



## **PUBLIC DISCLOSURE**

May 8, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Huntsville  
Charter Number 4208  
1300 11th Street  
Huntsville, TX 77340

Office of the Comptroller of the Currency  
1301 McKinney Street, Suite 1410  
Houston, TX 77010-3031

**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 Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

First National Bank of Huntsville (FNB) is responsive to the credit needs of the community, including the needs of low- and moderate-income individuals in its assessment areas (AAs). The following factors support this conclusion.

- FNB originated a substantial majority of its loans within its AAs.
- The borrower distribution of residential real estate and consumer loans to low- to moderate-income borrowers is reasonable in the bank's AA.
- The borrower distribution of commercial loans to businesses of different sizes in the AAs is reasonable.
- The geographic distribution of residential real estate and commercial loans reflects excellent dispersion, while distribution of consumer loan reflect reasonable dispersion.
- FNB has demonstrated adequate responsiveness to Community Development (CD) needs.

## **Scope of Evaluation**

We conducted an evaluation of FNB to ensure compliance with the Community Reinvestment Act (CRA) within the AA. FNB was evaluated under the Intermediate Small Bank CRA Evaluation Procedures, which include the Lending Test and Community Development Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. Our evaluation period for the Lending Test was from January 1, 2015 through December 31, 2016. The Community Development Test evaluates the bank's responsiveness to the CD needs and opportunities within the community. We evaluated CD activities from May 2, 2014, to the start date of this evaluation, May 8, 2017.

We identified and reviewed the three major loan products of the bank. Residential real estate and commercial loans are the largest loan products by dollar volume as they represent 41.31 percent and 33.97 percent of the loan portfolio, respectively. In addition, consumer loans are the largest product by number with a total of 2,230 originated during the examination period representing 47.08 percent of the loan portfolio.

FNB is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). We performed a Data Integrity Review prior to the CRA evaluation and confirmed the reliability of bank-collected data. All residential loans originated from January 1, 2015 to December 31, 2016 were included in our analysis based on reliability.

The bank is not required to collect and report business and consumer loan data under the CRA; however, management has elected to collect this data. We selected a sample of these products using reports of loan originations during the Lending Test evaluation period.

## **Description of Institution**

FNB is a full service community bank headquartered in Huntsville, Texas. The bank was chartered on January 14, 1890 originally as Gibbs National Bank. In 1923, the bank changed its name to First National Bank of Huntsville. It is wholly owned by First National Bancshares of Huntsville, Inc. FNB is proud to be Huntsville's only locally owned community bank.

As of March 31, 2017, FNB had \$456 million in total assets. The bank's main banking center is located in a middle-income census tract at 1300 11<sup>th</sup> Street in Huntsville, TX. In addition to the main branch, FNB has additional branch locations in Huntsville, Crockett, Madisonville, Franklin, and Bryan, which are located in the counties of Walker, Houston, Madison, Robertson, and Brazos, respectively. For customer convenience, the bank also offers several motor banks and non-deposit taking automated teller machines (ATMs). All locations have reasonable hours of operation during the week, and the two motor banks located in Huntsville are also open for additional hours on Saturday to help meet the banking needs in the community. Additionally, the bank provides its customers with 24-hour account access through online and mobile banking.

FNB offers a wide array of credit products to its customers, from residential real estate and consumer loans to commercial real estate and business loans. In addition to its loan products, the bank also offers a variety of standard deposit products and services to appeal to different types of customers and their needs. As an added service to its customer base and community, FNB also provides financial education through its Financial Fitness Center on its website to help promote financial literacy. As of March 31, 2017, the bank had \$456 million in assets and a tier one leverage ratio of 10.7 percent. There are no legal or financial circumstances impeding the bank's ability to meet the credit and CD needs within its AAs.

The bank was rated "Satisfactory" at its last CRA evaluation dated April 21, 2014.

