



PUBLIC DISCLOSURE

July 6, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The First National Bank of Granbury
Charter Number 3727

101 E. Bridge Street, Granbury, TX 76048

Office of the Comptroller of the Currency

Fort Worth Field Office
225 East John Carpenter Freeway, Suite 900 Irving, Texas 75062-2270

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 performance in the Hood County and Johnson County assessment areas (AAs).
- The Community Development (CD) Test rating is based on performance in the Hood County and Johnson County AAs.
- The loan-to-deposit (LTD) ratio is reasonable.
- A majority of the bank's loans are inside its AAs.
- The geographic distribution of loans across geographies of different income levels is reasonable.
- The borrower distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- CD activities reflect adequate responsiveness to community development needs.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's LTD ratio is reasonable. The LTD ratio is calculated on a bank-wide basis. The bank's quarterly average LTD ratio during the evaluation period was 59.38 percent. We compared the bank's LTD ratio to similarly situated institutions operating in the area. The average LTD ratio for the peer banks was 64.50 percent. This ratio is evaluated in the context of the bank's business model. While the bank's LTD ratio is slightly below that of peer banks, FNB sells a significant portion of its 1-4 family residential loans to secondary market investors. This would account for a lower LTD ratio. During the evaluation period, the bank originated and sold 446 1-4 family mortgage loans totaling \$103.4 million. If these loans had been maintained in the bank's portfolio, the LTD ratio would be much higher. Among the loans originated and sold to third party investors were 10 United States Department of Agriculture (USDA) loans totaling \$1.5 million, targeted to low- and moderate-income (LMI) individuals in rural areas.

Lending in Assessment Area

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

The bank originated and purchased 73.2 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.

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	711	73.8	252	26.2	963	117,859	68.8	53,442	31.2	171,301
Small Business	71	67.0	35	33.0	106	2,062	45.6	2,461	54.4	4,523
Total	782	73.2	287	26.8	1,069	119,921	68.2	55,903	31.8	175,824

Description of Institution

The First National Bank of Granbury (FNB) is a single-state community bank chartered in 1887 in Granbury, Hood County, Texas. The bank operates its main office in historic downtown Granbury in its original location on the courthouse square. Additionally, FNB has five full-service branches spread throughout Hood County and two mobile branches used to provide services to senior living facilities. The bank has a Loan Production Office in Weatherford, Texas and FNB Mortgage Group, located in the State Highway 377 branch in Granbury. In April 2017, FNB opened its first branch location outside of Hood County in Cleburne, Texas in neighboring Johnson County. Drive-thru services are provided at the main office and all branch facilities. FNB has eight Automatic-Teller-Machines (ATMs). One ATM is located at each branch and the main office, as well as an additional stand-alone ATM on the north side of Granbury.

FNB is wholly owned by First Granbury Bancorporation, a one-bank holding company headquartered in Granbury, Texas. The holding company has no other significant assets or liabilities and its activities do not influence the bank's CRA rating. FNB does not have any affiliates or subsidiaries. FNB has two AAs, which are described below in the "Selection of Areas for Full-Scope Review" section. As of December 31, 2019, the bank reported total assets of \$629.4 million, total deposits of \$552.8 million, and total equity capital of \$74.5 million. Net loans and leases totaled \$326.4 million, which represents 51.9 percent of total assets. Outstanding loans by category include 1-4 family residential mortgages at 39 percent, commercial real estate loans at 40 percent, commercial and industrial loans at 8 percent, agriculture/agriculture real estate at 6 percent, and consumer loans at 5 percent. Investment securities totaled \$228.6 million which represents 36.3 percent of total assets. Tier 1 capital totaled \$72.7 million.

FNB offers traditional credit products and deposit account options plus online banking, mobile banking, P2P, bill payment, mobile deposit, commercial online banking, remote deposit capture, electronic delivery of bank statements, voice-response bank by phone, student accounts, and accounts for seniors. Loan products offered consist of residential mortgage loans, residential construction loans, commercial real estate loans, commercial loans, agriculture loans, and consumer loans. There is no minimum loan amount for consumer lending. The bank's lending strategy continues to focus on the origination of commercial, 1-4 family residential (purchase and construction), and consumer loans.

