



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 26, 2010**

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

Graham National Bank  
Charter Number 22643

455 Elm  
Graham, TX 76450-0000

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 Outstanding.**

Graham National Bank's (GNB's) lending performance reflects Outstanding responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 97% is very strong and exceeds the ratios of competing banks.
- A substantial majority of our samples (83% of the number and 90% of the dollar amount of the loans reviewed) were within the bank's assessment area.
- The distribution of loans demonstrates strong penetration among individuals of different income levels and businesses of different sizes.

## **SCOPE OF EXAMINATION**

The evaluation period for our assessment of GNB's CRA efforts, was July 1, 2006 to June 30, 2010. Loan products evaluated include used auto loans, non-farm non-residential real estate and general commercial loans. Our samples include 20 loans from each product. The assessment area does not contain any low- or moderate-income census tracts; therefore the geographical distribution analysis was not performed. We performed a full-scope review of GNB's assessment area – Young County, Texas, which was the basis of our overall rating of GNB's CRA efforts.

## DESCRIPTION OF GRAHAM NATIONAL BANK

GNB is a community bank located in Graham, Texas. Graham is located approximately 87 miles northwest of Fort Worth, Texas, and 60 miles south of Wichita Falls, Texas. The bank operates from one location in downtown Graham with a motor bank facility across the street. The motor bank facility contains an ATM, which is operational 24 hours a day.

GNB is a full-service community bank offering a wide variety of loan and deposit products. The bank also offers Internet banking services through [www.grahamnb.com](http://www.grahamnb.com).

As of March 31, 2010, GNB has total assets of \$105 million, loans of \$83 million, and deposits of \$94 million. As reflected in the following table, major lending activities are as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Real Estate Loans:		
Nonfarm/Nonresidential	\$31,624	38%
Construction/Land Dev	\$8,980	11%
Farmland	\$5,420	7%
1-4 Family	\$5,229	6%
Agricultural Loans	\$13,052	16%
Commercial Loans	\$12,782	15%
Individual Loans	\$6,067	7%
Other	\$21	0%
<b>Total</b>	\$83,175	100%
Percentage of Loans to Total Assets	79%	

GNB is 100% owned by Olney Bancshares of Texas, Inc., a multi-bank two-tiered holding company. The bank is affiliated through common ownership with First National Bank of Olney, Farmers National Bank of Seymour, First Coleman 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. GNB is also affiliated with First National Bank of Throckmorton through the majority ownership of Throckmorton Bancshares, Inc., a one-bank holding company. All of these banks are located in the state of Texas except Union Bank and InterBank, which are located in the state of Oklahoma.

GNB'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 GNB was conducted on June 19, 2006. The rating assigned at that examination was Satisfactory. The evaluation period for this CRA examination is from June 20, 2006 through July 26, 2010.

## DESCRIPTION OF YOUNG COUNTY

GNB defines its assessment area as Young County, Texas. Young County consists of four census tracts (CT's). All four CT's are middle-income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Derived from 2000 Census Bureau and 2009 Housing and Urban Development Agency (HUD) data, the following table reflects the assessment area demographics:

<b>Assessment area</b>	
<i>Population</i>	
Number of Families	5,118
Number of Households	7,161
<i>Geographies</i>	
Number of Census Tracts	4
% 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>	
2009 MFI for ASSESSMENT AREA	\$36,425
2009 HUD-Adjusted MFI	\$45,600
<i>Economic Indicators</i>	
Unemployment Rate	2.39%
2009 Median Housing Value	\$48,196
% of Households Below Poverty Level	15.32%

The primary credit needs of the community continue to be related to the production of oil and gas, ranching, and other agriculture-related 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, the City of Graham, Young County, Graham Medical Center, Southern Bleachers, and Media Recovery; a packaging company.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity from the last CRA examination dated June 19, 2006. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the used auto, non-farm non-residential real estate and general 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

GNB's loan-to-deposit (LTD) ratio exceeds 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. GNB's average LTD ratio since the last CRA examination is 97%. GNB has a significant level of loan participations purchased, however, the bank also sells a significant level of loan participations. For March 31, 2010, and the previous four quarter ends, when adjusting for loan purchases and sales, the quarterly LTD ratios have actually increased. The assessment area, and the adjacent counties, include thirteen competing state and national banks, and one savings and loan. The average LTD ratios for these institutions ranged from 21% to 103%. It must be noted that four of the thirteen competing banks are affiliates of GNB and all have some degree of participations purchased. Based on the available information and analysis results, GNB's ratio is exceptional and exceeds the standards for meeting credit needs of the communities served.

### Lending in Assessment area

GNB'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, GNB's lending efforts are concentrated within Young County.

At this time, GNB 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 Young County.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Used Auto Loans	17	85%	\$170	85%	3	15%	\$29	15%
Non-Farm Non-Res.	17	85%	\$6,756	95%	3	15%	\$330	5%
Commercial Loans	16	80%	\$865	62%	4	20%	\$535	38%
<b>Total Reviewed</b>	<b>50</b>	<b>83%</b>	<b>\$7,791</b>	<b>90%</b>	<b>10</b>	<b>17%</b>	<b>\$894</b>	<b>10%</b>

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

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

The bank obtains and analyzes applicant income information during the loan decision process. To assess GNB’s efforts, we used the samples noted above. Our analysis, detailed in the tables below, indicates strong lending performance to borrowers of all income levels and businesses of different sizes. The bank does not have a minimum loan amount in policy. A review for small loans reflected that the bank has numerous loans with originating balances of \$1,000 or less, currently on the books (the lowest originating amount was \$250). We noted there were numerous other loans with originating balances between \$1,000 and \$1,500. Additionally, the bank has a program where it provides interest free loans to teachers and teacher’s aides to purchase personal computers. This indicates the bank willingly extends credit to meet the needs of the community. Overall, we concluded that the bank’s performance exceeds the income levels of households within Young County, and the credit needs of low- and moderate-income individuals are being met.

The bank is meeting the needs of the small businesses in Young County. A significant number of loans sampled, both general commercial and non-farm non-residential real estate, were to small businesses. A significant percentage of the dollar amount of the non-farm non-residential real estate loans were to small businesses. A majority of the dollar amount of the general commercial loans were to small businesses.

*Used Auto Loans:*

Borrower Distribution of Used Auto Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23%	30%	18%	20%	18%	15%	41%	25%

*Note: 10% of the number and 13% of the dollar amount of loans sampled did not have income information.*

*General Commercial Loans:*

<b>Borrower Distribution of Loans to Businesses</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	<b>74%</b>	<b>3%</b>	<b>23%</b>	<b>100%</b>
<b>% of Bank Loans in AA by #</b>	<b>90%</b>	<b>10%</b>	<b>0%</b>	<b>100%</b>
<b>% of Bank Loans in AA by \$</b>	<b>62%</b>	<b>38%</b>	<b>0%</b>	<b>100%</b>

**Non-Farm Non-Residential Real Estate**

<b>Borrower Distribution of Loans to Businesses</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	<b>74%</b>	<b>3%</b>	<b>23%</b>	<b>100%</b>
<b>% of Bank Loans in AA by #</b>	<b>90%</b>	<b>10%</b>	<b>0%</b>	<b>100%</b>
<b>% of Bank Loans in AA by \$</b>	<b>81%</b>	<b>19%</b>	<b>0%</b>	<b>100%</b>

**Geographic Distribution of Loans**

The assessment area does not contain any low- or moderate-income census tracts therefore; any geocoding analysis would not be meaningful.

**Responses to Complaints**

GNB 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.