



PUBLIC DISCLOSURE

October 30, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Burleson
Charter Number 17001

899 Northeast Alsbury
Burleson, TX 76028

Office of the Comptroller of the Currency

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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The major factors supporting the institution's rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are inside the bank's assessment area (AA).
- The distribution of loans to businesses of different sizes exhibits reasonable penetration.
- The geographic distribution of business loans reflects an excellent dispersion across low-and moderate-income (LMI) census tracts.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

First National Bank of Burleson (FNB or bank) is a full-service community bank located in Burleson, Texas, a southern suburb of Fort Worth. FNB is 99 percent owned by Citadel Bancorp, Inc. (CBI), a one-bank holding company, the primary mission of which is the ownership of FNB. The remaining one percent of CBI's common stock is collectively owned by FNB's eight directors on a pro rata basis. The previous CRA evaluation, dated July 23, 2012, assigned a "Satisfactory" rating to the bank.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AA. We did not consider the activities of affiliates in this evaluation.

FNB is a full-service bank offering a full-range of loan and deposit products, as well as online, mobile and telephone banking, for individuals and businesses. As shown in the following table, the bank's primary lending products include commercial and commercial real estate loans. Business lending continues as the main focus of the bank's lending strategy. Residential real estate loans are granted to qualified investors only.

As of June 30, 2017, net loans were 30 percent of FNB's total assets of \$198 million. The following table is a summary of FNB's loan portfolio. The bank's Tier One Capital as of June 30, 2017 was \$17 million.

First National Bank of Burleson Loan Portfolio Summary		
Loan Category	Dollar Volume (\$000's)	Percentage
Commercial and Commercial Real Estate	43,721	73%
Residential Real Estate	9,243	15%
Consumer	3,679	6%
Construction and Other	3,667	6%
Total Loans	60,310	100%

Source: June 30, 2017 Report of Condition.

FNB's physical offices are its primary delivery system for retail products and services. In addition to its main office in Burleson, the bank has a branch office also located in Burleson. The main office is located in an upper-income CT and the branch is located in a middle-income geography about two miles southwest of the main office.

FNB did not engage in any merger or acquisition activity during the evaluation period or open or close any branches.

Lobby hours at the main office and branch office are 9:00 a.m. to 4:00 p.m. Monday through Thursday and 9:00 a.m. to 6:00 p.m. Friday. The main office and branch office each have a drive-up facility with extended weekday hours from 7:30 a.m. to 6:00 p.m. and Saturday hours of 8:00 a.m. to 12:00 p.m. The main office and branch each have an ATM with 24 hour access. Neither ATM is full-service (i.e., accepting check and cash deposits).

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 AA. FNB offers on-line banking through its website firstburleson.com. Bank customers can utilize on-line banking and the mobile app at no charge. The main office has an employee fluent in Spanish who is also accessible to branch customers due to the proximity of the main office to the branch.

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 has one AA that includes all of Johnson County, Texas and six adjacent contiguous CTs in southernmost Tarrant County. FNB is ranked seventh among depository institutions in the AA. The bank's major competitors are The National Bank of Texas at Fort Worth and Grandview Bank. See appendix B for a full discussion of the AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNB is subject to the interagency Small Bank CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank's performance under the Lending Test. The evaluation period ranges from July 23, 2012, the date of the prior PE, through October 30, 2017, the date of the current evaluation. We identified commercial and commercial real estate loans (business loans) as the bank's primary loan products. The Lending Test concentrated on lending activity from January 1, 2015 to December 31, 2016. As the 2017 census data was not available at the time of this CRA evaluation, our lending analysis does not include 2017 loan data.

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 2015 and 2016.

Data Integrity

This evaluation is based on accurate data. To evaluate FNB's performance relative to business lending, we utilized the entire population of 54 business loans that were originated and purchased inside the AA during the 2015 through 2016 timeframe. We validated each loan for our geographic analysis as well as determined the gross annual revenue on each loan for our borrower income analysis.

Selection of Areas for Full-Scope Review

As previously noted, FNB has delineated one AA that includes all of Johnson County, Texas and six adjacent contiguous CTs in Tarrant County. Consequently, we

conducted a full-scope review of the AA. Please refer to appendices A and B for additional information on the AA.

