



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Graford
Charter Number 12437

300 Main
Graford, Texas 76449

Office of the Comptroller of the Currency

Fort Worth Field Office
9003 Airport Freeway Suite 275
North Richland Hills, Texas 75201-3342

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The lending performance of the First National Bank of Graford ("FNB") reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- The bank's adjusted average loan-to-deposit ratio meets the standards for satisfactory performance given its size, financial condition, local competition and assessment area credit needs.
- A majority of the loan activity is within the identified assessment area, which meets the standards for satisfactory performance.
- The distribution of loans demonstrates satisfactory penetration among small farm and commercial businesses.
- The geographical distribution reflects satisfactory distribution into the census tracts of different income levels.

SCOPE OF EXAMINATION

The evaluation period for this assessment of FNB's CRA efforts was January 13, 2004 through April 14, 2009. Loan products evaluated included 1-4 family residential loans and consumer auto loans. Residential loans represent the largest segment of the portfolio; however, there were an insufficient number of recently made loans to draw a representative sample. Therefore, we considered all residential loans made since January 1, 2007, and performed our analysis on this group of loans. Our sample sizes consisted of 38 1-4 family residential loans and 20 consumer auto loans. We performed a full-scope review of FNB's assessment area – Palo Pinto County, Texas, which was the basis of our overall rating of FNB's CRA efforts.

DESCRIPTION OF FIRST NATIONAL BANK, GRAFORD

FNB is a full-service community bank located approximately 65 miles northwest of Fort Worth, Texas. The bank has three full-service office locations. The bank's chartered office is located in Graford, Texas, with branches at Possum Kingdom Lake, which is approximately 12 miles west of the main facility, and a branch in Mineral Wells, Texas, which is approximately 15 miles south of Graford and 50 miles west of Fort Worth. While the Graford facility is the legally chartered main office location, the Mineral Wells facility operates as the main bank. There are ATMs at each location plus an additional ATM located off-site, but close to, the Mineral Wells facility. FNB was independently owned until its acquisition by BMC Bancshares, Inc. ("BMC"), a one-bank holding company, on February 17, 2009. BMC is a single-asset entity owned by several shareholders with significant ownership centered in 2 individuals.

As of December 31, 2008, FNB had total assets of \$42 million, gross loans of \$18.1 million, and deposits of \$37.5 million. The bank provides all of the traditional banking products and services to meet the needs of the communities served. The principal lending focus is primarily consumer-related and is broken out in the following table

Loan Category	\$ (000)	%
1-4 Family Loans	7,757	42.8%
Consumer Loans	4,137	22.8%
Commercial Loans	2,739	15.1%
Commercial Real Estate Loans	2,459	13.6%
Agriculture Production Loans	706	3.9%
Agriculture Real Estate Loans	307	1.7%
Other	20	0.1%
Total	18,125	100.00%
Percentage of Loans to Total Assets	43.2%	

FNB's last CRA examination was performed as of January 13, 2004, and resulted in a "Satisfactory" rating. FNB's financial condition does not inhibit its ability to meet credit needs in the assessment area. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

DESCRIPTION OF PALO PINTO COUNTY

The Board has identified Palo Pinto County as the bank's assessment area. This designation consists of whole and contiguous geographies and meets the requirements of the regulation. It does not arbitrarily exclude any low- or moderate-income areas. Information relating to this assessment area is detailed below.

The assessment area is not part of any Metropolitan Statistical Area and has a population of 27,026. The local economy is fairly stable, although starting to feel the effects of a declining national economy. The area was bolstered with the significant Barnett-Shale gas activity, but with declining prices, the once beneficial impact is on the decline. The recreation industry is significant with Possum Kingdom Lake and a State Park near by. The largest employers include the city and county governments, school districts, BJ Services Company, a local prison, and Peco Facet.

