



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 15, 2007

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

**The Farmers National Bank of Seymour  
Charter Number: 7482**

**100 N. Washington  
Seymour, TX 76380**

**Office of the 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.**

*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 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 Farmers National Bank of Seymour, Seymour, Texas as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 15, 2007. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Farmers National Bank of Seymour's lending performance 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 of 99.6% since the previous CRA examination exceeds the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment area (AA) credit needs.
- A majority of the bank's lending activities are within the two assessment areas (AA's). Based on the loans reviewed in our sample, 90% of the number and 89% of the dollar amount were originated within the Baylor County AA, while 75% of the number and 86% of the dollar amount were originated within the Childress County AA.
- The distribution of loans in both AA's demonstrates a satisfactory penetration among individuals of different income levels and a very good distribution among businesses of different sizes, primarily small businesses and small farms with gross annual revenues of less than \$1 million.

## SCOPE OF THE EXAMINATION

Our examination was conducted using the full scope small bank CRA procedures. While all lending activity since the last CRA examination (March 31, 2003) was subject to sampling, we focused our attention on the lending activity in the last 24 months. This activity is more indicative of management's thought process and procedure. Besides the main banking facility in Seymour, Texas, the bank has a branch located in Childress, Texas. These facilities are located in separate counties that are not contiguous; therefore, there are two assessment areas to review for CRA purposes.

Baylor County is the assessment area of the main banking facility, and Childress County is the assessment area for the branch. We reviewed each of the assessment areas separately during our exam. Our CRA community contacts in both assessment areas identified general consumer credit as a primary need. This resulted in our inclusion of all consumer purpose loans for each assessment area in the population subject to sampling. Our sample products for the main banking facility included consumer loans, general agriculture loans, and general commercial loans. Our sample for the Childress branch included consumer loans, general agriculture loans, and 1-4 family home loans. Our initial sample included 20 of each of these products to determine if the bank was lending primarily within its assessment areas. Loans located outside the assessment area were replaced with loans located in the assessment area for other analysis contained in this Performance Evaluation. We did not perform a data integrity review at this examination. The bank has several bank affiliates related through ownership. We did not review any affiliate activity at this examination.

## DESCRIPTION OF FARMERS NATIONAL BANK OF SEYMOUR

Farmers National Bank of Seymour (FNB) is a small community bank headquartered in Seymour, Texas. Seymour is a rural community located approximately 130 miles west of Fort Worth, Texas and 50 miles southwest of Wichita Falls, Texas. The bank operates from the main location in Seymour and from one branch located in Childress, Texas. Childress is also a rural community located approximately 100 miles northwest of Seymour. FNB purchased the Childress branch on December 30, 2002, from the First National Bank of Borger, which is affiliated with FNB through common holding company ownership. The bank has two automated teller machines (ATM's). One ATM is located in Seymour inside a local convenience store, and one ATM is located in Childress at the branch bank. Both ATM's perform withdrawals and account inquiries only.

FNB is a full-service community bank offering a wide variety of loan and deposit products. The bank also offers transactional Internet banking. As of June 30, 2007, FNB had total assets of \$67 million, loans of \$62 million, and deposits of \$61 million. The bank's major lending categories are outlined in the table below.

| <b>Loan Category</b>                     | <b>\$ (000)</b> | <b>%</b> |
|--|-----------------|----------|
| Agricultural Loans                       | \$18,648        | 30%      |
| Real Estate Loans - Commercial           | \$14,687        | 24%      |
| Commercial Loans                         | \$9,626         | 15%      |
| Real Estate Loans - Farmland             | \$8,031         | 13%      |
| Real Estate Loans - Residential          | \$7,319         | 12%      |
| Consumer Loans                           | \$3,240         | 5%       |
| Other                                    | \$870           | 1%       |
| <b>Total</b>                             | \$62,421        | 100.0%   |
| Percentage of Loans to Total Assets: 94% |                 |          |

Source: June 30, 2007 Call Report

FNB is a wholly owned subsidiary of Olney Bancshares of Texas, Inc., a multi-bank holding company, headquartered in Olney, Texas. Other sister banks include First National Bank of Borger, Citizens National Bank of Breckenridge, First State Bank of Canadian, N.A., First Coleman National Bank, Friona State Bank, Graham National Bank, First National Bank of Olney, Rose Rock Bank, and InterBank. All of these banks are located in the north central to western portions of Texas with the exception of Rose Rock and InterBank, which are located in Oklahoma. FNB is also affiliated, through common ownership, with First National bank of Throckmorton, a wholly owned subsidiary of Throckmorton Bancshares, Inc., a one-bank holding company, headquartered in Throckmorton, Texas.

