SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 26, 2013

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 East John Carpenter Freeway
Suite 500
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 tests indicate that First National Bank of Wichita Falls (FNB) meets the standards for satisfactory performance in meeting the credit needs of its community. This assessment is based on the following conclusion:

- The loan to deposit ratio exceeds those of similarly situated institutions located in the Assessment Areas (AAs).

- A substantial majority of the bank's loans originated during this evaluation period in the bank's AA.

- A majority of the commercial loans made in the bank's AA were to businesses with revenue less than $1 million.

- The bank's lending records reflect a satisfactory penetration to borrowers of different incomes and businesses of different sizes.

- There were no consumer complaints regarding the bank's CRA performance received during the evaluation period.

SCOPE OF EXAMINATION

We evaluated the bank's Community Reinvestment Act performance under the small bank examination procedures. This Performance Evaluation (PE) represents a review of the bank's lending performance through 2012. The objective was to quantify the bank's ability to meet the credit needs of the communities in which the bank does business. As part of evaluation process, we evaluated the bank's primary lending products in their AAs. These products include residential real estate (RE), commercial, and commercial RE loans. This evaluation focused on the bank's primary lending products in the MSA of Wichita/Archer and Southlake AA and the Denton/Dallas AA.

Although, the 2010 Census data was released during the course of this examination, this evaluation does not include any loans originating in 2012. This evaluation focuses on loans originated in 2010 and 2011, and all tables are present in context with the 2000 Census data.

DESCRIPTION OF INSTITUTION

First National Bank is a $325 million institution located in Wichita Falls, Texas. The bank has three branches, two in Wichita Falls and one in Southlake, Texas. The bank was chartered in 1986 and is subsidiary of Wichita Falls Bancshares. The bank is a full service community bank offering traditional, non-complex commercial and consumer loans. There are no financial or legal obstacles affecting the bank's ability to meet

community credit needs. The bank was rated satisfactory during the prior Community Reinvestment Act (CRA) Examination dated June 13, 2007.

The bank offers traditional products and services found in small community banks. As of November 29, 2012, loans totaled $259 million and represented 80% of the bank's total assets. The following chart reflects the distribution of the bank's lending portfolio.

FNB Wichita Falls, Texas (000's) Loan Portfolio Summary		
Loan Category	Dollar Volume	Percentage of Dollars
Commercial Real Estate	$65,761	25.43
Commercial & Industrial	$27,235	10.53
1-4 Family Residential Real Estate	$104,379	40.37
Construction/Development	$49,589	19.18
Other – Ag, Multi-Family, Consumer	$11,594	4.49
Total	**$258,558**	**100.00**

Source: November 29, 2012 Statement of Condition

Our review includes contact with local businesses within the bank's AA. These contacts indicated that the primary credit needs of the areas are small business loans and 1-4 family residential loans. They stated that local financial institutions were responsive to the community needs and activities.

There are no legal, financial, or other factors, which would inhibit the bank's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA(S)

WICHITA/ARCHER COUNTIES ASSESSMENT AREA

The bank's AA in the Wichita/Archer counties consists of 42 census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The AA includes one low-income, 13 moderate-income, 18 middle-income, and 10 upper income census tracts. The table on the following page reflects the demographics for the AA in Wichita/Archer counties.

WICHITA/ARCHER COUNTIES DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	38,835
Number of Households	62,167
Geographies	
Number of Census Tracts	42
# - % Low-Income Census Tracts	1-2%
# - % Moderate-Income Census Tracts	13-31%
# - % Middle-Income Census Tracts	18-43%
# - % Upper-Income Census Tracts	10-24%
Median Family Income (MFI)	
2000 MFI for AA	$42,637
2010 HUD-Adjusted MFI	$53,200
2011 HUD-Adjusted MFI	$55,000
Economic Indicators	
Unemployment Rate	6.6%
Median Housing Value	$64,031
% of Households on Social Security	28%
% of Households Below Poverty Level	13%
% of Households on Retirement	17%

DESCRIPTION OF SOUTHLAKE ASSESSMENT AREA

The bank's AA in Southlake, Texas consists of 19 census tracts located within Tarrant County. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The table on the following page reflects the demographics for the Southlake AA.

SOUTHLAKE DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	21,403
Number of Households	27,068
Geographies	
Number of Census Tracts	19
# - % Low-Income Census Tracts	0 - 0%
# - % Moderate-Income Census Tracts	0 - 0%
# - % Middle-Income Census Tracts	1 - 5%
# - % Upper-Income Census Tracts	18 - 95%
# - % Unknown Census Tracts	0 - 0%
Median Family Income (MFI)	
2000 MFI for AA	$100,872
2010 HUD-Adjusted MFI	$67,300
2011 HUD-Adjusted MFI	$68,200
Economic Indicators	
Unemployment Rate	2.%
2000 Median Housing Value	$199,575
% of Households on Social Security	10%
% of Households Below Poverty Level	3%
% of Households on Retirement	10%

Over 20 financial institutions operate within the Southlake AA. These institutions are composed mainly of multi-regional, national, and state chartered banks. The economy in the Southlake AA is diversified.

