



PUBLIC DISCLOSURE

August 10, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank Baird
Charter Number: 25144

244 Market Street
Baird, TX, 79504

Office of the Comptroller of the Currency
Fort Worth Field Office
225 East John Carpenter Freeway, Suite 900
Irving, Texas 75062-2326

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.

Table of Contents

Overall CRA Rating.....2
Description of Institution.....3
Scope of the Evaluation.....4
Discriminatory or Other Illegal Credit Practices Review.....5
State Rating.....6
 State of Texas.....6
Community Development Test12
Appendix A: Scope of Examination.....A-1
Appendix B: Summary of MMSA and State Ratings.....B-1
Appendix C: Definitions and Common Abbreviations.....C-1
Appendix D: Tables of Performance Data.....D-1

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 Baird's (FNB's) performance within its assessment areas (AAs).
 - The average loan-to-deposit (LTD) ratio is more than reasonable.
 - The majority of loans originated during the evaluation period were within the Bank's AAs.
 - The distribution of home mortgage and consumer loans to low- and moderate-income individuals is reasonable.
 - The distribution of loans to small businesses and small farms with revenues less than \$1 million is reasonable.
 - The geographic distribution of loans is reasonable.
- The Community Development Test rating is based on FNB's adequate responsiveness to the community development needs within its AAs through CD loans, investments, and services.

Loan-to-Deposit Ratio

Considering the Bank's size, financial condition, and credit needs of its AAs, FNB's LTD ratio is more than reasonable. The LTD ratio is calculated on a bank-wide basis. The Bank's quarterly LTD ratio during the evaluation period averaged 93.92 percent and ranged from a low of 90.49 percent to a high of 98.43 percent. We compared the Bank's average LTD ratio to those of similarly-situated financial institutions in terms of asset-size and the combined average LTD ratio of these institutions was 76.61 percent, ranging from a low of 65.58 percent to a high of 84.37 percent. Peer banks used in the analysis reported total assets less than \$500 million and had a strategic focus on business lending.

Lending in Assessment Area

A majority of the Bank's loans are inside its AAs.

The Bank originated and purchased 84.36 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. The Bank's primary products are business loans, farm loans and home mortgages. Consumer loans are not a primary product, but were included in the table below for informational purposes. The findings from this analysis factored into the overall analysis of the geographic distribution of lending by income level of the geography.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	176	85.64	29	14.36	205	20,579	82.76	4,288	17.24	24,867
Small Business	589	85.36	101	14.64	690	69,703	64.42	38,497	35.58	108,200
Small Farm	167	81.07	39	18.93	206	12,870	41.26	18,324	58.74	31,193
Consumer	458	85.77	76	14.23	534	4,628	79.00	1,230	21.00	5,858
Total	1,390	84.46	245	15.54	1,635	107,780	66.86	62,339	33.14	170,118

Source: Evaluation Period: 1/1/2018 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0

Description of Institution

FNB is an intrastate bank headquartered in Abilene, TX. The Bank is wholly owned by First Baird Bancshares (FBB), currently a two-bank holding company which also owns an affiliate bank in Weatherford, TX. FNB is comprised of three former independently operating banks which were consolidated upon its conversion from a national bank to a state savings bank in 2012. In October 2017, FNB applied for and successfully converted back to a national charter while maintaining its consolidated structure. FNB designates its AAs as the entire Abilene MSA (Abilene MSA AA), Knox and Haskell Counties (Non-MSA AA) and Tarrant County (Tarrant County AA), which is part of the Fort Worth-Arlington-Grapevine MSA. FNB operates ten full-service branches within its AAs which comprise of the head office in Baird, three locations in Abilene, and one location each in Bedford, Clyde, Haskell, Grapevine, Munday and Stamford.

FNB's strategic focus is to serve the financial needs of the individuals, businesses, farms and ranches within its communities on a profitable basis. The Bank offers traditional lending products and depository services tailored to meet the needs of its varied customer base. As of December 31, 2019, the Bank reported total assets of \$417 million, total loans of \$347 million, total deposits of \$378 million and tier 1 capital of \$42 million. Total loans represent approximately 84.08 percent of overall assets. FNB's loan portfolio is relatively diversified comprising of commercial real estate and construction loans at 39 percent, commercial and industrial loans at 21 percent, farming and livestock loans at 20 percent, home mortgage loans at 18 percent and consumer loans at 2 percent.