Primary competition comes from several other financial institutions in Baylor and Childress counties as well as the surrounding counties. The assessment areas also include several non-bank institutions including Production Credit Association, Farmers Home Administration, GMAC Credit Corporation, Ford Motor Credit Corporation, John Deere Credit Corporation, and the Federal Land Bank.

The most recent CRA examination was performed as of March 31, 2003. FNB received a satisfactory rating at that examination. The bank has no impediments, legal or otherwise, which would hinder its efforts to help meet the credit needs of its assessment areas. The bank continues to operate in a conservative manner with emphasis on providing sound credit to all members of the communities it serves, including the needs of low- and moderate-income individuals.

## DESCRIPTION OF ASSESSMENT THE AREAS

FNB has defined its assessment areas as Baylor County and Childress County. Seymour lies within Baylor County and Childress lies within Childress County. Because these counties are not contiguous, they are considered to be two separate assessment areas. Each assessment area is legal and meets the requirements of the regulation. Below is a description of each assessment area, which includes information on demographics, housing, and family data.

### **Baylor County -**

Seymour is the largest community within Baylor County. Approximately 4,093 persons live within the county. The county is not in a Metropolitan Statistical Area (MSA). There are two census tracts (CT's) in the county, both of which are middle-income. The following table reflects selected demographic and economic characteristics of Baylor County.

| <b>Baylor County</b>                |          |
|-------------------------------------|----------|
| <i>Population</i>                   |          |
| Number of Families                  | 1,177    |
| Number of Households                | 1,789    |
| <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 AA                     | \$36,380 |
| 2006 HUD-Adjusted MFI               | \$43,100 |
| <i>Economic Indicators</i>          |          |
| Unemployment Rate                   | 1.95%    |
| 2006 Median Housing Value           | \$38,517 |
| % of Households Below Poverty Level | 15.65%   |

Data Source: 2000 Census with selected updates through 2006

The primary credit needs in this assessment area continue to be related to the agriculture industry (cattle ranching, farmland, etc.) and related credit needs including financing for home purchase or home improvement, automobile, and other consumer loans. The economy of the area is not well diversified and is dependent primarily on the agriculture and oil and gas industries. Oil and cattle prices are currently good and have rebounded over the past couple of years.

Major employers in the assessment area include school districts, hospitals, and city and county governments.

**Childress County -**

Childress is the largest community within Childress County. Approximately 7,688 persons live within the county. The county is not in an MSA. There are a two CTs in the county, both of which are middle-income. The following table reflects selected demographic and economic characteristics of Childress County.

| <b>Childress County</b>             |          |
|-------------------------------------|----------|
| <i>Population</i>                   |          |
| Number of Families                  | 1,662    |
| Number of Households                | 2,485    |
| <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 AA                     | \$36,380 |
| 2006 HUD-Adjusted MFI               | \$43,100 |
| <i>Economic Indicators</i>          |          |
| Unemployment Rate                   | 2.03%    |
| 2006 Median Housing Value           | \$45,317 |
| % of Households Below Poverty Level | 16.46%   |

Data Source: 2000 Census with selected updates through 2006

The primary credit needs in this assessment area are consumer loans, consumer vehicle purchase loans, residential real estate purchases, home improvements, agricultural real estate purchase, agricultural operating lines of credit, and small farm and ranch loans. Current economic conditions in the assessment area are stable.

Major employers in the assessment area are Childress Regional Medical Center, city and county governments, Childress Independent School District, Texas Department of Transportation, and Texas Department of Criminal Justice.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the last CRA examination dated March 31, 2003. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the agriculture, commercial, consumer and 1-4 family mortgage portfolios from each assessment area in order to evaluate the bank's lending performance within the AA's (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 AA's with loans originated inside of the AA's.