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the AAs during the evaluation period. FNB received an overall rating of "Satisfactory" during its previous CRA examination dated June 12, 2017.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We completed a full-scope review of FNB's CRA activities in the AAs under the Intermediate Small Bank CRA procedures, which includes the Lending Test and the Community Development Test. The Lending Test evaluates the bank's record of meeting the credit needs of the 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.

Loan information used for this evaluation included HMDA data from 2017, 2018, and 2019, as well as commercial loan data for loans originated between January 1, 2017 and December 31, 2019. Conclusions regarding the CD Test are based on the bank's CD activities during the period since the last CRA evaluation, July 13, 2017, through 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 of the 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.

FNB has two AAs in Texas, Hood County and Johnson County. For 2017 and 2018, both of these counties were part of the Dallas-Fort Worth MSA, and therefore combinable. At the end of 2018, OMB removed Hood County from the MSA. Beginning in 2019, the AAs were no longer combinable and are considered two separate AAs. As a result, tables are presented separately for 2017-2018 data and 2019 data throughout the PE. We performed a full-scope review of both the Hood County and Johnson County AAs.

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 operates in one state and the State Rating is based on performance in all of the bank's AAs. Because both 1-4 family mortgage lending and commercial lending are primary products for the bank, each product was given equal weight in the analysis. Refer to the "Scope" section under each state and MMSA 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) 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 Texas¹: 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 loans across geographies of different income levels is reasonable.
- The borrower distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- CD activities reflect adequate responsiveness to community development needs.

Description of Institution's Operations in Texas

The bank operates in two AAs in the State of Texas as described in the "Description of the Institution" and the "Scope of the Evaluation" sections of this Performance Evaluation. Of its two AAs, FNB's deposit and lending activities are primarily in the Hood County AA where it has \$538.1 million or 46.18 percent of the deposit market share in the AA and ranks 1st out of 11 financial institutions. In the Johnson County AA, FNB has just \$11.2 million or less than 1 percent of the deposit market share and ranks 17th out of 19 financial institutions. Approximately 97 percent of FNB's deposits are located in the Hood County AA, while just 2 percent are held in the Johnson County AA.

Banking competition in the AAs is significant. FNB is the only bank headquartered in Hood County. Competition in the county includes branches of large regional and national institutions, as well as several mortgage/finance companies. Competition in Johnson County is even greater than in Hood County, as there are two other banks headquartered in the county as well as branches of large regional and national institutions.

The bank's primary lending focus continues to be commercial, consumer, and 1-4 family residential mortgages, both to retain in portfolio and sell in the secondary market. Community credit needs in the AAs were determined by reviewing recent housing and demographic information, performance context information provided by management, and a community contact conducted in conjunction with this evaluation. The community contact is on the board of an organization providing services targeted to low-income households including utility assistance, non-emergency rental assistance, and education and financial management training. This organization serves a broad area including both of the bank's AAs. We determined the most pressing credit needs in the AAs remain financing for small businesses and affordable housing inventory. The community contact also indicated that social services targeted towards LMI individuals are an ongoing need.

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

Hood County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Combined AA 2017-2018						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	2.6	15.8	65.8	15.8	0.0
Population by Geography	208,621	2.2	12.9	68.3	16.6	0.0
Housing Units by Geography	83,801	1.8	12.8	69.1	16.3	0.0
Owner-Occupied Units by Geography	55,554	1.0	10.5	68.1	20.4	0.0
Occupied Rental Units by Geography	19,063	3.8	17.8	70.4	7.9	0.0
Vacant Units by Geography	9,184	2.0	16.3	72.5	9.2	0.0
Businesses by Geography	13,847	3.8	8.8	67.3	20.0	0.0
Farms by Geography	556	0.9	7.4	73.6	18.2	0.0
Family Distribution by Income Level	55,421	20.3	20.4	22.0	37.4	0.0
Household Distribution by Income Level	74,617	22.5	18.1	19.8	39.6	0.0
Median Family Income MSA – 23104 Fort Worth-Arlington, TX MD		\$69,817	Median Housing Value			\$128,643
			Median Gross Rent			\$902
			Families Below Poverty Level			9.0%

