



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

March 10, 2020

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Shiner  
Charter Number 5628

103 West 7th Street  
Shiner, Texas 77984

Office of the Comptroller of the Currency

1301 McKinney Street, Suite 1410  
Houston, Texas 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, 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 Community Reinvestment Act (CRA) Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The Lending Test is rated: Satisfactory**

**The Community Development (CD) test is rated: Outstanding**

The major factors that support this rating include:

- The loan-to-deposit (LTD) ratio is reasonable.
- A majority of loans were originated inside the assessment area (AA).
- The geographic distribution of loans is reasonable.
- The distribution of loans to individuals of different incomes and businesses of different sizes is reasonable.
- CD activities reflect excellent responsiveness to community needs.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of its AAs, First National Bank of Shiner's (FNB Shiner) LTD ratio is reasonable, when considering the bank's performance context. Our analysis included eight similarly situated banks that were not only selected based on having similar asset sizes to the bank, but some were also included due to sharing similar performance context and external factors to FNB Shiner's current position. These peer banks are also located in the same regional area in Texas as FNB Shiner. The bank's quarterly average LTD ratio during the evaluation period was 17.5 percent ranging from a low of 15.1 percent to a high of 18.9 percent. The comparator banks quarterly average LTD ratio was 24.2 percent for the same period, ranging from a low of 10.5 percent to a high of 47.7 percent. While FNB Shiner's LTD ratio was below the average of the comparator banks, its average is within the average range noticed for the peer.

Some of the factors contributing to the bank's lower LTD ratio are typical to banks of FNB Shiner's size and some are unusual based on extenuating circumstances. One factor pertains to FNB Shiner's significant level of public fund deposits that are not available for lending, which increased by 19 percent from the beginning to the end of the evaluation period. The bank's public fund deposit balance as of December 31, 2019 was \$145 million. Based on this, the adjusted LTD ratio for the fourth quarter of 2019 excluding these deposits would have increased the ratio from 16.9 percent to 21.1 percent. In addition to this, a large part of FNB Shiner's AA is located in the Eagle Ford Shale, which is a major oil and gas exploration site in Texas. Lavaca, Gonzales, and Dewitt Counties have experienced the most activity in relation to this site and have a significant number of wells within this location. Due to land leases to obtain mineral rights, a significant amount of money is poured into the affected communities from the oil and gas companies. The bank's customer base, as well as the customers of a few of the selected peer banks, have benefited from the influx of these oil and gas royalties. This has extraordinarily impacted FNB Shiner's deposit growth as customers deposit these funds at their respective local community banks.

## Lending in Assessment Area

A majority of the bank's loans are inside its AAs.

The bank originated 77.6 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. These findings from this analysis had a positive impact on the overall analysis of the geographic distribution of lending by income level of geography.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	161	78.9	43	21.1	204	20,572	72.8	7,684	27.2	28,256
Small Business	79	78.2	22	21.8	101	9,310	69.9	4,012	30.1	13,322
Small Farm	78	74.3	27	25.7	105	5,294	59.5	3,608	40.5	8,901
<b>Total</b>	<b>318</b>	<b>77.6</b>	<b>92</b>	<b>22.4</b>	<b>410</b>	<b>35,175</b>	<b>69.7</b>	<b>15,304</b>	<b>30.3</b>	<b>50,480</b>

*Source: Evaluation Period: 1/1/2017 - 12/31/2019; Bank's HMDA LAR, Commercial Loan and Small Farm Sample Data  
Due to rounding, totals may not equal 100.0*

## Description of Institution

FNB Shiner is a full-service community bank headquartered at 103 W. 7<sup>th</sup> Street in Shiner, Texas. FNB Shiner is a wholly-owned subsidiary of Industry Bancshares, Inc. (IBI), a multibank holding company also located in Texas. Other banks owned by IBI include Industry State Bank, Fayetteville Bank, Citizens State Bank, The First National Bank of Bellville, and Bank of Brenham.

FNB Shiner is a single-state institution and does not have any branches located outside the state of Texas. In addition to the main office in Shiner, the bank has four other branches located in Cuero, Flatonia, Gonzales, and Goliad, Texas. Each branch, including the main office, has a deposit taking Automatic Teller Machine (ATM), accessible lobby hours, and drive through facilities. The bank offers its customer base a full line of loan and deposit products in addition to other banking services including products for businesses, farms, consumers, and for purchasing residential real estate. The main office in Shiner and the branches in Flatonia and Goliad are located in middle-income census tracts (CT), with the Cuero and Gonzales branches located in moderate-income CTs.

