



PUBLIC DISCLOSURE

July 31, 2023

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank of Granbury
Charter Number: 3727
101 E. Bridge Street
Granbury, Texas 76048

Office of the Comptroller of the Currency
Dallas/Fort Worth Office
225 E. 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 (CD) Test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on performance in Hood County and Johnson County assessment areas (AAs).
- The CD Test rating is based on performance in the Hood County and Johnson County AAs.
- The bank's 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 distribution of loans to individuals 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 AA(s), the bank's LTD ratio is reasonable. The First National Bank of Granbury's (FNB or bank) quarterly LTD ratio averaged 49.21 percent during the 24-month evaluation period ending December 31, 2021. Over this period, the bank's quarterly LTD ratio ranged from a low of 44.02 percent to a high of 58.75 percent. We compared the bank's LTD ratio to six similarly situated banks. The average LTD ratio for the peer banks was 51.60 percent. FNBs average LTD ratio is slightly below that of peer banks because FNB sells a significant portion of its one- to four-family residential loans to secondary market investors. Since the last evaluation, January 1, 2017 through December 31, 2019, the bank has originated and sold 2,280 loans totaling \$595 million. If these loans were maintained in the bank's portfolio, the LTD would be much higher.

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.

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	608	72.4	232	27.6	840	132,597	63.9	74,920	36.1	207,517
Small Business	54	84.4	10	15.6	64	9,603	76.4	2,961	23.6	12,564
Total	662	73.2	242	26.8	904	142,200	64.6	77,881	35.4	220,081

Description of Institution

FNB is a community bank chartered in 1887 in Granbury, Hood County, Texas. The bank is wholly owned by First Granbury Bancorporation, a single bank holding company headquartered in Granbury, Texas. FNB is the primary asset of the holding company and there are no subsidiaries or affiliates.

FNB had total assets of \$908 million as of December 31, 2021. This included total loans of \$366 million, or 40 percent of total assets, and total deposits of \$819 million. Outstanding loans by category include one- to four-family residential real estate at 36 percent of the portfolio, commercial real estate loans at 39 percent of the portfolio, commercial and industrial loans at 9 percent of the portfolio, agriculture/agriculture real estate at 9 percent of the portfolio, and consumer loans at 6 percent of the portfolio. Total tier 1 capital as of December 31, 2021, was \$85 million, for a tier 1 leverage ratio of 9.73 percent.

FNB is a single state institution and has two AAs, Hood County and Johnson County. FNB operates five full-service branches located throughout Hood County, two mobile branches used to provide services to senior living facilities, and a branch in Johnson County. FNB also has a mortgage operation, FNB Mortgage Group, that operates in Granbury. The branches are open 9am to noon on Saturday. Each location has a motor bank which opens at 8am and closes at 6pm daily. The motor banks are open 9am

to noon on Saturdays. Additionally, each full branch location has an ATM available 24/7. During the evaluation period, the bank opened a Northside ATM Center.

FNBs lending strategy focuses on the origination of commercial, one- to four-family residential (purchase and construction), and consumer loans. 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. There was no merger or acquisition activity during the assessment period.

FNB received a “Satisfactory” rating at their last CRA evaluation dated July 6, 2020. There are no legal or financial impediments to FNBs ability to meet the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNB was evaluated under the interagency Intermediate Small Bank (ISB) CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank’s performance under the Lending Test and CD Test. The Lending Test evaluates the bank’s record of meeting credit needs of the AAs through its lending activities. In evaluating the bank’s lending performance, we identified commercial loans and residential real estate as the bank’s primary loan products. The CD Test evaluates the bank’s responsiveness to CD needs in its AAs through loans, investments, and services that meet the regulatory definition of CD activities.

Loan information used for this evaluation included HMDA data from 2020 and 2021 as well as commercial loan data for loans originated in 2020 and 2021. We did not incorporate 2022 calendar year performance due to changes associated with the 2020 census and the unavailability of 2022 aggregate peer lending data at the start of this CRA evaluation. The CD test is based on the bank’s CD activities between January 1, 2020 and December 31, 2021 to coincide with the review period of the lending test.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

FNB has delineated two AAs in Texas consisting of all whole Census Tracts (CTs) within Hood County and all whole CTs within Johnson County. Johnson County makes up a portion of the Fort Worth-Arlington-Grapevine MSA; it is allowable for the bank to designate only part of the MSA as an AA, given the size and location relative to the MSA. The AAs meet the regulatory requirements, do not

reflect discrimination, and do not arbitrarily exclude any low- or moderate-income (LMI) geographies. We performed a full-scope review of both the Hood County and Johnson County AAs.

