



**PUBLIC DISCLOSURE**

November 28, 2022

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First National Bank  
**Charter Number 20078**

3801 Fairway Blvd  
Wichita Falls, TX76310

Office of the Comptroller of the Currency

225 E John Carpenter Fwy, Suite 900  
Irving, Texas 75062

**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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**

**The lending test is rated: Satisfactory.**

**The community development test is rated: Satisfactory.**

The major factors that support this rating include:

- The Lending Test rating is based on First National Bank's (FNB's) performance within its assessment areas (AAs) in the state of Texas.
  - The geographic distribution of loans reflects reasonable distribution throughout the bank's AAs.
  - The distribution of loans to individuals of different incomes and businesses of different sizes reflects reasonable distribution.
- The Community Development (CD) Test rating is based on FNB's responsiveness to community development needs within its assessment areas in the state of Texas.
  - The bank did not receive any Community Reinvestment Act (CRA) related complaints during the review period.
  - The bank exhibits adequate responsiveness to community development needs.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is more than reasonable.

The average loan-to-deposit ratio is more than reasonable considering the bank's performance context. The bank's mortgage banking program provides the capability to lend up to and over 100 percent of deposits, since most of the loans are then held for sale. These loans sell into the secondary market within 60 days or less. The majority of the bank's secondary market lending originates in the Denton-Wise-Tarrant Counties Assessment Area (AA). There are numerous and varied lending opportunities in both the Wichita Falls AA and the Denton-Wise-Tarrant Counties AA.

The quarterly LTD ratio since the previous CRA performance evaluation (PE) averaged 100.08 percent. We compared the bank's LTD ratio to three similarly situated banks in their market area. The aggregate average LTD ratio for the competing banks was 72.63 percent, with a low average of 41.15 percent and a high average of 93.76 percent.

### Lending in Assessment Area

A majority of the bank's loans are outside its assessment areas (AAs).

The bank originated and purchased 29 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	735	28.5	1,843	71.5	2,578	357,105	35.6	646,831	64.4	1,003,936
Small Business	23	57.5	17	42.5	40	2,704	41.6	3,797	58.4	6,501
<b>Total</b>	<b>758</b>	<b>29</b>	<b>1,860</b>	<b>71</b>	<b>2,618</b>	<b>359,809</b>	<b>35.6</b>	<b>650,628</b>	<b>64.4</b>	<b>1,010,437</b>

The majority of lending outside the assessment area is primarily driven by home mortgage loans, which are a reflection of the bank's strategy and business model and not an inability or unwillingness to lend within the AA. The majority of home mortgages are originated as part of the bank's mortgage banking division or mortgage warehouse program and are sold into the secondary market. While the bank's mortgage banking operations department is headquartered in Southlake, TX, the bank has loan production offices throughout the Dallas-Fort Worth area. As a result, a majority of the mortgage loans originate outside of the Denton-Wise-Tarrant Counties AA and Wichita Falls AA. If we remove home mortgage loans from the analysis and review the lending of small business loans originated, our samples show that 57.5 percent of loans by number, and 41.6 percent of loans by dollar amount, originated inside the AAs.

## **Description of Institution**

First National Bank (FNB) is a single state community bank headquartered in Wichita Falls, Texas, which is 105 miles northwest of Fort Worth. FNB was established in 1986 and is wholly owned by Wichita Falls Bancshares, Inc, located in the city of Wichita Falls. The previous CRA evaluation, dated September 30, 2019, assigned a "Satisfactory" rating to the bank.

During April 2020 FNB and First State Bank, Chico, Texas, jointly announced the completion of FNB's acquisition of First State Bank. With the acquisition, FNB increased its total assets and footprint to include Wise County with branches in Chico, Bridgeport, Paradise, and Runaway Bay. FNB also has two branches in the Wichita Falls city limits, in addition to a branch in the city of Southlake. The merger allowed a strategic, cultural, and financial fit between the two North Texas financial institutions and bolstered both banks North Central Texas presence.

