



## **PUBLIC DISCLOSURE**

July 9, 2018

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

National Bank & Trust  
Charter Number 3906

145 West Colorado St.  
La Grange, TX 78945

Office of the Comptroller of the Currency

San Antonio Field Office  
10001 Reunion Place, Suite 250  
San Antonio, Texas 78216-4133

**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, and should not 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: Satisfactory**

### **The Lending Test is rated SATISFACTORY**

The bank has a satisfactory record of meeting community credit needs. The rating is based on the following findings:

- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs in the assessment area (AA).
- The bank originated a majority of its loans inside its AA.
- The distribution of loans reflects reasonable penetration to borrowers of different income levels.

## 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

National Bank & Trust (NB&T), a full-service community bank headquartered in La Grange, Texas, is located approximately 100 miles east of San Antonio, 100 miles west of Houston, and 65 miles southeast of Austin. NB&T is a wholly-owned subsidiary of First La Grange Bancshares, Inc. (FLB), a one-bank holding company. As of March 31, 2018, NB&T reported total assets of \$257 million and tier one capital of \$24 million.

NB&T operates one full service location in the city of La Grange (main office), and also operates a detached motor bank located one block east of the main office location. An Automated Teller Machine (ATM) is located at the motor bank location, and night drop boxes are located at both locations. In addition, internet, telephone, and mobile banking services are available remotely 24 hours a day. NB&T has not closed or opened any offices since the previous CRA examination in 2014. There have been no changes to NB&T's corporate structure.

NB&T offers traditional loan and deposit services and delivery channels. NB&T's online and electronic delivery channels enable the bank to reasonably serve customers in the AA. The bank's internet website ([www.nbt-texas.com](http://www.nbt-texas.com)) offers deposit and lending product information and allows for use of online applications for residential loan products, consumer loan products, online banking services, bill pay, and mobile banking.

NB&T reported total loans of \$78 million as of December 31, 2017, comprising 30 percent of the bank's total assets. NB&T's primary loan products are residential real estate loans and consumer loans. The following table reflects the loan portfolio composition by loan type.

LOAN PORTFOLIO SUMMARY BY PRODUCT DECEMBER 31, 2017		
Loan Category	Dollar Volume \$(000)	% of Outstanding Dollars
Residential Real Estate Loans	46,793	60%
Consumer Loans	11,334	15%
Agriculture/Farm Related	9,998	13%
Commercial and Commercial Real Estate Loans	9,293	12%
Multi-Family Loans	113	0%
<b>Total Loan Portfolio</b>	<b>77,531</b>	<b>100%</b>

*Source: December 31, 2017 Call Report*

NB&T faces strong competition from other local, regional, and national financial institutions in its AA. Primary competitors include Carmine State Bank, Fayette Savings Bank, Fayetteville Bank, and Round Top State Bank. The most recent FDIC Deposit Market Share Report showed NB&T had total deposits of \$196 million as of June 30, 2017. NB&T ranked third in deposit market share out of nine institutions in Fayette County, with 15 percent of the deposit base.



Based on its financial condition, the local economy, product offerings, and competition, NB&T has the ability to meet the various credit needs in its community. There are no legal, financial, or other factors that impact NB&T's ability to meet credit needs in its AA. The previous CRA evaluation, dated January 21, 2014, assigned a "Satisfactory" rating to NB&T's performance.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This CRA evaluation assesses the bank's performance using small bank (SB) examination procedures. Procedures include a lending test that evaluates the bank's record of meeting AA credit needs through lending activities.

The OCC performed a full scope examination of the bank's AA. The OCC analyzed a sample of residential real estate and consumer loans originated or renewed between January 1, 2015 and December 31, 2017, as this is representative of the bank's lending strategy during the evaluation period. Examiners performed separate analyses on the 2015-2016 loans and the 2017 loans due to changes in census data. However, changes in census data for 2015-2016 and 2017 were immaterial to the AA. NB&T's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of its AA.

The table below shows the breakdown of all loans that NB&T originated over the evaluation period. As shown, the primary products are residential real estate by dollar volume, and consumer loans, by number originated.

