



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 15, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of the Mid-Cities
Charter Number 17620

4009 Airport Freeway
Bedford, TX 76021-0000

Office of the Comptroller of the Currency

FORT WORTH Field Office
9003 Airport Freeway Suite 275
North Richland Hills, TX. 76180-9127

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

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

The lending performance of the First National Bank of the Mid-Cities, Bedford, Texas, (FNB) reflects satisfactory responsiveness to the community's credit needs. This assessment is based on the following conclusions:

- The bank's 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 income distribution of loans meets the standards for lending activity among borrowers of different income levels and businesses of different sizes.
- The geographical distribution reflects satisfactory distribution into the census tracts (CTs) of different income levels.

SCOPE OF EXAMINATION

The bank has only one designated assessment area; Tarrant County. The evaluation period for our assessment of FNB's CRA efforts, was January 1, 2005 to March 8, 2010. Loan products evaluated included consumer auto loans and general commercial loans. The bank is required to report HMDA information, however, the level of 1-4 family purchase, owner occupied loans was deemed to small to be representative. Also, the bank has a high level of real estate participations purchased, overstating the lending efforts in this area. Therefore our remaining products were consumer auto loans and general commercial loans. Our sample sizes consisted of 60 total loans (20 from each sample product). We performed a full-scope review of FNB's assessment area (see the following pages), which was the basis for our overall rating of FNB's CRA efforts.

DESCRIPTION OF THE FIRST NATIONAL BANK OF THE MID-CITIES

FNB is a full-service community bank located in Bedford, Texas, approximately midway between Fort Worth, Texas and Dallas, Texas. The bank has the main office and a separate drive-up facility one block from the main facility. The drive-up facility also has an ATM for customer convenience.

FNB is independently owned by First Baird Bancshares, a multi-bank holding company. The bank is affiliated through common ownership with the following banks: First National Bank of Weatherford, Weatherford, Texas, First National Bank of Baird, Baird, Texas, and First National Bank in Munday, Munday, Texas.

As of December 31, 2009, FNBMC had total assets of \$32.9 million, gross loans of \$22.4 million, and deposits of \$29.7 million. The bank provides all the traditional banking products and services to meet the needs of the community served. The principal lending focus is primarily consumer-related and is broken out in the following table

Loan Category	\$ (000)	%
Commercial Real Estate Loans	13,225	58.97%
1-4 Family Loans	4,153	18.52%
Commercial Loans	2,653	11.84%
Consumer Loans	2,122	9.46%
Agriculture Production Loans	250	1.11%
Other	22	0.1%
Total	22,425	100.00%
Percentage of Loans to Total Assets	68.1%	

FNB's last CRA examination was performed as of September 23, 2004, and resulted in a "Satisfactory" rating. FNB's financial condition does not inhibit its ability to meet credit needs in its assessment area. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

The Hurst, Euless, Bedford (HEB) communities are served by large number of businesses, which employ a significant number of individuals. The larger employers include the HEB school districts, the HEB hospital, the combined HEB city governments and a number of retail businesses including Wal-Mart, Target, Dillard's and J. C. Penny's. Large commercial businesses include Carter Blood Systems, Inc., Warrentech and Citigroup

DESCRIPTION OF ASSESSMENT AREA

FNB has defined its assessment area as Tarrant County. Tarrant County is located in North Central Texas and is part of the Fort Worth – Arlington Metropolitan Statistical Area. The city of Fort Worth is the economic and business center of Tarrant County. More than 1.45 million residents populate the assessment area. The assessment area is legal and meets the requirements of the regulation. The following table describes the assessment area, including information on demographics, housing, and family data.

Demographic and Economic Characteristics of Tarrant County *	
Population	
Number of Families	371,565
Number of Households	534,019
Geographies	
Number of Census Tracts/BNA	310
% Low-Income Census Tracts/BNA	24
% Moderate-Income Census Tracts/BNA	85
% Middle-Income Census Tracts/BNA	108
% Upper-Income Census Tracts/BNA	93
Median Family Income (MFI)	
2000 Weighted Average for Median Family Income	\$57,945
2000 Census Bureau Estimated Median Household Income	\$65,900
Economic Indicators	
Unemployment Rate	2.36%
2000 Median Housing Value	\$101,614
% of Households Below Poverty Level	9.59%

* Based on the 2000 Census

The primary credit needs in the assessment area include affordable housing, small business loans, and consumer loans. The economy of the area is well diversified. The HEB communities are served by large number of businesses, employing a significant number of individuals. The larger employers include the HEB school districts, the HEB hospital, the combined HEB city governments and a number of retail businesses including Wal-Mart, Target, Dillard's and J. C. Penny's. Large commercial businesses include Carter Blood Systems, Inc., Warrentech and Citigroup

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our conclusions in this section are based on the lending activity since the previous CRA examination dated September 23, 2004. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the consumer auto and general commercial 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 and Geographic Distribution of Loans** 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 subject 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 73%. The assessment area contains 18 other state and national banks with which to compare FNB. The average LTD ratios, for the same period, of these banks ranged from 43% to 191%. 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 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 FNB’s efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer Auto Loans	16	80%	\$158	82%	4	20%	\$35	18%
General Commercial Loans	12	60%	\$979	36%	8	40%	\$1,734	64%
Total Reviewed	28	70%	\$1,137	39%	12	30%	\$1,769	61%

The low level of commercial dollars lent within the assessment area is skewed by 2 large loans

randomly selected. This is not a concern as the majority of the number of loans originated within the assessment area.

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 used for CRA purposes. To assess FNB’s efforts, we used the samples described above. Also, the bank does not have a minimum loan amount in policy. However, from a business practice, lenders are asked to keep the minimum at \$1,000 or higher. 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. The bank also offers a credit card program with the same guidelines. Management stated that while the guidelines are noted, the bank is willing to make exceptions to help meet customer credit needs. In addition to the above, the bank offers an overdraft protection program. These combined factors indicate the bank is meeting the credit needs of the community.

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	21%	25%	18%	25%	20%	20%	41%	20%

10% of the number and 7.5% of the dollar of our sample did not have income information available.

General Commercial Loans -

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76%	4%	20%	100%
% of Bank Loans in AA by #	60%	20%	20%	100%
% of Bank Loans in AA by \$	16%	83%	1%	100%

The dollar amount of our commercial sample is significantly outside the assessment area. This is skewed by 2 large loans randomly selected. This is not a cause for supervisory concern.

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 use this information 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 Sampled Loans in Assessment Area								
AA Geographic Distribution	Low		Moderate		Middle		Upper	
% of Geographies	7.7%		27.4%		34.8%		30.0%	
Loan type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer Auto Loans	5%	12.4%	10%	2.8%	40%	38%	45%	46.8%
General Commercial Loans	0%	0%	15%	74.5%	65%	22.7%	20%	2.8%

Source: 2000 Census Bureau, Sampled Loans

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.