Ratings

The bank's overall rating is based on performance in the state of Texas. The state rating is based on the performance in all of the bank's AAs. FNB's primary loan products are one- to four-family mortgage loans and small business loans, and each product was given equal weight in the analysis. Refer to the "Scope" section under the State 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 has 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 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 distribution of loans across geographies of different income levels is reasonable.
- The distribution of loans to individuals of different income levels and businesses of different sizes is reasonable.
- FNBs CD performance exhibits adequate responsiveness to the CD needs of its AAs in Texas through CD loans, qualified investments, and CD services.
- The bank did not receive any CRA related complaints during the evaluation period.

Description of Institution's Operations in Texas

The bank operates in two AAs located in Texas as described in the "Description of the Institution" section of this Performance Evaluation: Hood County, a non-MSA and Johnson County, a part of the Fort Worth-Arlington-Grapevine MSA.

Competition

Competition for deposits in the AAs is significant. FNBs deposit lending activities are primarily in the Hood County AA. According to the June 30, 2020, FDIC Market Share Report, FNBs deposits in the AA totaled \$821 million, or 45.64 percent of the deposit market share in the AA. FNB ranked 1st out of 13 reporting financial institutions in the AA. Competing financial institutions include other community banks, larger national and regional banks, as well as several mortgage/financial companies. In the Johnson County AA, FNB has just \$31 million or 1.04 percent of the deposit market share and ranks 14th out of 19 financial institutions. The bank's low level of market share in the Johnson County AA is a reflection of the competition from larger national banks, as well as regional and community banks. As of June 30, 2022, approximately 96.37 percent of FNB's deposits are located in Hood County AA, while only 3.63 percent are held in Johnson County AA.

We contacted representatives from organizations with knowledge of local economic conditions for the purpose of determining a community profile and identifying opportunities for participation by local financial institutions. The first community contact organization assists in developing the economic base of employment through infrastructure study and actions related to education, environment, government affairs, transportation, and watershed. This is non-profit organization primarily funded by its members, partners, and private donations that serves the Hood County AA. The second community contact is an organization that provides services targeted to low-income households including utility assistance, non-

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.

emergency rental assistance, and education and financial management. The organization serves a nine-county region of North Central Texas that includes Hood and Johnson Counties. The primary credit needs in the AAs remain financing for small businesses. According to both contacts, the financial institutions in the area are helpful to small businesses and meet their credit needs.

Demographics

The following table provides a summary of demographics, including population, housing, and business information, for both Hood County and Johnson County AAs.

Hood County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hood County AA 2021						
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	25,350	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	6,144	0.0	0.0	31.9	68.1	0.0
Farms by Geography	253	0.0	0.0	40.3	59.7	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			\$885
			Families Below Poverty Level			7.9%
<i>Source: 2015 ACS and 2021 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>						

Geographic Distribution of the Population

There were no LMI CTs in the Hood County AA. According to the 2015 ACS Census data, the area population for Hood County AA was 53,171 with zero percent residing in moderate-income CTs in the AA, 21,003 (39.5 percent) residing in middle-income CTs, and 32,168 (60.5 percent) residing in upper-income CTs.

Johnson County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Johnson County AA 2021						
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	12,467	5.2	10.4	58.8	25.7	0.0
Farms by Geography	484	1.2	7.2	64.3	27.3	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 - 23104 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 2021 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>						

Geographic Distribution of the Population

According to the 2015 ACS census data, the area population for Johnson County AA was 155,450 with 21,141 (13.6 percent) residing in moderate-income CTs in the AA, 100,576 (64.7 percent) residing in middle-income CTs, and 29,225 (18.8 percent) residing in upper-income CTs.

Scope of Evaluation in Texas

The Hood County AA continues to hold the largest share of the bank's deposits and largest volume of lending. As discussed above, a full-scope review was performed on both of the bank's AAs. However, more weight will be given to performance in Hood County AA, given this represents the market where the bank has the most predominant deposit concentration, lending activity, and branch distribution. Refer to table in Appendix A "Scope of Examination" for a list of all AAs under review.

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 a 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 a 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.

Hood County AA

For 2020-2021, a geographic distribution analysis was not completed for Hood County AA as there were no LMI CTs in the AA.