The Bank provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include safe deposit boxes, internet and mobile banking, electronic bill pay, debit cards, credit cards, gift cards, and nine bank-owned automated teller machines (ATMs). FNB's banking programs and hours allow for easy customer accessibility to its services.

To reach consumers in its AAs needing access to small dollar loan options which may not be readily available at larger community banks, FNB operates a Small Loan Program which offers unsecured loans ranging from \$500 to \$2,000 based on amortization terms not exceeding 24 months. The underwriting of these loans is not based on credit scores; however, customers must be able to show proof of address, employment and income. This is an initiative which provides a cheaper alternative for consumers needing this type of small loan facility in comparison to pay day lenders.

No legal impediments or other factors hinder the Bank's ability to provide credit in its AAs. The Bank is financially capable of meeting credit needs within its community, subject to certain legal restrictions applicable to all national banks. FNB received an overall rating of "Satisfactory" during its previous CRA examination dated June 15, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the lending products assessed was between January 1, 2018 and December 31, 2019. We assessed FNB's CRA performance within its AAs using Intermediate Small Bank procedures. The Bank is subject to the Lending Test and the Community Development test. The Lending Test evaluates the Bank's record of meeting the credit needs of its AAs through its lending activities. The CD Test evaluates the Bank's responsiveness to CD needs in its AAs through qualified CD lending, investments and donations, and services.

We completed the Lending Test by selecting a sample of small farm, small business, consumer loans and reviewing Home Mortgage Disclosure Act (HMDA) data reported for the years 2018 and 2019. We completed the CD test by assessing all CD activities completed during the evaluation period. Our basis of comparison was based on demographic data reported from the 2010 U.S Census, the American Community Survey (ACS) conducted in 2015 and Dunn & Bradstreet data reported as of December 31, 2019.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact of the coronavirus pandemic across the United States are not addressed in this evaluation. Bank qualifying activities will be considered in the subsequent evaluation.

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 AAs 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.

We performed a full-scope review of the Abilene MSA AA and the Non-MSA AA. We performed a limited scope review of the Tarrant County AA due to the limited deposit and lending activities within this AA. Due to the limited number of loans originated in the Tarrant County AA, we did not have an adequate number of loans to sample for a meaningful geographical and income distribution analyses. Therefore, tables for the lending activity in the Tarrant County AA in Appendix D are limited to the analysis of loans originated inside the AA and the lending distribution for home mortgage loans because this data was readily available.

Ratings

The Bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings. FNB is a single state bank in Texas with three AAs, therefore the overall rating is based on its performance in Texas. The Abilene MSA AA and Non-MSA AAs received full-scope reviews while the Tarrant County AA received a limited-scope review. Our conclusions are based primarily on the Bank's performance in the AAs that received full-scope reviews.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(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 Bureau of Consumer Financial Protection, 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: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The Bank's LTD ratio is more than reasonable, reflecting strong responsiveness to credit needs within the AAs.
- The Bank exhibits a reasonable distribution of loans to the moderate-income geographies within its AAs. There are no low-income geographies.
- The Bank reflects a reasonable distribution of loans to borrowers of different income levels and businesses and farms of different sizes.
- CD activities reflect adequate responsiveness to community development needs.

Description of Institution's Operations in Texas

FNB operates in three AAs in the state of Texas. The Bank's operations are discussed in detail under the *Description of Institution* and the *Scope of Evaluation* sections within this performance evaluation.

FNB's deposits are concentrated in the Abilene MSA AA. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report dated June 30, 2019, FNB ranked 5th out of 27 reporting institutions with deposits totaling \$253 million and a 6.62 percent market share. Within the Non-MSA AA, FNB ranked 1st amongst six reporting institutions with deposits of \$76 million and a 36 percent market share.

The Bank's competitors in the Abilene MSA AA include other local, regional and national banks located within the AA. Institutions with the largest share of deposits in the Abilene MSA AA were First Financial Bank, NA, Abilene Teachers, Prosperity Bank and Bank of America. The Bank's competitors in the Non-MSA AA are primarily four local community banks which are, Haskell National Bank, Citizens Bank, NA., The First State Bank and Vista Bank.

