



PUBLIC DISCLOSURE

October 14, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Winnsboro
Charter Number 5674

315 North Main
Winnsboro, TX 75494

Office of the Comptroller of the Currency

1800 NW Loop 281
Suite 306
Longview, TX 75604-2516

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 First National Bank of Winnsboro has a satisfactory record of meeting community credit needs. This rating is based on the following conclusions:

- The bank's loan-to-deposit ratio is more than reasonable given the size and financial condition of the bank, and the credit needs and level of competition within the assessment area.
- A majority of the bank's loans were extended to borrowers within the assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable throughout the assessment areas.
- The geographic distribution of loans to different income census tracts reflects poor dispersion within the assessment area.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of the First National Bank of Winnsboro's ability to meet the credit needs of the communities in which it operates. The bank was evaluated following the Small Bank CRA performance criteria. The bank's primary loan products in the Winnsboro Assessment Area include consumer and commercial loans. The primary loan product for the Winona-Owentown Assessment Area is consumer loans. Conclusions regarding the bank's lending performance were based on 22 commercial loans and 130 consumer loans originated between January 29, 2009 and December 31, 2011 compared to 2000 U.S. Census Data. Lending activity in 2012 and year-to-date 2013 is not significantly different from 2009, 2010 and 2011. Bank management agreed with this data analysis.

DESCRIPTION OF INSTITUTION

The First National Bank of Winnsboro (FNB) is a \$140 million bank that is wholly owned by Etex Banco, Inc., a single bank holding company. The main office is located at 315 North Main Street, Winnsboro, Texas. The bank has three full service branches and three automatic teller machines (ATMs) located at the branches. Two of the branches are located in the Winnsboro Assessment Area. The remaining branch is located in the Winona-Owentown Assessment Area, which is part of the Tyler, TX Metropolitan Statistical Area (MSA).

The bank is a full service institution that offers a variety of traditional deposit and loan products and financial services to consumers and commercial businesses. As of June 30, 2013, net loans totaled \$76 million and represented 56 percent of total assets. The following charts reflect the loan originations during the evaluation period for the Winnsboro Assessment Area and Winona-Owentown Assessment Area.

Winnsboro Assessment Area		
Loan Type	Loans by \$	Loans by #
Consumer loans	\$ 5,695,782.52	962
Commercial loans	\$ 47,231,389.25	254
Agriculture	\$ 11,083,065.43	151
Residential R/E	\$ 12,133,224.36	130
Other	\$ 7,770,782.97	67
Total	\$ 83,914,244.53	1564

Winona-Owentown Assessment Area		
Loan Type	Loans by \$	Loans by #
Consumer loans	\$ 1,365,469.99	360
Commercial loans	\$ 1,605,761.69	57
Other	\$ 67,000.00	2
Total	\$ 3,038,231.68	419

There are no legal, financial or other factors impeding the bank's ability to meet the community credit needs in its assessment areas. The bank's CRA performance was previously evaluate as of January 26, 2009, with an overall level of performance rated as "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA(S)

FNB has designated two separate assessment areas as follows:

Winnsboro Assessment Area

Winnsboro, TX is a city in East Texas, located in Hopkins and Wood County, TX, which is part of the tri-county area comprised of Hopkins, Wood, and Franklin Counties. For CRA purposes, the bank has identified all three counties as part of its assessment area. There are two full-service branches and two ATMs located in the assessment area. The assessment area consists of nineteen middle-income census tracts. There are no low-income or moderate-income census tracts located in the assessment area. Our review indicated no illegal discrimination nor were there any low-income or moderate-income census tracts arbitrarily excluded from the assessment area. The following table reflects the demographics of the assessment area.