Assessment Area	
<i>Population</i>	
Number of Families	7,493
Number of Households	10,618
<i>Geographies</i>	
Number of Census Tracts	9
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	22%
% Middle-Income Census Tracts	78%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for assessment area	\$36,380
2008 HUD-Adjusted MFI	\$43,600
<i>Economic Indicators</i>	
Unemployment Rate	2.38%
2008 Median Housing Value	\$50,684
% of Households Below Poverty Level	15.68%

** 2000 US Census Bureau

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the previous CRA examination dated January 13, 2004. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the 1-4 family and consumer portfolios in order to evaluate the bank’s lending performance within the assessment area (refer to **SCOPE OF THE EXAMINATION** for details). For the Lending to Borrowers of Different Incomes and to Businesses of Different Sizes, we replaced loans originated outside of the assessment area with loans originated inside the assessment area.

Loan-to-Deposit Ratio

FNB’s loan-to-deposit (“LTD”) ratio meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination was used to determine performance in this area. The average LTD ratio for FNB since the last CRA examination was 49.95%. The assessment area and surrounding counties contained 21 other state and national banks with which to compare FNB. The average LTD ratios, for the same period, of these banks ranged from 47.4% and 100.7%. Based on the available information, FNB’s LTD ratio was comparable to the competing banks and indicated that the bank is reasonably meeting the credit needs of the communities served.

Lending in the Assessment Area

FNB’s lending within the assessment areas meets the standards for satisfactory performance.

This section quantifies what proportion of the bank’s lending activity was within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, FNB’s lending efforts are concentrated within the assessment area.

To assess the bank’s performance in this area we used the samples described above. Based on our sample results, a majority of loans were within the bank’s assessment area. The following tables reflect the results of our assessment of the bank’s efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Loans	25	66%	\$1,789	71%	13	34%	\$733	29%
Consumer Auto Loans	12	60%	\$69	62%	8	40%	\$42	38%
Total Reviewed	37	63.8%	\$1,858	70.6%	21	36.2%	\$775	29.4%

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

FNB’s loan distribution to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for CRA purposes. To assess FNB’s efforts, we used the samples described above. Our analysis, detailed in the tables below, indicates the bank is reasonably lending to borrowers of different income levels. Additionally, the bank does not have a minimum loan amount in policy. We reviewed the loan trial and noted a number of loans for \$1 thousand or less, and noted an additional number of other credits for \$1.5 thousand or less. Also, the bank offers an overdraft protection program. These factors indicate the bank is meeting the credit needs of the community.

1-4 Family Loans -

Borrower Distribution of 1-4 Family Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Assessment Area Families	% of Number of Loans	% of Assessment Area Families	% of Number of Loans	% of Assessment Area Families	% of Number of Loans	% of Assessment Area Families	% of Number of Loans
1-4 Family Loans	18.5%	4%	18.8%	8%	22.6%	12%	40.2%	76%

Consumer Auto Loans -

Borrower Distribution of Consumer Auto Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Assessment Area Households	% of Number of Loans	% of Assessment Area Households	% of Number of Loans	% of Assessment Area Households	% of Number of Loans	% of Assessment Area Households	% of Number of Loans
Consumer Auto Loans	22.9%	20%	16.9%	40%	18.1%	15%	42.1%	25%

Geographic Distribution of Loans

FNB’s loan distribution to the different geography income levels meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the assessment area.

As noted before, the bank obtains specific borrower information, including addresses but does not track loans by location for CRA purposes. Therefore, the samples noted earlier were used to assess the bank’s effort in this section. Based on our analysis, FNBs lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table.

GEOGRAPHIC DISTRIBUTION OF LOANS				
Geographic Breakdown *	Moderate Income		Middle Income	
% of Geographies	22.2%		77.8%	
	% of Number	% of Amount	% of Number	% of Amount
1-4 Family Loans	20%	9%	80.0%	91%
Consumer Auto Loans	13%	17%	87%	83%

* There are no Low or Upper Income geographies in the assessment area

Responses to Complaints

FNB has not received any complaints pertaining to its CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.