We performed full-scope reviews of the Abilene MSA AA and the Non-MSA AA because these two AAs are where the Bank predominantly conducts its lending and deposit activities and where eight of its ten locations are concentrated. We performed a limited-scope review of the Tarrant County AA due to the limited deposit and lending activities within this AA.

We utilized two recent interviews of community contacts in determining specific credit needs within the Abilene MSA AA. The first contact works at a small business development center (SBDC) within the Abilene MSA. The contact noted that financial institutions in the Abilene area had been responsive to

the credit needs of small business owners since the COVID-19 pandemic hit, especially through facilitating loans under the Payment Protection Program administered by the Small Business Administration as a provision under the CARES Act. The contact however noted that financial institutions need to continue being flexible in working with small business owners still experiencing financial hardships due to the protracted adverse effect that the pandemic continues to have on the economy. The second contact works with an organization known nationwide for providing affordable housing to low- and moderate-income families in the Abilene MSA. The contact identifies a prevailing high need for affordable housing as funding from the City of Abilene keeps decreasing each year. The contact credits the financial institutions within the AA for supporting past initiatives to provide affordable housing within the AA, but believes that they need to be more proactive in supporting new avenues for funding.

The following tables depict the demographic information for the two full-scope AAs in Texas.

Abilene MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Abilene MSA AA 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	47	0.0	27.7	42.6	21.3	8.5
Population by Geography	167,945	0.0	23.1	41.3	30.4	5.2
Housing Units by Geography	70,396	0.0	22.6	47.2	30.2	0.0
Owner-Occupied Units by Geography	38,193	0.0	15.1	47.9	37.0	0.0
Occupied Rental Units by Geography	22,045	0.0	34.8	43.7	21.5	0.0
Vacant Units by Geography	10,158	0.0	24.2	52.5	23.2	0.0
Businesses by Geography	11,730	0.0	23.9	40.7	34.5	0.8
Farms by Geography	570	0.0	7.2	56.0	36.7	0.2
Family Distribution by Income Level	39,448	21.5	17.7	20.2	40.6	0.0
Household Distribution by Income Level	60,238	24.1	16.3	17.6	42.0	0.0
Median Family Income MSA - 10180 Abilene, TX MSA		\$56,448	Median Housing Value			\$95,509
			Median Gross Rent			\$790
			Families Below Poverty Level			12.7%
<i>Source: 2015 ACS and 2019 D&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>						

Non-MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Non-MSA AA 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	9,649	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,475	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,795	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	927	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,753	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	618	0.0	0.0	100.0	0.0	0.0
Farms by Geography	155	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,455	23.4	16.8	21.3	38.5	0.0
Household Distribution by Income Level	3,722	27.6	16.6	15.9	39.9	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$47,330
			Median Gross Rent			\$458
			Families Below Poverty Level			17.0%
<i>Source: 2015 ACS and 2019 D&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

As previously stated, the Bank has designated three AAs which comprise of the Abilene MSA, Knox and Haskell Counties (Non-MSA AA) and Tarrant County, which is part of the Fort Worth-Arlington-Grapevine MSA. We performed full-scope reviews of the Abilene MSA AA and the Non-MSA AA because these two AAs are where the Bank predominantly conducts its lending and deposit activities and where eight of its ten locations are concentrated. We performed a limited-scope review of the Tarrant County AA due to the limited deposit and lending activities within this AA. Please refer to the table in appendix A for a list of all AAs under review.

The Bank's loan portfolio is relatively diversified with a comparable mix of commercial real estate loans, commercial loans, farm loans and home mortgage loans. The Bank originates consumer loans, but they are not a primary product. We included all of the Bank's lending products in our lending performance analysis because it is our first CRA examination since the Bank converted to a national charter.

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- and limited-scope reviews, the Bank's lending performance in the state of Texas is reasonable.

Distribution of Loans by Income Level of the Geography

FNB exhibits reasonable geographic distribution of loans in the state.

Abilene MSA AA

The overall geographic distribution of loans within the Abilene AA reflects a good distribution to moderate-income geographies within the AA. There are no low-income geographies.

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 and purchases.

The geographic distribution of home mortgage loans is excellent. During 2018 – 2019, the Bank's level of home mortgage lending exceeded the percentage of owner-occupied units in moderate-income geographies and exceeded the level of aggregate lending by similarly situated financial institutions.

