



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 28, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Woodsboro
Charter Number 11379

320 First Street
Woodsboro, TX 78393

Office of the Comptroller of the Currency

San Antonio South Field Office
10001 Reunion Place, Suite 250
San Antonio, TX 785216-4133

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 First National Bank of Woodsboro's (FNB's) lending performance reflects a satisfactory response to community credit needs including low- and moderate-income individuals. This rating is supported by the following factors:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans were made to borrowers located in the bank's AA.
- The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration among businesses of different sizes.
- The bank's AA does not have any low- or moderate-income areas. For that reason, an analysis of the geographical distribution of the bank's lending efforts would not be meaningful.
- There were no Community Reinvestment Act (CRA) complaints filed during this rating period.

GENERAL INFORMATION

The OCC utilizes Walters Kluwer Services (WKFS) CRA Wiz software to support its analysis of an institution's lending performance. In April 2013, WKFS identified incorrect values, based on the 2010 census data within CRA Wiz. Specifically, WKFS determined that the demographic distribution data for family and household income has been incorrectly calculated. This, in turn, caused the number and proportion of families and households in each of the four CRA income categories to be incorrectly calculated, which affected the OCC's analysis of residential and consumer loans that were originated and/or purchased by institutions during 2012. The CRA Performance Evaluation of FNB dated January 28, 2013 included the OCC's analysis of residential and consumer loans that were originated and/or purchased in 2012. In May 2013, WKFS provided corrected demographic data to the OCC, which subsequently has been validated. The OCC is issuing this amended CRA PE as of July 1, 2013 based on the corrected demographic data supplied by WKFS.

SCOPE OF EXAMINATION

This document is an evaluation of the CRA performance of The First National Bank of Woodsboro (FNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 28, 2013. The rating covered the period between February 28, 2007, and January 28, 2013. The agency rates CRA performance of an institution consistent with the provisions set forth in 12 C.F.R. § 25 Appendix A.

The CRA Performance Evaluation (PE) of FNB dated January 28, 2013 included an analysis of residential and consumer loans that originated and/or purchased in 2012. The CRA PE was originally finalized and issued on March 7, 2013, prior to the OCC learning of the data errors in CRA Wiz. Accordingly, after securing corrected demographic data from WKFS, the OCC re-analyzed FNB’s CRA performance.

FNB’s primary loan products are residential real estate, commercial loans, and consumer loans. To evaluate these loans, we selected a sample of loans originated between January 1, 2010, and December 31, 2012. We used demographic and economic data from the 2000 U.S. Census to evaluate the bank’s record of lending for 2010 and 2011. For loans originated in 2012, we used information based on the 2010 U.S. Census.

In evaluating the loan-to-deposit ratio (LTD), we used a comparison of one similarly situated bank over the prior 24 calendar quarters. This bank was selected for analysis based on its proximity, similar size, and similar market area to FNB.

DESCRIPTION OF INSTITUTION

FNB is a locally owned and operated community bank. FNB has its headquarters located in Woodsboro, Texas, and another in Refugio, Texas. Woodsboro is located approximately 50 miles north of Corpus Christi, Texas. Refugio is six miles northeast of Woodsboro. Competition in the AA consists of a local credit union and branches of two larger national banks. Bank lobby and drive-through services are provided Monday through Friday. FNB offers a full range of deposit and loan products and services commensurate with its size, and focuses on residential and consumer lending. Based on its financial condition, the local economy, product offerings, competition, business strategy, and prior performance, FNB has the ability to meet the various credit needs in its community. There are no legal or other impediments that limit the bank's ability to meet the credit needs of the AA. The previous CRA Performance Evaluation rating, dated February 27, 2007, was satisfactory. As of September 30, 2012, FNB’s total assets were \$58.2 million with net loans of \$13 million representing approximately 22 percent of total assets. A summary of lending activity as of September 30, 2012, is reflected in the following table.