Since the OCC's previous CRA evaluation, FNB closed two branch locations: Forest Park Medical Center in September 2019, and Southlake Town Square Center in December 2020. The branches were located in the Denton-Wise-Tarrant AA in upper income census tracts and did not have a negative impact on low- and moderate-income (LMI) individuals' accessibility to banking services. A near-by Southlake location opened at 605 W. State Hwy 114 in January 2021.

FNB also has a commercial loan production office in Fort Worth and four mortgage loan offices located in Southlake, Dallas, Wichita Falls, and Bridgeport. The north Dallas location replaced a near-by Plano location after severe storm damage in 2021.

All seven bank branches include 24-hour automated teller machines (ATMs) and drive-in banking for both personal and commercial account holders. Drive-in banking hours range from 7:30am to 6:00pm Monday through Friday, and 8:00am to 12:00pm on Saturday. Midwestern, Southlake Main, and Runaway Bay do not offer Saturday drive-in banking hours. FNB also has three standalone ATM locations: two in Southlake (inside a hotel and a hospital) and one in Bridgeport (State Farm Parking lot). The bank offers same day

postings on all transactions conducted with a teller until 6:00pm, Monday through Friday. A night depository is located in the drive-in area of all branches next to the drive-in window. Lending services are available Monday through Friday, 9:00am to 5:00pm. Lending officers are able to make special appointments for customers in certain circumstances after regularly scheduled banking hours.

FNB's physical branches are the primary delivery system for retail products and services. FNB also offers online banking at [www.fnbt.com](http://www.fnbt.com) and has a mobile application offered via the Google Play store and Apple App Store. Upon download and enrollment, customers can access their account balance and history, transfer money between accounts, send money to others, deposit checks, and receive alerts. These services increase accessibility to the bank's products and services regardless of physical and geographical locations, at no charge, and at any time. In recent years the bank added the Zelle payment system to allow for easier, quicker transfers between individuals. The service is mentioned on the bank's website. The bank's website also contains free financial planning tips, educational material, calculators, and the ability for logged customers to apply for loans. Telephone banking and ATM services are available in English and Spanish.

A key segment of the bank's business model is its mortgage banking operation based in the Southlake area. Mortgage banking activities are centered in conforming conventional, Federal Housing Administration, U.S. Department of Veterans Affairs, and jumbo loans. The majority of mortgage loans are sold, with recourse, to investors through the secondary market. FNB's mortgage loan operation is heavily concentrated in the Southlake area and throughout the Dallas-Fort Worth Metroplex, which includes Dallas, Tarrant, Denton, and Collin Counties.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AAs. The bank offers a full range of loan and deposit services to individuals and businesses.

As of December 31, 2021, net loans represent 76 percent of total assets of \$965 million. Tier 1 capital totals \$91.5 million. The following table is a summary of FNB's loan portfolio:

<b>First National Bank Loan Portfolio Summary</b>		
<b>Loan Type</b>	<b>Dollar Volume (000's)</b>	<b>Percentage</b>
1-4 Family Residential Real Estate	\$411,201	55.32%
Commercial Real Estate	\$191,894	25.82%
Consumer, Farm, and Other	\$77,612	10.00%
Commercial & Industrial	\$65,859	8.86%

FNB's primary products are home mortgage loans and commercial loans. The bank's strategic plan focuses on modest growth, maintaining capital ratios, and building liquid assets. FNB offers secured and unsecured small dollar personal loans to qualified customers. The bank also offers start-up and working capital loans for small businesses. FNB is an approved lender for the USDA Rural Housing Home Loan Program that works with LMI families to purchase, build, rehabilitate, improve, or relocate a dwelling in an eligible rural area.

Through the Federal Home Loan Bank of Dallas's (FHLB) Homebuyer Equity Leverage Program (HELP), FNB offers a first-time home buyers' program to assist LMI individuals and families in obtaining financing to purchase a residence. Through HELP the FHLB provides grants through its members to first-time homebuyers who meet income qualifications. FNB assists the applicant in obtaining these grants, which are on a first-come, first-served basis. FNB also offers a 5-STAR Texas Advantage Program which

provides eligible home buyers with down payment and closing cost assistance. Borrowers can select the amount of assistance and the loan option that best meets their needs. Additional home buying programs offered by FNB include the Texas State Affordable Housing Corp and Home Ready through Fannie Mae.