Loan Originations and Purchases By Loan Type During the Evaluation Period		
Loan Type	% by Dollar of Loans	% by Number of Loans
Residential Real Estate Loans	40	9
Consumer Installment Loans	27	68
Commercial Loans	18	14
Small Business/Agricultural Loans	15	9
Total	100	100

*Source: Internal Bank reports*

### Selection of Areas for Full-Scope Review

NB&T has designated Fayette County, Texas as its AA. The AA meets regulatory requirements, as it consists of whole geographies, and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. The OCC conducted a full-scope review for the AA as it is the bank's only AA. Refer to **Appendix A: Scope of Examination** for additional detail.

## **Ratings**

The bank's overall rating is based on lending performance in the AA. The residential real estate portfolio, 40 percent of dollar volume, and consumer lending portfolio, 68 percent of originations, were the primary products evaluated under the lending test.

## **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 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

NB&T’s performance under the CRA is **SATISFACTORY**, and management has been successful in meeting the credit needs of its AA. NB&T has demonstrated satisfactory performance based on its reasonable average quarterly LTD ratio, the majority of loans originated inside the AA, and more than excellent lending penetration to borrowers of various income levels.

### Loan-to-Deposit Ratio

The quarterly average LTD ratio is reasonable, and reflects satisfactory performance given the bank’s capacity to lend, market competition, local demographic and economic factors, and lending opportunities available in the AA. The bank’s average quarterly LTD ratio for the 16 quarters in the evaluation period was 30 percent, and ranged from a low of 23 percent, as of March 31, 2014, to a high of 36 percent, as of June 30, 2017. While the bank’s LTD has historically been low, this is primarily due to competition and the low loan demand in the AA.

To assess NB&T’s performance, examiners compared its average quarterly LTD ratio to four similarly situated community banks with total assets ranging from \$75 million to \$525 million. NB&T’s average quarterly LTD ratio was in the middle of the peer group during the evaluation period. The peer group average quarterly LTD was 43 percent, ranging from a low of 16 percent to a high of 80 percent. Please note that the banks in the following table are listed by alphabetical order, but no ranking is intended or implied. In addition, LTD ratios are calculated on a bank-wide basis.

Loan-to-Deposit Ratio As of December 31, 2017		
Institution	Total Assets (\$000s)	Average Quarterly LTD Ratio
Carmine State Bank	74,926	30%
Fayette Savings Bank	145,413	80%
Fayetteville Bank	490,835	16%
<b>National Bank and Trust</b>	<b>255,403</b>	<b>30%</b>
Round Top State Bank	525,232	63%

Source: Institution Reports of Condition from March 2014 to December 2017

### Lending in Assessment Area

NB&T originated a majority of loans, by number and dollar volume, inside its AA, exhibiting satisfactory performance. As the following table shows, 81 percent by number, and 68 percent by dollar volume, of the loans sampled originated inside the AA. Random sampling did not include any large loans which would skew results.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	21	72	8	28	29	2,625	66	1,357	34	3,982
Consumer	21	91	2	9	23	239	94	14	6	253
Totals:	42	81	10	19	52	2,864	68	1,371	32	4,235

Source: Loan sample.

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

The distribution of loans to borrowers of different income levels reflects reasonable penetration, and meets the standards for satisfactory performance. Residential real estate lending showed reasonable penetration, while consumer lending showed excellent penetration to borrowers of different income levels.

### Residential Real Estate Loans

The distribution of residential loans to low-income borrowers is lower than comparative demographic data; however, the distribution of loans to moderate-income borrowers is comparable to demographics and reflects reasonable penetration. NB&T's lending to low- and moderate-income borrowers exceeded aggregate data of CRA reporting institutions who on average extended 2 percent and 8 percent, respectively of their residential real estate loans in the AA to low- and moderate-income borrowers. Demographic data shows that 14 percent of households live at or below the poverty level, which may make it more challenging for individuals in the area to qualify for a home loan. The weighted median average for housing is \$138,000.

The following table shows the distribution of residential loans among borrowers of different income levels in the AA compared against 2017 census data. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the demographics or aggregate lending data in the AA. The following table shows the distribution of home loans among borrowers of different income levels compared to the percent of families in each income category.

