



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 28, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank Albany/Breckenridge  
Charter Number: 3248

100 S. Main  
Albany, TX 76430

Office of the Comptroller of the Currency

ADC-FORT WORTH Field Office  
9003 Airport Freeway Suite 275  
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**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 Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The First National Bank Albany/Breckenridge (FNB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The loan-to-deposit (LTD) ratio is reasonable and averaged 51% during the evaluation period.
- A majority of FNB's loans were originated within the assessment area (AA).
- FNB's distribution of loans to businesses with gross revenues of less than \$1 million is reasonable. FNB's overall distribution of home mortgage products to low- and moderate-income (LMI) families is reasonable when considering performance context issues.
- No consumer complaints regarding FNB's CRA performance were received during this evaluation period.
- FNB's community development (CD) performance demonstrates adequate responsiveness to the CD needs of its AA, when considering performance context issues.

## **Scope of Examination**

FNB qualifies as an Intermediate Small Bank under the CRA regulation and is thus subject to a Lending Test and CD Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The CD Test evaluates a bank's CD lending, qualified investments, and services.

The evaluation under the Lending Test covers loans originated between March 11, 2008 and November 17, 2011. Performance under the lending test was assessed based on a review of FNB's residential real estate, commercial, and commercial real estate loans. CD activities were evaluated over the period from March 11, 2008 through November 28, 2011.

## **Description of Institution**

FNB is 100% owned by Albany Bancshares, Inc., a one-bank holding company. Shareholders of the holding company are local individuals. The main bank is located in Albany, Texas with branches in Breckenridge, Gordon, and Strawn, Texas. FNB has no operating subsidiaries and had no merger or acquisition activity during the evaluation period. There are no other known affiliates.

Albany is located approximately 30 miles northeast of Abilene, Texas. Breckenridge is located approximately 25 miles east of Albany and approximately 55 miles east/northeast of Abilene. The main bank and Breckenridge branch operate drive-thru facilities and both offer on-site ATMs. The Gordon and Strawn branches are about 5 miles apart, just north of I-20, approximately 90 miles east of Abilene and 60 miles west of Fort Worth, Texas. FNB has not closed any branches during this evaluation period.

FNB is a full-service community bank offering a wide variety of loan and deposit products including transactional Internet banking through ***www.fnbab.com***. As of September 30, 2011, FNB had total assets of \$412 million, total loans of \$178 million, and total deposits of \$367 million. The following table represents the loan information as of September 30, 2011.

<b>Loan Portfolio Composition as of September 30, 2011</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Real Estate	47,204	26.57
Commercial & Industrial	42,621	23.99
Residential Real Estate	45,959	25.87
Consumer & Other	28,334	15.95
Farm loans & Agriculture RE	13,539	7.62
<b>Total</b>	<b>\$177,657</b>	<b>100.00</b>

*Source: September 30, 2011 Report of Condition*

FNB's last CRA examination was performed as of March 10, 2008, using Small Bank CRA Procedures, and resulted in a "Satisfactory" rating. FNB's financial condition does not inhibit its ability to meet credit needs in its AA. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

## Description of Assessment Area

FNB's lone assessment area includes all of Shackelford and Stephens Counties and one census tract (CT) in southern and western Palo Pinto County. The main bank is located in Shackelford County, the Breckenridge branch is located in Stephens County and the Gordon and Strawn branches are located in the Palo Pinto County CT. These counties are contiguous and are considered to be one assessment area. The assessment area is legal and meets the requirements of the regulation and is not part of any Metropolitan Statistical Area. Shackelford and Stephens Counties are designated distressed middle-income nonmetropolitan tracts due to population losses, and Stephens County is also designated underserved.

Below is a description of the assessment area, which includes information on demographics, housing, and family data.