In response to the Coronavirus Aid, Relief, and Economic Security Act established in 2020, FNB participated in the Small Business Administrations' Paycheck Protection Program (PPP). These loans were designed to provide a direct incentive for small businesses to keep their workers on payroll during the COVID pandemic. The bank originated 761 PPP loans totaling \$61.6 million during the evaluation period.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The Office of the Comptroller of the Currency (OCC) evaluated the CRA performance of FNB using Intermediate Small Bank examination performance criteria, which consists of the lending test and community development test. The evaluation covered the period from January 1, 2019, through December 31, 2021. In evaluating the institution's lending performance, examiners reviewed commercial, and home mortgage lending consistent with the institution's primary lending focus.

### **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

FNB is a single state institution with two AAs. Our conclusions are based on the bank's performance in the state of Texas. We gave more weight to performance in the Wichita Falls AA, primarily due to the Denton-Wise-Tarrant Counties AA expansion in 2020 with the merger of First State Bank changing the AA of the bank during the evaluation period. We also gave more weight to commercial lending. The bank's strategy and business model, includes Loan Productions Offices outside of the AAs. Therefore, its home mortgage lending would not represent the bank's lending practices within the AAs.

The rating is based on performance in all bank AAs. Refer to the "Scope" section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Texas

**CRA rating for the State of Texas<sup>1</sup>:** Satisfactory

**The Lending Test is rated:** Satisfactory

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

The major factors that support this rating include:

- The geographic distribution of home mortgage loans and small business loans is reasonable.
- Distribution to low- and moderate-income borrowers in home mortgage loans is reasonable.
- Lending to small businesses with annual revenue less than \$1 million is reasonable
- The bank originated 761 PPP loans totaling \$61.6 million during the evaluation period.
- The bank did not receive any CRA related complaints during the review period
- The bank exhibits adequate responsiveness to community development needs

### Description of Institution's Operations in Texas

FNB operates seven full-service offices within its AAs located in Texas. There is no significant difference in the products and services offered at the bank's offices. The bank's primary business focus is home mortgage lending and commercial lending.

#### Wichita Falls MSA

The Wichita Falls MSA consists of 40 CTs throughout Wichita and Archer Counties, which include four low-income tracts, 12 moderate-income tracts, 10 middle-income tracts, 13 upper-income tracts, and one tract where data is unknown. Wichita Falls is the county seat and the largest city in the AA with a population of approximately 102,988 in 2021. The AA meets the requirement of the act and does not arbitrarily exclude LMI geographies.

In the Wichita Falls MSA, the bank has two offices in Wichita County which includes the bank's main location. According to the June 30, 2021, FDIC Deposit Market Share Report, 22 banks operate 43 branches within the AA. FNB is ranked fourth overall holding 10.8 percent of the total market share. The bank's total deposits in the AA were \$468 million. Competing financial institutions in each market include other community banks and larger regional or national banks. Additionally, the bank has a mortgage loan officer with the Wichita Falls MSA AA.

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.



Major employers in the area include Sheppard Air Force Base, United Regional Health Care System, Wichita Falls Independent School District (ISD), Midwestern State University, and Walmart. We reviewed an existing community contact conducted during the evaluation period. The contact mentioned the economic conditions in the AA are stable. However, there is a need for creating higher paying jobs. Additionally, the contact noted LMI housing was equally needed in the AA.

