



## **PUBLIC DISCLOSURE**

August 01, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number 20078

3801 Fairway Boulevard, Wichita Falls, TX 76310-2402

Office of the Comptroller of the Currency

225 E. John Carpenter Fwy, Suite 900, Irving, TX 75062

**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 Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable.
- Although a majority of loan originations and purchases are outside the bank's assessment areas (AAs), when performance context issues are considered, the bank's overall efforts to meet the credit needs of its AAs are adequate.
- The distribution of residential loans among borrowers of different income levels exhibits a reasonable penetration. The distribution of loans to businesses of different sizes is excellent.
- The bank's geographic distribution of residential and business loans to low- and moderate-income (LMI) census tracts reflects a reasonable dispersion.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.
- The overall level and responsiveness of community development (CD) lending, investments, and services is adequate.

## **Scope of Examination**

This Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from August 26, 2013, the date of the prior PE, through August 1, 2016, the date of the current evaluation. However, the Lending Test concentrated on activity from January 1, 2014 to June 30, 2016. We identified commercial and commercial real estate loans (business loans) and residential real estate loans as the bank's primary loan products.

First National Bank (FNB or bank) became subject to the interagency Intermediate Small Bank (ISB) CRA evaluation procedures on January 1, 2015. In addition to the Lending Test, ISBs are evaluated under the Community Development Test. Our consideration of CD activity - loans, investments and services - extended from January 1, 2015 to our current evaluation date of August 1, 2016. To ensure a complete review of FNB's community responsiveness, we included in our evaluation any CD activities in which the bank was engaged dating back to the prior PE dated August 26, 2013.

In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2014, 2015 and 2016.

This evaluation is based on accurate data as follows:

- We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages reported by the bank to verify the accuracy of data used for this evaluation. We found the data reliable to use for this evaluation.
- To evaluate FNB's performance relative to business lending, for each of the two AAs we selected a random sample of 20 business loans that were originated and purchased during this timeframe. Based on our testing of the sampled loans, we found the aggregate data reliable to use for this evaluation. Relative to Table 1 in this PE, we used the entire population of originated and purchased business loans. Table 3A was completed for the Wichita Falls AA using the population of business loans that were originated and purchased within the AA.

We did not consider the activities of affiliates in this evaluation.

We conducted a full-scope review of the Wichita Falls AA that consists of Wichita and Archer Counties, both located in the Wichita Falls, TX MSA. A full-scope review considers complete performance context information, quantitative factors and qualitative factors. This AA received the full-scope review because 84 percent of the bank's deposits, 50 percent of its offices, and 72 percent of the number of HMDA reported and business loans are in that geography.

We performed a limited review of the Southlake AA that consists of 23 census tracts (CTs) in a northeastern portion of Tarrant County and three CTs in a portion of southern Denton County. Tarrant County is included in the Fort Worth-Arlington, TX MD. Denton County is part of the Dallas-Plano-Irving, TX MD. Both MDs comprise the Dallas-Fort Worth-Arlington MSA. Combining both or part of the two MDs within their MSA meets the CRA regulation's technical requirements for an AA. All 26 CTs are adjacent and contiguous. We found no significant or unexplained gaps in the AA. Limited-scope reviews consider primarily quantitative factors with performance context data limited to the comparable demographics.

## **Description of Institution**

FNB is a full-service community bank located in Wichita Falls, Texas, which is 105 miles northwest of Fort Worth. The bank was established in 1986. FNB is wholly-owned by *Wichita Falls Bancshares, Inc.* The previous CRA evaluation, dated August 26, 2013, assigned a "Satisfactory" rating to the bank.