<b>Demographic and Economic Characteristics of Assessment Area</b>	
<b>Population</b>	
Total Population	15,039
Number of Families	4,138
Number of Households	5,833
<b>Geographies</b>	
Number of Census Tracts	6
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	0.0%
% Middle-Income Census Tracts	100.0%
% Upper-Income Census Tracts	0.0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$36,380
2010 HUD-Adjusted MFI	\$46,500
<b>Economic Indicators</b>	
Unemployment Rate	1.73%
2000 Median Housing Value	\$43,946
% Households Below Poverty Level	14.30%

*Source: 2000 Census data and HUD updated income data.*

Information from community contacts indicates that the local economic conditions are best described as recovering, as the community lost a major employer, Karsten Homes, in late 2010. At the time of closing, the business employed 135 individuals. The community is primarily supported by the oil and gas industry, which is experiencing some growth due to high oil/gas prices. Other major employers in the area include local school districts, hospitals, and Texas Department of Criminal Justice prison facilities.

The median age of area workers is 38.9 years compared to the 32.3 years for the state of Texas. Updated through 2010, unemployment is low at 1.73% with 14.3% of households below the poverty level. The primary credit need is affordable housing. The community cannot effectively attract new businesses as there is a significant lack of low- and moderate-income housing.

Competition is afforded by several national or state chartered financial institutions, including branch facilities of institutions not chartered in the counties served. Competition for loans and deposits is keen, and the competitors are highly visible in the communities.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

FNB's performance under the Lending Test is "**Satisfactory**".

FNB's primary business lines are commercial real estate lending, residential real estate lending, and commercial and industrial lending. In our sample, we included these three types of lending to draw our conclusions. Equal weight was given to each type of lending when evaluating lending performance based on the criteria tested below.

#### **Loan-to-Deposit Ratio**

FNB's LTD ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial performance, and the AA's credit needs. The LTD ratio measures the extent to which the bank has returned the deposits it has acquired to the community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. The average LTD for FNB averaged 51% over the last 17 quarters. This ratio ranged from a quarterly low of 44% as of June 30, 2011 to a quarterly high of 57% as of September 30, 2009.

The average LTD ratio of similarly-situated banks within the AA during the evaluation period was 63%, and ranged from a low average LTD of 46% to a high average LTD of 92%. Although FNB's LTD ratio is only average when compared to local competitors, FNB reflects a willingness to provide credit in light of mitigating factors. During the period from January 1, 2008 through November 28, 2011, FNB originated 1,767 loans with original amounts less than \$1,000, totaling \$1,018,676. The average size of these small loans is \$576, and the smallest original amount \$50.

## Lending in Assessment Area

FNB's lending in its AA reflects satisfactory performance. A majority of the number and dollar amount of the loans were originated inside the bank's AA. As depicted in the table below, 75% of the number and 70% of the dollar amount of loans were originated in FNB's AA, reflecting reasonable penetration.

<b>Table 1 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential RE	14	70%	6	30%	20	2,834	77%	829	23%	3,663
Commercial RE	13	65%	7	35%	20	1,116	25%	3,264	75%	4,380
Commercial	18	90%	2	10%	20	5,978	98%	128	2%	6,106
Totals	45	75%	15	25%	60	9,928	70%	4,221	30%	14,149

Source: Sample of loans.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, and meets the standard for satisfactory performance. To perform our analysis, we reviewed income information for 20 residential mortgage loans, and revenue information for 20 commercial loans and 20 commercial real estate loans, all located within the AA. Each product type was weighted equally in this evaluation. More detail on lending performance of each of the products is discussed below.

### *Residential Real Estate Loans*

The distribution of residential mortgage loans by income category is adequate, and meets the standard for satisfactory performance. To conduct this analysis we compared the percentage of bank loans in our sample to the percentage of families that are classified as low-, moderate-, middle-, or upper-income. Based on 2000 U. S. Census data, 18% of the families are low-income; approximately 5% of the bank's loans were to low-income families. Approximately 25% of the bank's residential mortgage loan originations were to moderate-income families where 21% of the families are considered to be moderate-income. Additionally, the bank has extended 51 residential real estate loans in 2011 to low- and moderate-income borrowers, for an aggregate original amount of \$1,808,138. The average original amount of these loans is \$35,454.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	18.4	5.0	20.7	25.0	21.9	20.0	39.0	45.0

Source: U.S. Census data; Loan sample.