## Wichita Falls MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Wichita Falls MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	40	10.0	30.0	25.0	32.5	2.5
Population by Geography	140,736	5.8	22.7	30.3	41.2	0.0
Housing Units by Geography	60,026	6.7	25.5	28.9	38.9	0.0
Owner-Occupied Units by Geography	32,242	5.5	21.7	30.0	42.9	0.0
Occupied Rental Units by Geography	19,049	7.6	29.8	24.3	38.3	0.0
Vacant Units by Geography	8,735	8.7	30.4	35.0	25.9	0.0
Businesses by Geography	9,077	4.3	29.8	19.5	46.3	0.1
Farms by Geography	318	3.5	17.3	31.8	47.5	0.0
Family Distribution by Income Level	33,277	21.8	16.6	20.6	41.0	0.0
Household Distribution by Income Level	51,291	24.0	16.2	18.4	41.4	0.0
Median Family Income MSA - 48660 Wichita Falls, TX MSA		\$57,690	Median Housing Value			\$97,099
			Median Gross Rent			\$763
			Families Below Poverty Level			12.5%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Denton-Wise-Tarrant Counties AA

The Denton-Wise-Tarrant Counties AA consists of 37 CTs throughout Wise County, the northeastern portion of Tarrant County, and the southern portion of Denton County. Cities in Tarrant and Denton Counties include Southlake, Keller, Westlake, Roanoke, Trophy Club, and part of Colleyville. There are no low-income tracts in the AA, three moderate-income tracts, 12 middle-income tracts, 21 upper-income tracts, and one tract where data is not available. The population of the AA is 225,711. The AA meets the requirement of the act and does not arbitrarily exclude LMI geographies.

In the Denton-Wise-Tarrant Counties AA, the bank has five branches in Tarrant County. According to the June 30, 2021, FDIC Deposit Market Share Report, 28 banks operate 72 branches within the AA. FNB is ranked sixth overall holding 3.3 percent of the total market share in the Denton-Wise-Tarrant Counties AA. The bank's total deposits in the AA were \$329 million. The bank's deposit market share is a reflection of the large number of competing financial institutions, which consist of large national, regional and

community banks. Additionally, the bank has three stand-alone ATMs, three mortgage loan offices and one commercial loan office within the Denton-Wise-Tarrant Counties AA.

The largest employers in Wise County include Wise Regional Health System and Walmart. The largest employers in Denton and Tarrant Counties include the University of North Texas, Denton ISD, Walmart, and American Airlines Group. We reviewed an existing community contact conducted during the evaluation period. The contact mentioned with the growing economy and increasing population, affordable housing for LMI individuals and families continues to be the need in the AA.

## Denton-Wise-Tarrant Counties AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Denton-Wise-Tarrant Counties AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	37	0.0	8.1	32.4	56.8	2.7
Population by Geography	225,711	0.0	8.2	30.3	61.5	0.0
Housing Units by Geography	84,465	0.0	8.8	33.1	58.2	0.0
Owner-Occupied Units by Geography	61,125	0.0	6.1	27.0	66.9	0.0
Occupied Rental Units by Geography	18,416	0.0	16.9	47.1	36.0	0.0
Vacant Units by Geography	4,924	0.0	11.9	54.9	32.9	0.2
Businesses by Geography	34,738	0.0	15.0	16.8	67.4	0.7
Farms by Geography	779	0.0	9.4	34.0	56.6	0.0
Family Distribution by Income Level	60,855	12.6	10.6	14.4	62.3	0.0
Household Distribution by Income Level	79,541	13.9	12.2	14.3	59.5	0.0
Median Family Income MSA - 19124 Dallas-Plano-Irving, TX		\$71,149	Median Housing Value			\$259,469
Median Family Income MSA - 23104 Fort Worth-Arlington-Grapevine, TX		\$69,339	Median Gross Rent			\$1,090
			Families Below Poverty Level			5.3%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Texas

Conclusions regarding the Lending Test are based on a sample of FNB's small business loans originated from January 1, 2019, through December 31, 2021. We assessed lending performance using a sample of 20 small business loans originated during the evaluation period. Additionally, an analysis of home loans was completed using HMDA data.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Texas**

### **LENDING TEST**

The bank's performance under the Lending Test in Texas is rated Satisfactory.

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews the bank's lending performance in the state of Texas is reasonable.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits reasonable geographic distribution of loans in the state.

#### ***Home Mortgage Loans***

Refer to Table O in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.