As of December 31, 2019, FNB Shiner had \$859 million in total assets with a tier one leverage capital ratio of 10.6 percent. The bank's strategy focuses on maintaining a large investment portfolio, accounting for 76.7 percent of assets at year-end 2019. FNB Shiner continues to make efforts to grow its loan portfolio based on the lending needs of its community and available loan opportunities.

FNB Shiner has two AAs that include the entire counties of Lavaca, Dewitt, Gonzales, Fayette and Goliad. Four of the counties (Lavaca, Dewitt, Gonzales, and Fayette) are located in non-metropolitan statistical areas (MSA). Goliad County is located in the Victoria MSA. The counties in the bank's AAs are contiguous and meet the requirements of the regulation by not arbitrarily excluding low- or moderate-income (LMI) CTs.

There were no legal or financial circumstances impeding the bank's ability to meet the credit needs of its AAs. The bank was rated "Satisfactory" at its last CRA examination dated January 3, 2017.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We conducted an evaluation of FNB Shiner's lending performance to determine the bank's compliance with the CRA. FNB Shiner was evaluated under the Intermediate Small Bank (ISB) CRA procedures, which includes a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through the bank's lending activities. The evaluation period for the Lending Test was from January 1, 2017 through December 31, 2019. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments, donations, and services. We evaluated CD activities from January 4, 2017, which is the first day after the last performance evaluation, to December 31, 2019.

After reviewing the bank's loan portfolio composition as of December 31, 2019, we found that FNB Shiner's primary loan products are business loans, which represent 35 percent of total loans by dollar amount and 16 percent by number of loans, residential real estate loans, which represent 26 percent of total loans by dollar amount and 16 percent by number of loans, and small farm loans, which represent 18 percent of total loans by dollar amount and 24 percent by number of loans.

### **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under the State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The overall rating for this evaluation is based on the performance in the state of Texas. While no loan product was given more weight over the other, we did place more weight on the Shiner Non MSA AA in comparison to the Victoria MSA AA due to the fact that four out of five of the bank's branches are located in the Shiner Non MSA AA. The branch in the Victoria MSA AA was recently opened a few years prior to this examination and is still establishing itself within its community. Additionally, the Victoria MSA AA does not have any LMI CTs.

The overall ratings are still based on performance in both of the bank's AAs. Refer to the "Scope" section under the Texas Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 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 AA 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 Bureau of Consumer Financial Protection, 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.

## State Rating

### State of Texas

**CRA rating for the State of Texas:** Satisfactory

**The Lending Test is rated:** Satisfactory

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

The major factors that support this rating include:

- The LTD ratio is reasonable.
- A majority of loans were originated inside the AA.
- The geographic distribution of loans is reasonable.
- The distribution of loans to individuals of different incomes and businesses of different sizes is reasonable.
- CD activities reflect excellent responsiveness to community needs.

### Description of Institution's Operations in Texas

FNB Shiner operates one main office, four branches, and six ATMs within its two AAs. The Shiner Non MSA AA includes all 24 CTs in Dewitt, Fayette, Gonzales, and Lavaca Counties. The AA is not part of an MSA. The Victoria MSA AA, located in the Victoria, TX MSA, includes two middle-income CTs in Goliad County. The main office in Shiner, TX is located in Lavaca County, which is positioned between Houston, TX and San Antonio, TX.

Banking competition in the Shiner Non MSA AA is moderate. As of June 30, 2019, the Federal Deposit Insurance Corporation (FDIC) Market Share Report listed 18 financial institutions operating 42 branches in the AA with an aggregate of \$1.3 billion in deposits. FNB Shiner holds the first largest deposit market share position in the AA at 15.1 percent, with Fayetteville Bank following with 11.1 percent, and Prosperity Bank in third place with 9.9 percent of the AA's market share. Although banking competition in the Victoria MSA AA is minimal with only three financial institutions in the market, Goliad County is adjacent to Victoria County, which does have significantly more financial institutions. As of June 30, 2019, the FDIC Market Share Report listed these three institutions operating a total of three branch locations with an aggregate of \$18.8 million in deposits. FNB Shiner holds the largest deposit market share here as well at 50 percent, with American Bank and Prosperity Bank sharing the other half of the market.