Distribution of Home Mortgage Loans by Income Category of the Borrower Fayette County Assessment Area															
	Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Residential Real Estate Loans	14	0	2	16	14	8	20	19	17	50	67	60	0	0	13

Source: 2015 ACS Census; Loan Sample; 2017 HMDA Aggregate Data,  
Due to rounding, totals may not equal 100

*Consumer Loans*

The distribution of consumer loans to borrowers of different income levels reflects excellent penetration to low- and moderate-income borrowers. The bank’s performance is comparable to AA demographics for low-income households, and exceeds AA demographics for moderate-income households, as reflected in the table below. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the demographics in the AA.

Distribution of Consumer Loans by Income Category of the Borrower Fayette County Assessment Area								
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	14	16	33	15	33	48	19

*Source: Loan Sample; 2015 ACS U.S. Census data.*

**Geographic Distribution of Loans**

The bank’s AA does not include any low- or moderate-income areas. It also does not include any underserved or distressed areas. The OCC investigated surrounding areas, and the bank does not have a presence in any surrounding areas containing low- or moderate-income tracts. Therefore, an analysis of geographic distribution would not be meaningful, and no weight was given to this performance factor when deriving the final CRA rating.

**Responses to Complaints**

NB&T did not receive any complaints related to its CRA performance during the evaluation period. This has a neutral impact on the bank’s overall performance.

## Appendix A: Scope of Examination

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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”).

<b>Time Period Reviewed</b>	Lending Test: (01/01/15 to 12/31/2017)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
National Bank & Trust La Grange, Texas	Residential Real Estate Consumer Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable	Not Applicable	Not Applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Fayette County	Full-Scope	Non-MSA; contains 4 moderate, and 3 upper income tracts. Does not contain any low or moderate income tracts.

## Appendix B: Community Profiles for Full-Scope Areas

### Fayette County AA

DEMOGRAPHIC INFORMATION FOR FAYETTE COUNTY ASSESSMENT AREA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (CTs)	7	0	0	57.1	42.9
Population by Geography	24,849	0	0	53.1	46.9
Housing Units by Geography	13,854	0	0	57.6	42.4
Owner Occupied Housing Units by Geography	7,437	0	0	55.5	44.5
Occupied Rental Units by Geography	2,121	0	0	52.5	47.5
Vacant Units by Geography	4,296	0	0	63.9	36.1
Businesses by Geography	2,009	0	0	49.1	50.9
Farms by Geography	168	0	0	60.1	39.9
Family Distribution by Income Level	6,569	14.4	15.7	20.0	49.9
Household Distribution by Income Level	9,558	21.1	15.5	15.4	48.0
Census Median Family Income (MFI)	\$52,076	Median Housing Value		\$138,289	
		HH Below Poverty Level		7.8%	
		Median Gross Rent		\$741	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2015 ACS Census, and 2017 D&B Data.

NB&T has designated all of Fayette County as its AA. The AA, which is not included in a metropolitan statistical area, includes the cities of Schulenburg, Fayetteville, Round Top, Carmine, and La Grange. Specific demographic and economic data is listed on the table above.

Fayette County does not have any census tracts that are designated as low- or moderate-income census tracts. The AA consists of seven tracts, four middle income (57 percent), and three upper income tracts (43 percent), based on the 2017 FFIEC Census Report. NB&T's main banking office and only branch is located in an upper income tract. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographic areas.

Based on 2010 Census data, the AA has a combined population of 24,849. There are 13,854 housing units in the AA, of which 54 percent are owner occupied, 15 percent are renter occupied, and 31 percent are vacant. There are 2,009 businesses in the AA, of which 85 percent are small businesses. 14 percent of the families in the AA are considered low income. Moderate income families equal 16 percent of the AA. Middle income families comprise 20 percent of the population, and upper income families make up 50 percent of the population. Major employers in the AA include the local school district, local hospital, and the Lower Colorado River Authority.

Although there are no low- and moderate-income census tracts in the AA, 55 percent of students in the school district qualify for free or reduced meals.



The OCC contacted a local community organization to gain perspective on credit needs in the AA. The contact stated that local institutions are very involved in the local community. The community contact did not identify any opportunities for improving access to credit or financial literacy in the community. The contact stated that financial institutions in the area are meeting the credit needs of the community.