Loan Type	\$ (000)	%
Residential Real Estate Loans	5,003	38.04
Consumer Loans	3,331	25.33
Commercial Loans	2,350	17.87
Commercial Real Estate Loans	1,777	13.51
Farm and Farmland Loans	692	5.25
Total	13,153	100.00

DESCRIPTION OF ASSESSMENT AREA

The bank's AA changed with the publishing of the 2010 U.S. Census data. Prior to the 2010 census, the bank defined its AA as two of the three census tracts that made up Refugio County. The two tracts included were the areas that included the towns of Woodsboro and Refugio. After the 2010 census, census tracts were realigned and Refugio County now consists of two census tracts. The bank's current AA is defined as all of Refugio County. Communities located within the county include Woodsboro, Refugio, Bayside, Tivoli, and Austwell. The bank's AA is comprised of two contiguous census tracts. This area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Based on the 2010 Census data, Refugio County has a population of 7,383. There are 3,728 housing units in the AA of which 58 percent are owner-occupied, 17 percent renter-occupied, and 25 percent are vacant. The local economy is based on small retail businesses and agriculture. The AA's major employers are county and city government, Refugio and Woodsboro School Districts, and several service companies.

The following table shows demographic and economic information on the bank's assessment area based on the 2000 census.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA (2000 Census Data)	
<i>Population</i>	
Number of Families	1,862
Number of Households	2,555
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 Census MFI for AA	\$36,318
2010 HUD-Adjusted MFI	\$46,500
2011 HUD-Adjusted MFI	\$48,600
<i>Economic Indicators</i>	
Unemployment Rate	3.00%
2011 Median Housing Value	\$40,685
% of Households Below Poverty Level	17.81%

The following table illustrates the AA's demographic and economic characteristics used to analyze the bank's lending activity for 2012.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA (2010 Census Data)	
<i>Population</i>	
Number of Families	2,786
Number of Households	2,088
<i>Geographies</i>	
Number of Census Tracts	2
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2010 Census MFI for AA	\$52,611
2012 HUD-Adjusted MFI	\$49,300
<i>Economic Indicators</i>	
Unemployment Rate	33.62%
2012 Median Housing Value	\$69,191
% of Households Below Poverty Level	14.93%

To gather current information on the nature of the community and potential lending opportunities within the AA, we contacted a small business development agency that includes Refugio County in its target area. This contact indicated satisfactory involvement by the local financial institution.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The OCC revised its original analysis of the FNB lending based on the corrected family and household income provided by WKFS. This updated analysis did not result in a change to FNB's Lending Test rating and did not result in a change to FNB's Overall CRA rating.

Management is performing satisfactorily and has been successful in meeting the credit needs of its AA, including low- and moderate-income individuals, consistent with its condition, capacity, and resources.

Loan-to-Deposit Ratio

FNB's LTD ratio is reasonable given its asset size, financial condition, competition, and lending opportunities in the AA. This performance is reasonable given the dollar volume of public funds and limited loan demand in the AA. Over the last 24 calendar quarters ending September 30, 2012, the average quarterly LTD ratio equaled 30.75 percent. The bank's LTD ratios varied from 24 percent to 39 percent over this time period. There are no similarly situated financial institutions located in FNB's AA. The First State Bank of Odem is the only similarly situated

bank of comparable asset size located in the counties surrounding the bank’s AA. FNB’s average quarterly loan-to-deposit ratio compares reasonably to First State Bank of Odem’s average for the same time period. The following table compares FNB's ratio to that of the similarly situated bank.

Institution	Total Assets 9/30/12	Average LTD Ratio
<i>First National Bank Woodsboro</i>	58,211	30.75%
First State Bank of Odem	125,791	33.92%

Source: Call Report data.

Lending in Assessment Area

The bank extends a substantial majority of its loans to borrowers located in the AA. For our analysis, we used a random sample of each of the bank’s primary loan types including residential real estate, consumer, and commercial loans made during 2010 through 2012. Of our total sample of 39 loans made between 2010 and 2011, 81 percent of the number of loans was made to borrowers in the AA. The bank extended 88 percent of the sampled loans made in 2012 to borrowers located in the AA.

The following table illustrates loans made in and out of the AA in 2010 and 2011 by both number and dollar volume.

Lending in AA (2010-2011)										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	6	67	3	33	9	283	52	264	48	547
Residential	17	89	2	11	19	746	62	449	38	1,195
Consumer	16	80	4	20	20	80	48	85	52	165
Totals	39	81	9	19	48	1,109	58	798	42	1,907

Source: Loan sample.

The table below displays the bank’s record of lending and out of the AA for loans extended in 2012.