Source: 2015 ACS and 2018 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hood County 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	0.0	40.0	60.0	0.0
Population by Geography	53,171	0.0	0.0	39.5	60.5	0.0
Housing Units by Geography	23,350	0.0	0.0	39.3	60.7	0.0
Owner-Occupied Units by Geography	16,070	0.0	0.0	36.6	63.4	0.0
Occupied Rental Units by Geography	4,862	0.0	0.0	40.0	60.0	0.0
Vacant Units by Geography	4,418	0.0	0.0	48.1	51.9	0.0
Businesses by Geography	5,259	0.0	0.0	31.3	68.7	0.0
Farms by Geography	221	0.0	0.0	37.1	62.9	0.0
Family Distribution by Income Level	14,328	21.3	18.2	22.3	38.3	0.0
Household Distribution by Income Level	20,932	23.7	18.6	19.3	38.4	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$144,790
			Median Gross Rent			\$855
			Families Below Poverty Level			7.9%

Source: 2015 ACS and 2019 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.

Johnson County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Johnson County 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	28	3.6	17.9	60.7	17.9	0.0
Population by Geography	155,450	3.0	13.6	64.7	18.8	0.0
Housing Units by Geography	58,451	2.5	14.0	64.5	19.0	0.0
Owner-Occupied Units by Geography	39,484	1.4	10.9	64.4	23.3	0.0
Occupied Rental Units by Geography	14,201	5.1	20.2	65.4	9.3	0.0
Vacant Units by Geography	4,766	3.8	21.2	62.6	12.4	0.0
Businesses by Geography	10,636	5.4	10.6	58.1	25.9	0.0
Farms by Geography	406	1.5	7.9	64.5	26.1	0.0
Family Distribution by Income Level	41,093	19.9	21.1	21.9	37.1	0.0
Household Distribution by Income Level	53,685	22.0	18.0	20.0	40.0	0.0
Median Family Income MSA – Fort Worth-Arlington-Grapevine, TX		\$69,339	Median Housing Value			\$121,640
			Median Gross Rent			\$909
			Families Below Poverty Level			9.3%
<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 discussed above, the bank only had one AA for a portion of the evaluation period, as both Hood and Johnson counties were located in the Dallas-Fort Worth MSA and combinable. However, as of 2019 there are now two AAs. Both AAs will be subject to a full-scope review. However, more weight will be given to performance in the Hood County AA, given this represents the market where the bank has the most predominant deposit concentration, lending activity, and branch distribution.

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 a full-scope review, 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 and purchases.

Combined AA

For 2017-2018, the bank reported no home mortgage lending in low-income geographies. There is only one low-income census tract (CT) in the AA. This CT is in Johnson County where the bank only originated a total of 42 mortgage loans in 2017 and 2018 combined, thus limiting the opportunity to lend in low-income CTs. For moderate-income geographies, the bank's home mortgage lending was somewhat lower than the owner-occupied housing and somewhat lower than the aggregate lending. Five of the six moderate-income CTs in the AA are in Johnson County where mortgage lending as a whole was limited.

Hood County AA

For 2019, a geographic distribution analysis was not completed for the Hood County AA as there are no low- or moderate-income CTs in the AA.

Johnson County AA

For 2019, a geographic distribution analysis was not completed for the Johnson County AA. Only 17 mortgage loans were made in this AA in 2019, which is not a sufficient sample size to perform a meaningful analysis.

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.

Combined AA

For 2017-2018, there was no small business lending in low-income geographies. There is only one low-income CT in the AA. This CT is in Johnson County. Our small business sample only included two loans to businesses located in Johnson County, thus not providing a large enough sample to assess performance. There was also no small business lending in moderate-income geographies. Of the six moderate-income CTs in the AA, all but one are in Johnson County. Given only two loans in the

commercial sample were in Johnson County, this does not provide enough data for a meaningful analysis.