*Please refer to the bank's Public File for additional information.*

## **Description of Assessment Areas**

FNB has two AAs in Texas. The Huntsville AA is comprised of the five contiguous counties all located in a Non-Metropolitan Statistical Area, surrounding Huntsville, Texas. The AA includes Leon, Houston, Madison, Trinity, and Walker Counties. The College Station-Bryan AA consists of the majority portion of the College Station-Bryan Metropolitan Statistical Area (MSA). The AA includes Brazos and Robertson Counties.

Both AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income census tracts (CTs).

A community contact in the Huntsville AA identified the demand for small business lending in the area. The contact indicated that banks play an active role in the communities. FNB was specifically mentioned based on its tenure in the community as meeting the credit needs in the area. Local institutions, including FNB, work with a local non-profit organization to provide small business owners options for funding.

A community contact in the College Station-Bryan AA provided information on the banks in the area and a perspective of community performance. This community is currently in a growth stage, primarily with a significant number of small businesses looking for funding. The contact did not comment on any specific institution but indicated that all of the banks in the area are trying to meet the need by providing Small Business Administration loans.

### **Huntsville AA**

The Huntsville AA is comprised of 29 CTs located in Walker, Houston, Leon, Trinity, and Madison counties. Of the 29 CTs, two are low-income, three are moderate-income, 22 are middle-income, and two are upper-income. According to the 2010 U.S. Census, the total AA population is 132.2 thousand, with 22 percent of households below the poverty level and 35 percent of households receiving social security benefits. There are 56 thousand housing units in the AA with a weighted average median housing value of \$88 thousand. There is a moderate level of bank competition in the Huntsville AA. As of June 30, 2015, the Federal Deposit Insurance Corporation (FDIC) reported that there are a total of 22 banks in the AA, with FNB retaining about 18 percent of the market share. FNB has branches in Walker, Houston, and Madison counties but a significant volume of lending and deposits are generated in Walker and Madison counties. The three top competitors are Citizens State Bank, Prosperity Bank and First Financial Bank, N.A.

Walker County, located in SE Texas, is the 51<sup>st</sup> largest county in Texas with a population of 64,119. The county is comprised of ten CTs including one low-income CT, two moderate-income CTs, five middle-income CTs, and two upper-income CTs. All middle-income tracts have been designated as distressed or underserved by the Federal Financial Institutions Examination Council (FFIEC). Walker County is home to the cities of Huntsville, New Waverly and Riverside. Huntsville is the largest city in Walker County with a population of 38.5 thousand, while New Waverly and Riverside boasts populations of 1,489 and 510, respectively. The main FNB Huntsville branch is located in a middle-income CT and the other full branch is located in an upper-income CT. The Texas Department of Criminal Justice (TDCJ) is headquartered in Huntsville, the only state agency to be headquartered out of the state's capital of Austin. TDCJ employees the largest number of residence in the county with over 6,823 employees.

Walker County is also home to Sam Houston State University (SHSU), an inclusive institution whose mission is to provide high quality education, scholarship, and service to students and to regional, state, national, and international constituencies. SHSU employs 3,817 faculty and staff members from Walker and surrounding counties.

Houston County, the first county established by the Republic of Texas, has a population of 27.8 thousand. The county is comprised of seven CTs including one low-income CT, one moderate-income CTs, and five middle-income CTs. All middle-income tracts have been designated as distressed or underserved by FFIEC. Houston County is located between Anderson, Walker, Angelina, and Leon Counties. The county seat and largest city is Crockett, with a population of 6,950 thousand. FNB's Crockett branch is located in a moderate-income CT. Vulcraft and Crockett ISD are the major employers in the county. Houston County offers its residents and visitors a variety of family-friendly activities, historical sites, and numerous festivals including Lovelady's Annual Lovefest and the annual Peanut Festival held in Grapeland.

Leon County was founded in 1846 and is the 134<sup>rd</sup> largest county in Texas by population. In 1850, Centerville was named the county seat. The county is comprised of three CTs, all of which are middle-income. All middle-income tracts have been designated as distressed or underserved by FFIEC. Leon County is located on Interstate 45 and provides access to major rail lines. The most common industries in Leon County by number of employees are retail trade, Construction and Educational Services. Leon County also has a number of mining, quarrying, oil and gas extraction and agricultural industries. Leon County is home to recreational activities which include the Hilltop Lakes resort area, sites of Camino Real, and Fort Boggy State Park.

