designated as 100% middle-income tracts. There are no low or moderate-income BNAs within the banks defined AA.

### **DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF FIRST NATIONAL BANK OF OLNEY ASSESSMENT AREA:**

Total Population:	32,740
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**Geographies:**

Number of Block Numbering Area	10
% Low-Income BNA's	0.00%
% Moderate-Income BNA's	0.00%
% Middle-Income BNA's	100.00%
% Upper-Income BNA's	0.00%

**Median Family Income (MFI):**

2005 HUD-Adjusted MFI	\$42,000
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**Economic Indicators:**

Unemployment Rate	5.05%
2005 Median Housing Value	\$45,104
% Households Below Poverty Level	15.18%

As presented in the table above, updated Housing and Urban Development (HUD)-2005 Census information indicates that the median family income for the AA is \$42,000. The median housing value is \$45,104. Within the AA, approximately 15% of the families are below the poverty level.

The primary credit needs of the community continue to be related to light manufacturing, oil and

gas, ranching and other agriculture industries. Stemming from these are credit needs that include financing for home purchase or home improvement, automobile, and other consumer related loans. The economy of the area is stable. The market area includes a variety of small commercial businesses, light manufacturing businesses, single-family residences, and large agricultural businesses. The City of Olney has established an economic development committee, operating as the Olney Industrial Development Corporation, and a very active chamber of commerce. These group programs and initiatives have been very successful and have brought several new businesses to the area. The majority of these have been manufacturing. Major employers in the AA include the Cities of Olney, Graham, Seymour, and Archer City and are summarized in the following table:

**MAJOR EMPLOYERS IN THE AA**

**Archer County population - 9,085**

<u>Company/Entity</u>	<u>Product Produce</u>	<u>Number of Employees</u>
Archer City ISD	Education	92
Archer County	Government	62
Archer Nursing Center	Nursing Care	40
Bridwell Oil	Oil & gas	25
Haigood & Campbell	Oil & gas	15
Oodles Supermarket	Groceries	16

**Baylor County population - 4,085**

Seymour ISD	Education	105
Seymour Hospital/Clinic	Healthcare	90
City of Seymour	Municipal Government	45
Lawrence Bros. IGA	Grocery store	32
West Texas Culverts	Steel culverts	22
Baylor County	County government	22
La Mejor Livestock Company	Trucking & feed lot	15
Montgomery Tractor	Farm equipment	13

**Young County population - 17,896**

<u>Graham, TX:</u>		
Graham ISD	Education	325
Graham Regional Medical Center	Hospital	248
Zack Burkett Industries	Highway construction	210
Texas Recreation Corporation	Mfg. of water sports equip	140
United Supermarket (2 stores)	Grocery stores	135
Wal-Mart	Department store	130
Young County	Government	100
Southern Bleacher Corporation	Mfg. of bleacher const.	97
Schlegel Systems, Inc.	Mfg of Weather Stripping	87

City of Graham	Government	82
E & H Drilling	Oil well drilling	60
Media Recovery	Mfg of Shock Watch	55
Dowell Schlumberger	Oil logging	40
Merrill Gardens	Assisted living center	33
<u>Olney, TX:</u>		
Air Tractor	Agricultural aircraft	168
Cemco	Concrete batching equip	25
Cherrydale Farms	Candy sales	300
Hamilton Hospital	Health Care	110
Olney ISD	Education	135
Olney Screen Door	Doors and screens	25
PSI Extrusions	Aluminum extrusion products	65
Tower Extrusions Ltd.	Aluminum extrusions	240
Knowles Door Check	Store front doors & hardware	8

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the last CRA examination dated August 16, 1999. We selected a sample of 40 commercial/Agriculture and consumer loans in order to evaluate the bank's lending performance within the AA. For the **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** analysis, we replaced loans originated outside of the AA with loans originated inside the AA.

### Loan-to-Deposit Ratio

The average loan-to-deposit ratio of FNB since the prior CRA examination is 92%. This level of performance **exceeds the standards** for performance given the bank's size; financial condition, local competition, and AA credit needs.

This 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 last CRA examination is used to determine performance in this area. The average for this period totals 92%. In the four county AA, there are eight competing state and national banks, and one savings & loan. The average loan-to-deposit ratios for these institutions ranged from 21% to 97%. The combined average ratio for these banks was 71%. Based on the analysis results, the bank's ratio is reasonable and within the range of area competing banks. FNB's loan-to-deposit ratio of 92% includes loan participations purchased from affiliate banks within the holding company. As of September 27, 2005, loan participations purchased from affiliate banks totaled \$14.7 million and represented 33% of the bank's total loans. Total loans were \$44.2 million

### Lending in Assessment Area

Based on our loan sample, the record of lending within the AA for FNB **exceeds the standards** for satisfactory performance. This criterion quantifies what proportion of the bank's lending activity is within its AA. An institution that does not lend in its AA area would be considered less than satisfactory.

A very substantial majority of the loans originated are within the bank's AA. The bank's internal analysis performed on the entire loan portfolio as of February 29, 2004 reflected that 82% of the outstanding dollar amount was within the AA. We pulled a sample of 21 consumer and 20 commercial loans that supported this conclusion. The sample indicated that 86% of the dollar amount and 95% of the number of loans were made to customers residing in the AA.

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

The bank's loan distribution to the different family income levels as well as businesses of different sizes, **meets the standards** for satisfactory performance.

The bank has a good distribution of loans to borrowers of different income levels. Our loan sample analysis of 21 consumer loans reveals that 57% of the number and 32% of the dollar volume of loans were extended to low and moderate, income individuals. This distribution of loans compares favorably to the fact that only 39% of the population has been designated as low or moderate income. In addition, the bank makes numerous low dollar (under \$1,000) loans and has no minimum loan amount. Sample of 20 agriculture and business loans indicate that a significant majority, or 80%, were extended to small farms and businesses with gross revenues under \$1 million.

The bank obtains and analyzes applicant income information during the loan decision process. We sampled this process to assess the bank's efforts. The results of our sample analysis in the following table indicate the bank is reasonably lending to borrowers of all income levels. We concluded that the bank's performance is proportionate to the income levels of the families within the AA, and the credit needs of borrowers of all income levels are being served.

	Assessment Area Families **		Loans Sampled	
	#	%	#	%
Low	1,400	20	7	33
Moderate	1,271	19	5	24
Middle	1,571	23	3	14
Upper	2,588	38	6	29
Total	8,059	100.0	21	100.0

\*\* Information is based on 2000 U.S. Census Bureau data

### **Geographic Distribution of Loans**

The AA does not have any low- or moderate-income BNAs; therefore, any geocoding analysis would not be meaningful.

### **Responses to Complaints**

FNB has not received any complaints pertaining to its CRA performance during this evaluation period.

### **Fair Lending Review**

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of this information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with this CRA evaluation.