In addition to its community bank activities, a key segment of the bank's business is its mortgage banking operation that is based in the Southlake AA. Mortgage banking activities are centered in conforming conventional, FHA, VA, and jumbo loans. The mortgage originations are almost exclusively home purchase and refinance. The loans are sold, with recourse, to investors through the secondary market. FNB's mortgage loan disbursement is heavily concentrated in the Southlake AA in addition to an even disbursement throughout the Dallas-Fort Worth Metroplex that includes Dallas, Tarrant, Denton and Collin Counties. This is due to the competitive market of tight housing inventory across the various counties coupled with low mortgage rates. The bank utilizes technology to capture and obtain new customers by application intake via FNB's website. In addition, FNB has loan production offices (LPOs) in Southlake and Plano.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AAs. The bank offers a full-range of loan and deposit services.

As of June 30, 2016, net loans were 90 percent of FNB's total assets of \$458 million. The following table is a summary of FNB's loan portfolio:

<b>First National Bank Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (000's)</b>	<b>Percentage</b>
Construction, Agriculture and Other	184,850	45%
Residential Real Estate	116,229	28%
Commercial and Commercial Real Estate	102,352	25%
Consumer	6,672	2%
<b>Total Loans</b>	<b>410,103</b>	<b>100%</b>

*Source: June 30, 2016 Report of Condition.*

The bank maintains four banking centers and three mortgage offices. The banking offices include the main office and a branch office in Wichita Falls, TX, and two branch offices in Southlake, TX. The Southlake branch located at 431 E. State Hwy. 114, Suite 100 was opened in January 2016. The loan production/mortgage offices are located in Wichita Falls, TX; Southlake, TX; and Plano, TX. All banking offices are located in upper-income CTs.

FNB's physical offices are its primary delivery system for retail products and services. The main office and two of the branches have drive-up facilities with extended hours and a 24-hour ATM. Saturday hours are offered at the drive-up facility at the main office. Additionally, there are three standalone ATMs with 24-hour access to serve the customer base – two in Southlake Town Square and one inside the Kell West Regional Hospital in Wichita Falls.

FNB's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as small business owners throughout the bank's AAs. FNB offers on-line banking through its web site, [www.fnbt.com](http://www.fnbt.com). A recent upgrade of on-line banking and the mobile app allows customers to bank at no charge at any time from any location. Telephone banking in English and Spanish is available. ATM services are available in English and Spanish. Each bank location has employees who speak Spanish. FNB offers secured and unsecured small dollar personal loans to qualified customers. The bank also offers start-up and working capital loans for small businesses. FNB is an approved lender for the *USDA Rural Housing Home Loan Program* that works with LMI families to purchase, build, rehabilitate, improve or relocate a dwelling in an eligible rural area.

The bank has partnered with the City of Wichita Falls through its *First Time Home Buyers Program* to assist LMI individuals and families in obtaining financing to purchase a residence. One form of assistance is under the *Federal Home Loan Bank of Dallas's (FHLB) Homebuyer Equity Leverage Program (HELP)*. Through June 30, 2016 FNB closed two loans totaling \$158,000 under the *HELP* program. Through *HELP* the FHLB provides grants through its members (the bank is a participating lender) to first-time homebuyers who meet income qualifications. FNB assists the applicant in obtaining these grants, which are on a first-come, first-served basis. The maximum *HELP* award per household is \$7,000 for down-payment assistance provided the homebuyer contributes \$500 and completes a homebuyer counseling program. The FHLB also contributes up to \$350 towards closing costs. The borrower's household income cannot exceed 80 percent of the area's median income.

## **Description of Assessment Areas**

FNB has two AAs:

- Wichita Falls AA consisting of all of Wichita County and Archer County, and
- Southlake AA that includes a northeastern portion of Tarrant County and a southern portion of Denton County.