Trinity County was founded in 1850 and is located in east Texas. The county is comprised of five CTs, all of which are middle-income. All middle-income tracts have been designated as distressed or underserved by FFIEC. Bordered by Houston, Angelina, Polk, San Jacinto and Walker Counties, Trinity County was named after the Trinity River, which forms its southeastern boundary. Trinity County has a population of 14 thousand and is the 141<sup>st</sup> largest county in Texas. The county seat is Groveton and the most common occupations are law enforcement officers, sales workers and truck drivers.

Madison County was founded in 1854 and consists of the towns of Madisonville, Midway and North Zulch. The county is comprised of four CTs, all of which are middle-income. All middle-income tracts have been designated as distressed or underserved by FFIEC. Madisonville is the county seat and largest town. Bordered by Leon, Houston, Walker, Grimes and Brazos Counties, Madison County has a population of 14 thousand. FNB's Madisonville branch is located in a moderate-income CT. The county is primarily an agricultural base of ranching and farming.

**College Station-Bryan AA**

The College Station-Bryan AA is comprised 46 CTs located in Brazos and Robertson Counties, both of which are located in the College Station-Bryan MSA. Of the 46 CTs, six are low-income, 12 are moderate-income, 13 are middle-income, 14 are upper-income, and one CT's data could not be collected. According to the 2010 U.S. Census, the AA has a population of 206 thousand. The weighted average median family income is \$42,422, with 28 percent of the population living below the poverty level and 18 percent receiving social security. There are 81 thousand housing units in the AA with a weighted average median housing price of \$131 thousand.

There is a significant level of bank competition in the College Station-Bryan AA. The FDIC reported that there are a total of 21 banks in the AA, with FNB retaining 0.41 percent of the market share. The bank has an established branch in Robertson County but continues to grow in the Brazos County market, which accounts for 87 percent of CTs in the AA and is home to the primary business center of the College Station-Bryan MSA. In addition to containing a majority of CTs, all low-income CTs are located in Brazos County. As FNB continues to establish a lending and deposit market in Brazos County, there will be additional opportunities to service LMI populations. The top three competitors are Wells Fargo, N.A., Branch Banking and Trust Company and Prosperity Bank.

Brazos County was founded in 1843 and has a population of 215 thousand. The county is comprised of 41 CTs including six low-income CTs, nine moderate-income CTs, 11 middle-income CTs, 14 upper-income CTs, and one CT for which data could not be collected. Brazos County is located between the Brazos and Navasota Rivers and is bordered by Burleson, Grimes, Madison, Robertson, and Washington Counties. Bryan is the county seat, and College Station is the other major community in the county. FNB's Brazos County branch is located in an upper-income CT in Bryan. The largest employer in Brazos County is Texas A&M University. Other major employers include Reynolds & Reynolds, St. Joseph Regional Hospital and the College Station-Bryan School Districts.

Robertson County was founded in 1837 and has a population of 16.6 thousand making it the 136th largest county in Texas. The county is comprised of five CTs including three moderate-income CTs and two middle-income CTs. Robertson County is composed of the cities Bremond, Calvert, Franklin, and Hearne. Franklin serves as the county seat. Limestone, Leon, Brazos, Burleson, Milam, and Falls Counties border Robertson County. FNB's Robertson County branch is located in a middle-income CT in Franklin. Most common industries in Robertson County, TX are Educational Services, Retail Trade, and Healthcare & Social Assistance.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The Lending Test is rated Satisfactory. FNB's loan-to-deposit (LTD) ratio is reasonable. A substantial majority of the bank's loans were originated inside its AAs. Loan penetration to low- and moderate-income borrowers is reasonable and geographic dispersion in low- and moderate-income CTs is excellent. Given that FNB only receives less than one percent of the deposit market share in the College Station-Bryan AA, very little weight is given to the bank's lending activities in that AA. FNB's deposit base and market share in the Huntsville AA is more established and is more reflective of the level of lending activities in that area.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable. As of December 31, 2016, FNB's quarterly LTD ratio since the prior evaluation on April 21, 2014 averaged 52.54 percent. A peer group of banks with total assets ranging from \$313 million to \$523 million were used as comparator banks. For the same evaluation period, these banks had average LTD ratios ranging from a low of 15.7 percent to a high of 75.88 percent, with an average of 48.44 percent. FNB maintains a moderate level of public funds not available for lending. During this time, FNB had \$21 million in public funds, which represented 5 percent of total deposits. The LTD ratio net of public funds was 60.79 percent, which is reasonable when compared to the average LTD of comparator banks.