### *Commercial and Commercial Real Estate Loans*

FNB demonstrated a satisfactory level of lending to businesses of different sizes. For this analysis we compared the percentage of loans to small businesses (businesses with revenues less than or equal to \$1 million) to the percentage of businesses in the AA that are classified as small businesses. Within our sample of commercial loans, 68% of the number and 55% of the dollar volume of loans were originated to small businesses. This level reasonably approximates the demographic comparator where 73% of the businesses within the AA are classified as small businesses.

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.61	2.92	24.48	100%
% of Bank Loans in AA by #	67.50	15.00	17.50	100%
% of Bank Loans in AA by \$	55.24	41.02	3.74	100%

Source: Dunn and Bradstreet data; Loan sample.

### **Geographic Distribution of Loans**

A review of the distribution of loans by geography was not performed, as the analysis would not be meaningful. There are no low- or moderate-income CTs in the AA. We did not identify any conspicuous gaps in lending performance within the middle-income CTs. FNB is lending in all of the CTs within its AA.

### **Responses to Complaints**

There have been no consumer complaints relating to FNB's CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

FNB's performance under the CD Test is "**Satisfactory**".

FNB demonstrates adequate responsiveness to the needs of its AA through qualified investments and CD services, considering the institution's capacity and the need and availability of such opportunities in the AA.

The AA spans across two (2) contiguous counties and one CT in a third contiguous county in rural Texas, with a total population of 15 thousand. This population is centered in the two (2) primary communities of Albany and Breckenridge. Based on a review of community contacts and the bank's own assessment of the AA, we determined that CD opportunities which the bank could participate in are extremely limited.

### **Number and Amount of Community Development Loans**

We identified one (1) CD loan committed to the Breckenridge Economic Development Corporation in the amount of \$80 thousand. However, funds have not been advanced on this loan. FNB has not identified any other loan that meets the qualifications of a CD loan.

### **Number and Amount of Qualified Investments**

Qualifying investments include investments, deposits, membership shares, or grants that have as their primary purpose CD. CD in investment activity reflects adequate responsiveness.

During the evaluation period, the bank has made thirteen (13) qualified donations totaling \$13,269. The recipients of these donations have historically targeted services to LMI individuals. Examples include Meals on Wheels, Ben Richey Boys Ranch, West Texas Rehab and Gordon Community Food Bank.

FNB has one (1) investment in a CRA-qualified investment fund, a GNMA2 30-year Single Family security, in the amount of \$2.5 million. This fund's mission is to meet the credit needs for affordable housing primarily for LMI individuals, particularly in Fort Worth and Abilene, Texas.

### **Extent to Which the Bank Provides Community Development Services**

FNB's CD services reflect adequate responsiveness to the needs and opportunities in the AA. Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AA. Business hours and services are

convenient and are accessible to all segments of the AA. The branch system is the primary delivery system for retail banking services. The major banking facilities are located in the primary communities of Albany and Breckenridge, which represents 53% of the AA population.

Banking hours provide adequate accessibility throughout the AA. All locations maintain standard banking hours Monday through Friday with extended lobby hours on Friday. The motor bank location (Breckenridge) offers extended hours throughout the week. These services enhance the accessibility of the branches.

An adequate range of deposit and loan products and business services are available at all FNB branch locations. Products and services are responsive to banking needs within the AA and do not vary in a way that inconveniences any portion of the AA, or any group of individuals, particularly LMI individuals. While FNB does not offer any products or services that are solely targeted to LMI individuals, the bank does offer a low-cost checking account and does not require a minimum loan amount of applicants applying for credit.

### **Responsiveness to Community Development Needs**

The volume and responsiveness of the bank's community development services is adequate. Qualified services focus on volunteer activities within the community. In advisory capacities, FNB officers and employees serve various community development organizations that benefit LMI individuals and families.

## **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.