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 and purchases of small loans to businesses.

The geographic distribution of small loans to businesses is reasonable. During 2018 -2019, the Bank's lending to small businesses in moderate-income geographies was somewhat lower than the percentage of small businesses within moderate-income geographies and was somewhat lower than the level of aggregate lending by similarly situated institutions within the AA.

Loans to Small Farms

Refer to Table S 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 and purchases of small loans to farms.

The geographic distribution of small loans to farms is reasonable. During 2018 -2019, the Bank's lending to farms in moderate-income geographies was somewhat lower than the percentage of farms within moderate-income geographies but exceeded the level of aggregate lending within moderate-income tracts.

Consumer Loans

Refer to Table U 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 and purchases of consumer loans.

The geographic distribution of consumer loans is poor. During 2018 -2019, the Bank's lending distribution of consumer loans in moderate-income geographies was lower than the percentage of households in moderate-income geographies.

Non-MSA AA

We did not complete an analysis of the geographical distribution of loans in this AA because there are no low- or moderate-income geographies.

Distribution of Loans by Income Level of the Borrower

FNB exhibits a reasonable distribution of loans among individuals of different income levels and business and farms of different sizes.

Abilene MSA AA

The distribution of loans in the Abilene MSA AA by the income level of individuals, small businesses and small farms is reasonable.

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 and purchases.

The distribution of home mortgage loans reflects a reasonable distribution among low-and moderate-income individuals in the AA. In 2018-2019, the Bank's lending to low-income borrowers was lower than the percentage of low-income families within the AA, but exceeded the level of aggregate lending to low-income borrowers within the AA. For moderate-income individuals, the Bank's lending was lower than the percentage of families identified as moderate-income and lower than the aggregate level of lending to moderate-income individuals

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 origination and purchase of small loans to businesses.

The borrower distribution of small loans to small businesses within the Abilene AA is reasonable. In 2018-2019, the Bank's lending to businesses that earned less than \$1 million in gross revenue was near to the percentage of such businesses within the AA, and exceeded the aggregate level of lending by peer banks to these businesses.

Small Loans to Farms

Refer to Table T 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 and purchases of small loans to businesses.

The borrower distribution of loans to small farms within the Abilene AA is reasonable. In 2018-2019, the Bank's lending to farms that earned less than \$1 million in gross revenue was near to the percentage

of such businesses within the AA and exceeded the aggregate level of lending by peer banks to such farms.

Consumer Loans

Refer to Table V 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 and purchases of consumer loans.

The borrower distribution of consumer loans to low- and moderate-income individuals within the Abilene AA is reasonable. In 2018-2019, the Bank's distribution of consumer loans to low-income individuals exceeded the percentage of low-income households in the AA. For moderate-income individuals, the Bank's distribution of consumer loans to moderate-income individuals was near to the percentage of moderate-income households within the AA.

Non-MSA AA

The distribution of loans in the non-MSA AA by the income level of individuals, small businesses and small farms is reasonable.

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 and purchases.

The distribution of home mortgage loans reflects a reasonable distribution among low-and moderate-income individuals within the AA. In 2018-2019, the Bank's lending to low-income borrowers was lower than the percentage of low-income families within the AA, but exceeded the level of aggregate lending to low-income borrowers. The Bank's distribution of lending to moderate-income borrowers exceeded both the percentage of moderate-income families in the AA and the aggregate level of lending.

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 origination and purchase of small loans to businesses.

The borrower distribution of small loans to small businesses within the Non-MSA AA is excellent. In 2018-2019, the Bank's lending to businesses that earned less than \$1 million in gross revenue exceeded the percentage of such businesses within the AA and exceeded the aggregate level of lending by peer banks.

Small Loans to Farms

Refer to Table T 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 and purchases of small loans to businesses.

The borrower distribution of loans to small farms within the Non-MSA AA is reasonable. In 2018-2019, the Bank's lending to farms that earned less than \$1 million in gross revenue was near to the percentage of such businesses within the AA, and exceeded the aggregate level of lending by peer banks to such farms.

Consumer Loans

Refer to Table V 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 and purchases of consumer loans.

The borrower distribution of loans of consumer loans to low- and moderate-income individuals within the Non-MSA AA is reasonable. In 2018-2019, the Bank's distribution of consumer loans to low-income individuals was near to the percentage of low-income households in the AA. For moderate-income individuals, the Bank's distribution of consumer loans to moderate-income individuals was equal to the percentage of moderate-income households within the AA.