### Lending in Assessment Area

A substantial majority of loan originations are inside the bank's AAs. Specifically, 88.94 percent for the number of loans and 88.82 percent for the dollar volume of loans originated or purchased during the evaluation period were in FNB's AAs. Our analysis included 796 loans originated in 2015 and 2016. The following table details FNB's lending in the AA by product type.

Table 1 - Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	557	88.41	73	11.59	630	73,940	88.87	9,261	11.13	83,201
Consumer	94	94.00	6	6.00	100	1,566	92.45	128	7.55	1,694
Commercial	57	86.36	9	13.64	66	4,409	86.76	673	13.24	5,082
Totals	708	<b>88.94</b>	88	11.06	796	79,915	<b>88.82</b>	10,062	11.18	89,977

Source: Data reported under HMDA and loan data collected by FNB.

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

Overall, the distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's product offerings and local economic conditions.

### Residential Real Estate Loans

The distribution of residential real estate loans to borrowers in the Huntsville AA reflects an overall reasonable penetration among borrowers of different income levels considering the demographics and performance context. Of note, a significant volume of FNB's lending is concentrated in Walker and Madison Counties, which only had one low-income CT and two moderate-income CTs. The physical area of the overall AA inhibits the ability of all borrowers to access the bank's physical locations. Lending to low-income borrowers reflects poor penetration as bank originations are lower than the characteristics of the AA. In addition to the physical expanse of the AA, it may also be difficult for low-income borrowers to qualify for home purchase loans. Based on the 2010 U.S. Census Bureau information, the weighted average of median housing was \$87,656 compared to the weighted average of median household income at only \$36,723. In addition to this, twenty-two percent of households in the AA are living below the poverty level, which lessens the eligibility of LMI applicants to qualify for conventional mortgage loans. There is reasonable penetration to moderate-income borrowers as FNB's lending activities are closer to the characteristics found in the AA. The bank's performance is reflected in the following table:

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Huntsville AA</b>								
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
Residential Real Estate	23.58	<b>3.21</b>	17.41	<b>9.62</b>	18.62	17.95	40.38	69.23

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

FNB's distribution of residential real estate loans to borrowers in the College Station-Bryan AA reflects an overall reasonable penetration among borrowers of different income levels. While the distribution of residential real estate loans to low-income borrowers in the College Station-Bryan AA reflects poor penetration, lending is primarily concentrated in the Robertson County branch, which has no low-income CTs. Lending to moderate-income borrowers reflects reasonable penetration as it is more in line with the characteristics of the AA. FNB is still expanding their market share in this AA, particularly in Brazos County, which accounts for all of the AA's low-income CTs and 75 percent of the AA's moderate-income CTs.



Other limitations are a weighted average median housing price of \$131,261 and 28 percent of households living below the poverty level. The bank's performance is shown in the following table:

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in College Station-Bryan AA</b>								
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
Residential Real Estate	26.00	<b>3.45</b>	14.12	<b>9.20</b>	17.91	12.64	41.97	74.71

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

### Commercial Loans

The distribution of commercial loans to businesses reflects reasonable penetration among businesses of different sizes in the Huntsville AA. For CRA purposes, small businesses are businesses with gross annual revenues of \$1 million or less. Based on the number of loans, 72 percent of the bank's loans to businesses originated and purchased during the loan-sampling period were made to small businesses. This is reasonable when compared to demographic data that shows 83 percent of the area's businesses are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses in the AA:

<b>Table 2A - Borrower Distribution of Loans to Businesses in Huntsville AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.06	4.28	12.66	100.00
% of Bank Loans in AA by #	<b>71.88</b>	28.13	0.00	100.00
% of Bank Loans in AA by \$	<b>52.13</b>	47.87	0.00	100.00

Source: Loan sample; Dunn and Bradstreet data.