Hood County AA

For 2019, a geographic distribution analysis was not completed for the Hood County AA as there are no low- or moderate-income CTs in the AA. It should be noted that Table Q for 2019 for the Hood County AA indicates aggregate lending of 4.0 percent in moderate-income CTs. This is incorrect. Small business peer data is not yet available for 2019, therefore the table defaults to the most recent data and reflects 2018 peer data.

Johnson County AA

For 2019, in the Johnson County AA there was no small business lending in low-income geographies. As previously mentioned, there is only one low-income CT in the AA, limiting lending opportunities in these geographies. For moderate-income geographies, the bank's small business lending exceeded both the percentage of small businesses and the aggregate lending in these geographies.

Lending Gap Analysis

We evaluated the lending distribution in the bank's AAs to determine if any unexplained conspicuous gaps existed. There were no unexplained conspicuous gaps identified after reviewing 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 and farms 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 and purchases.

Combined AA

For 2017-2018, the bank's home mortgage lending to low-income borrowers was lower than the percentage of families identified as low-income, but exceeded the aggregate lending to low-income borrowers within the AA. The bank's home mortgage lending to moderate-income borrowers was somewhat lower than the percentage of families identified as moderate-income and somewhat lower than the aggregate lending to moderate-income borrowers.

Hood County AA

For 2019, the bank's home mortgage lending in the Hood County AA to low-income borrowers was lower than the percentage of families identified as low-income, but exceeded the aggregate lending to low-income borrowers. The bank's home mortgage lending in the AA to moderate-income borrowers was lower than the percentage of moderate-income families, but only somewhat lower than the aggregate lending to moderate-income borrowers.

Johnson County AA

For 2019, there was no home mortgage lending in the Johnson County AA to low-income borrowers. The bank's home mortgage lending in the AA to moderate-income borrowers was somewhat lower than the percentage of moderate-income families, but exceeded the aggregate lending to moderate-income borrowers.

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 and purchases of small loans to businesses.

Combined AA

For 2017-2018, the bank's lending to businesses with revenues of \$1 million or less was somewhat lower than the percent of businesses identified as having revenues of \$1 million or less, but exceeded the aggregate level of lending to these businesses.

Hood County AA

For 2019, the bank's lending to businesses with revenues of \$1 million or less in the Hood County AA was lower than the percent of businesses identified as having revenues of \$1 million or less, but only somewhat lower than the aggregate level of lending to these businesses. This analysis is skewed by the fact that 58 percent of the small business sample reported no revenue information. Per FNB's lending policy, a business credit application is not required for loans less than \$50 thousand. As a result, revenue information is not consistently collected for these small dollar loans. Loans with original amounts less than \$50 thousand comprised 80 percent of the small business sample for this AA. Loan size often correlates to the size of the business.

Johnson County AA

For 2019, the bank's lending to businesses with revenues of \$1 million or less in the Johnson County AA was lower than the percent of businesses identified as having revenues of \$1 million or less, but only somewhat lower than the aggregate level of lending to these businesses. This analysis is skewed by the fact that 70 percent of the small business sample reported no revenue information. Per FNB's lending policy, a business credit application is not required for loans less than \$50 thousand. As a result, revenue information is not consistently collected for these small dollar loans. Loans with original amounts less than \$50 thousand comprised 95 percent of the small business sample for this AA. As mentioned above, loan size often correlates to the size of the business.

Responses to Complaints

The bank had no CRA-related complaints during the evaluation 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 a full-scope review, 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 \$
Hood County	1	100.0	1,000	100.0
Johnson County	0	0	0	0

The level of CD lending demonstrates adequate responsiveness to the CD needs in the AAs. FNB has one CD loan as of this evaluation with an outstanding balance of \$1 million. This loan is to the Senior Housing Crime Prevention Foundation with the purpose of providing a secure senior living environment in Hood County. There are no CD loans in the Johnson County AA.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Hood County	1	1,500	132	95	133	86.9	1,552	33.3	0	0
Johnson County	0	0	16	8	16	10.5	8	0.2	0	0
Statewide with Indirect Benefit	4	3,106	0	0	4	2.6	3,106	66.5	4	589

* 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.