Responses to Complaints

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

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the Bank's performance under the Lending Test in the Tarrant County AA is weaker than the Bank's overall performance under the Lending Test in the full scope area given the very limited lending activity occurring in this AA.

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- and limited-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.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Abilene MSA AA	6	60.0	2,196	74.0
Non-MSA AA	0	0.0	0	0.0
Tarrant County AA	4	40.0	780	26.0
Total	10	100.00	2,976	100.0

Source : Bank Data

The level of CD Lending demonstrates the Bank's adequate responsiveness to the CD needs in its AAs. During the evaluation period, the Bank originated 10 qualified CD loans totaling \$2.98 million.

Qualified CD loans in the Abilene MSA AA included \$1.1 million to support affordable housing and three loans in the amount of \$651 thousand to support the revitalization of the Abilene downtown area which is located in a moderate-income geography. Loans originated in the Tarrant County AA support organizations whose services are targeted towards LMIs and affordable housing. There were no CD loans in the Non-MSA AA during this evaluation period.

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.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Abilene MSA AA	0	0	33	104	33	39.0	104	35.0	0	0
Non-MSA AA	1	130	44	32	45	53.0	162	54.0	0	0
Tarrant County AA	0	0	7	34	7	8.0	34	11.0	0	0
Total	1	130	84	170	85	100.0	300	100.0	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.

During the evaluation period, the Bank made one qualifying investment in the Non-MSA AA and 84 donations in all 3 AAs. The investment is a \$130 thousand revenue bond associated with the City of Munday, located in Knox County which is a distressed and underserved geography. The bond addresses specific infrastructure needs such as constructing, reconstructing, and improving streets and roads, including sidewalks, drainage, landscaping, and utility relocation. The CD donations total \$170 thousand and support various organizations that provide a variety of community services targeted to low- and moderate-income individuals in the AAs.

Extent to Which the Bank Provides Community Development Services

The Bank's level of community development services demonstrates adequate responsiveness to the needs of its AAs. During the evaluation period, bank employees, management and the Board provided 87 community service hours in their capacity to provide financial technical expertise to organizations promoting economic development, aiding growth of small businesses, supporting affordable housing, providing scholarships to low- and moderate-income students and providing community services. Prominent among organizations that FNB supported with service hours are; Texas Tech Small Business Development Company, Baird Chamber of Commerce, March of Dimes and Big Brothers and Big Sisters Club of Abilene. Employees also participated in financial literacy education of students by volunteering with the Junior Achievement Organization.

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

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the Bank's performance under the CD Test in the Tarrant County AA is consistent with the Bank's overall performance under the CD Test in the full scope areas.

Appendix A: Scope of Examination

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 a comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2018 to 12/31/2019	
Bank Products Reviewed:	Home mortgage, small business, small farm, consumer loans Community development loans, qualified investments, community development services	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Texas		
Abilene MSA AA	Full-scope	Entire MSA consisting of Taylor, Jones and Callahan counties
Non-MSA AA	Full-scope	Entire Knox and Haskell Counties consisting of 4 census tracts. Both counties are in a Non-MSA AA
Tarrant County AA	Limited-scope	Entire county consisting of 357 census tracts. The county is located in the Fort Worth-Arlington-Grapevine MSA.

Appendix B: Summary of MMSA and State Ratings

RATINGS First National Bank Baird			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
First National Bank Baird	Satisfactory	Satisfactory	Satisfactory
MMSA or 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

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.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

Content of Standardized Tables

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 30th 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.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the Bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the Bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the Bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer 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 households in those geographies.
- Table V. Assessment Area Distribution of Consumer 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 households by income level in each MMSA/assessment area.