### Loan-to-Deposit Ratio

FNB'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 FNB since the last CRA examination is 99.6%. Both assessment areas had a very limited number of banks to compare FNB with. Therefore we included the counties surrounding Baylor and Childress Counties. The counties surrounding and including Baylor County included 18 other state and national banks. The range of average LTD ratios for these banks was 21.9% to 97.8%. The counties surrounding and including Childress County included 8 state and national banks. The range of average LTD ratios for these banks was 21.5% to 85.2%. Based on this information, the bank's LTD ratio is very strong and exceeds the range of area competing banks.

### Lending in Assessment Area

FNB's lending within the assessment areas meets the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its assessment areas. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment areas, would be considered less than satisfactory. However, FNB's lending efforts are concentrated within the assessment areas reviewed.

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 majority of loans are within the bank's assessment areas. The following tables reflect the results of our assessment of the bank's efforts to lend in its assessment areas.

| TOTAL LOANS REVIEWED - BAYLOR COUNTY ASSESSMENT AREA |                    |            |                |            |                        |           |              |            |
|--|--------------------|------------|----------------|------------|------------------------|-----------|--------------|------------|
| LOAN TYPE  | IN ASSESSMENT AREA |            |                |            | OUT OF ASSESSMENT AREA |           |              |            |
|  | #                  | %          | \$ (000s)      | %          | #                      | %         | \$ (000s)    | %          |
| Consumer Loans                                       | 19                 | 95%        | \$182          | 98%        | 1                      | 5%        | \$4          | 2%         |
| Agriculture Loans                                    | 16                 | 80%        | \$635          | 80%        | 4                      | 20%       | \$158        | 20%        |
| Commercial Loans                                     | 19                 | 95%        | \$729          | 95%        | 1                      | 5%        | \$35         | 5%         |
| <b>Total Reviewed</b>                                | <b>54</b>          | <b>90%</b> | <b>\$1,546</b> | <b>89%</b> | <b>2</b>               | <b>5%</b> | <b>\$197</b> | <b>11%</b> |

| TOTAL LOANS REVIEWED - CHILDRRESS COUNTY ASSESSMENT AREA |                    |            |                |            |                        |            |              |            |
|--|--------------------|------------|----------------|------------|------------------------|------------|--------------|------------|
| LOAN TYPE  | IN ASSESSMENT AREA |            |                |            | OUT OF ASSESSMENT AREA |            |              |            |
|  | #                  | %          | \$ (000s)      | %          | #                      | %          | \$ (000s)    | %          |
| Consumer Loans   | 15                 | 75%        | \$115          | 68%        | 5                      | 25%        | \$54         | 32%        |
| 1-4 Family Loans   | 16                 | 80%        | \$1,056        | 88%        | 4                      | 20%        | \$141        | 12%        |
| Agriculture Loans  | 14                 | 70%        | \$602          | 85%        | 6                      | 30%        | \$103        | 15%        |
| <b>Total Reviewed</b>                                    | <b>45</b>          | <b>75%</b> | <b>\$1,773</b> | <b>86%</b> | <b>15</b>              | <b>25%</b> | <b>\$298</b> | <b>14%</b> |

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

The bank’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. However, this information is not monitored or used to assess the efforts to meet the standards for CRA purposes. To assess the bank’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 \$320 for the Seymour facility and \$420 for the Childress facility). 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 the households 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.

*Baylor County -*

*Consumer Lending*

| <b>Borrower Distribution of Consumer Loans in Baylor County</b> |                           |                             |                           |                             |                           |                             |                           |                             |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| <b>Borrower Income Level</b>                                    | <b>Low</b>                |                             | <b>Moderate</b>           |                             | <b>Middle</b>             |                             | <b>Upper</b>              |                             |
|   | <b>% of AA Households</b> | <b>% of Number of Loans</b> | <b>% of AA Households</b> | <b>% of Number of Loans</b> | <b>% of AA Households</b> | <b>% of Number of Loans</b> | <b>% of AA Households</b> | <b>% of Number of Loans</b> |
| <b>Consumer Loans</b>   | <b>32%</b>                | <b>30%</b>                  | <b>18%</b>                | <b>15%</b>                  | <b>18%</b>                | <b>15%</b>                  | <b>32%</b>                | <b>25%</b>                  |

Note: 15% of the number and 17% of the dollar amount of loans sampled did not have income information.

