



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 22, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 20078**

**3801 Fairway Boulevard
Wichita Falls, TX 76310**

**Comptroller of the Currency
Dallas North Field Office
500 North Akard Street, Suite 1600
Dallas, TX 75201**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- A substantial majority of FNB's loans, representing 90% of the number and 88% of the dollar volume sampled, originated within the assessment area;
- A satisfactory net loan-to-deposit ratio of 68%;
- The distribution of sampled consumer loans to borrowers reflects a good penetration among households defined as low- and moderate-income and businesses of different sizes; and
- The geographic distribution of consumer loans reflects a good dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Wichita Falls (FNB) is wholly owned by Wichita Falls Bancshares, Inc., a Texas corporation. FNB's main office is located on 3801 Fairway Boulevard, Wichita Falls, Texas. The bank has two branch locations: the Midwestern Branch on 2304 Midwestern Parkway, Wichita Falls, Texas, and the Towne Square Branch on 1256 Main Street, Suite 200, Southlake, Texas. The Towne Square Branch opened February 5, 2001.

All locations have drive-up facilities that provide extended weekday and Saturday hours, with the exception of the Towne Square Branch. In addition, there are three ATMs located in close proximity with the branch locations.

The bank has no financial or legal obstacles affecting its ability to meet community credit needs. FNB serves Archer and Wichita counties, which are located in the Wichita Falls metropolitan statistical area #9080 (MSA), and also Northeast Tarrant County, which is located in the Fort Worth-Arlington MSA #2800. The bank was rated "Satisfactory" in its previous CRA public evaluation dated June 11, 1997.

FNB's primary competition consists of branches of larger national and state banks, credit unions, and mortgage brokers, all of which operate within the bank's assessment area. The bank is a full service institution, providing various deposit and loan products. The bank's primary focus is commercial/commercial real estate loans. As of March 30, 2002, FNB had total assets of approximately \$114 million. The following table portrays the principal loan mix of FNB:

Loan Category	\$ (000)	%
Commercial, including Real Estate	36,593	42
Residential Real Estate	21,935	25
Consumer	14,714	17
Construction & Development	13,082	15
Farmland	48	<1
Other Loans	6	<1
Total	\$86,378	100%

DESCRIPTION OF WICHITA FALLS MSA

FNB's assessment area is the Wichita Falls MSA, which consists of Archer and Wichita Counties. The bank's assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas. The following table reflects the demographics for the assessment area (AA).

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	34,829
Number of Households	48,338
<i>Geographies</i>	
Number of Census Tracts/BNA	41
# - % Low-Income Census Tracts/BNA	5 - 12%
# - % Moderate-Income Census Tracts/BNA	10 - 24%
# - % Middle-Income Census Tracts/BNA	17 - 42%
# - % Upper-Income Census Tracts/BNA	9 - 22%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	28,853
2001 HUD-Adjusted MFI	40,600
<i>Economic Indicators</i>	
Unemployment Rate	3.09%
2001 Median Housing Value	50,303
% of Households Below Poverty Level	16%

The total occupied housing unit for the assessment area is 87% with owner-occupied housing at 56% and rental-occupied housing of 31%. Vacant housing units in the assessment area are 12%.

The economy of the area is fairly stable and diverse. The largest employers in the bank's assessment area are Midwestern State University, United Regional Health Care, PPG, Certainteed, Wal-Mart, Cryovac, and area school districts. In addition, there is an Air Force base in Wichita Falls.

We determined the credit needs of the community through discussions with civic leaders at the Chamber of Commerce (Chamber). Members of the Chamber indicated that the primary credit

needs are low-to-moderate income housing and small business loans. Members also indicated that area financial institutions satisfactorily meet the community's needs.

DESCRIPTION OF NORTHEAST TARRANT COUNTY

FNB has defined the Northeast Tarrant County assessment area as the following cities: Southlake, Grapevine, Colleyville, and Keller. Trophy Club, which is located in Denton County, is also included in the bank's assessment area. The bank's assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas. The following table reflects the demographics for the assessment area (AA).

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	21,504
Number of Households	26,149
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	N/A
% Moderate-Income Census Tracts/BNA	N/A
% Middle-Income Census Tracts/BNA	1 - 11%
% Upper-Income Census Tracts/BNA	8 - 89%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	37,702
2001 HUD-Adjusted MFI	60,577
<i>Economic Indicators</i>	
Unemployment Rate	1.84%
2001 Median Housing Value	134,650
% of Households Below Poverty Level	4%

The total occupied housing unit for the assessment area is 92% with owner-occupied housing at 71% and rental-occupied housing of 21%. Vacant housing units in the assessment area are 8%. The bank's assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas.

