



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 10, 2008**

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

First National Bank Albany/Breckenridge  
Charter Number 3248

100 S. Main  
Albany, TX 76430-0000

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.**

Overall, the lending performance of First National Bank Albany/Breckenridge (FNB) reflects satisfactory responsiveness to the needs of the communities served. This assessment is based on the following conclusions:

- FNB's average loan-to-deposit ratio of 58.1% since the previous CRA examination meets the standards for satisfactory performance given the bank's size, financial condition, competition, and assessment area credit needs.
- A majority of the bank's lending activities are within the assessment area.
- The distribution of loans within the assessment area demonstrates satisfactory penetration among individuals of different income levels and businesses of different sizes, which meets the standards for satisfactory performance.

## **SCOPE OF EXAMINATION**

The evaluation period for our assessment of FNB's CRA efforts, was September 1, 2007 to January 31, 2008. Loan products evaluated included 1-4 family mortgage loans, consumer auto loans and general commercial loans, 20 of each product. We performed a full-scope review of FNB's assessment area – Stephens and Shackelford Counties, Texas, and one census tract out of Palo Pinto County, Texas. This was the basis of our overall rating of FNB's CRA efforts. During our initial review we noted that the Albany and Breckenridge facilities conducted the vast majority of the lending activity, however our samples also included loans originated at the Strawn and Gordon facilities. Our conclusions are based on samples from all facilities.

## 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. Albany is located approximately 25 northeast of Abilene, Texas. Breckenridge is located approximately 25 miles east of Albany and approximately 80 miles 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 Ft. Worth, Texas.

FNB is a full-service community bank offering a wide variety of loan and deposit products including transactional Internet banking through [www.fnbab.com](http://www.fnbab.com). As of December 31, 2007, FNB had total assets of \$292.3 million, total loans of \$135.7 million, and total deposits of \$261.5 million. The following table represents the loan information as of December 31, 2007.

| <b>Loan Category</b>                | <b>\$ (000)</b> | <b>%</b> |
|-------------------------------------|-----------------|----------|
| Commercial Real Estate Loans        | \$35,990        | 27%      |
| Real Estate Loans – Residential     | \$34,247        | 25%      |
| Consumer Loans                      | \$23,966        | 18%      |
| Commercial Loans                    | \$23,521        | 17%      |
| Agricultural Loans                  | \$12,465        | 9%       |
| Real Estate Loans – Farmland        | \$3,582         | 3%       |
| Other                               | \$1,970         | 1%       |
| <b>Total</b>                        | \$135,741       | 100%     |
| Percentage of Loans to Total Assets | 46%             |          |

FNB's last CRA examination was performed as of September 15, 2003, and resulted in a "Satisfactory" rating. FNB's financial condition does not inhibit its ability to meet credit needs in its assessment area. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

## DESCRIPTION OF THE ASSESSMENT AREA

FNB's lone assessment area includes all of Shackelford and Stephens Counties and one census tract (CT) in southern 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.

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

| <b>Assessment Area</b>              |          |
|-------------------------------------|----------|
| <i>Population</i>                   |          |
| Number of Families                  | 4,138    |
| Number of Households                | 5,833    |
| <i>Geographies</i>                  |          |
| Number of Census Tracts             | 6        |
| % 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 |
| 2007 HUD-Adjusted MFI               | \$43,100 |
| <i>Economic Indicators</i>          |          |
| Unemployment Rate                   | 1.35%    |
| 2007 Median Housing Value           | \$43,946 |
| % of Households Below Poverty Level | 14.30%   |

Information from community contacts indicates the local economies are stable to improving. This is supported by rising energy and cattle prices and land values. These factors not only support the primary industries, oil & gas and ranching, but the other businesses necessary to support the communities. Major employers in the Albany area include EBBA Iron and the local school district. Major employers in the Breckenridge area include Karston Homes and the local school district. Primary credit needs are general consumer loans and small business loans. Our contacts also indicated the bank is responsive to the credit needs in the communities served.

FNB's identified assessment area is financially competitive. The primary competition consists of several other state and national financial institutions, savings and loans and credit unions. It also includes branch facilities of institutions not chartered in the counties served. Much of the competition is highly visible and offers competitive rates on loans and deposits.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity from the last CRA examination dated September 15, 2003. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the 1-4 family mortgages, commercial 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**, we replaced loans originated outside the assessment area with loans originated inside the assessment area.

### Loan-to-Deposit Ratio

FNB'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 is used to determine performance in this area. The average LTD ratio for FNB since the last CRA examination is 58.1%. The assessment area has four other banks (chartered in the assessment area) to compare FNB with. The range of average LTD ratios for these banks was 51.2% to 98.1%. This does not include branches of financial institutions chartered outside the assessment area, credit unions, co-ops, etc. Based on this information, FNB's LTD ratio is reasonable and meets the credit needs of the communities served.

### Lending in Assessment Area

FNB'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, FNB's lending efforts are concentrated within the assessment area.

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 area. The following table reflects 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)    | %          |
| 1-4 Family Loans      | 18                 | 90%        | \$871          | 92%        | 2                      | 10%        | \$77         | 8%         |
| Consumer Loans        | 15                 | 75%        | \$145          | 82%        | 5                      | 25%        | \$32         | 18%        |
| Commercial Loans      | 16                 | 80%        | \$191          | 75%        | 4                      | 20%        | \$65         | 25%        |
| <b>Total Reviewed</b> | <b>49</b>          | <b>82%</b> | <b>\$1,207</b> | <b>87%</b> | <b>11</b>              | <b>18%</b> | <b>\$174</b> | <b>13%</b> |

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

FNB’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 FNB’s efforts, we used the samples noted above. Our analysis, detailed in the tables below, indicates FNB 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 very high volume of loans with originating balances of \$1,000 or less, currently on the books (the lowest originating amount was \$100). 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 FNB’s performance is generally proportionate to the income levels of families and households within the assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, FNB meets the needs of the small businesses.

*1-4 Family Purchase Loans -*

| Borrower Distribution of 1-4 Family Purchase Loans |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level                              | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
|  | % 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 |
| Consumer Loans                                     | 18%              | 15%                  | 21%              | 20%                  | 22%              | 15%                  | 39%              | 50%                  |

*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 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>23%</b>                | <b>25%</b>                  | <b>16%</b>                | <b>5%</b>                   | <b>19%</b>                | <b>10%</b>                  | <b>42%</b>                | <b>25%</b>                  |

Note: 35% of the number and 41% of the dollar amount of loans sampled did not have income information.

*Commercial 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 AA Businesses</b>                           | <b>58%</b>          | <b>3%</b>              | <b>39%</b>                 | <b>100%</b>  |
| <b>% of Bank Loans in AA by #</b>                   | <b>75%</b>          | <b>5%</b>              | <b>20%</b>                 | <b>100%</b>  |
| <b>% of Bank Loans in AA by \$</b>                  | <b>76%</b>          | <b>2%</b>              | <b>22%</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.