



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 23, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Burleson
Charter Number 17001

899 Northeast Alsbury
Burleson, TX 76028

Office of the Comptroller of the Currency

9003 Airport Freeway
Suite 275
North Richland Hills, TX 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

First National Bank of Burleson's ("FNBB") rating is supported by the following conclusions:

- FNBB's loan-to-deposit ("LTD") ratio is reasonable given the size, financial condition, local competition, and assessment area ("AA") credit needs
- FNBB originated a majority of its loans inside its assessment area
- Lending to borrower's of different income levels and businesses of different sizes is reasonable when considering performance context issues
- FNBB's geographic distribution of commercial and industrial ("C&I") and consumer automobile lending reflects an overall reasonable dispersion
- There have been no CRA-related complaints filed against the bank

SCOPE OF EXAMINATION

FNBB qualifies as a Small Bank ("SB") under the CRA regulation and is therefore subject to a Lending Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of individuals and businesses in its AA, through lending activities.

The evaluation under the Lending Test covers loans originated between January 1, 2010 and June 30, 2012. Performance regarding the Lending Test was assessed based on a review of FNBB's consumer auto and commercial and industrial loans. A review of community development activities was not reviewed during this examination.

DESCRIPTION OF INSTITUTION

FNBB is located in Burleson, Texas, just south of Fort Worth, Texas, city limits. FNBB has two branches, both located in Burleson. As of March 31, 2012, the bank's total assets were \$182 million, total gross loans were \$91 million, and total deposits were \$163 million. Drive-through and ATM services are offered at both locations, hours of operation are consistent with other area banks, and a full range of loan and deposit products are offered to customers. Management has historically focused on increasing business loan volume and continues to focus their efforts here. The table below details the components of the loan portfolio as of March 31, 2012:

Loan Portfolio Composition as of March 31, 2012		
Loan Category	\$(000)	%
Commercial Real Estate	24,435	26.99%
Commercial and Industrial	57,932	63.94%
Residential Real Estate	1,516	1.67%
Consumer Automobile	1,962	2.17%
Other	4,758	5.23%
Total	\$90,603	100.00%

Data Source: March 31, 2012 Call Report

FNBB is located in the Fort Worth / Arlington Metropolitan Statistical Area. There is strong competition from other area community banks, regional banks, credit unions, and other non-financial institutions. FNBB has no impediments, legal or otherwise, that would prevent the bank’s ability to meet the credit needs of its assessment area.

The most recent CRA examination, performed as of October, 31, 2006, yielded a “Satisfactory” rating.

DESCRIPTION OF ASSESSMENT AREA(S)

FNBB defines its AA as the majority of Johnson County, with the exception of the southernmost census tracts (“CTs”). Additionally the five southernmost CTs in Tarrant County are also included in the AA. The AA includes Burleson, a portion of Fort Worth, and several other smaller communities, all of which serve the greater metropolitan area as bedroom communities. The bank’s AA complies with the legal requirements of the CRA regulation and contains 25 contiguous CTs. There are no low-income geographies in the AA and the bank did not arbitrarily exclude low- or moderate-income geographies in defining its AA. See the following table for demographic and CT details regarding the AA:

Demographic and Economic Characteristics of FNBB Assessment Area	
Population	
Total Population	129,812
Number of Families	35,851
Number of Households	45,148
Geographies	
Number of Census Tracts	25
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	24.00%
% Middle-Income Census Tracts	68.00%
% Upper-Income Census Tracts	8.00%
Median Family Income (MFI)	

2011 MFI for AA	\$52,102
2011 HUD-Adjusted MFI	\$68,200
Economic Indicators	
Unemployment Rate	2.89%
% Households Below Poverty Level	8.74%

Data Source: 2011 U.S Census data

The City of Burleson occupies 26 square miles of both Tarrant and Johnson counties. It is located fifteen miles south of Fort Worth, Texas. Burleson has continued to experience population and economic growth over the last ten years. Between 2000 and 2010, population growth totaled 75%. Many residents choose to commute to the larger part of the metroplex to take advantage of the DFW labor market, while continuing to reside in a somewhat rural community. Major employers in the AA include: Alcon Laboratories, Burleson Independent School District, the City of Burleson, Huguley Hospital, Ben E. Keith, Wal-Mart, and H-E-B Grocery. Demographic data continues to project growth in population, housing, and retail over the next three years.

Based on 2011 demographic data, the AA has a total population of 129,812. There are 47,661 housing units in the AA, of which 74.78 percent are owner-occupied, 19.97 percent are renter-occupied, and 5.25 percent are vacant. There are 35,851 families in the AA, of which 18.32 percent are considered low-income, 21.20 percent are moderate-income, 25.07 percent are middle-income, and 35.41 percent are upper-income.

Additionally, based in 2011 demographic data, there are 17,851 businesses in the AA. Of these businesses, 72.1 percent reported gross annual revenues of less than \$1 million. Because reporting is voluntary, 25.93 percent of the businesses did not report revenues. Approximately 72.41 percent of the businesses in the AA have less than 10 employees.

During a discussion with a member of the community’s local leadership, the bank’s heavy involvement in community activities was mentioned. The contact mentioned that small-business and 1-4 family residential lending are the primary needs of individuals in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance under the Lending Test is **“Satisfactory”**.

While commercial real estate (“CRE”) and C&I lending are the bank’s primary business lines, there was an insufficient number of CRE loans originated during the evaluation period for sampling purposes. Therefore, we evaluated the bank’s lending performance using C&I and auto loans. C&I lending carries a heavier weight than consumer auto lending because approximately 64 percent of the loan portfolio is considered C&I while only 2 percent are auto loans. Additionally, because C&I lending is not only the bank's primary product, but one of the community's primary needs, that sample is weighted more heavily than the consumer auto sample.