The economy of the area is growing and diverse. The largest industries in the Northeast Tarrant County assessment area are retail trade, wholesale, and health care and social assistance. The largest employers include: The DFW International Airport, American Airlines, IBM, and Fidelity Investments.

We did not perform an in-depth analysis on the branch regarding this assessment area because its share of the deposit market is 0.36%. In addition, the level of business opportunity at this location is minimal due to the short length of operation of the Towne Square Branch.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The March 30, 2002 Call Report indicates that the majority of FNB's loan portfolio consists of commercial loans. The next largest distribution of loans is as follows: consumer installment and residential real estate. For this evaluation, more weight is given to the bank's lending of commercial and consumer installment loans.

Currently the Towne Square Branch has a loan volume of 56 loans totaling \$5.4 million or 6% of the total dollar volume of FNB's loan portfolio. These loans consist of consumer, commercial, commercial real estate, and some residential real estate. Again the Towne Square Branch is located in Northeast Tarrant County. At this time, we are not going to analyze the bank's performance in this location because of the short length of operation, the small loan volume in comparison to the Wichita Falls MSA, and the limited deposit share in this location.

Lending in Assessment Area

Based on our review of FNB's lending patterns, the bank *exceeds* the standards of satisfactory performance. We took a sample of 20 commercial loans and 20 consumer installment loans originated from 1998 to 2002, and reviewed all of the loans to purchase residential real estate (home purchase) made during that same time period. Of the loans reviewed, 90% (by number of loans) were within the bank's assessment area, totaling \$ 27.2 million or 88% of total dollars lent.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	18	90	2,728	74	2	10	965	26
Consumer	15	75	230	82	5	25	52	18
Home Purchase	327	91	24,262	89	34	9	2,869	11
Total Reviewed	360	90	27,220	88	41	10	3,886	12

Loan-to-Deposit Ratio

FNB's average loan-to-deposit (LTD) ratio of 68% is *satisfactory*. Given the bank's size, financial condition, and assessment area credit needs, FNB meets the standard for satisfactory performance. The 14-quarter average LTD ratio is comparable to other financial institutions within the assessment area. Information for these financial institutions is detailed in the following table:

Institution	Assets ('000's) As of 12/31/01	Average LTD Ratio
National Peer Group	100-300 million	75%
First Bank	118,664	75%
American National Bank Wichita Falls	244,101	72%
PointBank, NA	150,102	56%
State National Bank of Texas	126,679	54%
<i>First National Bank of Wichita Falls</i>	<i>118,321</i>	<i>68%</i>

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

Overall, the bank *meets* the standard for lending to borrowers of different incomes and to businesses of different sizes. We reviewed a sample of 20 commercial loans originated by the bank. Of the loans sampled, 17 were made to businesses with revenues of less than 1.0 million.

The following table illustrates the bank's *excellent* lending penetration to businesses of different sizes.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	90%	6%
% of Bank Loans in AA #	85%	15%
% of Bank Loans in AA \$	74%	26%

The bank's record of installment lending to moderate-income borrowers is *excellent* as the following table illustrates:

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24		16		19		41	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	20	15	40	36	25	26	15	23

FNB's home purchase lending to low- and moderate-income borrowers *needs improvement*. We reviewed all of home purchase loans originated by the bank from 1998 to 2001. The bank's penetration of lending to low- and moderate-income borrowers is small when compared to the percentage of low- and moderate-income families within the bank's assessment area. However, more weight was given to commercial and consumer lending since this is the bank's primary focus.

HOME PURCHASE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20		18		22		40	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	4	2	8	6	24	18	64	74

Geographic Distribution of Loans

Due to size and location of the bank, FNB has a *reasonable* dispersion of loans in its assessment area. However, more concentration is needed to improve the penetration in low- and moderate-income census tracts for home purchase loans and to improve the penetration in low-income

census tracts for commercial loans. The following tables illustrate the geographic distribution of the bank's lending activities within its assessment area (AA).

HOME PURCHASE LOANS (1998 to 2001)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	4		18		54		24	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	1	1	9	4	45	37	45	58

The number and dollar volume of consumer loans made to the both low- and moderate-income census tracts is *good* in comparison to the percentage of households in the assessment area.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	5		20		50		25	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	5	6	30	28	40	38	25	28

The number of commercial loans made to the moderate-income census tracts is *adequate* in comparison to the percentage of businesses in the assessment area.

COMMERCIAL LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	15		22		37		23	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	5	4	15	6	60	58	20	32

Responses to Complaints

FNB has not received any CRA related complaints during this evaluation period.

Fair Lending Review

An analysis of two years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to

be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.