



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 22, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Graham National Bank
Charter Number 22643**

**455 Elm Street
Graham, Texas 76450**

**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.

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INSTITUTION'S CRA RATING: Graham National Bank is rated Satisfactory.

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 documentation is an evaluation of the Community Reinvestment Act performance of **Graham National Bank**, Graham, Texas as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 22, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

The lending performance of Graham National Bank reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions. Further detail is provided in the following pages of this evaluation.

- ◆ The average loan-to-deposit ratio of Graham National Bank since the prior CRA examination is 83%. This level of performance meets the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment area credit needs.
- ◆ Based on our loan sample, the record of lending within the assessment area for Graham National Bank exceeds the standards for satisfactory performance. A majority of the bank's loan activity (98% of our sample) is within the bank's assessment area of Young County.
- ◆ Based on our loan sample, the distribution of loans demonstrates good penetration among individuals of different income levels and businesses of different sizes and meets the standards for satisfactory performance.
- ◆ A geographic distribution analysis was not performed because there are no defined low- or moderate-income Block Numbering Areas in the assessment area of Young County. Although an analysis was not performed, it was evident from our review that the credit needs of persons in all income levels are being addressed and met.
- ◆ There have been no CRA complaints filed against the bank.

DESCRIPTION OF GRAHAM NATIONAL BANK

Graham National Bank (GNB) is a community bank located in Graham, Texas, which is located approximately 87 miles northwest of Fort Worth, Texas, and 60 miles south of Wichita Falls, Texas. The bank operates from only one location in downtown Graham. The bank has one on-premises Automated Teller Machine (ATM) and two additional off-premises ATM's. All are located in the City of Graham and are operational 24 hours daily.

GNB is a full-service community bank offering a wide variety of loan and deposit products. The bank also offers transactional Internet banking. As of September 30, 2001, GNB has total assets of \$85.8 million, loans of \$70.8 million, and deposits of \$77 million. GNB is a net loan participation purchaser. Of the \$70.8 million in total loans, approximately \$29.9 million, or 42%, were not originated by GNB but were purchased from other banks within the holding company. The following tables present the bank's loan and deposit information as of September 30, 2001.

Loan Portfolio

Loan Type	Dollar Volume (000's)	Percentage of Loan Portfolio
Real Estate:		
Farmland	\$10,800	15%
1-4 Family Mortgages	\$5,011	7%
Other	\$7,954	11%
Agriculture	\$21,168	30%
Commercial	\$5,555	8%
Consumer/Other	\$20,281	29%
Total	\$70,769	100%

Deposit Portfolio

Deposit Type	Dollar Volume (000's)	Percentage of Total Deposits
Demand Deposits	\$23,846	31%
Savings/Now	\$3,806	5%
MMDA	\$6,431	8%
CD's less than \$100,000	\$26,505	35%
CD's greater than \$100,000	\$9,643	13%
Individual Retirement Accounts	\$6,404	8%
Total	\$76,635	100%

GNB is 100% owned by Olney Bancshares of Texas, Inc., which is a multi-bank holding

company. GNB is the lead bank in this holding company. The bank is affiliated through common ownership with the following banks: First National Bank of Borger, Citizens National Bank of Breckenridge, First State Bank of Canadian, N.A., First Coleman National Bank, First National Bank of Olney, and Farmers National Bank of Seymour. All of the banks in this holding company are located in the north central to western portions of Texas.

The corporate structure of neither GNB nor the holding company has changed since the prior CRA examination and no changes are currently planned. Primary competition comes from three other financial institutions in Graham, and to a lesser degree, other financial institutions within Young County.

The most recent CRA examination was performed as of February 19, 1997. The bank received a satisfactory rating at that examination. There are no legal or financial impediments to the bank's ability to meet the credit needs of its assessment area (AA).

DESCRIPTION OF ASSESSMENT AREA - YOUNG COUNTY

GNB has defined its AA as Young County. The AA is legal and meets the requirements of the regulation. Approximately 18,126 persons live within Young County. The county is not in a Metropolitan Statistical Area (MSA). Graham is the largest community within the county. There are a total of six Block Numbering Areas (BNA's) in the AA. Five of these BNA's are designated as middle-income and one is designated as high-income. There are no defined low- or moderate-income BNA's in the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF YOUNG COUNTY	
<i>Population</i>	
Number of Families	5,239
Number of Households	7,113
<i>Geographies</i>	
Number of Block Numbering Areas (BNA's)	6
% Low-Income BNA's	0.00%
% Moderate-Income BNA's	0.00%
% Middle-Income BNA's	83.33%
% Upper-Income BNA's	16.67%
<i>Median Family Income (MFI)</i>	
2001 HUD-Adjusted MFI for Young County	\$35,800
<i>Economic Indicators</i>	
Unemployment Rate	2.72%
2001 Median Housing Value	\$40,438
% of Households Below Poverty Level	17.53%

Based on updated Housing and Urban Development (HUD)-2001 Census information, the median family income for Young County is \$35,800. The median housing value is \$40,438 with

the median age of housing stock at 39 years. Within the AA, approximately 17.53% of the families are below the poverty level.

