



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 21, 2008**

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

First Coleman National Bank  
Charter Number 13595

100 Commercial  
Coleman, TX 76834-0000

Office of the Comptroller of the Currency

FORT WORTH  
9003 Airport Freeway Suite 275  
North Richland Hills, TX 75201-3342

**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 Coleman National Bank's (FCNB) 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 104.7% 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 area. This meets the standards for satisfactory performance.

## **SCOPE OF EXAMINATION**

The evaluation period for our assessment of FCNB's CRA efforts, was January 1, 2008 to July 16, 2008. Loan products evaluated include consumer auto loans and general agriculture loans. Our sample sizes consumer auto loans and 20 general agriculture loans. We performed a full-scope review of FCNB's assessment area – Coleman County, Texas, which was the basis of our overall rating of FCNB's CRA efforts.

## DESCRIPTION OF FIRST COLEMAN NATIONAL BANK

FCNB is a community bank wholly owned by Olney Bancshares of Texas, Inc., a multi-bank holding company. At June 30, 2008, there were ten affiliate banks under the holding company, which had total assets of \$1,647 million. The bank is chartered and headquartered in Coleman, Texas, located approximately 50 miles south of Abilene, Texas, and 150 miles west of Fort Worth, Texas. The bank has no other branches however it does own and operate an ATM and drive thru facilities.

At of June 30, 2008, FCNB had total assets of \$54.8 million, gross loans of \$51.3 million, and deposits of \$49.1 million. The bank provides all the traditional banking products and services to meet the needs of the community 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	14,789	28.8%
Agriculture Real Estate Loans	9,241	18.0%
Commercial Real Estate Loans	7,456	14.6%
Consumer Loans	6,303	12.2%
Commercial Loans	5,980	11.7%
1-4 Family Loans	5,815	11.3%
Other	1,753	3.4%
<b>Total</b>	<b>51,337</b>	<b>100.0%</b>
Percentage of Loans to Total Assets	93.7%	

FCNB's last CRA examination was performed as of January 21, 2003, and resulted in a "Satisfactory" rating. FCNB'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 COLEMAN COUNTY

The Board has identified Coleman County 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.

Coleman County is not part of any Metropolitan Statistical Area and has a population of 9,235. 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 community. The largest employers include the school district, hospital and Wind Clean.

<b>Assessment Area</b>	
<i>Population</i>	
Number of Families	2,600
Number of Households	3,889
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	33%
% Middle-Income Census Tracts	67%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for assessment area	\$36,380
2008 HUD-Adjusted MFI	\$43,600
<i>Economic Indicators</i>	
Unemployment Rate	2.70%
2008 Median Housing Value	\$39,736
% of Households Below Poverty Level	20.57%

\*\* 2000 US Census Bureau

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the last CRA examination dated January 21, 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 consumer auto 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 and Geographic Distribution of Loans**, we replaced loans originated outside of the assessment area with loans originated inside the assessment area.

### Loan-to-Deposit Ratio

FCNB'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 FSB since the last CRA examination is 104.7%. The assessment area has two other banks to compare FSB with. The average LTD ratios for these banks were 65.7% and 52.4%. FCNB's LTD ratio significantly exceeds the competing banks and indicates it is reasonably meeting the credit needs of the community served.

### Lending in Assessment Area

FCNB's lending within the assessment areas meets 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, FCNB's lending efforts are concentrated within the assessment area.

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 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)	%
Consumer Auto Loans	15	75%	\$183	89%	5	25%	\$23	11%
Agriculture Loans	16	80%	\$836	90%	4	20%	\$96	10%
<b>Total Reviewed</b>	<b>31</b>	<b>77.5%</b>	<b>\$1,019</b>	<b>89.5%</b>	<b>9</b>	<b>22.5%</b>	<b>\$119</b>	<b>10.5%</b>

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

FCNB’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 FCNB’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. 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 smaller credit needs of the community. Overall, we concluded that the bank’s performance is generally proportionate to the income levels 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.

*Consumer Auto Loans -*

<b>Borrower Distribution of Consumer Auto Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>	<b>% of Assessment Area Households</b>	<b>% of Number of Loans</b>
<b>Consumer Auto Loans</b>	<b>30.4%</b>	<b>30%</b>	<b>17.8%</b>	<b>25%</b>	<b>18.7%</b>	<b>5%</b>	<b>33.1%</b>	<b>25%</b>

Note: 15% of the number and 24% of the dollar amount of loans sampled did not have income information.

*Agriculture 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 Assessment Area Businesses</b>	<b>99%</b>	<b>0%</b>	<b>1%</b>	<b>100%</b>
<b>% of Bank Loans in Assessment Area by #</b>	<b>75%</b>	<b>0%</b>	<b>25%</b>	<b>100%</b>
<b>% of Bank Loans in Assessment Area by \$</b>	<b>98%</b>	<b>0%</b>	<b>2%</b>	<b>100%</b>

## Geographic Distribution of Loans

FCNB'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 area.

As noted before, the bank obtains specific borrower information, including addresses but does not track loans by location for CRA purposes. Therefore, the samples noted earlier were used to assess the bank's effort in this section. Based on our analysis, FCNBs lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table.

<b>GEOGRAPHIC DISTRIBUTION OF LOANS</b>				
<b>Geographic Breakdown *</b>	<b>Moderate Income</b>		<b>Middle Income</b>	
<b>% of Geographies</b>	<b>33.3%</b>		<b>66.7%</b>	
	<b>% of Number</b>	<b>% of Amount</b>	<b>% of Number</b>	<b>% of Amount</b>
<b>Consumer Auto Loans</b>	<b>50%</b>	<b>20%</b>	<b>50.0%</b>	<b>80%</b>
<b>Agriculture Loans</b>	<b>35%</b>	<b>36%</b>	<b>65%</b>	<b>64%</b>

\* There are no Low or Upper Income geographies in the assessment area

## Responses to Complaints

FCNB 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.