Ratings

The bank's overall rating is based primarily on the bank's sole AA. As noted immediately above, the AA received a full-scope review.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

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 reasonable given the bank's size, location, local competition, credit needs of the AA, and composition of the bank's deposit base. The LTD ratio is calculated on a bank-wide basis. This determination is based on the quarterly average LTD ratio of 41.92 percent from June 30, 2012 through June 30, 2017. During this evaluation period, FNB's LTD ratio ranged from a low of 33.00 percent to a high of 55.28 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 AA.

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

Loan-to-Deposit Ratios		
Financial Institutions	Total Assets \$ (000's) (As of 6/30/2017)	Average Loan-to-Deposit Ratio
First National Bank of Burleson	198,210	41.92%
Grandview Bank	181,724	73.42%
The National Bank of Texas at Fort Worth	258,638	44.90%

Source: Institution Reports of Condition from June 30, 2012 to June 30, 2017.

Factors that support the reasonable conclusion for FNB’s LTD ratio include:

- The level of lending competition in the AA is significant. As noted in appendix B, 24 banks operate 68 branches within the AA.
- During the 2015 through 2016 lending review period, FNB originated 142 consumer loans compared to 88 business loans and 20 HMDA loans during the same time period. Consumer loans are typically small in dollar volume and thus tend to result in a lower LTD ratio.
- FNB’s ten largest depositors are a long-term stable source of funding with no attendant borrowing needs. As of December 31, 2016, balances totaled \$43.3 million or 25 percent of the bank’s total deposits.

Lending in Assessment Area

As calculated on a bank-wide basis, a majority of the number of FNB’s business loans were originated or purchased inside its AA. As depicted in Table 1 below (\$000s omitted), 61.36 percent of the number and 42.74 percent of the dollar amount of loans were originated or purchased inside the AA. Although the percentage by the dollar volume of loans falls below the majority, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	54	61.36	34	38.64	88	5,246	42.74	7,027	57.26	12,273

Source: Bank aggregated data.

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

The borrower distribution of loans in the AA reflects reasonable penetration.

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. As detailed in Table 2A below, the percentage of loans by number to small businesses (59.26 percent) lags the percentage of small businesses in the AA (86.61 percent). A small business is defined as a business with revenues of \$1 million or less. Approximately 60 percent (13 loans) of FNB's loans originated to businesses with greater than \$1 million of revenue were extended to a single borrower. Absent this lending relationship, FNB's loans to small businesses in the AA amount to 78.05 percent. This is comparable to the 86.61 percent of small businesses in the AA. Although the percentage by the dollar volume of loans falls further below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	86.61	4.53	8.86	100%
% of Bank Loans in AA by #	59.26	40.74	0.00	100%
% of Bank Loans in AA by \$	39.39	60.61	0.00	100%

Source: Bank aggregated data; Dun and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects excellent dispersion. We did not identify any material or unexplained gaps in our analysis of lending in the AA.

Business loans originated by the bank during the review period reflect an excellent geographic dispersion. As shown in Table 3A below, the percent of the bank's loans to businesses in both the low- and moderate-income CTs exceed the percent of businesses located in those geographies. FNB's lending in the AA's sole low-income CT (7.41 percent of loans) compares favorably to the percentage of businesses located in that geography (4.74 percent). The bank's lending in the moderate-income CTs (33.33 percent of loans) exceeds the percentage of the AA's businesses located in those geographies (12.65 percent) by an even greater margin.

Table 3A - Geographic Distribution of Loans to Businesses in 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
Business	4.74	7.41	12.65	33.33	54.37	22.22	28.24	37.04

Source: Bank aggregated data; Dun and Bradstreet data.

Responses to Complaints

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

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 01/01/2015 – 12/31/2016	
Financial Institution		Products Reviewed
First National Bank of Burleson (FNB or bank) Burleson, Texas		Commercial Loans Commercial Real Estate Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Texas Fort Worth-Arlington, TX MD	Full-Scope	Johnson County Six CTs in Tarrant County: 1110.08, 1110.15, 1110.16, 1110.18, 1112.04 and 1113.01.