*Commercial Lending*

| <b>Borrower Distribution of Loans to Businesses/Farms in Baylor County</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>50%</b>          | <b>4%</b>              | <b>46%</b>                 | <b>100%</b>  |
| <b>% of Bank Loans in AA by #</b>  | <b>90%</b>          | <b>5%</b>              | <b>5%</b>                  | <b>100%</b>  |
| <b>% of Bank Loans in AA by \$</b>   | <b>78%</b>          | <b>20%</b>             | <b>2%</b>                  | <b>100%</b>  |

*Agriculture Lending*

| <b>Borrower Distribution of Loans to Businesses in Baylor County</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>95%</b>          | <b>5%</b>              | <b>0%</b>                  | <b>100%</b>  |
| <b>% of Bank Loans in AA by #</b>                                    | <b>85%</b>          | <b>0%</b>              | <b>15%</b>                 | <b>100%</b>  |
| <b>% of Bank Loans in AA by \$</b>                                   | <b>88%</b>          | <b>0%</b>              | <b>12%</b>                 | <b>100%</b>  |

*Childress County -*

*Consumer Lending*

| <b>Borrower Distribution of Consumer Loans in Childress County</b> |                           |                             |                           |                             |                           |                             |                           |                             |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| <b>Borrower Income Level</b>                                       | <b>Low</b>                |                             | <b>Moderate</b>           |                             | <b>Middle</b>             |                             | <b>Upper</b>              |                             |
|  | <b>% of AA Households</b> | <b>% of Number of Loans</b> | <b>% of AA Households</b> | <b>% of Number of Loans</b> | <b>% of AA Households</b> | <b>% of Number of Loans</b> | <b>% of AA Households</b> | <b>% of Number of Loans</b> |
| <b>Consumer Loans</b>  | <b>26%</b>                | <b>10%</b>                  | <b>18%</b>                | <b>30%</b>                  | <b>18%</b>                | <b>15%</b>                  | <b>38%</b>                | <b>35%</b>                  |

Note: 10% of the number and 6% of the dollar amount of loans sampled did not have income information.

*1-4 Family Lending*

| <b>Borrower Distribution of Residential Real Estate Loans in Childress County</b> |                         |                             |                         |                             |                         |                             |                         |                             |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| <b>Borrower Income Level</b>  | <b>Low</b>              |                             | <b>Moderate</b>         |                             | <b>Middle</b>           |                             | <b>Upper</b>            |                             |
| <b>Loan Type</b>  | <b>% of AA Families</b> | <b>% of Number of Loans</b> | <b>% of AA Families</b> | <b>% of Number of Loans</b> | <b>% of AA Families</b> | <b>% of Number of Loans</b> | <b>% of AA Families</b> | <b>% of Number of Loans</b> |
| <b>1-4 Family Loans</b>   | <b>22%</b>              | <b>0%</b>                   | <b>19%</b>              | <b>25%</b>                  | <b>20%</b>              | <b>50%</b>                  | <b>39%</b>              | <b>25%</b>                  |

FNB’s overall distribution of home mortgage loan products is satisfactory, particularly when considering that low-income families have a difficult time qualifying for conventional home mortgage products. Seventeen percent of the population in the assessment area lives below the poverty level.

Initially, we conclude FNB’s distribution of home mortgage loan products to low-income families reflects poor penetration when compared to the percentages of low-income families in the assessment area. This is somewhat offset by the higher level of percentage of loans to moderate-income families. Community contacts performed during this examination and residential activity in the area indicate a lack of quality affordable housing. Compounding the problem is the highly competitive nature of the local finance companies, who offer more liberal down payment and interest rate terms that the bank feels that it cannot safely compete with.

*Agriculture Lending*

| <b>Borrower Distribution of Loans to Farms in Childress County</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>95%</b>          | <b>3%</b>              | <b>2%</b>                  | <b>100%</b>  |
| <b>% of Bank Loans in AA by #</b>                                  | <b>85%</b>          | <b>0%</b>              | <b>15%</b>                 | <b>100%</b>  |
| <b>% of Bank Loans in AA by \$</b>                                 | <b>81%</b>          | <b>0%</b>              | <b>19%</b>                 | <b>100%</b>  |

### **Geographic Distribution of Loans**

A geographic distribution analysis was not performed. There are no low- or moderate-income census tracts within the assessment area.

### **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.