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

The bank's level of investments and donations demonstrates adequate responsiveness to the CD needs in the AAs.

FNB has five qualified investments totaling \$5.2 million representing 7 percent of the bank's capital committed and \$4.6 million outstanding as of this evaluation.

The bank is also a member of a program called Homebuyer Equity Leverage Partnership (HELP) through the Federal Home Loan Bank of Dallas. The program provides funds for affordable housing for LMI individuals and the bank contributed \$52 thousand to the program during the evaluation period, assisting 11 homebuyers in the Hood County AA.

The bank maintains a \$1.5 million equity investment in the Solomon Hess SBA Loan Fund. The original investment was made in a prior evaluation period. The Fund purchases the federally guaranteed portion of SBA loans made to businesses located in the AAs of banks investing in the fund. It was formed to provide liquidity to small business lenders and to meet the demand for CRA qualified investments. The Fund is certified by the Community Development Financial Institutions (CDFI) Fund of the U.S. Treasury Department as a Community Development Entity. FNB's investment is allocated to an SBA loan made to a Granbury gas and convenience store. This investment qualifies as CD because five permanent jobs were created or retained, most of which will be/are staffed by LMI persons and the business is located in a CDFI Fund Qualified Investment census tract.

FNB maintains additional investments with \$2.7 million outstanding in Small Business Investment Companies (SBIC) funds. The initial investments in these funds were made in a prior review period. These funds promote economic development by providing financing to small businesses. Proceeds were used to finance businesses located outside the AAs, but in the broader statewide area.

FNB made \$50.2 thousand in qualifying donations to ten CD organizations during the evaluation period. The bulk of the donations were to United Way of Hood County (\$16,724) and Mission Granbury, Inc. (\$13,600). These organizations provide social services to LMI individuals and those displaced by natural disasters. The majority of charitable donations were to organizations in the Hood County AA.

The only CD investments in the Johnson County AA during the evaluation period were qualifying donations totaling \$7.5 thousand.

FNB continued equity investments totaling \$452 thousand that were made in prior review periods.

Extent to Which the Bank Provides Community Development Services

The bank's level of community development services demonstrates adequate responsiveness to the needs of the AAs.

FNB continues to meet the CD service needs of the AAs through volunteer activities by its directors, officers and employees, many on a continuing basis to the organizations. Bank staff serve as board members, and provided financial planning, fundraising/marketing, and budgeting expertise. The organizations are engaged in a variety of community services targeted to LMI individuals and families. During the evaluation period, eight employees provided more than 850 service hours to eight qualified organizations within the AAs.

In the Hood County AA, seven bank employees provided approximately 701 hours of financial expertise or skills training targeted to LMI individuals. In the Johnson County AA, one employee volunteered approximately 153 hours.

Significant CD service contributions included two employees serving on the board of the local housing authority which manages public housing under HUD guidelines. Another employee serves as the treasurer for an educational foundation which provides grants to fund educational programs for a school district in which over half of the students are economically disadvantaged. Two other employees also serve as board members of the foundation. One employee serves on the board and provides marketing and fundraising expertise to a local mission that provides community services targeted to LMI individuals' necessities.

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 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:	01/01/2017 to 12/31/2019 – Lending Test 07/14/2017 to 12/31/2019 – Community Development Test	
Bank Products Reviewed:	Home mortgage, small business Community development loans, qualified investments, community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
No Affiliates	NA	NA
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Texas		
Hood County AA	Full-Scope	For 2019 only. Entire county consisting of 10 whole census tracts.
Johnson County AA	Full-Scope	For 2019 only. Entire county consisting of 28 whole census tracts. The county is part of the Dallas-Fort Worth MSA.
Combined AA	Full-Scope	For 2017 and 2018. Counties of Hood and Johnson consisting of 38 whole census tracts. Both counties were part of the Dallas-Fort Worth MSA.

