



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 14, 2008**

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

First National Bank of Borger  
Charter Number 23511

531 N. Deahl  
Borger, TX 79007-0000

Office of the Comptroller of the Currency

FORT WORTH  
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.**

First National Bank of Borger's (FNBB) lending performance reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 91.89% exceeds the standards for satisfactory performance given its size, financial condition, local competition and assessment area credit needs.
- A majority of the loan activity is within the identified assessment areas, which meets the standards for satisfactory performance.
- The distribution of loans demonstrates satisfactory penetration among households of different income levels and businesses of different sizes. This meets the needs for satisfactory performance.
- The geographic distribution of loans demonstrates reasonable lending activity in the moderate-income areas. This meets the standards for satisfactory performance.
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## SCOPE OF EXAMINATION

The evaluation period for our assessment of FNBB's CRA efforts, was January 1, 2006 to November 14, 2008. Loan products evaluated include general agriculture loans and commercial real estate loans. Our sample consisted of 20 agriculture and 20 non-farm, non-residential real estate loans. We performed a full-scope review of FNBB's two assessment areas - the non-MSA assessment area, Hutchinson County; and the MSA assessment area, Carson County.

## DESCRIPTION OF INSTITUTION

FNBB is a community bank wholly-owned by Olney Bancshares of Texas, Inc., a multi-bank holding company. As of September 30, 2008, there were ten affiliate banks under the holding company, which had total consolidated assets of approximately \$1.6 billion. The bank is chartered and headquartered in Borger, Texas, located approximately 50 miles north of Amarillo, Texas, and 350 miles northwest of Fort Worth, Texas. In addition to the main bank in Borger, there are branches located in Stinnett, Texas and Panhandle, Texas.

As of September 30, 2008 FNBB had total assets of \$41.3 million, gross loans of \$36.1 million, and deposits of \$35.9 million. The bank provides all the traditional banking products and services to meet the needs of the community served. The bank's lending focus is agriculture and commercial real estate as shown in the following table.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agriculture Production Loans	12,608	34.94%
Commercial Real Estate Loans	11,842	32.82%
Commercial Loans	6,825	18.91%
Consumer Loans	1,042	2.89%
Residential Real Estate Loans	1,961	5.43%
Agriculture Real Estate Loans	1,799	4.99%
Other	10	0.02%
<b>Total</b>	<b>36,087</b>	<b>100.0%</b>
Percentage of Loans to Total Assets	86.18%	

FNBB's last CRA examination was performed as of October 21, 2002, and resulted in a "Satisfactory" rating. FNBB's financial condition does not inhibit its ability to meet credit needs in its assessment areas. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

## DESCRIPTION OF ASSESSMENT AREA(S)

The Board has identified two separate assessment areas; a non-MSA assessment area, and an MSA assessment area. The non-MSA assessment area consists of Hutchinson County, which includes two moderate-income census tracts, two middle-income census tracts, and three upper-income census tracts. The bank's second assessment area consists of Carson County, which is immediately adjacent to the southern boundary of Hutchinson County. However, since Carson County is located within the Amarillo MSA, it cannot be combined with Hutchinson County into a single assessment area. Carson County includes two middle-income census tracts. The two assessment areas have a combined population of approximately 30,000 people. The assessment areas consist of whole and contiguous geographies and do not arbitrarily exclude low- or moderate-income locations; thus, the assessment areas meet the requirements of the regulation.

<b>Hutchinson County Assessment Area</b>	
<i>Population</i>	
Number of Families	6,862
Number of Households	9,282
<i>Geographies</i>	
Number of Census Tracts	7
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	29%
% Middle-Income Census Tracts	29%
% Upper-Income Census Tracts	42%
<i>Median Family Income (MFI)</i>	
2000 MFI for assessment area	\$44,400
2008 HUD-Adjusted MFI	\$43,600
<i>Economic Indicators</i>	
Unemployment Rate	2.44%
2008 Median Housing Value	\$46,066
% of Households Below Poverty Level	11.39%

\*\* 2000 US Census Bureau

<b>Carson County Assessment Area</b>	
<i>Population</i>	
Number of Families	1,899
Number of Households	2,482
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for assessment area	\$46,968
2008 HUD-Adjusted MFI	\$53,900
<i>Economic Indicators</i>	
Unemployment Rate	1.37%
2008 Median Housing Value	\$53,801
% of Households Below Poverty Level	7.70%

\*\* 2000 US Census Bureau

The area economy is highly dependent upon agriculture and oil and gas production. The area is primarily rural in nature, with large areas of ranch and farmland. The employment base is broad and diversified. The major employers are agribusinesses, oil and gas related businesses, city governments, and educational facilities. There are numerous other financial institutions located within the bank's assessment area with which the bank competes for loans and deposits.

