



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 22, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Olney
Charter Number 21478

307 West Main Street
Olney, TX 76374-0000

Office of the Comptroller of the Currency

Fort Worth Field Office
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.

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

- The bank's average loan-to-deposit ratio, adjusted for the significant level of participations purchased, is 58%. This is within the range of competing banks and meets the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment area credit needs.
- A substantial majority of the bank's lending activities are within the assessment area. Based on the loans reviewed in our sample, 93% of the number and 89% of the dollar amount were originated within the assessment area.
- The distribution of loans within the assessment area demonstrates satisfactory penetration among individuals of different income levels and businesses of different sizes, which meets the standards for satisfactory performance.

SCOPE OF EXAMINATION

The evaluation period for our assessment of FNB's CRA efforts, was September 20, 2005 to March 22, 2010. Loan products evaluated include 1-4 family purchase loans and commercial loans. Our samples include 20 1-4 family purchase loans and 20 commercial loans. The assessment area does not include any low or moderate income census tracts, therefore the geographical distribution analysis was not performed. We performed a full-scope review of FNB's assessment area – Archer, Baylor, Throckmorton, and Young Counties, Texas, which was the basis of our overall rating of FNB's CRA efforts.

DESCRIPTION OF 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. As of December 31, 2009, FNB had total assets of \$55 million, total loans of \$50 million, and total deposits of \$50 million. The following table presents the bank's loan information as of December 31, 2009.

Loan Category	\$ (000)	%
Real Estate Loans:		
Nonfarm/Nonresidential	\$11,237	22%
1-4 Family Mortgage	\$7,271	14%
Farmland	\$5,367	11%
Construction/Land Dev	\$2,410	5%
Multifamily Residential	\$183	1%
Agricultural Loans	\$17,766	35%
Commercial Loans	\$3,616	7%
Individual Loans	\$2,197	4%
Other	\$350	1%
Total	\$50,397	100%
Percentage of Loans to Total Assets	91%	

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., Union Bank of Oklahoma City, a state bank charter, and InterBank of Elk City, a state bank charter. All of these banks are located in the state of Texas except Union Bank and InterBank, which are located in the state of Oklahoma.

FNB's financial condition does not inhibit its ability to meet credit needs in its assessment area. 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 September 20, 2005. The rating assigned at that examination was Satisfactory. The evaluation period for this CRA examination is from September 20, 2005 through March 22, 2010.

DESCRIPTION OF ASSESSMENT AREA

FNB has defined its assessment area as Archer, Baylor, Throckmorton, and Young Counties. These counties are contiguous and are considered to be one assessment area. The assessment area is legal and meets the requirements of the regulation. Archer, Baylor, Throckmorton, and Young Counties are not part of any Metropolitan Statistical Area (MSA). Below is a description of the assessment area, which includes information on demographics, housing, and family data.

Assessment Area	
<i>Population</i>	
Number of Families	32,740
Number of Households	13,063
<i>Geographies</i>	
Number of Census Tracts	
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	90%
% Upper-Income Census Tracts	10%
<i>Median Family Income (MFI)</i>	
2009 MFI for AA	\$38,556
2009 HUD-Adjusted MFI	\$47,760
<i>Economic Indicators</i>	
Unemployment Rate	2.12%
2009 Median Housing Value	\$48,240
% of Households Below Poverty Level	13.85%

The primary credit needs of the community continue to be related to the production of 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.

Major employers in the assessment area include the school districts and the Cities of Olney, Graham, Seymour, and Archer City; Tower Extrusions; Air Tractor; and Cemco. The Graham area also includes the city and county governments, the hospital, and Wal-Mart.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity from the last CRA examination dated September 20, 2005. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the 1-4 family mortgage and commercial portfolios in order to evaluate the bank's lending performance within the assessment area (refer to **SCOPE OF THE EXAMINATION** for details). For the **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** we replaced loans originated outside of the assessment area with loans originated inside of the assessment area.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

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 LTD ratio since the last CRA examination is 103%. This LTD ratio includes a significant level of loan participations purchased from affiliate banks within the holding company. As of March 19, 2010, loan participations purchased from affiliate banks totaled \$22 million and represented 43% of the bank's total loans. Excluding participations purchased, the resulting LTD ratio is 58%, which remains reasonable. The assessment area includes eight competing state and national banks, and one savings & loan. The average LTD ratios for these institutions ranged from 22% to 104% and the combined average ratio for these banks was 67%. It must be noted that four of the eight competing banks are affiliates of FNB and all have some degree of participations purchased. Based on the available information and analysis results, FNB's ratio is reasonable and meets the standards for meeting credit needs of the communities served.

Lending in Assessment Area

FNB's lending within the assessment area exceeds the standards for satisfactory performance.

This section quantifies what proportion of the bank's lending activity is 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, FNB's lending efforts are concentrated within the assessment area.

At this time, FNB does not track loans by location. To assess the bank's performance in this area we used the samples noted above. Based on our sample results, a significant

majority of loans are within the bank’s assessment area. The following table reflects the results of our assessment of the bank’s efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	19	95%	\$684	83%	1	5%	\$140	17%
Commercial Loans	18	90%	\$728	95%	2	10%	\$36	5%
Total Reviewed	37	93%	\$1,412	89%	3	7%	\$176	11%

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

FNB’s loan distribution, to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. To assess FNB’s efforts, we used the samples noted above. Our analysis, detailed in the tables below, indicates that the bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Additionally, the bank does not have a minimum loan amount in policy. A review of small loans reflected the bank has several loans with originating balances of \$1,000 or less, currently on the books (the lowest originating amount was \$400). We noted there were several other loans with originating balances between \$1,000 and \$1,500. This indicates the bank willingly extends credit to meet the needs of the consumer. Overall, we concluded that the bank’s performance is generally proportionate to the income levels of families within the assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, the bank meets the needs of the small businesses.

1-4 Family Purchase Loans:

Borrower Distribution of 1-4 Family Purchase Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Consumer Loans	18%	15%	19%	10%	23%	15%	40%	55%

Note: 5% of the number and 9% of the dollar amount of loans sampled did not have income information.

Commercial Loans:

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	90%	0%	10%	100%
% of Bank Loans in AA by #	90%	0%	10%	100%
% of Bank Loans in AA by \$	95%	0%	5%	100%

Geographic Distribution of Loans

The assessment area does not have any low- or moderate-income census tracts 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 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.