#### **Wichita Falls MSA**

The geographic distribution of home mortgage loans in the AA reflects reasonable distribution. The percentage of loans in low- and moderate-income geographies is lower than the percentage of owner-occupied housing units in the AA but exceeds the aggregate lending in the AA.

#### **Denton -Wise-Tarrant Counties AA**

The geographic distribution of home mortgage loans in the AA is poor. The bank did not originate any loans in low-income census tracts; however, there are no low-income census tracts in the AA. The percentage of loans in moderate-income geographies is lower than the percentage of owner-occupied housing units and the aggregate lending in the AA. However, consideration is given for the nature of home mortgage loans sold into the secondary market. Underwriting must meet investor standards, and borrowers in low- and moderate-income geographies may not qualify under those standards.

#### ***Small Loans to Businesses***

Refer to Table Q in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations.

#### **Wichita Falls MSA**

The geographic distribution of small loans to businesses in the AA reflects excellent distribution. The percentage of small loans to businesses in low- and moderate-income geographies exceeds the percentage of businesses in those geographies and the aggregate lending level in the AA.

*Denton-Wise Tarrant-Counties AA*

The geographic distribution of small loans to businesses in the AA reflects excellent distribution. The bank did not originate any loans in low-income census tracts; however, there are no low-income census tracts in the AA. The percentage of small loans to businesses in moderate-income geographies exceeds the percentage of businesses in those geographies and the aggregate lending level in the AA.

***Lending Gap Analysis***

There were no unexplained conspicuous gaps based on geographic distribution of loans, branch locations, and the performance context.

**Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

***Home Mortgage Loans***

Refer to Table P in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

*Wichita Falls MSA*

The borrower distribution of home loans in the AA reflects reasonable distribution. The percentage of loans to low-income borrowers is significantly lower than the percentage of low-income families; however, the percentage of loans is near the aggregate percentage of lending in the AA. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families and the aggregate lending in the AA.

*Denton-Wise-Tarrant Counties AA*

The borrower distribution of home loans in the AA reflects poor distribution. The percentage of home loans to low- and moderate -income borrowers is significantly lower than the percentage of low- and moderate-income families and the aggregate lending in the AA. As stated in the performance context of the institution, the bank's mortgage banking program and mortgage warehouse program originate mortgage loans that must meet investor requirements to be sold into the secondary market. Low- and moderate-income borrowers may also have difficulty meeting the qualification standards for home mortgage loans that will be sold into the secondary market.

***Small Loans to Businesses***

Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations of small loans to businesses.

Wichita Falls MSA

The borrower distribution of loans to small businesses reflects reasonable distribution. FNB's loans to businesses with revenues less than or equal to \$1 million is near the percentage of businesses identified as having revenues less than or equal to \$1 million in the AA, and significantly exceeds the aggregate lending for these businesses.

Denton-Wise-Tarrant Counties AA

The borrower distribution of loans to small businesses reflects reasonable distribution. FNB's loans to businesses with revenues less than or equal to \$1 million is near the percentage of businesses identified as having revenues less than or equal to \$1 million in the AA, and significantly exceeds the aggregate lending for these businesses.

The bank also originated 761 PPP loans totaling \$61.6 million during the evaluation period.

**Responses to Complaints**

There were no complaints related to the institution's CRA performance within the State of Texas during the review period.

**COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the state of Texas is rated Satisfactory.

**Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

**Number and Amount of Community Development Loans**

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Wichita Falls MSA	12	80.0	2,052	100.0
Denton-Wise-Tarrant Counties AA	0	0.0	0.0	0.0

The level of qualified community development loans in the AA indicates adequate responsiveness to the needs of the community. FNB originated 12 loans totaling \$2.1 million, or 2.2 percent of tier 1 capital.

### Wichita Falls MSA

FNB exhibits adequate responsiveness in the Wichita Falls MSA. During the evaluation period, the bank originated 12 qualified community development loans totaling \$2,052,286. These were all originated in the Wichita Falls AA. Many of these loans are originated in low- and moderate- income census tracts to support affordable housing needs. Many of the CD loans include revitalization and rehabilitations of financed housing in LMI geographies. FNB originated one loan totaling 1.5 million to support operations to a health care facility that provides services to a moderate-income census tract.