Lending in AA (2012)										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	14	88	2	12	16	537	80	133	20	670
Residential	6	86	1	14	7	390	75	132	25	522
Consumer	18	90	2	10	20	85	92	7	8	92
Totals	38	88	5	12	43	1,012	79	272	21	1,284

Source: Loan sample.

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

The overall loan distribution to borrowers of different incomes and business of different sizes within the AA is reasonable and meets the standard for satisfactory performance. While the bank’s record of residential real estate lending to low- and moderate-income individuals falls below the demographics of the AA, our samples showed an excellent record of consumer lending to persons with low- and moderate-incomes.

To evaluate the bank’s level of residential lending, we sampled 17 residential loans made in the AA in 2010 or 2011 for which the bank maintained income information. We also reviewed the six residential real estate loans made in the AA in 2012. The bank’s record of residential real estate lending to low- and moderate-income individuals is poor and falls below the demographics of the AA. In 2012, the bank made no residential loans to low- or moderate-income individuals. The 2010 to 2011 loan sample indicated that the bank made home loans to low- and moderate-income families, but at a proportionally lower level compared to the percentage of low- and moderate-income families in the AA. The following table lists results from the two samples of residential real estate loans made to borrowers in the bank’s AA.

Borrower Distribution of Residential Real Estate Loans in Assessment Area (2010-2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential Real Estate	22.72	11.76	17.29	11.76	17.88	35.29	42.11	41.19

Source: Loan sample; U.S. Census data.

Borrower Distribution of Residential Real Estate Loans in Assessment Area (2012)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential Real Estate	24.66	0.00	15.71	0.00	24.57	50.00	35.06	50.00

Source: Loan sample; U.S. Census data.

To evaluate the bank’s record of consumer lending, we sampled 40 consumer loans. We reviewed 20 loans the bank made between 2010 and 2011, and 20 loans the bank granted in 2012. The information showed an excellent level of consumer lending to low- and moderate-income individuals for both timeframes. The bank’s record of lending to low-income borrowers was especially strong with the percentage of loans made to low-income individuals more than double the percentage of low-income households for both 2010-2011 and 2012.

This table shows the bank’s record of consumer lending in 2010 and 2011 based on our loan sample. The bank extended 55 percent of the loans sampled to low-income individuals, compared to less than 27 percent of the AA households being designated low-income.

Borrower Distribution of Consumer Loans in Assessment Area (2010-2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	26.58	55.00	15.89	20.00	16.16	15.00	41.37	10.00

Source: Loan sample; U.S. Census data.

FNB’s 2012 record of consumer lending was also excellent with 60 percent of the sample approved to low-income borrowers and another 20 percent to moderate-income individuals.

Borrower Distribution of Consumer Loans in Assessment Area (2012)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	24.23	60.00	16.30	20.00	16.44	15.00	43.04	5.00

Source: Loan sample; U.S. Census data.

FNB makes commercial loans primarily to businesses with gross annual revenues of less than \$1 million. Based on a loan sample of six commercial loans made during 2010-2011 where income information was available, the bank made 83 percent of the loans to businesses with gross annual revenues less than \$1 million. This compares to 58 percent of businesses located in the AA reporting revenues of less than \$1 million.

Borrower Distribution of Loans to Businesses in Assessment Area (2010-2011)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	58.05%	1.42%	40.53%	100%
% of Bank Loans in AA by #	83.33%	16.67%	0.00%	100%
% of Bank Loans in AA by \$	51.78%	48.22%	0.00%	100%

Source: Loan sample; U.S. Census data.

FNB’s record of commercial lending in 2012 was reasonable as well. Per the 2010 Census information, 63 percent of area businesses reported gross annual revenues of less than \$1 million. FNB made 79 percent of the 14 commercial loans we sampled to businesses with revenues less than \$1 million.

Borrower Distribution of Loans to Businesses in Refugio Co Assessment Area (2012)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63.05%	2.13%	34.81%	100%
% of Bank Loans in AA by #	78.57%	21.43%	0.00%	100%
% of Bank Loans in AA by \$	86.03%	13.97%	0.00%	100%

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

An analysis of loan distribution by geographic area would not be meaningful as all three census tracts located in the AA are designated as middle-income areas.

Responses to Complaints

FNB received no complaints relating to its CRA performance during the 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.