Johnson County AA

For 2020-2021, the bank reported no mortgage loans to individuals living in low-income geographies. There is only one low-income CT in the AA. Only 1.4 percent of owner-occupied housing units are located in these geographies, thus limiting opportunities. For moderate-income geographies, the bank's home mortgage lending was lower than owner-occupied housing and lower than the aggregate lending. The Johnson County AA is in a location with high level of competition from larger regional and national banks and FNB has a small deposit market share of 1.04 percent in the AA.

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.

Hood County AA

For 2020-2021, a geographic distribution analysis was not completed for Hood County AA as there were no LMI CTs in the AA.

Johnson County AA

There is only one low-income CT in the AA. The bank's small business lending in low- and moderate-income geographies exceeded both the number of small businesses and the aggregate lending in these geographies.

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 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.

Hood County Non-MSA AA

For 2020-2021, 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 mortgage lending in the AA to moderate-income borrowers was lower than the percentage of moderate-income families, and near to the aggregate lending to moderate-income borrowers.

Johnson County AA

In 2020-2021, the bank's mortgage lending to low-income borrowers was near the aggregate lending to low-income borrowers and lower than the percentage of families identified as low-income. The bank's mortgage lending to moderate-income borrowers was somewhat lower than the aggregate lending to moderate income borrowers and lower than the percentage of families identified as moderate-income. The bank's ability to fully penetrate the LMI borrower demographic was impacted by temporary increase in unemployment rate due to COVID-19 and the high housing costs.

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.

Hood County Non-MSA AA

In 2020-2021, the percentage of the bank's loans to businesses with revenues less than or equal to \$1 million was lower than the percentage of businesses identified as having revenues of \$1 million or less but exceeded the aggregate level of lending to these businesses.

Johnson County AA

In 2020-2021, the percentage of the bank's loans to businesses with revenues less than or equal to \$1 million was lower than the percent of businesses identified as having revenues of \$1 million or less, and near the aggregate level of lending to these businesses. The Johnson County AA is in a location with high level of competition from larger regional and national banks and FNB has a small deposit market share of 1.04 percent in the AA.

In addition, this analysis is skewed by the fact that 23 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 \$50,000. As a result, revenue information is not consistently collected for these small dollar loans. Loans with original amounts of less than \$50,000 comprise 65 percent of the small business sample for the AA. 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 CD Test in the state of Texas is rated Satisfactory.

Conclusions for Areas Receiving a Full-Scope Reviews

Based on a full-scope review, the bank exhibited adequate responsiveness to CD needs in the state through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank's assessment areas.

Number and Amount of Community Development Loans

The CD 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.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Hood County	156	95.71	4,466	94.16
Johnson County	7	4.29	277	5.84

Hood County AA

The level of CD lending in the Hood County AA demonstrates adequate responsiveness. FNB made 94.16 percent of its CD loans in the AA which represents 5.44 percent of the bank's allocated tier 1 capital. The bank originated 89 loans totaling \$2.3 million in loans under the SBA Payroll Protection Program (PPP) to help stabilize small businesses and their employees impacted by the COVID-19 pandemic, 66 loans totaling \$1.5 million in economic development loans to support local small businesses, and a \$657,000 loan to a non-profit that provides community services to LMI individuals.

Johnson County AA

The level of CD lending in the Johnson County AA demonstrates adequate responsiveness. FNB made 5.84 percent of its CD loans in the AA which is 8.96 percent of the bank's allocated tier 1 capital. The bank originated seven loans totaling \$277,000 under the SBA PPP to help stabilize small businesses and their employees impacted by the COVID-19 pandemic.

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	1000	57	37	58	86.57	1,027	17.15		
Johnson County	1	236	3	3	4	5.97	241	4.02		
Statewide with Indirect Benefit			5	4,721	5	7.46	4,721	78.83	3	991

* 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.

Hood County AA

FNB demonstrated adequate responsiveness to CD needs through qualified investments, donations, and grants in the Hood County AA. During the evaluation period, the bank continued its \$1 million investment toward residential safety services for LMI seniors. Additionally, FNB made \$37,000 in qualifying donations to 10 CD organizations. The largest donation was made to United Way of Hood County (\$10,500). These organizations provide social services to LMI individuals and those displaced by natural disasters. The majority of the charitable donations were to organizations in Hood County AA. There is minimal CD investment opportunities in Hood County since there are no LMI tracts and the local institution continues to meet the credit needs of the AA.