### Denton-Wise- Tarrant Counties AA

FNB did not make any qualified community development loans in the Denton-Wise-Tarrant Counties AA during the evaluation period. Due to the existence of no low-income geographies in the AA and significant competition from other financial institutions in the AA, CD lending opportunities are limited. In response, the bank plans to expand their presence to take advantage of opportunities in nearby areas in Tarrant County that are not currently in the AA that focus on affordable housing for LMI residents.

## Number and Amount of Qualified Investments

The Qualified Investment Table, shown below, sets forth the information and data used to evaluate the bank's level of qualified CD investments. This table includes all CD investments, including prior period investments that remain outstanding as of the examination date.

<i>Qualified Investments</i>										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Wichita Falls MSA	0	0	95	435	95	77.23	435	29.82	0	0
Denton-Wise-Tarrant Counties AA	0	0	28	1,025	28	22.75	1,025	70.12	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The level of qualified investments and donations in the AA demonstrates adequate responsiveness to the needs of the community. Community development investments totaled \$1.5 million and include three investments totaling \$1.4 million and 120 donations totaling \$91,063.

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\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

Wichita Falls MSA

FNB's performance in the Wichita Falls MSA is adequate. During the evaluation period, qualified investments totaled \$370,000 and included one investment to assist in the construction of a new school for Wichita Falls ISD. FNB made 94 qualifying donations in the Wichita Falls MSA to several non-profit organizations. These donations totaled \$65,787. Part of the donations included just over \$8,000 to Hospice of Wichita Falls for patient care individuals with life threatening illnesses.

Denton-Wise- Tarrant Counties AA

FNB provided two investments to schools in the Denton-Wise-Tarrant Counties AA to renovate schools that serve children from the community, including children from LMI families. FNB made 26 donations totaling \$25,276. The largest two donations totaled approximately \$7,500 to the Bridgeport Chambers of Commerce and Grace Ministries Food Pantry (GRACE). GRACE "Feed Our Children" Program, feeds children in the summer who would normally receive free or reduced lunch while in school.

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

The level of CD services in the Wichita Falls MSA and Denton-Wise-Tarrant AA reflects an adequate responsiveness to the CD needs of the AAs. The bank's CRA qualified service hours totaled 647.5 for the review period of 2019-2021.

Below are highlights of service hours and the organizations service hours were provided to.

Wichita Falls MSA

FNB performed 118.5 hours of community development services to the Wichita Falls AA. One example includes 1M Cups where an employee provided 16.5 hours of counseling and guidance for budding entrepreneurs. The organization started in Wichita Falls in February of 2018 with a stated goal to aid small business owners.

Denton-Wise- Tarrant Counties AA

FNB performed 529 hours of community development service hours to the Denton-Wise-Tarrant Counties AA. The largest contribution was to the Court Appointed Special Advocate (CASA). The CASA organization is a national association that supports and promotes court-appointed advocates that advocate for the best interest of abused and neglected children. Additional details and services include:

- CASA (96 hours): the bank employee participated as a volunteer advocate in the CASA program. The employee contributed 8 hours on a monthly to research case records and speaks to each person involved in a child's life, including family members, teachers, doctors, lawyers, and social workers. They monitor the progress of the child and family throughout the case and advocate for the child's current and future needs in court in school, and in agency meetings.
- ACH Child and Family Services (75 hours): the bank employee served in multiple positions of the non-profit to include as a Board member, Chair the Finance Committee, member of the Executive Committee and member of the Foundation Board.

- Bridgeport Chamber of Commerce (72 hours): The bank employee participated as a Board of Director on the Chamber of Commerce.



## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/2019 to 12/31/2021	
<b>Bank Products Reviewed:</b>	Home mortgage and small business loans Community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>MMSA(s)</b>		
Texas		
Wichita Falls MSA	Full Scope	Wichita Falls and Archer Counties
Denton-Wise-Tarrant Counties AA	Full Scope	Wise County and portions of Denton and Tarrant Counties

## Appendix B: Summary of MMSA and State Ratings

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RATINGS FIRST NATIONAL BANK			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank State Rating
First National Bank	Satisfactory	Satisfactory	Satisfactory
State:			
Texas	Satisfactory	Satisfactory	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables<sup>2</sup>

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

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<sup>2</sup> The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2019-21</b>		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts					
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate			
Denton-Wise-Tarrant Counties AA	514	319,700	69.9	16,636	0.0	0.0	0.0	6.1	3.7	4.2	27.0	16.5	27.5	66.9	79.8	68.3	0.0	0.0	0.0			
Wichita Falls MSA	221	37,405	30.1	4,876	5.5	2.3	1.6	21.7	17.2	16.3	30.0	27.1	27.0	42.9	53.4	55.1	0.0	0.0	0.0			
<b>Total</b>	<b>735</b>	<b>357,105</b>	<b>100.0</b>	<b>21,512</b>	<b>1.9</b>	<b>0.7</b>	<b>0.4</b>	<b>11.5</b>	<b>7.8</b>	<b>6.9</b>	<b>28.1</b>	<b>19.7</b>	<b>27.4</b>	<b>58.6</b>	<b>71.8</b>	<b>65.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			

*Source: 2015 U.S. Census; 01/01/2019 - 12/31/2021 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2019-21</b>		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers					
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate			
Denton-Wise-Tarrant Counties AA	514	319,700	69.9	16,636	12.6	0.2	1.4	10.7	1.8	5.3	14.4	6.0	12.1	62.3	89.1	63.5	0.0	2.9	17.7			
Wichita Falls MSA	221	37,405	30.1	4,876	21.8	4.1	4.2	16.6	17.2	15.0	20.6	19.9	20.1	41.0	47.1	34.1	0.0	11.8	26.6			
<b>Total</b>	<b>735</b>	<b>357,105</b>	<b>100.0</b>	<b>21,512</b>	<b>15.9</b>	<b>1.4</b>	<b>2.0</b>	<b>12.8</b>	<b>6.4</b>	<b>7.5</b>	<b>16.6</b>	<b>10.2</b>	<b>13.9</b>	<b>54.8</b>	<b>76.5</b>	<b>56.8</b>	<b>0.0</b>	<b>5.6</b>	<b>19.7</b>			

*Source: 2015 U.S. Census; 01/01/2019 - 12/31/2021 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2019-21</b>	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Denton-Wise-Tarrant Counties AA	20	5,705	50	10,448	0.0	0.0	0.0	15.0	25.0	16.6	16.8	55.0	17.4	67.4	20.0	65.6	0.7	0.0	0.4	
Wichita Falls MSA	20	1,768	50	1,509	4.3	5.0	4.8	29.8	30.0	27.4	19.5	30.0	20.0	46.3	35.0	47.8	0.1	0.0	0.0	
<b>Total</b>	<b>40</b>	<b>7,473</b>	<b>100</b>	<b>11,957</b>	<b>0.9</b>	<b>2.5</b>	<b>0.6</b>	<b>18.1</b>	<b>27.5</b>	<b>17.9</b>	<b>17.4</b>	<b>42.5</b>	<b>17.7</b>	<b>63.0</b>	<b>27.5</b>	<b>63.4</b>	<b>0.6</b>	<b>0.0</b>	<b>0.3</b>	

*Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0*

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2019-21</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Denton-Wise-Tarrant Counties AA	20	5,705	50	10,448	88.4	70.0	38.5	3.4	10.0	8.2	20.0		
Wichita Falls MSA	20	1,768	50	1,509	81.6	80.0	32.8	5.2	15.0	13.2	5.0		
<b>Total</b>	<b>40</b>	<b>7,473</b>	<b>100</b>	<b>11,957</b>	<b>87.0</b>	<b>75.0</b>	<b>37.8</b>	<b>3.8</b>	<b>12.5</b>	<b>9.2</b>	<b>12.5</b>		

*Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0.*