Loan-to-Deposit Ratio

FNBB's LTD ratio is reasonable and meets the standards for satisfactory performance given the bank's size, performance context, and the AA's credit needs. The LTD ratio measures the extent to which the bank has returned the deposits it has acquired to their community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine the performance in this area. The average LTD ratio for FNBB is 56.27 percent over the last 23 quarters; ranging from a quarterly low of 41.32 percent as of March 31, 2008 to a quarterly high of 74.49 percent as of September 30, 2009. The average LTD of similarly situated banks in the AA during the evaluation period is 67.03 percent.

Lending in Assessment Area

FNBB's lending in its AA reflects satisfactory performance. A majority of the number and dollar amount of the C&I and auto loans were originated inside the bank's AA. As depicted in the table below, 82 percent of the number and 70 percent of the dollar amount of loans were originated in FNBB's AA.

Lending in FNB of Burleson AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	12	60%	8	40%	20	533,453	55.66%	424,907	44.34%	958,360
Con. Auto	37	92.5%	3	7.5%	40	469,269	97%	14,455	3%	483,724
Totals	49	81.6%	11	18.3%	60	1,022,722	69.9%	439,362	30.1%	1,462,084

Source: Commercial and Auto Loan Sample 2012

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

The distribution of loans reflects a reasonable penetration amongst borrowers of different income levels and businesses of different sizes and meets the standards for satisfactory performance. To perform our analysis, we sampled 20 C&I and 40 Auto loans. The C&I loan sample was weighted more heavily when evaluating performance. More detail on the lending performance of each of the products is discussed below.

Consumer Automobile Lending

FNBB's overall distribution of consumer auto loan products is reasonable. Nine percent of the population in the AA is below the poverty line.

FNBB's distribution of consumer auto loan products to low-income families reflects satisfactory penetration, as the percentage of the number of the bank's auto loan products originated reasonably penetrates the percentage of low-income families in the AA.

FNBB's distribution of consumer auto loans to moderate-income families reflects more than satisfactory penetration, as the percentage of the number of the bank's auto loan products

originated more than reasonably penetrates the percentage of moderate-income families in the AA.

FNBB's willingness to provide credit to its AA is also evidenced, in part, by the number of small consumer loans originated during the evaluation period. Management reports that there is no minimum loan amount in the loan policy. For the years 2010, 2011, and 2012 the bank made 104 small consumer loans with original balances below \$2,000, totaling \$146 thousand.

Borrower Distribution of Consumer Loans in FNB of Burleson AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20.97	15.00%	17.54	35.00%	21.71	30.0%	39.77	20.00%

Source: Consumer Loan Sample and 2000 Census data.

Commercial and Industrial Lending

FNBB's overall distribution of C&I loan products to businesses of different sizes is reasonable and meets the standards for satisfactory performance. During the evaluation period, 75 percent of the number and 59 percent of the dollar amount of loans were made to businesses that reported less than one million dollars in revenue.

Borrower Distribution of Loans to Businesses in FNB of Burleson AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.47	1.82	26.71	100%
% of Bank Loans in AA by #	75.00	10.00	15.00	100%
% of Bank Loans in AA by \$	59.2	21.6	19.2	100%

Source: Data collected by Commercial Loan Sample

Geographic Distribution of Loans

There are no low-income geographies in the bank's AA. FNBB's geographic distribution of consumer automobile loans to moderate-income geographies is reasonable considering the performance context. The five moderate income CTs are contiguous to the bank's AA, but remain on the very edges, in the more rural areas of the county (Johnson). As indicated in the following table, while 20.04 percent of households are considered moderate income, 0.00 percent of loans in the sample were originated in moderate-income geographies. Automobile loans are not the primary focus of the bank. As management has previously stated, the bank cannot possibly compete with dealership-advertised pricing of "0.00% financing", resulting in a difficulty in attracting auto borrowers.

Management is currently performing an analysis of the banking activity regarding the moderate-income CTs. A compilation of the number and dollar amount of either loans or deposit products attributable to individuals residing in those CTs will be analyzed by the Board and management at their next meeting. After a well-documented discussion takes place, a decision will be made concerning the continued inclusion of the CTs in the bank’s AA. Because of the distance, combined with the known saturation of banking institutions in the area, the moderate-income CTs may not be a feasible market.

The goal of the bank’s advertising is to reach as many individuals in the local community as possible. Advertising is not directed toward any specific group. The bank does not have any loan or deposit products that are marketed directly toward low- or moderate-income individuals (“LMI”) because their advertising permeates their AA and beyond.

Geographic Distribution of Consumer Auto Loans in FNB of Burleson AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Auto Loans	0.00	0.00%	20.04	0.00%	73.51	90.00%	6.45	10.00%

Source: 2000 Census and Consumer Auto Loan Sample

The geographical distribution of commercial and industrial loans to different income tracts is more than reasonable and exceeds the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the AA. The results of our analysis are illustrated in table seven:

Geographic Distribution of Loans to Businesses in FNB of Burleson AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00	0.00%	15.45	20.00%	74.22	55.00%	10.34	25.00%

Source: U.S. Census and Commercial Loan Sample

Responses to Complaints

FNBB 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. The bank has created its own internal scoring system and associated pricing sheet. Loan officers cannot often vary from the pricing sheet, further eliminating judgmental abilities and reducing the likelihood of discriminatory practices.