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes in the College Station-Bryan AA. All of the bank's loans to businesses originated and purchased that were sampled during the loan review period were made to small businesses. This is excellent when compared to demographic data that shows 80 percent of AA businesses are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses in the AA:

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.08	4.98	14.94	100.00
% of Bank Loans in AA by #	<b>100.00</b>	0.00	0.00	100.00
% of Bank Loans in AA by \$	<b>100.00</b>	0.00	0.00	100.00

Source: Loan sample; Dunn and Bradstreet data.

## Consumer Loans

The distribution of consumer loans reflects an overall reasonable penetration among borrowers of different income levels in the Huntsville AA. While there is poor penetration among low- and moderate-income borrowers, this is reasonable given the overall assessment area. The rural nature of the AA impacts the ability of LMI borrowers to visit branches, which are primarily located in middle- or upper-income CTs with the exception of Madison and Crocket counties where less loans are originated. The following table shows the distribution of consumer loan products among borrowers of different income levels as compared to the percent of households in each income category:

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	28.60	<b>10.87</b>	16.50	<b>6.52</b>	16.50	21.74	38.40	60.87

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

The distribution of consumer loans reflects an overall reasonable penetration to borrowers of different income levels in the College Station-Bryan AA. While there is poor penetration in low- and moderate-income CTs, this is reasonable given the overall assessment area. Of the bank's total consumer originations/purchases during the evaluation period, 82 percent were originated in Robertson County by number. The county is rural with no low-income CTs and only three moderate-income CTs, which accounts for 25 percent of the AA's total moderate-income CTs. Even with a smaller foothold in Brazos County, the bank still originated 15 percent of our sample to low-income borrowers. The bank is currently expanding operations and lending staff in Brazos County, which will allow the bank to better serve LMI individuals. The following table shows the distribution of consumer loans among borrowers of different income levels as compared to the percent of households in each income category:

<b>Table 2B - Borrower Distribution of Consumer Loans in College Station-Bryan AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	29.71	<b>14.58</b>	13.40	<b>2.08</b>	13.27	14.58	43.62	66.67

Source: Loan sample; U.S. Census data. Note: 2.09 percent of our loan sample did not require income verification

### Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the bank's AAs. Although a majority of CTs in the AAs are in middle- and upper-income areas, FNB's lending activities still reflect excellent dispersion when compared to the characteristics of the AAs. There were no conspicuous gaps identified in the geographic distribution.

### Residential Real Estate Loans

The distribution of residential real estate loans to borrowers in low- and moderate-income CTs reflects excellent dispersion when compared to the characteristics of the Huntsville AA. Residential lending exceeded the demographic comparator for LMI geographies with approximately 5 percent of residential real estate loans located in low-income CTs and 8 percent located in moderate-income. The bank's performance is shown in the following table:

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Huntsville AA</b>								
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
Residential Real Estate	4.24	<b>5.13</b>	4.16	<b>8.33</b>	76.52	54.81	15.08	31.73

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

The distribution of residential real estate loans to borrowers in low- and moderate-income CTs reflects excellent dispersion when compared to the characteristics of the College Station-Bryan AA. Residential lending exceeded the demographic comparator for low-income CTs at 11 percent and was near to the comparator for moderate-income CTs at 14 percent. The bank's performance is shown in the following table:

**Table 3 - Geographic Distribution of Residential Real Estate Loans in College Station-Bryan AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% AA Owner Occupied	% of Number of Loans	% of AA Owner Occupied	% of Number of Loans	% of AA Owner Occupied	% of Number of Loans	% of AA Owner Occupied	% of Number of Loans
Residential Real Estate	5.36	<b>11.49</b>	20.04	<b>14.94</b>	32.54	49.43	42.06	24.14

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

### Commercial Loans

The geographic distribution of commercial loans reflects excellent dispersion throughout CTs of different income levels in the Huntsville AA. The bank's lending exceeded the comparator for low-income CTs and was near to the comparator for moderate-income CTs. Given the limited opportunities to lend in low-income CTs, more weight was given to these geographies. The bank's performance is shown in the following table:

**Table 3A - Geographic Distribution of Loans to Businesses in Huntsville 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	7.09	<b>9.38</b>	11.15	<b>6.25</b>	66.45	68.75	15.32	15.63

Source: Loan sample; Dunn and Bradstreet data.