We made one community contact with a local businessman in Borger, Texas. The contact was complimentary of the financial institutions located in the assessment areas. He was unaware of any unmet credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the last CRA examination dated October 21, 2002. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected a sample of 20 agriculture and 20 non-farm, non-residential loans to evaluate the bank's lending performance within the assessment. In evaluating **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** and the **Geographic Distribution of Loans**, we replaced loans originated outside of the assessment area with loans originated inside the assessment area.

### Loan-to-Deposit Ratio

FNBB's loan-to-deposit (LTD) ratio exceeds 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 last CRA examination is used to determine performance in this area. The average LTD ratio for FNBB since the last CRA examination is 91.89%. The assessment area has several other banks to which FNBB's ratio can be compared. FNBB's average LTD ratio significantly exceeds those of competing banks and indicates it is reasonably meeting the credit needs of the community served.

<b>Institution</b>	<b>Assets (as of 9/30/08) (000's)</b>	<b>Average LTD Ratio</b>
Bank of Commerce - McLean	\$15,004	36.39%
Citizens Bank - Claude	\$96,069	62.62%
The State National Bank of Groom	\$36,327	73.37%
First National Bank - Borger	\$41,263	91.89%

Note that this average LTD ratio includes loan participations purchased. Net of loan participations purchased at September 30, 2008, FNBB's LTD ratio would be 71.50%, still on the high end of the ratio range for competing banks in the area. It should be noted that we have no way of determining the level of participations purchased at competing banks.

## Lending in Assessment Areas

A majority of the bank's loan activity originated within the bank's assessment areas. As shown in the following table, 67.50% in number terms and 53.10% in dollar terms, of the loans reviewed originated within the bank's assessment areas. FNBB's lending within the assessment areas meets the standards for satisfactory performance.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agriculture	13	65.00%	\$9,678	55.74%	7	35.00%	\$7,685	44.26%
Non-farm, non-residential RE	14	70.00%	\$2,655	45.29%	6	30.00%	\$3,207	54.71%
Total Reviewed	27	67.50%	\$12,333	53.10%	13	32.50%	\$10,892	46.90%

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

FNBB's lending to borrowers of different incomes and to businesses of different sizes is reasonable as reflected in the following tables.

### *Agriculture Loans -*

FNBB's lending to farms of different sizes is reasonable. In our sample of 20 agriculture loans, 14 of the loans were in the Carson County assessment area. Therefore, while we evaluated performance in both assessment areas, we placed more emphasis on Carson County. We concluded that the bank is meeting the needs of the small farms in the assessment areas.

Borrower Distribution of Loans to Farms/Carson County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	94.06%	2.97%	2.97%	100%
% of Bank Loans in AA by #	92.80%	7.20%	0%	100%
% of Bank Loans in AA by \$	83.72%	16.28%	0%	100%

*Source: Commercial loan sample and U.S. Census data.*

<b>Borrower Distribution of Loans to Farms/Hutchinson County AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: Commercial loan sample and U.S. Census data.*

### *Non-farm, Non-residential Real Estate Loans -*

FNBB's lending to businesses of different sizes is reasonable based on our sample of 20 Non-farm, Non-Residential Real Estate Loans. Our sample consisted entirely of loans in the Hutchinson County MSA. By number of loans in our sample, 95% were to businesses with revenues less than or equal to \$1 million. By dollar amount, 57% of the loans were to these small businesses. The large difference in the percentages was due primarily to one loan in the sample in the amount of \$1.2 million to a business with revenues exceeding \$1 million, which was disproportionately large compared to the other loans in the sample.

<b>Borrower Distribution of Loans to Businesses/Hutchinson County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.17%	3.75%	33.08%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	57.50%	42.50%	0%	100%

*Source: Commercial loan sample and U.S. Census data.*

### **Geographic Distribution of Loans**

FNBB's loan distribution, to the different geography income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the assessment areas.

The Hutchinson County assessment area contains two moderate-income census tracts, representing 29% of the census tracts in the county. In our loan sample, no agriculture loans were extended in Hutchinson County, but approximately 25% by number and 22% by amount of the Non-farm, Non-residential real estate loans in our sample were extended to borrowers in the moderate-income census tracts. Therefore, we conclude that FNBB's lending is reasonably penetrating all geographies, including moderate-income census tracts in the assessment area. The Carson County assessment area contains only two middle-income census tracts.



## **Responses to Complaints**

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

## **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.