



PUBLIC DISCLOSURE

June 09, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Granbury
Charter Number 3727

101 E. Bridge Street, Granbury, TX 76048

Office of the Comptroller of the Currency
Fort Worth Field Office
9003 Airport Freeway, Suite 275, North Richland Hills, TX 76180-9127

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The First National Bank of Granbury (FNB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- A majority of FNB's loans were originated within the assessment area (AA).
- The average quarterly loan-to-deposit (LTD) ratio is reasonable.
- FNB's distribution of loans to businesses with gross revenues of less than \$1 million is excellent. FNB's overall distribution of home mortgage products and consumer loans to low- and moderate-income (LMI) families is adequate when considering performance context issues.
- No consumer complaints regarding FNB's CRA performance were received during this evaluation period.
- FNB's community development (CD) performance demonstrates adequate responsiveness to the CD needs of its AA.

COMMUNITY DEVELOPMENT TEST

FNB's responsiveness to the community development needs of the AA through CD lending, investments, and services is adequate. Our conclusion is based on the bank's level of activity and performance context.

FNB demonstrates an adequate responsiveness to the CD needs of the AA through the use of CD loans, qualified investments, and CD services considering the bank's capacity and financial condition, and the need and availability of such opportunities in the AA. The bank centers its CD efforts primarily in qualified investments.

The evaluation period starts at the date of the last CRA evaluation period (May 21, 2012) and goes to the date of the current CRA evaluation (June 9, 2014).

Number and Amount of Community Development Loans

Considering the needs and opportunities in the AA, and FNB's performance context and capacity, the bank's performance is adequate relative to CD lending.

FNB has one CD loan and it was renewed during the evaluation period, in the amount of \$338 thousand. This loan provided permanent financing for the construction of a senior citizen's center, which houses the Hood County Committee on Aging. This organization provides services and activities that significantly impact LMI individuals in the AA. This organization's mission is to meet the needs of the senior citizens of Hood County. This is accomplished through an extensive on-site meals program, meal delivery program (Meals on Wheels), transportation for medical appointments and grocery shopping, homemaker housekeeping services, and daily activities designed to keep seniors active and involved. Services provided by this organization are primarily tailored to benefit LMI elderly individuals in the AA.

Number and Amount of Qualified Investments

Considering the needs and opportunities in the AA, and FNB's performance context and capacity, the bank's performance is excellent relative to qualified investments. During the evaluation period, FNB had 12 qualified investments totaling \$1,463 thousand, nine of which were charitable donations totaling \$12 thousand.

Most notable was a \$1.0 million equity investment in the Solomon Hess SBA Loan Fund. The Fund purchases the federally guaranteed portion of SBA loans made to businesses located in the AA of banks investing in the fund. It was formed to provide liquidity to small business lenders and to meet the demand for CRA qualified investments. The Fund is certified by the Community Development Financial Institutions (CDFI) Fund of the U.S. Treasury Department as a Community Development Entity. FNB's investment is allocated to an SBA loan made to a Granbury gas and convenience store. This investment qualifies for CD because five permanent jobs were created or retained, most of which will be/are staffed by low- and moderate-

income (LMI) persons and the business is located in a CDFI Fund Qualified Investment census tract.

FNB invested an additional \$451 thousand in two Small Business Investment Companies (SBIC) funds. The initial investments in both funds were made in the prior review period. These funds promote economic development by providing financing to small businesses. Proceeds were used to finance businesses located outside the AA.

FNB made \$12 thousand of qualifying donations to six CD organizations. The bulk of the donations were to Mission Granbury, Inc. (\$6,000) and United Way (\$5,000). In addition to fulfilling their objectives to provide social services to LMI individuals and families, both organizations were active in assisting the displaced victims of the May 2013 EF-4 level tornado that struck Granbury.

FNB continued three equity investments totaling \$489 thousand that were made in prior review periods.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, FNB exhibited an adequate responsiveness to the CD service needs of the AA.

FNB's banking programs and hours allow the bank to deliver needed banking and credit services to LMI customers as well as small business owners throughout the bank's AA. Banking products and services are delivered primarily through FNB's main office and six branches that are located in accessible locations throughout the AA. Each branch has a drive-up facility, is supported by an ATM and offers a range of traditional retail banking services and products. FNB also has a mobile branch that provides banking services to a local retirement home two days a week. The bank offers 24-hour banking by telephone, internet, mobile device, and Visa debit cards. All locations maintain standard banking hours Monday through Thursday with extended lobby hours on Friday evenings and Saturday mornings. Drive-up facilities are open from 8 a.m. to 6 p.m. Monday through Friday as well as Saturday mornings. The Kroger store branch is open Monday through Saturday with extended hours.

FNB continues to meet the CD service needs of the AA through volunteer activities by its directors, officers and employees, many on a continuing basis to the organizations. Bank staff served as directors and finance committee members, and provided strategic planning, fundraising, and budgeting expertise. The organizations are engaged in a variety of community services targeted to LMI individuals and families.

FNB is an approved lender for the USDA Rural Development Single Family Housing Loan Guarantee Program. USDA mortgages are government-backed loans that enable LMI single-family homebuyers in rural areas to purchase their own home. Features of the USDA loans include: low 30-year fixed rates, 100% financing, no requirement for