Appendix B: Summary of MMSA and State Ratings

RATINGS The First National Bank of Granbury			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
The First National Bank of Granbury	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.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2017-2018		
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			
Combined AA	475	75,857	100.0	9,107	1.0	0.0	0.6	10.5	5.5	8.3	68.1	84.8	72.5	20.4	9.7	18.6	0.0	0.0	0.0			
Total	475	78,857	100.0	9,107	1.0	0.0	0.6	10.5	5.5	8.3	68.1	84.8	72.5	20.4	9.7	18.6	0.0	0.0	0.0			

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2019		
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			
Hood County AA	219	38,621	92.8	2,896	0.0	0.0	0.0	0.0	0.0	0.0	36.6	34.7	33.6	63.4	65.3	66.4	0.0	0.0	0.0			
Johnson County AA	17	3,381	7.2	6,985	1.4	0.0	0.9	10.9	5.9	8.9	64.4	88.2	67.3	23.3	5.9	22.8	0.0	0.0	0.0			
Total	236	42,002	100.0	9,881	1.0	0.0	0.7	7.7	0.4	6.3	56.3	38.6	57.5	34.9	61.0	35.6	0.0	0.0	0.0			

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

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-2018

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
Combined AA	475	75,857	100.00	9,107	20.3	9.3	4.9	20.4	11.8	15.3	22.00	20.4	22.7	37.4	49.5	38.1	0.0	9.1	19.00
Total	475	75,857	100.0	9,107	20.3	9.3	4.9	20.4	11.8	15.3	22.0	20.4	22.7	37.4	49.5	38.1	0.0	9.1	19.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2019

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
Hood County AA	219	38,621	92.8	2,869	21.3	4.6	1.9	18.2	4.6	6.6	22.3	16.4	16.2	38.3	61.2	59.9	0.0	13.2	15.4
Johnson County AA	17	3,381	7.2	6,985	19.9	0.0	3.6	21.1	17.6	15.9	21.9	23.5	23.0	37.1	58.8	37.7	0.0	0.0	19.8
Total	236	42,002	100.0	9,881	20.3	4.2	3.1	20.4	5.5	13.2	22.0	16.9	21.0	37.4	61.0	44.2	0.0	12.3	18.5

Source: 2015 ACS Census; 01/01/2019 - 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 2017-2018

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
Combined AA	20	776	100.0	4,669	3.8	0.0	3.4	8.8	0.0	9.1	67.3	100.0	66.6	20.0	0.0	20.9	0.0	0.0	0.0
Total	20	776	100.0	4,669	3.8	0.0	3.4	8.8	0.0	9.1	67.3	100.0	66.6	20.0	0.0	20.9	0.0	0.0	0.0

Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2018 CRA 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 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
Hood County AA	31	867	60.8	1,337	0.0	0.0	0.0	0.0	0.0	4.0	31.3	38.7	88.9	68.7	61.3	7.1	0.0	0.0	0.0
Johnson County AA	20	419	39.2	3,332	5.4	0.0	4.7	10.6	30.0	11.1	58.1	65.0	57.6	25.9	5.0	26.5	0.0	0.0	0.0
Total	51	1,286	100.0	4,669	3.6	0.0	3.4	7.1	11.8	9.1	49.2	49.0	66.6	40.1	39.2	20.9	0.0	0.0	0.0

Source: 2019 D&B Data; 01/01/2019 - 12/31/2019 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											2017-2018	
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	
Combined AA	20	776	100.0	4,669	86.0	65.0	43.3	4.8	15.0	9.2	20.0	
Total	20	776	100.0	4,669	86.0	65.0	43.3	4.8	15.0	9.2	20.0	
<i>Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>												

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2019	
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	
Hood County AA	31	867	60.8	1,337	88.5	32.3	41.1	3.5	9.7	8.0	58.0	
Johnson County AA	20	419	39.2	3,332	87.0	30.0	44.1	4.4	0.0	8.6	70.0	
Total	51	1,286	100.0	4,669	87.5	31.4	43.3	4.1	5.9	8.4	62.7	
<i>Source: 2019 D&B Data; 01/01/2019 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>												