DESCRIPTION OF THE DENTON/DALLAS ASSESSMENT AREA

The bank's AA in the Denton/Dallas counties consist of three census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The AA does not include any low- or moderate-income census tracts. The table on the following page reflects the demographics for the Denton/Dallas counties AA.

DENTON/DALLAS DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	3,931
Number of Households	4,884
Geographies	
Number of Census Tracts	3
# - % Low-Income Census Tracts	0 - 0%
# - % Moderate-Income Census Tracts	0 - 0%
# - % Middle-Income Census Tracts	1 - 33%
# - % Upper-Income Census Tracts	1 - 33%
# - % Unknown Census Tracts	1- 33%
Median Family Income (MFI)	
2000 MFI for AA	$100,872
2010 HUD-Adjusted MFI	$67,300
2011 HUD-Adjusted MFI	$68,200
Economic Indicators	
Unemployment Rate	2.%
2000 Median Housing Value	$83,707
% of Households on Social Security	12%
% of Households Below Poverty Level	4%
% of Households on Retirement	12%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA performance is "Satisfactory." The evaluation period covered lending activities for commercial, residential real estate, and consumer loans reported from June 14, 2010 to December 31, 2011. Our analysis shows that for all three AA, the primary loan types are the same. The following sections provide detail of our assessment of each performance criteria.

Loan-to-Deposit Ratio

The loan to deposit ratio (LTD) for FNB exceeds the standards for satisfactory performance. This determination is based on the quarterly average LTD ratio from June 30, 2007 through September 30, 2012. During this evaluation period, the bank's LTD ratio ranged from a low of 74.31 percent to a high of 97.43 percent. This ratio has remained favorable since the last CRA examination, with an average of 86.55 percent over the evaluation period.

The table on the following page shows the quarterly average LTD ratio for each similarly situated bank in or contiguous to the AA.

Institution	Total Assets $ (000's) (As of 3/31/2012)	Average Loan-to-Deposit Ratio
First National Bank of Wichita Falls	**$324,891**	**86.55%**
American National Bank-Wichita Falls	$433,256	81.03
First Bank-Burkburnett	$258,631	91.15%
Fidelity Bank	$235,010	78.46%
State National Bank-Iowa Park	$208,791	52.85%
People's Bank	$71,432	83.72%
Provident Bank of Texas	$106,282	74.66%
1st Financial Bank, National Association	$333,161	70.10%

Source: Institution Reports of Condition from June 2007 to September 2012

Lending in Assessment Area

Performance for lending to borrowers of different income and businesses of different sizes are reasonable and meets the standards for satisfactory performance. A reasonable penetration of the loans in all three lending lines were tested (commercial, residential mortgages, and consumer loans) in the bank's AA. As noted in the table below, 71 percent of the number and 78 percent of the dollar amount of loans were inside the Wichita/Archer AA.

Table 1 - Lending in Wichita/Archer/Southlake/Denton AAs										
	Number of Loans					Dollars of Loans				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Home Purchase	26	65%	14	35%	40	3,386	67%	1,697	33%	100
Commercial	47	78%	13	22%	60	13,010	82%	2883	18%	100
Consumer	42	69%	21	31%	61	869	80%	219	20%	100
Totals	115	71%	46	29%	161	17,265	78%	4,799	22%	100

Source: Loan Sample.

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

The bank's distribution of loans reflects an excellent penetration among borrowers of different income levels and businesses of different size. The bank meets the standards for a satisfactory performance in its AA. We selected a sample of 20 business loans located in the Wichita/Archer AAs, Southlake, and Denton/Dallas AAs.

Table 2A - Borrower Distribution of Loans to Businesses Wichita/Archer AA				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.21	2.81	26.81	100%
% of Bank Loans in AA by #	18	2	0	100%
% of Bank Loans in AA by $	88.97	10.00	1.03	100%

Based on our sample, the distribution of consumer loans to borrowers of different income level meets the level for satisfactory performance. In the AA, the penetration to low- and moderate-income level borrower is reasonable, considering, the bank has only one low income and 13 moderate income census tracts.