The geographic distribution of commercial loans reflects poor dispersion throughout CTs of different income levels in the College Station-Bryan AA. Although there are no loans made to businesses in low-income CTs and limited loans made in moderate-income CTs, we placed greater weight on the Huntsville AA given that FNB currently has less than one percent of the deposit market share in the College Station-Bryan AA. As noted in the bank's performance context, lending in this AA is concentrated to Robertson County, which is a rural county with minimal business lending. As the bank grows into the Brazos County market and increases lending staff, FNB will be able to achieve more business lending opportunities in the AA. The following table details the bank's performance as compared to the percentage of businesses in each CT income level:

Table 3A - Geographic Distribution of Loans to Businesses in College Station-Bryan 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
Commercial	9.01	<b>0.00</b>	20.30	<b>4.00</b>	34.51	84.00	35.91	12.00

Source: Loan sample; U.S. Census data. Note: 0.27 percent of business locations were not available

### Consumer Loans

The geographic distribution of consumer loans to borrowers reflects reasonable dispersion among borrowers of different income levels in the Huntsville AA. Of all CTs in the AA, there is only two low-income and three moderate-income CTs. Based on the rural nature of the AA, a significant number of middle-income tracts have been designated as distressed or underserved by the Federal Financial Institutions Examination Council. While the number of loans extended in low- and moderate-income CTs were below the comparator, the number of loans extended to distressed middle-income CTS was near the comparator. The following table shows the distribution of consumer loan products among borrowers of different income levels as compared to the percent of households in each CT income level:

Table 3B - Geographic Distribution of Consumer Loans in Huntsville AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	10.34	<b>6.52</b>	10.03	<b>6.52</b>	66.47	63.05	13.16	23.91

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

The geographic distribution of consumer loans throughout CTs of different income levels in the College Station-Bryan AA is reasonable given the bank's lending concentrations in the AA. The distribution of consumer loans in low- and moderate-income CTs reflect poor dispersion when compared to the AA comparators; however, a significant volume of FNB's consumer lending originated in Robertson County. Robertson County accounts for only 10 percent of the AA CTs and does not include any low-income geographies.

In addition, due to the large physical size of the county it is difficult for borrowers from moderate-income CTs to visit the branch, which is located in a middle-income CT. The following table details the bank's performance as compared to the percentage of households in each CT income level:

<b>Table 3B - Geographic Distribution of Consumer Loans in College Station-Bryan AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	14.72	<b>0.00</b>	26.28	<b>8.33</b>	29.41	68.75	29.56	22.92

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

### **Responses to Complaints**

The bank did not receive any CRA-related complaints during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated satisfactory record regarding the Community Development Test. The level of CD activities demonstrates adequate responsiveness to the needs of the community. Factors supporting this conclusion include an adequate record regarding qualified CD loans and qualified investments/donations, services, combined with good responsiveness to community development needs.

#### **Number and Amount of Community Development Loans**

FNB has provided an adequate level of CD loans in its AAs. During the evaluation period, we qualified 12 originated or refinanced loans totaling \$4.9 million. In the Huntsville Non-MSA AA bank management originated and refinanced eight CD loans totaling \$3.8 million. In the College Station-Bryan AA bank management originated and refinanced four CD loans totaling \$1.1 million.

Of the total qualified CD loans, six loans, totaling \$2.6 million promoted affordable housing to LMI individuals in both the Huntsville and College Station-Bryan AA's. Two loans, totaling \$1.2 million supported the revitalization and stabilization of local schools in the Huntsville AA, an underserved Non-MSA area. Two loans, totaling \$771 thousand provided community services to individuals located in low- to moderate-income tracts in both AA's. In addition, two loans promoted economic development in the form of job creation in the College Station-Bryan AA.