Demographic and Economic Characteristics of Winnsboro Assessment Area	
Population	
Number of Families	22,339
Number of Households	30,620
Geographies	
Number of Census Tracts/BNA	19
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
Median Family Income (MFI)	
2011 MFI for AA	\$36,380
2011 HUD-Adjusted MFI	\$48,600
Economic Indicators	
Unemployment Rate	3.61%
2011 Median Housing Value	\$64,767
% of Households Below Poverty Level	14.74%

Source: 2000 U.S. Census Data

While the local economy is stable, unemployment rates have increased since the 2000 Census Data was collected. For December 2011, the U.S. Bureau of Labor and Statistics provided the following unemployment rate for each county: Wood County, 7.4 percent, Franklin County, 6.7 percent, and Hopkins County, 6.1 percent. The area maintains an agricultural focus with smaller business established in the larger cities within the assessment area. Competition is significant from branches of other local and regional financial institutions.

Our review included contacting a representative of a local city organization located in the assessment area. The contact noted that the assessment area is largely moderate income with a high level of retirement and vacation traffic from the Dallas, TX metro area. The contact stated that consumer purpose and housing needs are sufficiently met in the area, but that a need exists for lending to small businesses. The contact also noted that there is a large volume of banks within the community.

Winona-Owentown Assessment Area

The Winona-Owentown Assessment Area is comprised of three contiguous census tracts located in the northeastern portion of Smith County, TX. Smith County is included as part of the Tyler, TX MSA. There is one branch and one ATM located in this assessment area in a more rural portion of the county. The inclusion of the three census tracts identified is reasonable for the branch to serve. The assessment area consists of two middle-income census tracts and one moderate-income census tract. Our review indicated no illegal discrimination or evidence that any low-income or moderate-income census tracts were arbitrarily excluded from the assessment area. The following table reflects the demographics of the assessment area.

Demographic and Economic Characteristics of Winona-Owenton Assessment Area	
Population	
Number of Families	4,485
Number of Households	5,796
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	33.33%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	0.00%
Median Family Income (MFI)	
2011 MFI for AA	\$33,697
2011 HUD-Adjusted MFI	\$57,900
Economic Indicators	
Unemployment Rate	3.84%
2011 Median Housing Value	\$56,390
% of Households Below Poverty Level	13.23%

Source: 2000 U.S. Census Data

Similar to the other assessment area, unemployment rates have increased since the 2000 Census Data was collected. For December 2011, the U.S. Bureau of Labor and Statistics records an unemployment rate of 7.3 percent for Smith County, TX. Major employers in the local area include the University of Texas Health Center and Winona Independent Scholl District. Given the proximity of the assessment area to the city of Tyler, TX, a majority of the residents of the assessment area commute to Tyler for employment. Competition from the Tyler, TX market is significant from branches of other local, regional, and nationally recognized financial institutions.

Our review included contacting a representative of a local city organization located in the assessment area. The contact noted that while unemployment is increasing, the economy is showing slow signs of improvement. Primary credit needs identified by the contact include business lending, consumer lending, and affordable residential housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio for FNB is more than reasonable based on the bank's size, financial condition and the credit needs of the combined assessment areas. The bank's quarterly average loan-to-deposit ratio was calculated to be 87.69 percent since the prior CRA examination in January 2009. The average loan-to-deposit ratio of banks in and around the assessment area, for the same period, was 71.28 percent. The following chart shows the average loan to deposit ratios for the banks described above:

Institution	Assets (000s) as of 3/31/13	Average LTD Ratio
First National Bank of Winnsboro, Winnsboro, TX	\$ 140,735	87.69%
The City National Bank of Sulphur Springs, Sulphur Springs, TX	\$ 435,133	82.21%
American State Bank, Arp, TX	\$ 238,085	78.48%
Citizens State Bank, Tyler, TX	\$ 259,513	77.93%
Alliance Bank, Sulphur Springs, TX	\$ 584,338	70.63%
Bank Texas, National Association, Quitman, TX	\$ 254,381	66.67%
The First National Bank of Mount Vernon, Mount Vernon, TX	\$ 182,830	51.76%

Lending in Assessment Area

A majority of FNB’s lending activity is located inside the assessment area. Please see the following information for a description of activity within each assessment area.

Winnsboro Assessment Area

A majority of loans originated during the evaluation period were to borrowers located inside the assessment area. We reviewed a sample of 40 loans, 20 consumer loans and 20 commercial loans. By number of origination, 75 percent of the loans and by volume of origination, 56 percent of the loans originated within the assessment area. The breakdown by loan category is detailed in the following table.