We contacted several organizations in the bank's AAs. It was confirmed that banking in the area is saturated with national, regional, and local banks, creating significant competition for loans. It was also stated that most large loans, such as ranch purchases, are coming from Houston and these clients already have funding from other sources. We spoke with a representative from an economic development corporation that targets key businesses and industries in order to find ways to support workforce development. The corporation develops real estate strategies for business recruitment.

Additionally, we spoke to the owner of a small antique business. The contact stated that economic conditions appear to fluctuate and are challenging. The surrounding economy has increased from a significant presence from the oil and gas industry and it is fueled by this industry and tourism.

## Shiner Non MSA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Shiner Non MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	16.7	45.8	37.5	0.0
Population by Geography	85,110	0.0	16.8	44.4	38.8	0.0
Housing Units by Geography	42,193	0.0	12.5	47.2	40.2	0.0
Owner-Occupied Units by Geography	23,356	0.0	11.4	46.4	42.2	0.0
Occupied Rental Units by Geography	7,441	0.0	21.7	42.4	35.9	0.0
Vacant Units by Geography	11,396	0.0	9.0	52.1	39.0	0.0
Businesses by Geography	5,758	0.0	14.5	42.8	42.7	0.0
Farms by Geography	582	0.0	6.9	49.7	43.5	0.0
Family Distribution by Income Level	21,807	17.8	16.2	18.9	47.1	0.0
Household Distribution by Income Level	30,797	22.4	14.9	15.4	47.2	0.0
Median Family Income Non-MSA - TX		\$52,198	Median Housing Value			\$119,245
			Median Gross Rent			\$659
			Families Below Poverty Level			10.6%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Texas

The rating for Texas is based on a full-scope review of both the Shiner Non MSA and Victoria MSA AAs. The counties within the bank's AA that are not located in an MSA were combined, analyzed, and presented as one AA for the purposes of this evaluation. FNB Shiner's branches and ATMs are located within the AAs, as well as a significant portion of the bank's lending activities.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

### LENDING TEST

The bank's performance under the Lending Test in Texas is rated Satisfactory.

## **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank's lending performance in both the Shiner Non MSA and Victoria MSA AAs are reasonable.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits reasonable geographic distribution of loans in the state.

#### ***Home Mortgage Loans***

The overall geographic distribution of the bank's home mortgage loan originations reflects good dispersion, given the performance context. Refer to Table O in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.

#### **Shiner Non MSA AA**

In the Shiner Non MSA AA, the bank did not have an opportunity to provide mortgage lending in low-income CTs since the AA does not have any low-income CTs available to lend in. The distribution of loans in moderate-income CTs during the review period was near to the area demographics but was somewhat lower than the aggregate data from other Home Mortgage Disclosure Act (HMDA) reporting financial institutions in the area. The bank's Gonzales branch, which was opened a few years prior to this review, has two moderate-income CTs in Gonzales County. These moderate-income CTs represent 50 percent of the AA's total moderate-income CTs, so home mortgage loan originations stemming from this area significantly effects the bank's performance in this category. Bank management stated that Gonzales County experiences intense competition with credit unions and several other financial institutions including well-established banks that have a mortgage lending focus. FNB Shiner has not been in the market long enough to establish a substantial presence. The bank relies on word of mouth advertisement to organically promote its lending products and services. The Gonzales market has shown to be a difficult market to break into due to this strategy, but FNB Shiner is continuing to be as competitive as possible to increase its mortgage lending in the area.

#### **Victoria MSA AA**

In the Victoria MSA AA, the bank did not have an opportunity to provide mortgage lending in either low- or moderate-income CTs since the AA does not have any LMI CTs available to lend in.

#### ***Small Loans to Businesses***

The overall geographic distribution of the bank's small loans to businesses reflects excellent dispersion, given the performance context. Refer to Table Q in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

**Shiner Non MSA AA**

In the Shiner Non MSA AA, the bank did not have an opportunity to provide commercial lending in low-income CTs since the AA does not have any low-income CTs available to lend in. The distribution of loans in the moderate-income CTs during the review period exceeded the area demographics and exceeded the aggregate data from other small business lenders in the area.

**Victoria MSA AA**

In the Victoria MSA AA, the bank did not have an opportunity to provide small loans to businesses in either low- or moderate-income CTs since the AA does not have any LMI CTs available to lend in.

***Small Loans to Farms***

The overall geographic distribution of the bank's small loans to farms reflects good dispersion, given the performance context. Refer to Table S in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to farms.