Demographic and economic information for each of the AAs is reflected in the following table:

<b>Demographic and Economic Data for the AAs</b>		
<b>Assessment Area</b>	<b>Wichita Falls</b>	<b>Southlake</b>
<b>Population</b>		
Number of Families	34,587	40,393
Number of Households	51,964	51,001
<b>Geographies</b>		
Number of Census Tracts	40	26
% Low-Income Census Tracts	5%	0
% Moderate-Income Census Tracts	27.5%	0
% Middle-Income Census Tracts	37.5%	23.08%
% Upper-Income Census Tracts	27.5%	73.08%
% N/A Census Tracts*	2.5%	3.85%
<b>Median Family Income (MFI)</b>		
2010 MFI for AA	\$56,649	\$125,684
2015 FFIEC Updated MSA MFI	\$59,300	\$70,500
<b>Economic Indicators</b>		
Unemployment Rate – Wichita County	4.6%	
Unemployment Rate – Archer County	4.7%	
Unemployment Rate – Tarrant County		4.1%
Unemployment Rate – Denton County		3.6%
2010 Median Housing Value	\$92,196	\$278,860
% Households Below Poverty Level	14.74%	4.28%
% Households Receiving SS	28.69%	15.04%
% Households Retired	19.11%	12.93%

\*Geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, 2015 FFIEC updated MFI, and Bureau of Labor Statistics.

### Wichita Falls AA

This AA includes 40 CTs across two entire counties – 37 in Wichita County and three in Archer County. The City of Wichita Falls is the county seat and the largest city in the AA with a population of 104,553 at the 2010 Census. Several other cities are located in the AA including Burkburnett, Iowa Park, Electra, Archer City, and Pleasant Valley. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Two of FNB's four branches are located in this AA. According to the June 30, 2015 FDIC Deposit Market Share Report, 15 banks operate 45 branches within the AA. FNB WF is ranked sixth overall holding 10.94 percent of the total market share.

Major employers in the Wichita Falls area include *Sheppard Air Force Base, Wichita Falls Independent School District, North Texas State Hospital, United Regional Health Care System, the City of Wichita Falls, and Midwestern State University.*

The Wichita Falls AA economy has declined in recent years and is currently flat. The oil and gas industry has been the most recent decline, which resulted in several layoffs and the closing of related businesses. According to one of the community contacts, four large manufacturing companies have closed operations over the last seven years. As shown in the table above, the unemployment rates for Wichita and Archer Counties are 4.6 percent and 4.7 percent, respectively. They are slightly below the Texas unemployment rate of 4.8 percent and the 4.9 percent U.S. rate. Of the total number of businesses and farms in the AA, 69 percent have 1-4 employees and 72 percent earn less than \$500,000 of annual revenue. Approximately 27 percent of the businesses in this AA are located in LMI CTs.

As noted in the demographic data table, two of the 40 CTs are designated low-income tracts and 11 are moderate-income tracts. The aggregate LMI CTs represent 32.5 percent of the total geographies in the AA. The poverty level for this AA is 14.7 percent and over 28 percent of households receive social security income. There are no middle-income CTs in this AA that are distressed or underserved.

The City of Wichita Falls operates under the *Wichita Falls Vision 20/20 Plan* that serves as a guideline for growing its economic base by the year 2020. The *20/20 Plan* was originally created to provide strategies for economic diversification in the event *Sheppard Air Force Base* is closed or its mission reduced. It also serves as the *Downtown Master Plan* as well as the *Parks Plan*. As part of the *20/20 Plan* the City of Wichita Falls has designated a *Tax Increment Financing Reinvestment Zone (TIFRZ)* to help facilitate the revitalization and development of the core of the city. The *TIFRZ* includes most of downtown Wichita Falls, including numerous historic buildings such as the *Depot Square Historic District*, the central business district, and four municipal parks. It also include the farmers market, the *Wichita Falls Travel Center*, the *Wichita County Courthouse*, the *Kemp Center for the Arts*, and the city's library and recreation facility.

Two community contact interviews were conducted at this CRA evaluation. Both contacts were with officials of non-profit organizations that specifically serve LMI individuals and families in the Wichita Falls AA. Both officials indicated the greatest credit needs of the area are 1-4 family home loans, small personal loans, and small business loans. Both contacts stated that local financial institutions are responsive to the credit needs and activities of the community.