Lending in Winnsboro Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	18	90.00	2	10.00	20	162	93.90	11	6.10	173
Commercial Loans	12	60.00	8	40.00	20	2,274	54.39	1,907	45.61	4,181
Totals	30	75.00	10	25.00	40	2,436	55.96	1,918	44.04	4,354

Source: loan sample

Winona-Owentown Assessment Area

A majority of loans originated during the evaluation period were to borrowers located inside the assessment area. We reviewed a sample of 20 consumer loans. By number of origination, 60 percent of the loans and by volume of origination, 70 percent of the loans originated within the assessment area. The table below shows a summary of the findings.

Lending in Winona-Owentown Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	12	60.00	8	40.00	20	47	69.96	20	30.04	67

Source: loan sample

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

The distribution of loans to borrowers of different incomes and businesses of different sizes represents a reasonable penetration throughout the bank’s assessment areas. Please see the following information for a description of activity within each assessment area.

Winnsboro Assessment Area

The distribution of loans to borrowers of different incomes and businesses of different sizes represents a reasonable penetration throughout the Winnsboro assessment area.

Consumer Loans

The distribution of consumer loans to borrowers of different incomes represents a poor penetration. We evaluated 60 loans originated during the evaluation period. The distribution to low income borrowers is poor in relation to the percentage of assessment area households. The distribution of loans to moderate-income borrowers is reasonable compared to the percentage of assessment area households. Mitigating factors for performance to the low-income borrowers include higher levels of poverty, unemployment, and significant competition within the assessment area.

Borrower Distribution of Consumer Loans in Winnsboro Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	21.93	10.00	15.12	16.67	19.31	33.33	43.64	40.00

Source: loan sample, U.S. Census Data

Commercial Loans

The distribution of commercial loans to businesses of different sizes is excellent. We evaluated 20 commercial loans originated during the evaluation period. The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of assessment area businesses with revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in Winnsboro Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.41	1.73	25.86	100%
% of Bank Loans in AA by #	85.00	10.00	5.00	100%
% of Bank Loans in AA by \$	95.15	4.70	0.15	100%

Source: loan sample, Dun and Bradstreet data

Winona-Owentown Assessment Area

The distribution of loan to borrowers of different incomes represents a reasonable penetration throughout the Winona-Owentown Assessment Area.

Consumer Loans

The distribution of consumer loans to borrowers of different incomes is reasonable. We sampled 60 consumer loans originated during the evaluation period. The percentage of loans to low-income borrowers is less than the percentage of assessment area households. The distribution of

loans to moderate-income borrowers reflects excellent dispersion compared to the percentage of assessment area households. Mitigating factors for lending to low income borrowers include higher levels of poverty, unemployment, and competition of financial institutions from the city of Tyler, Texas.

Borrower Distribution of Consumer Loans in Winona-Owentown Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	24.53	15.00	18.74	26.67	23.24	28.33	33.49	30.00

Source: loan sample, U.S. Census Data

Geographic Distribution of Loans

The geographic distribution of loans to different income census tracts reflects poor dispersion within the assessment area. Please see the following information for a description of activity within each assessment area.

Winnsboro Assessment Area

We did not perform an assessment of the geographic distribution of loans in the Winnsboro Assessment Area. This area did not contain any low or moderate-income tracts; therefore, an analysis of the geographic distribution of loans would not be meaningful.

Winona-Owentown Assessment Area

We reviewed 60 consumer loans originated during the evaluation period. The geographic distribution of loans to borrowers in the moderate-income tract was less than that of the demographic comparator. Mitigating factors considered during the review include the location of the tract near the city of Tyler, Texas where the level of employment is greater for area residents, and where the competition from other financial institutions is greatest. Given the greater percentage of loan volume from the Winnsboro Assessment Area, more emphasis was given to that assessment area in determining overall performance for the bank.

Geographic Distribution of Consumer Loans in Winona-Owentown Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	36.96	25.00	63.04	75.00	0.00	0.00

Source: loan sample, U.S. Census Data

Responses to Complaints

FNB has not received any complaints or public comments regarding CRA performance during this evaluation period.

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 saving 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.