Table 2B - Borrower Distribution of Consumer Loans in Wichita Falls MSA: Wichita and Archer AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.58	15	16.57	10	20.46	5	41.39	65

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

Based on our sample, the distribution of residential RE loans to low-income borrowers is lower than the number of low-income borrowers in the AA and is considered poor penetration. The U.S. Census data indicates 13% of households located in the bank's AA are below the national poverty level. As a result, the bank's ability to qualify low-income sectors is somewhat limited due to underwriting requirements. The distribution of home purchase loans to moderate-income borrowers is near the number of moderate-income borrowers in the AA and is considered good penetration. The distribution of home improvement and refinance loans to moderate-income borrowers is somewhat lower than the number of moderate-income borrowers in the AA and is considered reasonable penetration.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Wichita Falls MSA: Wichita and Archer AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	18.22	7.25	19.08	17.62	23.92	22.28	38.78	52.85
Home Improvement	18.22	0.00	19.08	0.00	23.92	33.33	38.78	88.67
Refinance	18.22	5.95	19.08	11.90	23.92	15.48	38.78	66.67

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

Table 2 - Borrower Distribution of Residential Real Estate Loans in Southlake AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	5.87	1.27	7.91	6.33	12.89	10.13	73.33	82.28
Home Improvement	5.87	0.00	7.91	0.00	12.89	0.00	73.33	100.00
Home Refinance	5.87	0.00	7.91	1.65	12.89	6.61	73.33	91.74

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

The distribution of home purchase loans to moderate-income borrowers is near the number of moderate-income borrowers in the AA and is considered reasonable penetration. The distribution of home improvement and refinance loans to moderate-income borrowers is somewhat lower than the number of low-income borrowers in the AA and is a poor penetration. The bank meets the standards for a satisfactory performance in its AA. The bank does not have any low or moderate income area in the Southlake AA. Business loans in the AA meet the standards for satisfactory performance.

Residential loans in the Denton/Dallas AA were not sufficient to adequately evaluate the data. The residential sample for this assessment area was seven loans for this period.

Table 2A - Borrower Distribution of Loans to Businesses in Fort Worth-Arlington MSA Denton/Dallas County AA				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61.90	38.10	0	100%
% of Bank Loans in AA by #	71.43	24.57	4.32	100%
% of Bank Loans in AA by $	62.69	37.31	0	100%

Table 2B - Borrower Distribution of Consumer Loans in Fort Worth-Arlington MSA Denton/Dallas County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0	0.00	0	56.66	38.33	69.17	57.14

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

Geographic Distribution of Loans

The geographic distribution of loans within the bank's AA represents a reasonable dispersion for the bank's primary loan types. The percentage of loans to residential borrowers is slightly above the demographics for the AA, while the loans to businesses represent a reasonable distribution relative to the demographics. The AA of Wichita/Archer County has one low-income and 13 moderate-income census tracts, and the Southlake AA has no low or moderate-income census tracts. We did not identify any conspicuous gaps in lending performance within the bank's AAs, and the bank lends to all census tracts within their AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Wichita Falls MSA: Wichita and Archer AA								
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	1.52	0.00	16.68	11.48	51.23	50.24	30.57	38.28
Home Improvement	1.52	0.00	16.68	30.00	51.23	20.00	30.57	50.00
Refinance	1.52	0.00	16.68	8.60	51.23	38.71	30.57	52.69

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

The bank's geographic distribution of loans to businesses meets the standards of satisfactory performance. Based on our sample of 21 loans, the number of loans generated within the Wichita Falls/ Archer AA is commensurate with the demographics of the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Southlake AA								
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	0.00	0.00	0.00	0.00	2.84	1.20	97.16	98.80
Home Improvement	0.00	0.00	0.00	0.00	2.84	0.00	97.16	100.00
Home Refinance	0.00	0.00	0.00	0.00	2.84	1.64	97.16	98.36

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

The bank's geographic distribution of loans to businesses meets the standards of satisfactory performance. Based on our sample of 20 loans, the number of loans generated within the Southlake AAs is commensurate with the demographics of the AA.

Table 3A - Geographic Distribution of Loans to Businesses in Wichita Falls MSA: Wichita and Archer AA								
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	0.74	0	25.57	28.57	38.22	28.57	35.47	42.86

Source: Loan sample; D & B data.

The bank's geographic distribution of loans to businesses meets the standards of satisfactory performance and reflects a reasonable dispersion throughout the bank's assessment area, given the bank's size, primary product lines and the assessment demographics.

Table 3A - Geographic Distribution of Loans to Businesses in Southlake AA								
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	0.00	0%	0.00	0%	10.82	23.81	89.18	66.67

Source: Loan sample; D & B data.

First National Bank's geographic distribution of loans to consumers meets the standards for satisfactory performance. Based on our sample, improvements have been made during the evaluation cycle, and there is a reasonable distribution of consumer lending in the AA. The bank's performance reflects the demographic make-up of the AA.

Table 3B - Geographic Distribution of Consumer Loans in Wichita Falls MSA: Wichita and Archer AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	1.85	0	21.47	0	47.51	35.00	29.17	65.00

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

Responses to Complaints

First National Bank has not received any complaints or public comments regarding their CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

In accordance to 12 C.F.R. 25.28, in determining a national bank's Community Reinvestment Act (CRA) rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography of the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

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