### Southlake AA

This AA consists of 23 CT located in the northeastern portion of Tarrant County and 3 CT located in the southern portion of Denton County. Cities within this AA include Southlake, Keller, Roanoke, Trophy Club, and part of Colleyville. As of the 2010 census, the populations of the cities of Southlake and Keller were 26,575 and 39,627 respectively. The largest employers in Southlake and Keller are *Sabre Holdings*, Carroll ISD, and Keller ISD.

Two of the bank's four branches are located in this AA. The June 30, 2015 *FDIC Deposit Market Share Report* shows that 31 institutions operate 80 branches in this AA. FNB is ranked 17th with a 0.87 percent share of the deposit market.

As noted in the demographic data table, this AA contains no LMI geographies or middle-income CTs that are distressed or underserved. Of all the businesses in the AA, 78 percent have annual revenues of \$500,000 or less. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the Lending Test is rated "**Satisfactory**".

### Loan-to-Deposit Ratio

FNB's LTD ratio is more than reasonable given the bank's size, location, local competition, and the credit needs of the AAs. This determination is based on the quarterly average LTD ratio of 101.9 percent from December 31, 2012 through March 31, 2016. During this evaluation period, FNB's LTD ratio ranged from a low of 89.0 percent to a high of 114.2 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSIs). All are community banks with less than \$1 billion in assets that actively offer similar loan products and have branch locations in the AAs.

The quarterly average LTD ratio for each SSI is listed in the following table. Please note that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Financial Institutions</b>	<b>Total Assets \$ (000's) (As of 3/31/2016)</b>	<b>Average Loan-to- Deposit Ratio</b>
Bank of the West	416,667	72.3%
Fidelity Bank	427,253	84.0%
First Bank	349,600	96.5%
<b>First National Bank</b>	<b>431,414</b>	<b>101.9%</b>
Woodhaven Bank	566,549	82.4%

*Source: Institution Reports of Condition from December 31, 2012 to March 31, 2016.*

## Lending in Assessment Area

As the following table (Table 1) indicates, 48 percent of the bank's lending was made inside its designated AAs during the review period. Although the majority of loans were originated or purchased outside the AAs, when the performance context factors associated with the AAs are considered, this is a reasonable level of performance.

<b>Table 1 - Lending in Combined AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	555	31.73	1,194	68.27	1,749	147,893	31.37	323,586	68.63	471,479
Home Improvement	1	100.00	0	0.00	1	618	100.00	0	0.00	618
Home Refinance	213	32.18	449	67.82	662	86,706	36.09	153,530	63.91	240,236
Business	1,319	67.64	631	32.36	1,950	137,394	59.55	93,317	40.45	230,711
<b>Total</b>	<b>2,088</b>	<b>47.87</b>	<b>2,274</b>	<b>52.13</b>	<b>4,362</b>	<b>372,611</b>	<b>39.51</b>	<b>570,433</b>	<b>60.49</b>	<b>943,044</b>

*Source: Data reported under HMDA; Aggregate bank loan data.*

As discussed in the *Description of Institution* section, FNB operates a mortgage banking operation serving a wider retail market primarily through non-branch delivery avenues such as its website and LPOs. FNB's mortgage loan disbursement is heavily concentrated across the Dallas-Fort Worth Metroplex (Metroplex) which consists of Dallas, Tarrant, Denton and Collin Counties and includes the Southlake AA. This lending in areas neighboring the Southlake AA is due to the competitive market of tight housing inventory across the various counties coupled with low mortgage rates. During the review period, 72 percent of FNB's HMDA reported loans were originated inside the Metroplex. Although the Southlake AA is part of the Metroplex, FNB cannot reasonably be expected to serve all four counties due to their large populations, competitive banking environments, and the absence of any branch offices outside of Southlake. Consequently, they are not included in the AA.

As noted in the *Scope of Examination* section, we used the entire population of loans originated and purchased during the evaluation period to complete Table 1. The bank provided loan data was sampled and determined to be reliable.