2018-19

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography

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
Abilene MSA AA	198	21,530	83.5	4,933	0.0	0.0	0.0	15.1	27.8	9.2	47.9	37.4	33.8	37.0	34.8	56.9	0.0	0.0	0.2
Non-MSA AA	23	1,221	10.2	72	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Tarrant County AA	16	1,717	6.3	72,267	5.2	6.3	2.4	18.8	12.5	14.2	34.4	31.3	34.5	41.5	50.0	48.8	0.0	0.0	0.0
Total	237	24,167	100.0	77,272	4.8	0.4	2.3	18.4	24.1	13.9	36.0	43.0	34.5	40.9	32.5	49.3	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2018 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

2018-19

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower

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
Abilene MSA AA	198	21,530	83.5	4,933	21.5	5.6	3.7	17.7	5.6	13.6	20.2	13.1	21.3	40.6	44.9	44.0	0.0	30.8	17.4
Non-MSA AA	23	1,221	10.2	72	23.4	8.7	4.2	16.8	30.4	15.3	21.3	26.1	26.4	38.5	30.4	36.1	0.0	4.3	18.1
Tarrant County AA	16	1,717	6.3	72,267	23.1	0.0	3.3	16.3	6.3	14.8	19.3	6.3	22.2	41.3	50.0	42.0	0.0	37.5	17.6
Total	237	24,467	100.0	77,272	23.0	5.5	3.3	16.4	8.0	14.7	19.4	13.9	22.2	41.2	43.9	42.1	0.0	28.7	17.6

Source: 2015 ACS Census ; 01/01/2018 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2018 -2019	
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	
Abilene MSA AA	20	4,818	50.0	3,096	0.0	0.0	0.0	23.9	13.3	19.2	40.7	63.3	43.9	34.5	23.3	36.7	0.8	0.0	0.2	
Non-MSA AA	20	2,315	50.0	108	0.0	0.00	0.0	0.0	0.00	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	40	7,132	100.0	3,204	0.00	0.00	0.00	23.1	6.7	18.5	42.7	81.7	45.8	33.3	11.6	35.5	0.8	0.0	0.2	

Source: 2018 D&B Data; 01/01/2018 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2018-19	
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		
Abilene MSA AA	20	4,818	50.0	3,096	81.9	75.0	34.3	5.1	20.0	13.0	5.0		
Non-MSA AA	20	2,314	50.0	108	73.6	75.0	34.3	4.4	20.0	22.0	5.0		
Total	40	7,132	100.00	3,204	81.6	75.0	34.3	5.1	20.0	13.3	5.00		

Source: 2018 D&B Data; 01/01/2018 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table S: Assessment Area Distribution of Loans to Farms by Income Category of the Geography																			2018-19	
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	
Abilene MSA AA	20	2,334	50.0	264	0.0	0.00	0.0	7.2	5.0	1.9	56.0	70.0	75.8	36.7	25.0	22.3	0.2	0.0	0.0	
Non-MSA AA	20	2,314	50.0	54	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.00	0.0	
Total	40	4,648	100.0	318	0.0	0.0	0.00	6.0	2.5	1.6	63.5	75.0	79.9	30.5	12.5	18.5	0.2	0.00	0.0	

Source: 2018 D&B Data; 01/01/2018 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues												2018-19	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans		
Abilene MSA AA	20	2,334	50.0	264	97.5	80.0	58.3	1.9	5.0	0.5	15.0		
Non-MSA AA	20	2,314	50.0	54	97.4	80.0	14.8	1.3	20.0	1.3	0.0		
Total	40	4,648	100	318	97.5	80.0	50.9	1.8	12.5	0.7	7.5		

Source: 2018 D&B Data; 01/01/2018 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2018-19	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Abilene MSA AA	20	258	40.0	0.0	0.0	22.3	10.0	46.3	85.0	31.4	5.0	0.0	0.0	
Non-MSA AA	30	197	60.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	
Total	50	455	100.0	0.0	0.0	8.9	4.0	78.5	94.0	12.6	2.0	0.0	0.0	

Source: 2015 ACS Census; 01/01/2018 - 12/31/2019 Bank Data.
Due to rounding, totals may not equal 100.0%

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2018-19	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Abilene MSA AA	20	258	60.0	24.1	25.0	16.3	15.0	17.6	20.0	42.0	40.0	0.0	0.0	
Non-MSA AA	30	197	44.0	27.6	23.3	16.6	16.7	15.9	33.3	39.9	23.3	0.0	3.3	
Total	50	455	100.0	26.2	24.0	16.5	16.0	16.58	28.0	40.74	30.0	0.0	1.9	

Source: 2015 ACS Census; 01/01/2018 - 12/31/2019 Bank Data.
Due to rounding, totals may not equal 100.0%