Johnson County AA

FNB demonstrated adequate responsiveness to CD needs through qualified investments and donations relative to the size and scale of bank operations in the Johnson County AA. During the evaluation period, the bank continued its \$236,000 investment toward providing social services for LMI individuals. Additionally, FNB made \$3,000 in qualifying donations to two CD organizations. The bank made significant donations to Johnson County Children's Advocacy Center (\$2,250) and Cleburne ISD Education Foundation (\$750). These organizations provide social services to LMI individuals.

FNB maintains additional investments with \$4.7 million outstanding in Small Business Investment Companies funds. These investments were made during the evaluation period. These funds promote economic development by providing financing to small businesses. Proceeds were used to finance businesses located outside the AAs, but in a broader statewide area.

Extent to Which the Bank Provides Community Development Services

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

Hood County AA

The bank's level of CD services demonstrates adequate responsiveness. During the evaluation period, 10 employees provided more than 1,011 service hours to seven qualified organizations within the AAs. Bank staff serve as board members, and provide financial planning, fundraising/marketing, and

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

budgeting expertise. The organizations are engaged in a variety of community services targeted at LMI individuals and families.

Examples of CD services during the evaluation period include:

- A vice president (VP) completed 270 hours while serving on the board of an organization that promotes community services targeted to the LMI community in Hood County.
- A VP completed 81 hours serving on the board of the local housing authority which manages public housing under HUD guidelines.
- A VP completed 90 hours while serving on the board 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. This employee also completed 90 hours serving on the board and provided marketing and fundraising expertise to a local mission that provides community service targeted at LMI individuals' necessities.

Johnson County AA

The level of qualified services in the Johnson County AA demonstrates poor responsiveness. During the evaluation period, there were no employees that provided qualified service in the local community. However, it is acknowledged that COVID-19 resulted in reduced opportunities for in-person community development volunteerism. Considering this, coupled with the bank's limited operations in the AA, this performance had a neutral impact on the overall Service Test rating.

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:	01/01/2020 to 12/31/2021 – Lending Test 01/01/2020 to 12/31/2021 – 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	Entire county consisting of 10 whole census tracts.
Johnson County AA	Full-Scope	Entire county consisting of 28 whole census tracts. The county is part of the Fort Worth-Arlington-Grapevine 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.

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 2021	550	116,996	90.5	4,019	0.0	0.0	0.0	0.0	0.0	0.0	36.6	29.3	32.8	63.4	70.7	67.2	0.0	0.0	0.0
Johnson County AA 2021	58	15,602	9.5	10,745	1.4	0.0	1.1	10.9	3.4	7.9	64.4	87.9	71.5	23.3	8.6	19.5	0.0	0.0	0.0
Total	608	132,597	100.0	14,764	1.0	0.0	0.8	7.7	0.3	5.8	56.3	34.9	61.0	34.9	64.8	32.5	0.0	0.0	0.0

*Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

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 2021	550	116,996	90.5	4,019	21.3	2.7	1.7	18.2	6.5	6.9	22.3	14.2	15.2	38.3	67.8	54.8	0.0	8.7	21.4
Johnson County AA 2021	58	15,602	9.5	10,745	19.9	3.4	3.6	21.1	10.3	13.8	21.9	15.5	22.0	37.1	53.4	33.8	0.0	17.2	26.8
Total	608	132,597	100.0	14,764	20.3	2.8	3.1	20.4	6.9	11.9	22.0	14.3	20.1	37.4	66.4	39.5	0.0	9.5	25.4

*Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

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	28	6,906	51.9	1,624	0.0	0.0	0.0	0.0	0.0	0.0	31.9	50.0	30.0	68.1	50.0	70.0	0.0	0.0	0.0
Johnson County AA	26	2,697	48.1	4,299	5.2	15.4	4.0	10.4	34.6	9.2	58.8	50.0	60.5	25.7	0.0	26.3	0.0	0.0	0.0
Total	54	9,603	100.0	5,923	3.5	7.4	2.9	6.9	16.7	6.7	49.9	50.0	52.1	39.7	25.9	38.3	0.0	0.0	0.0

*Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

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	28	6,906	51.9	1,624	90.2	75.0	43.0	2.7	25.0	7.1	0.0
Johnson County AA	26	2,697	48.1	4,299	87.9	42.3	44.5	3.8	34.6	8.4	23.1
Total	54	9,603	100.0	5,923	88.6	59.3	44.0	3.4	29.6	8.0	11.1

*Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.