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

The borrower distribution of loans in the Wichita Falls AA is reasonable. The bank's performance relative to the Southlake AA is consistent with the results of the Wichita Falls AA.

### **Wichita Falls AA**

The borrower distribution of loans in the Wichita Falls AA to borrowers of different income levels is reasonable. The distribution of home mortgage loans among borrowers of different income levels is reasonable. The distribution of business loans reflects an excellent penetration among businesses of different sizes.

As detailed in Table 2 below, in each loan category, the bank's 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers lags the percentage of families in those income levels. Although FNB's distribution of home purchase and refinance loans to moderate-income borrowers is below the demographic it is still considered reasonable when considering the 15 percent poverty rate and the high level of lender competition in the AA. Low-income applicants typically have difficulty qualifying for residential loans so a reduced level of lending is expected. The bank's overall distribution of residential loans to LMI borrowers is reasonable.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.06	6.03	17.44	14.66	22.74	24.57	39.76	54.74
Home Improvement	20.06	0.00	17.44	0.00	22.74	0.00	39.76	100.00
Home Refinance	20.06	0.00	17.44	16.67	22.74	18.75	39.76	64.58

Source: Data reported under HMDA; U.S. Census data.

As noted in the *Scope of Examination* section, we considered a sample of 20 business loans FNB originated inside the Wichita Falls AA from January 1, 2014 through June 30, 2016 in our analysis. As illustrated in Table 2A below, the percentage of loans by number to small businesses (95 percent) exceeds the percentage of small businesses in the AA (76 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (37 percent) is well below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.25	4.78	18.97	100%
% of Bank Loans in AA by #	95.00	5.00	0.00	100%
% of Bank Loans in AA by \$	36.54	63.46	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

**Limited-Scope AA**

Based on limited-scope reviews, the bank’s performance for borrower distribution in the Southlake AA is consistent with the results of the Wichita Falls AA. The distribution of business loans also reflects an excellent penetration among businesses of different sizes. The distribution of home mortgage loans in the Southlake AA is not as favorable as in the Wichita Falls AA. As shown in the table in the *Description of Assessment Areas* section, the average median housing value in the Southlake AA is \$279,000 compared with the AA’s median family income (MFI) of \$126,000. The average median housing value in the Wichita Falls AA is \$92,000 compared with its \$57,000 MFI, giving that AA the more favorable affordability index. Based on the difficulty an LMI family would have qualifying for a mortgage loan in the Southlake AA, we consider the bank’s performance for borrower distribution of home mortgage loans in the Southlake AA to be consistent with the results of the Wichita Falls AA.

**Geographic Distribution of Loans**

The geographic distribution of loans in the Wichita Falls AA is reasonable. No meaningful conclusions can be drawn relative to the geographic distribution of loans in the Southlake AA as there are no low- or moderate-income CTs in that AA. We did not identify any material or unexplained gaps in our analysis of lending in the AAs.

**Wichita Falls AA**

The geographic distribution of loans in the Wichita Falls AA is reasonable. The distribution of home mortgage and business loans reflects a reasonable dispersion across the LMI CTs. The AA has two low-income tracts and 11 moderate-income geographies that represent 5 percent and 28 percent, respectively, of its 40 total CTs.

The bank’s geographic distribution of home loans in the Wichita Falls AA demonstrates a reasonable dispersion throughout the LMI CTs. As detailed in Table 3 below, the percentage of home loans originated in the low-income CTs exceeds the percentage of owner-occupied units for home purchase and refinance loans. The percentage of home loans made in the moderate-income CTs is below the percent of owner-occupied units but still considered reasonable for the home purchase and refinance loans.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.09	2.56	14.50	10.99	42.61	40.29	40.80	46.15
Home Improvement	2.09	0.00	14.50	0.00	42.61	0.00	40.80	100.00
Home Refinance	2.09	3.28	14.50	9.84	42.61	31.15	40.80	55.74

Source: Data reported under HMDA; U.S. Census data.