Appendix B: Community Profiles for Full-Scope Areas

FNB AA

Demographic Information for Full-Scope Area: FNB AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	34	2.94	20.59	52.94	23.53	0.00
Population by Geography	186,124	2.43	18.28	56.91	22.38	0.00
Owner-Occupied Housing by Geography	48,267	1.04	16.19	58.00	24.77	0.00
Businesses by Geography	10,937	4.74	12.65	54.37	28.24	0.00
Farms by Geography	434	1.38	13.36	60.14	25.12	0.00
Family Distribution by Income Level	48,478	18.97	19.75	22.01	39.27	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	18,768	3.94	25.55	56.73	13.78	0.00
Median Family Income	\$64,809					
FFIEC Updated Median Family Income for 2016	\$69,300	Median Housing Value				\$119,040
Households Below the Poverty Level	9.00%	Unemployment Rate				3.4%

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, 2016 FFIEC updated MFI and Bureau of Labor Statistics.

The bank delineates all of Johnson County (comprised of 28 CTs) and six adjacent contiguous census tracts in southernmost Tarrant County as its AA. Both counties are located in the Fort Worth-Arlington, TX MD. Of the 34 CTs, one is low-income, seven are moderate-income, 18 are middle-income and eight are upper-income. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

As previously noted, FNB's main office and branch office are in Burleson, a suburban bedroom community 15 miles south of Fort Worth with a population of 42,000. The city of Burleson is located in both Johnson and Tarrant Counties. The main office is in an upper-income CT in Tarrant County. The branch office is two miles southwest of the main office in a middle-income CT in Johnson County. The county seat of Johnson County is Cleburne, a city of approximately 30,000 people located 16 miles south of Burleson.

A significant level of competition exists within the AA. The June 30, 2016 FDIC Deposit Market Share Report notes 24 banks operate 68 branches within the AA. FNB ranks

seventh in the AA with a 5.50 percent deposit market share. The top five banks in terms of market share include Wells Fargo Bank, National Association; J.P. Morgan Chase Bank, National Association; Pinnacle Bank; First Financial Bank, National Association; and Bank of America, National Association. These banks account for 55.08 percent of the deposit market share in the AA.

Economic conditions in the greater Fort Worth area dominate the City of Burleson and Johnson County. According to the July 2017 edition of *Moody's Analytics*, job growth in Fort Worth-Arlington has settled into a pace moderately above the national average. The gains have been broad-based outside of construction, and in particular, core manufacturing has been gradually rebounding for more than a year. In response to increased purchase commitments from the U.S. Department of Defense, Lockheed is ramping up production of its F-35 aircraft with net new hiring of about 2,000 workers. Population increases in Fort Worth-Arlington have averaged two percent annually since 2014. Consequently, medical and related services in the area are also growing.

Even as the labor force has been expanding, the unemployment rate has remained low. For September 2017, Johnson and Tarrant Counties' unemployment rates were each 3.4 percent compared to 4.0 percent for Texas and 4.2 percent for the U.S. As shown in the above table, less than ten percent of households in the AA live below the poverty level. None of the middle-income CTs in the AA have been designated as distressed or underserved.

The City of Burleson and the surrounding area have experienced an influx of retailers, restaurants and branch locations of area banks. New residential subdivisions reflect a surge in building activity. In 2016, the City issued 340 residential building permits. Major employers in the AA include: Alcon Laboratories (Fort Worth), Burleson Independent School District (Burleson), Huguley Memorial Medical Center (Burleson), Ben E. Keith Company (Fort Worth), Sabre Tabular Structure (Alvarado), H-E-B Grocery (Burleson), Wal-Mart store (Burleson) and distribution center (Cleburne), City of Burleson (Burleson), Johns Manville (Cleburne), and Miller Distributing (Fort Worth). Additionally, based on 2016 demographic data, there are 10,937 businesses in the AA. Of these businesses, 86.61 percent reported gross annual revenues of less than \$1 million. Because reporting is voluntary, 8.86 percent of the businesses did not report revenues. Almost 90 percent of the businesses in the AA have less than 10 employees.

As part of this performance evaluation, we conducted an interview with a management official of the City of Burleson. The official stated that current lending opportunities for local banks include affordable housing lending to LMI individuals and families, small business startup loans, and working capital and expansion loans to existing businesses.