**Shiner Non MSA AA**

In the Shiner Non MSA AA, the bank did not have an opportunity to provide small loans to farms in low-income CTs since the AA does not have any low-income CTs available to lend in. The distribution of loans in the moderate-income CTs during the review period exceeded the area demographics and was near to the aggregate data from other small farm lenders in the area.

**Victoria MSA AA**

In the Victoria MSA AA, the bank did not have an opportunity to provide small loans to farms in either low- or moderate-income CTs since the AA does not have any LMI CTs available to lend in.

**Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

***Home Mortgage Loans***

The overall borrower distribution of the bank's home mortgage loan originations reflects excellent penetration, given the performance context. Refer to Table P in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

### **Shiner Non MSA AA**

In the Shiner Non MSA AA, the bank's mortgage lending to low-income borrowers was lower than the area demographics but exceeded the aggregate data when compared to other HMDA reporting financial institutions in the area. The distribution of loans to moderate-income borrowers during the review period exceeded both the area demographics and the aggregate data from other HMDA reporting financial institutions in the area. Bank management stated that particularly in and surrounding Shiner, TX, there is very limited inventory of houses for sale in the market due to home owners typically residing in their homes long term and therefore limiting home ownership turnover. In addition to this, the school district in the area is highly sought after by families resulting in higher house prices due to the limited supply of houses available for sale. This causes a barrier for low-income applicants to have the ability to purchase houses in parts of the AA. Although the bank does not meet the standard in comparison to the area demographics, it does well exceed in comparison to other financial institutions in the area. This suggests that FNB Shiner is a leader in providing this type of lending within its community.

### **Victoria MSA AA**

In the Victoria MSA AA, the bank's mortgage lending to low-income borrowers was lower than the area demographics but exceeded the aggregate data when compared to other HMDA reporting financial institutions in the area. The distribution of loans to moderate-income borrowers during the review period exceeded both the area demographics and the aggregate data from other HMDA reporting financial institutions in the area. This AA does not have any LMI CTs in it and suggests that there are limited LMI individuals to lend to. Although the bank does not meet the standard in comparison to the area demographics, it does exceed in comparison to other financial institutions in the area. This again suggests that FNB Shiner remains to be a leader in providing this type of lending within its community.

### ***Small Loans to Businesses***

The overall borrower distribution of the bank's small loans to businesses reflects good dispersion, given the performance context. Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

### **Shiner Non MSA AA**

In the Shiner Non MSA AA, the bank's distribution of small loans to businesses was somewhat lower than the area demographics but well exceeded the aggregate data when compared to other business lenders in the area. This suggests that FNB Shiner is a leader in providing this type of lending within its community.

### **Victoria MSA AA**

In the Victoria MSA AA, the bank's distribution of small loans to businesses was somewhat lower than the area demographics but well exceeded the aggregate data when compared to other business lenders in the area. Many of the businesses in the AA typically have 1-5 employees, limited inventory/manufacturing, or provide low cost services such as hair dressers, gift shops, and photographers, as an example.

Management indicated that these types of businesses tend to use business credit cards and other means to meet many of their credit needs as opposed to obtaining a term loan or revolving lines of credit for working capital from a bank. FNB Shiner remains a leader in providing this type of lending within its community when compared to other financial institutions in the area.

### ***Small Loans to Farms***

The overall borrower distribution of the bank's small loans to farms reflects good dispersion, given the performance context. Refer to Table T in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

### **Shiner Non MSA AA**

In the Shiner Non MSA AA, the bank's distribution of small loans to farms was somewhat lower than the area demographics but was near to the aggregate data when compared to other business lenders in the area. FNB Shiner remains a competitive lender in its market.

### **Victoria MSA AA**

In the Victoria MSA AA, the bank's distribution of small loans to farms was somewhat lower than the area demographics but was near to the aggregate data when compared to other business lenders in the area. Even though FNB Shiner is relatively new to this market, its number of small loans to farms is in line with the lending of the other financial institutions in the area. Bank management stated that it remains as flexible as possible to meet the needs of the community even when dealing with seasonal industries such as agriculturally based businesses.

### **Responses to Complaints**

FNB Shiner received no CRA-related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test is rated Outstanding.

FNB Shiner's activities demonstrate excellent responsiveness to the needs of the community with an excellent level of qualified investments, donations, and services and an adequate responsiveness to CD lending. During the evaluation period, FNB Shiner made \$16 million in qualifying investments and donations and \$4.4 million in qualified CD loans. Additionally, bank officers and employees provided 17 CD services targeted to LMI individuals representing 341 service hours. This was determined after considering the bank's capacity as well as the needs and availability of opportunities for community development in the bank's AAs.