Business loans originated by the bank during the review period reflect an overall reasonable geographic dispersion. As detailed in Table 3A below, the percent of the bank’s loans to businesses in the low-income CTs is comparable to the percent of businesses located in those geographies. The percent of FNB’s loans to businesses in the moderate-income CTs (14 percent) lags the percent of businesses located in those geographies (23 percent). The latter figure lags the 28 percent figure that represents the number of moderate-income CTs in the Wichita Falls AA as shown in the Description of AA section for the Wichita Falls AA. These disparities reflect the economic development challenges facing the City of Wichita Falls that are being addressed in part through the designation of the TIFRZ as part of the *Wichita Falls Vision 20/20 Plan* to revitalize the core of the city.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Wichita Falls AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	3.96	3.48	23.44	13.76	30.66	39.42	41.79	43.33

Source: Aggregate bank loan data; Dun and Bradstreet data.

**Limited-Scope AA**

No meaningful conclusions can be drawn relative to the geographic distribution of loans in the Southlake AA as there are no low- and moderate-income CTs in that AA.

**Responses to Complaints**

No CRA-related complaints were made against the bank during this evaluation period.

**COMMUNITY DEVELOPMENT TEST**

The bank’s overall responsiveness to the community development needs of the AAs through CD lending, investments, and services is adequate.

Our conclusion is based on the bank’s performance context, the full scope review of the Wichita Falls AA and the limited scope review of the Southlake AA. Due to the existence of no low-income or moderate-income geographies in the Southlake AA and significant competition from other financial institutions in the AA, CD lending and investment opportunities are limited in the Southlake AA. In response, FNB has taken advantage of opportunities in nearby areas in Tarrant and Dallas Counties that are not in the AA that focus on affordable housing for LMI residents. The bank has also dedicated its efforts to financing non-profit organizations that provide community services to LMI individuals and families in proximate areas in Tarrant and Denton Counties. These actions had a favorable impact on the CD Test rating considering FNB has met the needs of its defined AAs.

As noted previously, the evaluation period starts at the date of the last CRA evaluation period (August 26, 2013) and extends to the date of the current CRA evaluation (August 1, 2016).

### **Number and Amount of Community Development Loans**

The level of CD lending in the Wichita Falls AA reflects an excellent responsiveness to CD needs. The level of CD lending in the Southlake AA is not consistent with the results of the Wichita Falls AA.

#### **Wichita Falls AA**

The level of CD lending in the Wichita Falls AA reflects an excellent responsiveness to CD needs.

FNB originated and/or renewed seven CD loans in the Wichita Falls AA totaling \$2.9 million or 8.13 percent of Tier One Capital allocated to the AA. FNB purchased a \$744,000 note and renewed a \$250,000 working capital line of credit to a communications company that is working to improve the communications infrastructure (telephone services and broadband internet access) in the City of Wichita Falls including its LMI residents. FNB originated two loans in the amount of \$1.3 million to purchase and rebuild a restaurant and a \$102,000 loan to purchase and remodel a small office building all as part of the *Wichita Falls Vision 20/20 Plan*. The bank originated a \$483,000 loan to purchase four convenience stores in a moderate-income area of Wichita Falls that employs lower-wage residents. Through these loans, the bank is making a positive impact on the CD needs of the AA.

#### **Limited Scope AA**

The level of CD lending in the Southlake AA is not consistent with the results of the Wichita Falls AA. The bank originated or purchased no CD loans in the Southlake AA. Fewer opportunities were available due to the higher income borrower and geographic levels of the AA.

### **Number and Amount of Qualified Investments**

The level of qualified investments in the Wichita Falls AA reflects an adequate responsiveness to CD needs. The level of qualified investments in the Southlake AA exceeds the results of the Wichita Falls AA.

#### **Wichita Falls AA**

The level of qualified investments in the Wichita Falls AA reflects an adequate responsiveness to the CD needs of the AA.

