



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 5, 2009**

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

First State Bank of Canadian, National Association  
Charter Number 23513

115 Main Street  
Canadian, Texas 79014-2210

Office of the Comptroller of the Currency

Fort Worth Field Office  
9003 Airport Freeway, Suite 275  
North Richland Hills, Texas 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 State Bank of Canadian, National Association (FSBC) reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- The bank's adjusted average loan-to-deposit ratio meets 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 area, which meets the standards for satisfactory performance.
- The distribution of loans demonstrates satisfactory penetration among small farm and commercial businesses. This meets the needs for satisfactory performance.

## **SCOPE OF EXAMINATION**

The evaluation period for our assessment of FSBC's CRA efforts, was January 1, 2008 to December 31, 2008. Loan products evaluated included agriculture loans and commercial loans. The portfolio contains a significant level of participations purchased and excluding these loans, the two primary loan products are agriculture and commercial loans. Our sample sizes consisted of 20 loans from each product. We performed a full-scope review of FSBC's assessment area – Hemphill and Lipscomb Counties, Texas, which was the basis of our overall rating of FSBC's CRA efforts.

## DESCRIPTION OF FIRST STATE BANK CANADIAN, NA

FSBC is a community bank wholly-owned by Olney Bancshares of Texas, Inc., a multi-bank holding company. At September 30, 2008, there were ten affiliated banks under the holding company, which had total assets of \$1.6 million. FSBC is chartered and headquartered in Canadian, Texas, located approximately 100 miles northeast of Amarillo, Texas. The bank has one branch located in Follett, Texas, approximately 50 miles north of the main facility. Each facility provides drive-thru services and the Canadian facility has an on-site ATM.

At of September 30, 2008, FSBC had total assets of \$122.9 million, gross loans of \$113.3 million, and deposits of \$109.7 million. The bank provides all the traditional banking products and services to meet the needs of the communities served. The principal lending focus is primarily agriculture-related and is broken out in the following table

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agriculture Production Loans	46,763	41.3%
Commercial Real Estate Loans	27,682	24.4%
Commercial Loans	17,464	15.4%
Agriculture Real Estate Loans	7,929	7.0%
Consumer Loans	7,354	6.5%
1-4 Family Loans	4,587	4.0%
Other	1,537	1.4%
<b>Total</b>	<b>113,316</b>	<b>100.0%</b>
Percentage of Loans to Total Assets	92.2%	

FSBC's last CRA examination was performed as of January 13, 2003, and resulted in a "Satisfactory" rating. FSBC'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 HEMPHILL AND LIPSCOMB COUNTIES

The Board has identified Hemphill and Lipscomb Counties as the bank's assessment area. This designation consists of whole and contiguous geographies and meets the requirements of the regulation. It does not arbitrarily exclude low- or moderate-income areas. Information relating to this assessment area is detailed below.

The assessment area is not part of any Metropolitan Statistical Area and has a population of 6,408. The local economic conditions are stable and with the moisture received the last two years, cattle and crop prices are good. The local economy is centered in the agriculture industry, which impacts the whole area. The largest employers include the county governments, school districts, British Petroleum, Drilling Fluids Technology and Brahms.

<b>Assessment Area</b>	
<i>Population</i>	
Number of Families	1,783
Number of Households	2,484
<i>Geographies</i>	
Number of Census Tracts	4
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	75%
% Upper-Income Census Tracts	25%
<i>Median Family Income (MFI)</i>	
2000 MFI for assessment area	\$36,380
2008 HUD-Adjusted MFI	\$41,800
<i>Economic Indicators</i>	
Unemployment Rate	1.67%
2008 Median Housing Value	\$49,193
% of Households Below Poverty Level	13.08%

\*\* 2000 US Census Bureau

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the previous CRA examination dated January 13, 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 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 the assessment area.

### Loan-to-Deposit Ratio

FSBC's loan-to-deposit (LTD) ratio meets 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 was used to determine performance in this area. The average LTD ratio for FSBC since the last CRA examination was 95.9%. However, this included a significant level of participations purchased. At September 30, 2008, these participations represented 52% of total loans. After excluding the participations, the adjusted LTD ratio was 50%. There was insufficient information available to identify the quarterly participations purchased since the previous CRA exam. The assessment area and surrounding counties contained three other banks with which to compare FSBC. The average LTD ratios for these banks ranged from 33% and 56%. Based on the available information, FSBC's LTD ratio was comparable to the competing banks and indicated that the bank is reasonably meeting the credit needs of the communities served.

### Lending in Assessment Area

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

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

To assess the bank's performance in this area we used the samples described above. Based on our sample results, a majority of loans were within the bank's assessment area. The following tables reflect 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)	%
Commercial Loans	17	85%	\$1,560	79%	3	15%	\$422	21%
Agriculture Loans	16	80%	\$9,956	99%	4	20%	\$36	1%
<b>Total Reviewed</b>	<b>33</b>	<b>82.5%</b>	<b>\$11,516</b>	<b>96.2%</b>	<b>7</b>	<b>17.5%</b>	<b>\$458</b>	<b>3.8%</b>

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

FSBC’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 FSBC’s efforts, we used the samples described above. Our analysis, detailed in the tables below, indicated that the bank is reasonably lending to businesses of different sizes. Additionally, the bank does not have a minimum loan amount in policy. We reviewed the loan trial and noted a number of loans for \$1 thousand or less, and noted an additional number of other credits for \$1.5 thousand or less. Also, the bank offers an overdraft protection program. These factors indicate the bank is meeting the credit needs of the community.

*Commercial Loans -*

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	54.70%	3.25%	42.04%	100%
% of Bank Loans in AA by #	75.0%	25.0%	0.0%	100%
% of Bank Loans in AA by \$	38.3%	61.7%	0.0%	100%

**Source: Loan sample; Dunn and Bradstreet data.**

The percentage of the dollar amount was skewed by a small number of large loans. This is not a concern.

*Agriculture Loans -*

<b>Table 2A - Borrower Distribution of Loans to Farms in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	97.25	1.83	0.92	100%
% of Bank Loans in AA by #	80.0%	15.0%	5.0%	100%
% of Bank Loans in AA by \$	17.5%	82.5%	0.0%	100%

**Source: Loan sample; Dunn and Bradstreet data.**

The percentage of the dollar amount is skewed by a small number of large loans. This is not a concern. Also, the dollar amount of the unavailable/unknown is \$1,000 and is immaterial to the sample total.

**Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as there were no low- or moderate-income tracts in the assessment area.

**Responses to Complaints**

FSBC 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.