In the Huntsville AA, CD lending activities totaled \$3.8 million and were primarily centered in affordable housing initiatives. Five CD loans totaling \$1.6 million provided affordable housing loans to borrowers with multi-family units that provide below market rents to LMI individuals. Two loans originated or refinanced for revitalization and stabilization purposes included a loan for the construction of a school maintenance building and for the improvements of a school which benefits LMI individuals. There was also one loan to an entity that provides community services to LMI individuals.

In the College Station Bryan AA, CD lending activities totaled \$1.1 million. One loan originated to an organization provided community services in the form of emergency services to a community primarily located in a moderate-income area. Two loans promoted economic development through employment of LMI individuals. One loan provided affordable housing to an entity that provided below market rents to LMI individuals in the AA.

### **Number and Amount of Qualified Investments**

FNB has provided an adequate level of CD investments/donations in its AAs. During the evaluation period, we qualified six investments totaling \$8 million and 22 donations totaling \$27 thousand. There were four investments and 21 donations in the Huntsville AA totaling \$6.4 million. In the College Station-Bryan AA, one investment and one donation were made totaling \$1.6 million. In addition, one investment benefited both the Huntsville and College Station-Bryan AAs.

In the Huntsville AA, CD investment activities included four bond investments totaling \$6.3 million, which benefit LMI individuals and geographies. Three bond investments provided revitalization and stabilization to low-income communities in the AA by remodeling and constructing three schools which have significant population of economically disadvantaged students. One bond provided for the improvement of a city-wide water and sewer system in the underserved Non-MSA area. In the College Station-Bryan AA, one bond investment provided for the construction of a new high school in a school district that primarily serves students from LMI families.

In both AA's, an investment was made in an organization that provides products to assist in the teaching of financial literacy to students and adults. The product provides an educational software platform to enhance the teaching of basic finance and credit topics. The software program was utilized in three high schools which have a significant level of economically disadvantaged students within the Huntsville and College Station-Bryan AA's.

FNB provided 22 charitable contributions totaling \$27 thousand to organizations that offer community services to LMI individuals. In the Huntsville AA, a majority of the contributions benefited scholarship funds and youth programs for LMI students, as well as to an organization that promotes economic development by providing financial counseling to small businesses.

In the College Station-Bryan AA, donations were made to an organization that provides food and essentials to families who are struggling economically.

### **Extent to Which the Bank Provides Community Development Services**

FNB provided 16 qualified CD services within the AAs. Of the services provided, all of them promote community services to LMI individuals. These activities involve bank officers and directors who sponsor informational and financial educational seminars, and provide financial expertise as board members of organizations that target services to LMI individuals.

FNB also offers reasonable access to services in both of its AAs. The bank operates six full service branches that allow reasonable access to ATM, night deposit boxes, and other services. In addition to branch locations, FNB operates two exclusive motor banking locations, one for personal and one for commercial account holders. Within the Huntsville AA, FNB has two branches in moderate-income CTs, the main office located in a middle-income CT, and one branch in an upper-income CT. In the College Station-Bryan AA, FNB has one branch located in a middle-income, and one branch located in an upper-income CT. ATMs are available at all branch locations and additional ATMs are located on the SHSU Campus and at the local hospital, Huntsville Memorial Hospital. FNB does not have any of its branches located in low-income CTs; however, branch locations are accessible to individuals in low-income CTs.

As a full-service bank, FNB offers various products, which include checking, savings, certificates of deposit, online bill pay, direct deposit, wire transfer, consumer loans, commercial loans, real estate loans, and small business loans.

### **Responsiveness to Community Development Needs**

FNB has an adequate level of responsiveness to CD needs. The bank has originated an adequate level of qualified CD loans mainly for affordable housing, which demonstrates satisfactory responsiveness to this need in the community. The level of investments, donations, and services is reasonable in the AAs given the bank's performance context.

### **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 Savings 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.