During the evaluation period, the bank made two qualifying debt investments totaling \$462,000 in the AA and 37 donations totaling \$239,000 to CD organizations. These accounted for 1.98 percent of Tier One Capital allocated to the AA.

FNB purchased a Government National Mortgage Association (GNMA) Mortgage Backed Security (MBS) totaling \$1,071,000 collateralized by nine single-family mortgage loans to LMI borrowers. Five of the loans totaling \$414,000 are in the Wichita Falls AA and qualify as CD. During the evaluation period, the bank also purchased a \$1 million bond from the Wichita Falls Independent School District (WFISD). Of this amount, \$48,000 were used for renovations in six economically disadvantaged schools in the WFISD.

FNB made 37 separate donations totaling \$239,000 to several non-profit organizations in the Wichita Falls AA. The most notable was a \$216,000 in-kind donation of solar panels to *Faith Refuge Shelter*, a shelter and recovery center for women and children that are predominately LMI. This donation will significantly reduce the cost of utilities for the Shelter and enable its staff to allocate additional funds toward their mission. The balance of the donations were to organizations that provide medical services and other community services to LMI individuals and families. These include but are not limited to organizations such as *Hands to Hands*, *United Regional Foundation*, *North Texas United Way*, *Child Advocate CASA of Red River*, and *Child Care, Inc.*

### **Limited Scope AA**

The level of qualified investments in the Southlake AA exceeds the results of the Wichita Falls AA. FNB made 12 separate donations totaling \$18,000 to CD organizations in close proximity to the AA. The remaining \$657,000 of the above mentioned GNMA MBS consisted of four single-family mortgage loans to LMI borrowers located in northeast Tarrant County and Dallas County all of which are near the AA. The level of these qualified investments represent 10.13 percent of Tier One Capital allocated to the AA.

### **Extent to Which the Bank Provides Community Development Services**

The level of CD services in the Wichita Falls AA reflects an adequate responsiveness to CD needs. The level of CD services in the Southlake AA is consistent with the results of the Wichita Falls AA.

### **Wichita Falls AA**

The level of CD services in the Wichita Falls AA reflects an adequate responsiveness to the CD needs of the AA. FNB meets the CD service needs of the AA through the volunteer activities of its directors, officers and employees many on a continuing basis to the organizations.

FNB employees develop and conduct financial literacy programs at schools throughout the WFISD. The majority of the students attending the WFISD schools are from LMI families. FNB's directors and officers serve in leadership roles at non-profit organizations throughout the AA. Examples include serving as a director of *Camp Fire*, Co-Chairperson of *Hands to Hands Community Fund*, and board member of the

*Nonprofit Center of Texoma*. All organizations provide community services for LMI youth.

### **Limited Scope AA**

The level of CD services in the Southlake AA is consistent with the results of the Wichita Falls AA. One officer of the bank serves on the board of the *Southlake Kiwanis Club* that raises funds and provides volunteers for service projects that benefit LMI children and families in Tarrant County. During the evaluation period, FNB provided financial education instruction to 195 predominately LMI students through *Vault- Understanding Money*. This financial literacy course aligns with state, national, and *Jump\$tart Coalition* financial literacy standards. It is recognized by the CFPB as a trusted resource for financial education.

### **Responsiveness to Community Development Needs**

#### **Wichita Falls AA**

FNB reflects adequate responsiveness to the CD needs of the community. The board has identified affordable housing, financial literacy, and basic community services such as child/youth care and health care as its CD goals. It has allocated dollar and manpower resources to achieve those goals particularly through CD lending and investments, housing finance programs, actively providing financial management tools to LMI youth and individuals to become successful with their finances, and cash donations and service hours to specific community service organizations. The bank is an active participant in the *Wichita Falls Vision 20/20 Plan* that shares many of the same goals.

#### **Limited Scope AA**

Performance in the Southlake AA is consistent with the adequate responsiveness in the Wichita Falls AA.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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