## Number and Amount of Community Development Loans

Refer to the Community Development Loan table below for the facts and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Non-MSA	10	91	3,181	73
Victoria MSA	1	9	1,200	27

FNB Shiner originated eleven qualified CD loans totaling \$4.3 million. Ten of these were made to entities located in the non-MSA. One loan was made to a regional mental health center that served both the non-MSA and the Victoria AAs. There were four CD loans originated for economic development purposes totaling \$2.3 million and one loan originated for affordable housing totaling \$210,000. The affordable housing loan was an apartment complex with rental units below the area's median rents. The remaining CD loans were to companies that provided services to the community, including LMI individuals.

## Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Non-MSA			62	2,520	62	74	2,520	15		
Victoria MSA			7	4	7	8	4	1		
Regional	2	350	8	3,498	10	12	3,848	23		731
Out of AA			5	10,021	5	6	10,021	61		
<b>Total</b>	<b>2</b>	<b>350</b>	<b>82</b>	<b>16,043</b>	<b>84</b>	<b>100</b>	<b>16,393</b>	<b>100</b>		

\* Prior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, sets forth the information and data used to evaluate the bank's level of qualified CD investments. This table includes all CD investments, including prior period investments that remain outstanding as of the evaluation date.

FNB Shiner provided an excellent level of qualified investments and donations. During the evaluation period, FNB Shiner purchased and made 11 qualified investments and 71 donations totaling \$16 million. There were also 2 prior period investments, which brought the total number of investments to 84.

Investments included two mortgage backed securities providing affordable housing for LMI individuals, five school bonds with more than a 50 percent majority of economically disadvantaged students, one municipal bond used to revitalize and stabilize areas within a federal designated disaster area, and one bond to the Texas Department of Housing, which provided affordable housing to low- and very low-income individuals. The five school bonds were to schools outside of the bank's AA. The bank did not have school bond opportunities within its own AA.

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

FNB Shiner provided an excellent level of CD services. Bank personnel provided 341 hours to seventeen organizations within the bank's AA. This included bank officers and employees serving in a financial capacity for several community organizations. FNB Shiner uses the FDIC Money Smart Program for financial education. Money Smart is a comprehensive financial education curriculum designed to help LMI individuals outside the financial mainstream enhance their financial skills and create positive banking relationships. FNB Shiner provided the Money Smart classes at high schools in the non-MSA and the Victoria AAs. The focus was on schools with over 50 percent of the student population identified as economically disadvantaged. Bank personnel provided financial service presentations to many community groups within the AAs, which included LMI individuals. In the non-MSA, 309 service hours were performed. There were also 32 service hours performed in the Victoria AA.

### **Broader Statewide or Regional Area**

FNB Shiner committed \$2.5 million to two Small Business Investment Company program funds, of which \$1 million was funded during this evaluation period, and \$350,000 had been funded in the prior period. Both investments promote small business and economic development and had a positive impact on the broader statewide and regional area that includes the bank's AA.

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

The level of CD efforts demonstrates an excellent response to the needs and opportunities in the AA. Responsiveness includes financial literacy programs provided at schools with LMI individuals; investments and donations that support revitalization and stabilization in designated disaster areas; and investments that promote small business and economic development.

During the evaluation period, Hurricane Harvey significantly affected the eastern coast of Texas and surrounding areas. The Interagency CRA and Disaster Recovery Listening Session hosted by the Houston Federal Reserve indicated there was a need for government programs, non-profits assisting LMI individuals affected by the storm, and financial literacy programs. The bank made efforts to provide support in this area.

## 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 MSA(s) and non-MSA(s) 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>	(01/01/17 to 12/31/19)	
<b>Bank Products Reviewed:</b>	Home Mortgage Loans, Small Business Loans, Small Farm Loans  (01/04/17 to 12/31/19) Community Development Loans, Qualified Investments, Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>Texas</b>		
Shiner Non MSA	Full-scope	The Shiner Non MSA AA consists of 24 census tracts in Dewitt, Fayette, Gonzales, and Lavaca Counties.
Victoria MSA	Full-scope	The Victoria MSA AA, a geography located in the Victoria, TX MSA, consists of two census tracts in the Goliad County.

## Appendix B: Summary of MMSA and State Ratings

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	RATING	FNB Shiner	
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Satisfactory	Satisfactory	Outstanding	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/AA.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. CTs nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other nonvisible features in some instances, CTs ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent core based statistical areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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 CT delineated by the U.S. 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 MSA 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A CT with a median family income that is less than 50 percent.

**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 state/AA.

**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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

**Metropolitan Division (MD):** 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 MD 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 (MSA):** 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 MSA 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.

**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.

**Rating Area:** A rated area is a state or multistate MSA. 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 multistate MSA, the institution will receive a rating for the multistate MSA.

**Small Loan(s) to Business(es):** A loan included in 'small loans to 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 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 1 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.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/AA. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/AA. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s AA.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.

**Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2017-2019</b>																		
	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Shiner Non MSA	136	15,896	84.5	0.0	0.0	0.0	11.4	9.6	14.6	46.4	68.4	45.9	42.2	22.1	39.4	0.0	0.0	0.0
Victoria MSA	25	4,676	15.5	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>161</b>	<b>20,572</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>10.3</b>	<b>8.1</b>	<b>13.2</b>	<b>51.5</b>	<b>73.3</b>	<b>51.1</b>	<b>38.2</b>	<b>18.6</b>	<b>35.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-2019</b>																		
	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate
Shiner Non MSA	136	15,896	84.5	17.8	5.9	3.3	16.2	18.4	12.8	18.9	13.2	20.6	47.1	47.8	50.6	0.0	14.7	12.7
Victoria MSA	25	4,676	15.5	20.1	8.0	6.4	15.4	16.0	12.7	19.9	20.0	23.6	44.6	48.0	43.6	0.0	8.0	13.6
<b>Total</b>	<b>161</b>	<b>20,572</b>	<b>100.0</b>	<b>18.0</b>	<b>6.2</b>	<b>3.6</b>	<b>16.2</b>	<b>18.0</b>	<b>12.8</b>	<b>19.0</b>	<b>14.3</b>	<b>20.9</b>	<b>46.8</b>	<b>47.8</b>	<b>49.9</b>	<b>0.0</b>	<b>13.7</b>	<b>12.8</b>

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

**Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography  
2017-2019**

Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available- Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Shiner Non MSA	62	6,577	78.5	0.0	0.0	0.0	14.5	16.1	13.5	42.8	59.7	43.9	42.7	24.2	42.6	0.0	0.0	0.0
Victoria MSA	17	2,733	21.5	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>79</b>	<b>9,310</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>13.6</b>	<b>12.7</b>	<b>12.6</b>	<b>46.4</b>	<b>68.4</b>	<b>47.8</b>	<b>40.0</b>	<b>18.9</b>	<b>39.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

**Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues  
2017-2019**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Shiner Non MSA	62	6,577	78.5	1,353	81.9	71.0	42.3	5.4	11.3	12.7	17.7
Victoria MSA	17	2,733	21.5	101	83.0	52.9	35.6	2.6	17.7	14.4	29.4
<b>Total</b>	<b>79</b>	<b>9,310</b>	<b>100.0</b>	<b>1,454</b>	<b>81.9</b>	<b>67.0</b>	<b>41.8</b>	<b>5.2</b>	<b>12.7</b>	<b>12.8</b>	<b>20.3</b>

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

<b>Table S: Assessment Area Distribution of Loans to Farms by Income Category of the Geography 2017-2019</b>																		
Assessment Area:	Total Loans to Farms			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
Shiner Non MSA	57	4,019	73.1	0.0	0.0	0.0	6.9	7.1	8.4	49.7	73.7	59.8	43.5	19.3	31.8	0.0	0.0	0.0
Victoria MSA	21	1,275	26.9	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>78</b>	<b>5,294</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.4</b>	<b>5.1</b>	<b>7.3</b>	<b>52.9</b>	<b>80.8</b>	<b>65.1</b>	<b>40.7</b>	<b>14.1</b>	<b>27.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

<b>Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues 2017-2019</b>												
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Shiner Non MSA	57	4,019	73.1	239	98.1	70.2	74.9	0.9	1.8	1.0	28.1	
Victoria MSA	21	1,275	26.9	36	92.5	61.9	69.4	2.5	0.0	5.0	38.1	
<b>Total</b>	<b>78</b>	<b>5,294</b>	<b>100.0</b>	<b>275</b>	<b>97.7</b>	<b>67.9</b>	<b>74.2</b>	<b>1.0</b>	<b>1.3</b>	<b>1.3</b>	<b>30.8</b>	

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*