The primary credit needs of the community continue to be related to the manufacturing, oil and gas, and agriculture industries. Stemming from these are credit needs including financing for home purchase or home improvement, automobile, and other consumer related loans. The local economy continues to be stable and has achieved diversification. No longer is the area completely dependent on oil and gas production. In the late 1990's the City of Graham established an Economic Development Board, the Industrial Board, and became a participant in the Texas Main Street program. All of these programs and initiatives have been very successful and have brought many new businesses to the area. The majority of these have been manufacturing. Major employers in the area are Graham Regional Medical Center, Graham Independent School District, Town and Country Homes, Zack Burkett Industries, and Southern Bleacher Manufacturing.

We considered information from two community contacts. We made contact with the directors of the Economic Development Board and the Graham Chamber of Commerce. Both contacts stated that the bank's participation in efforts to meet the credit needs of low- and moderate-income individuals is good. One of the contacts indicated that a current need in the AA, primarily the City of Graham, is for more low-income and mid-priced housing. There appears to be a gap in mid-priced housing within the AA. This identified need was brought to the attention of bank management.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity from the last CRA examination dated February 19, 1997. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy.

Loan-to-Deposit Ratio

Institution	Location	Average Loan/Deposit Ratio
First National Bank of Olney	Olney, Texas	87%
Graham National Bank	Graham, Texas	83%
First National Bank of Graham	Graham, Texas	61%
Farmers National Bank of Newcastle	Newcastle, Texas	43%

GNB's loan-to-deposit ratio (LTD) meets the standards for satisfactory performance. The bank's average quarterly LTD since the prior examination is 83%. Of this total, approximately one-half are loan participations purchased from other banks in the holding company. The average ratio for the other three national banks in the AA is 64% and range from a low of 43% to a high of

87%. The bank has a very stable lending base through its agriculture and manufacturing lines of credit and related lending needs in the AA.

Lending in Assessment Area of Young County

GNB’s lending in the AA exceeds the standards for satisfactory performance. The bank does not internally monitor the percentage of loans made within the AA. Therefore, our conclusions in this section are based on a sample of loans we reviewed during the examination. We reviewed 25 1-4 family mortgage loans and 15 commercial purpose loans. Of the 40 loans in this sample, 39, or 98%, were made within Young County.

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

GNB’s lending to businesses of different sizes is good. Eighty percent of the businesses in Young County have gross annual revenues of less than \$1 million. We reviewed a sample of 15 commercial and business purpose loans. Of the total loans in this sample, 73% were to businesses with gross annual revenues of less than \$1 million.

Lending to Borrower’s of Different Income Levels 1-4 Family Mortgage Sample								
Assessment Area Data	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Family Data	1,050	20%	842	16%	1,018	19%	2,329	45%
Sample Loans	3	12%	8	32%	2	8%	12	48%

GNB’s lending to borrowers of different income levels is very good. The distribution of loans in our sample reflects good penetration among individuals of different income levels. We reviewed a sample of 20 1-4 family mortgage loans to reach this conclusion. The results of this review are presented in the table above. Measured on a percentage basis, the bank has a higher penetration among low- and moderate-income individuals combined than there are total families in these categories.

To further validate the bank’s good record of lending to low- and moderate-income individuals, we reviewed a trial balance of loans originated with a balance of \$1,000 or less. The bank currently has a total of 158 of these loans on the books with an average original balance of \$644 and range from a low of \$250 to a high of \$1,000. Historically, individuals receiving these loans fall into either the low- or moderate-income categories. These loans are spread throughout the AA. The bank has no minimum loan amount.

Geographic Distribution of Loans

A geographic distribution analysis was not performed. There are no low- or moderate-income block numbering areas within the bank’s defined AA of Young County.

Responses to Complaints

GNB has not received any complaints pertaining to CRA performance during this evaluation period.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation.