



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

January 3, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Shiner
Charter Number 5628

103 W. 7th, Shiner, TX 77984

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: Outstanding.

The First National Bank of Shiner (FNB Shiner) has a satisfactory record of meeting community credit needs. Although the bank's loan-to-deposit (LTD) ratio is poor, increased deposits and significant loan payoffs contribute to the low ratio, and other lending factors are stronger. The following summarizes the bank's performance:

- The loan-to-deposit ratio is poor and significantly lower than similarly situated institutions with an average ratio of 13.71 percent over the past 12 quarters ending September 2016.
- A majority of lending is inside the assessment areas (AA) by number and dollar amount of loans originated and purchased. Of the number of residential real estate, business and agriculture loans originated and purchased during the review period, 89.17 percent by number and 81.05 percent by dollar amount were in the bank's AA;
- The overall distribution of loans reflects excellent penetration for businesses and farms of different sizes and households of different income levels; and
- The bank's community development (CD) activities demonstrate excellent responsiveness to community development needs in its AA.

Scope of Examination

We completed a full-scope review of FNB Shiner's Community Reinvestment Act (CRA) activities in its AA. FNB Shiner was evaluated under the Intermediate Small Bank (ISB) examination procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of the bank's AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs within its AA through qualified CD lending, investments and donations, and services.

Prior to this examination cycle, FNB Shiner was subject to Small Bank CRA requirements. For this exam cycle, the bank's asset size required a CRA evaluation as an Intermediate Small Bank (ISB), which includes the CD test in addition to the lending test. As an ISB, management is not required to collect and report information on business lending. We completed a data integrity review in August 2016 to determine the accuracy of the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) to be used at this evaluation. The review deemed the HMDA LAR to be reliable.

For this evaluation, primary loan products include residential real estate, business, and agriculture loans. Residential loans consist of 1-4 family residential owner-occupied loans for purchase, home improvement, and refinance purposes.

Business loans consist of loans to small and medium size businesses and agricultural loans consists of small farm loans. The lending test for FNB Shiner HMDA loans covered the time period of January 1, 2015 through September 30, 2016, as the bank did not become a HMDA reporter until January 1, 2015. For business and agricultural loans, the lending test covered the time period of January 1, 2014 through September 30, 2016.

To evaluate the bank's lending performance for residential real estate loans, we used all of the loans originated and reported on the HMDA LARs, which consisted of 172 loans in number and \$16.7 million by dollar amount.

For business and agricultural loans, we reviewed a statistically valid sample of 73 business loans and 69 agriculture loans originated during the evaluation period. Of the total loans reviewed, 64 business loans totaling \$7.54 million and 58 agriculture loans totaling \$4.98 million were located in the bank's AA.

For the CD test, our review included all CD loans, investments and donations, and services since the date of the last CRA examination dated February 3, 2014, through the date of this evaluation, January 3, 2017.

Description of Institution

FNB Shiner is a full-service community bank headquartered in Shiner Texas with the main office located at 103 W. 7th Street, Shiner, Texas. FNB Shiner is a wholly-owned subsidiary of Industry Bancshares, Inc. (IBI), a multibank holding company. Affiliated banks owned by IBI include Industry State Bank, Fayetteville Bank, Citizen's State Bank, First National Bank of Bellville, and Bank of Brenham.

In addition to the main office, FNB Shiner has four branch locations. The two branches in Cuero and Flatonia existed at the prior performance evaluation (PE) and two new branches were opened in Goliad and Gonzales in 2014 and 2015. Each branch, including the main office, has a deposit taking Automatic Teller Machine, accessible lobby hours, and drive through facilities. The main office in Shiner and the branches in Flatonia and Goliad are located in upper-income census tracts (CT), and the Cuero and Gonzales branches are located in middle-income CTs.

During the review period, the bank's deposit growth outpaced loan growth due to the wealth generated from the Eagle Ford Shale (EFS) oil and gas activities. According to the EFS website, the EFS activities were known as possibly the largest single economic development in the state of Texas and ranked as the largest oil and gas development in the world based on capital invested. Additionally, the EFS website indicates almost \$30 billion was spent developing the play in 2013. FNB Shiner's depositors benefitted financially from the EFS activities through land leases and land sales, which resulted in loan pay downs and payoffs and increased deposits. Since the previous evaluation, FNB Shiner's total assets increased 90.8 percent, total deposits increased 73.1 percent and net loans increased 66.5 percent.

As of September 30, 2016, total assets were reported as \$655.9 million and tier 1 leverage capital was \$54.6 million. Securities, including treasury, agency, and municipals represented 82 percent of total assets and net loans represented 13 percent of total assets. Loan products consists of real estate, commercial/business, agriculture, and consumer loans. Deposit products consists of business and personal checking accounts, savings accounts, certificates of deposit, health savings accounts, and individual retirement accounts. The bank's strategic plan is to increase loan volume through the newly added branches and new lenders; however, the subject bank and its affiliates have implemented strategies that contribute significantly to the low lending levels.

There are no legal or financial factors that impeded the bank's ability to help meet the credit needs of the AA. FNB Shiner was rated "satisfactory" at the last CRA PE dated February 3, 2014.

Description of Assessment Area(S)

FNB Shiner's AA have five contiguous counties in the state of Texas. The two AA include entire counties and 26 census tracts (CTs) in Lavaca, DeWitt, Gonzales, Fayette and Goliad counties. Four of the counties, Lavaca, DeWitt, Gonzales and Fayette are in non- metropolitan statistical areas (MSA). Goliad County is located in the Victoria MSA, a three-county metropolitan area. The bank's AA meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs. The AA have no low-income CTs, two moderate-income CTs (7 percent), sixteen middle-income CTs (62 percent), and eight upper-income CTs (31 percent). The moderate-income CTs are located in Gonzales County.

Lavaca County

The bank's AA include all six CTs in Lavaca County, which consist five middle-income CTs (83 percent) and one upper-income CT (17 percent). There are no low- or moderate-income (LMI) CTs within the county. Based on the 2015 Census Bureau data, Lavaca County has a population of 19,836 and has experienced a three percent increase from 2010. Hallettsville is the county seat and has an estimated population of 2,592 as of 2015. Other cities in the county are Yoakum, Shiner, and Moulton. Yoakum has a population of 3,813 and is located in Lavaca County and partly in DeWitt County. Shiner has a population of 2,139 and Moulton has a population of 907. According to the Texas Workforce Commission, approximately 81 percent of the population live in the rural areas outside of the cities and townships.

Yoakum is a cattle and agricultural town that has seen increased activity from the EFS oil field, according to the Yoakum Economic Development Corporation (YEDC). Based on information from the YEDC, top employers in Yoakum include EDDY Packing,

Yoakum ISD, Yoakum Community Hospital, and Texas Department of Transportation. Shiner has both agriculture and manufacturing activities.

The Shiner Chamber of Commerce lists top employers as Kaspar Companies (manufacturing), Spoetzl Brewery, Boedeker Plastics, and Shiner Independent School District (ISD). Based on the Chamber of Commerce, Hallettsville's major employers include Lavaca Medical Center and Hallettsville ISD.

Based on 2015 Census Bureau data, the median household income for Lavaca County was approximately \$48,677. According to the Texas Workforce Commission, the 2015 unemployment rate was 3.8 percent. FNB Shiner's main office is located in Lavaca County. It has a full service branch and a deposit taking ATM.

FNB Shiner competes for market share with other federally and state chartered financial institutions. According to the June 30, 2016 Federal Deposit Insurance Corporation (FDIC) Market Share Report, there were seven financial institutions operating nine branches in Lavaca County. Bank competitors include Peoples State Bank of Hallettsville with 32.4 percent market share and SouthStar Bank, S.S.B. with 17.4 percent market share. FNB Shiner has 30.7 percent of the deposit market, which is the second largest in the county.

DeWitt County

DeWitt County is on the Gulf Coast Plain in southeastern Texas. The county is comprised of five CTs; no low- or moderate-income CTs, four middle-income CTs (80 percent), and one upper-income CT (20 percent). DeWitt County has a population of 20,797, which is a 3.5 percent increase from 2010 based on the 2015 Census Bureau data. Cuero holds the county seat and has an estimated population of 7,115. Other cities in the county include Yorktown with a population of 2,145 and Nordheim with an estimated population of 318. The percentage of people living in cities, towns, and rural areas is similarly distributed with 49.6 percent living in rural areas and 50.4 percent living in cities and townships.

DeWitt County has several top employers in Cuero with leading industries being health care and social services. According to Cuero Development Corporation, top employers include Cuero Community Hospital, Cuero ISD, Texas Department of Corrections, DeWitt County, and HEB grocery stores. Yorktown Chamber of Commerce lists top employers as Cuero Community Hospital and Yorktown ISD. The median household income in 2015 was approximately \$49,736 based on the 2015 Census Bureau. The unemployment rate for 2015 was approximately 4 percent according to the Texas Workforce Commission data. FNB Shiner has a full service branch with a deposit taking ATM in Cuero.

FNB Shiner competes for market share with other financial institutions, both federal and state banks. According to the June 30, 2016 FDIC Market Share Report, there were eight financial institutions operating a total of twelve branches in DeWitt County.

Competitors include The Yoakum National Bank with 16 percent market share, TrustTexas Bank SSB, with 15.7 percent market share, and Wells Fargo Bank with 12 percent market share. FNB Shiner has the largest market share at 18 percent.

Fayette County

Fayette County is on Interstate Highway 10 sixty miles southeast of Austin, Texas in the Backland Prairies region of South Central Texas. There are seven CTs; no low- or moderate income CTs, three middle-income CTs (43 percent), and four upper-income CT (57 percent) in the AA for this county. Based on the 2015 Census Bureau data, Fayette County has an approximate population of 25,110. The largest cities include La Grange with an approximate population of 4,712, Schulenburg with an approximate population of 2,925 and Flatonia with an approximate population of 1,401. A majority of the population, 67 percent, live in the rural areas outside of towns and cities. FNB Shiner's branch is located in Flatonia which is a full service branch with a deposit taking ATM.

Top employers within the county are noted for the three largest cities. According to LaGrange Economic Development Corporation, top employers in La Grange include Lower Colorado River Authority, La Grange ISD, St. Mark's Medical Center, and the Walmart and HEB grocery stores. According to Schulenburg Chamber of Commerce, top employers include city of Schulenburg, Prime Industries, Bunch Wholesale Co. (BWI), Contech Construction, and Dairy Farmers of America. Flatonia Chamber of Commerce lists top employers as Flatonia ISD, Cal Main (egg distribution), Prototype Machine Company, and Oak Manor Nursing Home. Based on 2015 Census Bureau data, the median household income for Fayette County was approximately \$49,830 based on the 2015 Census Bureau data. According to Texas Workforce Commission, the unemployment rate for 2015 was approximately 3.4 percent.

Banking competition in Fayette County is significant. According to the June 30, 2016 FDIC Market Share report, there are ten institutions (both Federal and State chartered) operating seventeen branches. The top three competitors are Fayetteville Bank with 31 percent market share, Round Top State Bank with 18.5 percent market share and National Bank and Trust with 16 percent market share. FNB Shiner is ranked seventh with 5 percent market share.

During the evaluation period, we made a community contact with a local economic development organization. The contact stated that the local economy was stable overall, with the exception of some retail growth. While agricultural and retail sectors continue to be the primary banking and credit needs, the contact mentioned there is a major need for more affordable housing rental units. Positive feedback was given regarding the efforts of financial institutions in the area and their efforts to serve the local community. The contact stated the lack of affordable housing was not due to the bank's unwillingness to finance housing projects, but because of high costs associated

with purchasing and developing land for building. During the evaluation period, FNB Shiner referred 30-year fixed rate mortgage products to a broker and an affiliated bank.

Gonzales County

Gonzales County is located south of Austin, Texas. There are six CTs, no low-income CTs, two moderate-income CTs (33 percent), three middle-income CTs (50 percent), and one upper-income CT (17 percent) in the AA for this county. Based on the 2015 Census Bureau data, Gonzales County has an approximate population of 20,573. The city of Gonzales is the county seat and has an approximate population of 7,544. Other cities in the county include Nixon with an estimated population of 2,457, Waelder with an estimated population of 1,106 and Smiley with an estimated population of 567. According to the Texas Workforce Commission, approximately 65 percent of the population live in the rural areas outside of the cities and townships.

The city of Gonzales has an established and growing industrial park. The Chamber of Commerce and Agriculture lists top employers as Gonzales ISD, Adams Extract, Gonzales Healthcare Systems, Kitchen Pride Mushroom Farm, and Tyson Foods. According to the 2015 Census Bureau data, the median household income for Gonzales County was approximately \$42,983. The unemployment rate was 3.7 percent based on information from the Texas Workforce Commission. FNB Shiner's branch is located in Gonzales and is a full service branch with a deposit taking ATM.

FNB Shiner competes for market share with other financial institutions, both Federal and State banks. According to the June 30, 2016 FDIC Market Share report, in Gonzales County, there are six institutions each with a branch. The top three competitors are Wells Fargo Bank, N.A. with 32 percent market share, Sage Capital National Bank with 29 percent market share, and Prosperity Bank with 19 percent Market share. FNB Shiner is ranked sixth with 3 percent market share.

During the evaluation period, a community contact was made with a local housing authority. The contact stated the local economy has been sluggish since the downturn in oil prices. There has been some growth in the Gonzales area, but it has been very slow. Rents and security deposits have increased, and some LMI individuals now struggle to afford housing. Generally, there is some opportunity for participation by local financial institutions to finance more affordable housing rental units, but the contact was unaware of any upcoming construction projects. The contact spoke positively about the local banks in the area, stating that they are easy to work with and make good efforts to support the communities. However, many of the client that they serve do not have banking relationships and would likely not meet the bank's criteria for products or services based on their income or outstanding bank debts.

Goliad County

Goliad County is part of the Victoria MSA. The Victoria MSA consists of Calhoun, Goliad and Victoria counties and has an approximate population of 94,003. The bank's AA include Goliad County, which is comprised of two CTs; one middle-income CT (50

percent) and one upper-income CT (50 percent). The county does not have any low- or moderate- income CTs. Goliad County's estimated 2015 population was 7,531 with a growth rate of 4.5 percent since 2010.

Goliad is the county seat with an estimated population of 1,986. Other towns include Weesatche, Fannin, and Berclair. Census Bureau data indicates 100 percent of the population lives in rural areas.

The largest employers include Goliad ISD and Goliad County. According to the 2015 Census Bureau data, the median household income was approximately \$51,226 and based on the Texas Workforce Commission data, the unemployment rate for 2015 was 4.4 percent.

Banking competition is low in Goliad County. According to the June 30, 2016 FDIC Market Share Report, there were three financial institutions (both Federal and State charter banks) each operating a branch in Goliad County. FNB Shiner has the largest market share at 39 percent. The two other institutions are Prosperity Bank with 32 percent market share, and American Bank NA with 29 percent market share.

During the evaluation period, a community contact was made to a local housing authority. The contact stated that the local economy remains stagnant, but has been for some time and is not due to the decline in oil prices. There is little to no job creation or growth and affordable housing rental units are limited due to limited availability of raw land for purchase. Most of the clients that the housing authority works with are working families, but they do provide housing for some elderly and disabled clients. The contact was unaware of any particular banking/credit needs for the housing authority's clients or people in Goliad County, but did state there is a need for general financial education. It was mentioned that there are three banks in the area with positive performance and participation in the community. FNB Shiner's officers and employees provided financial education classes during the evaluation period.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB Shiner's overall rating under the lending test is Satisfactory. Although the loan-to-deposit (LTD) ratio is poor, other lending test components meet the definition of "satisfactory" or "outstanding" performance.

FNB Shiner has a low volume of loans. Some mitigating factors are present, but the bank strategies and performance have contributed to low lending limits. Mitigating factors include a large volume of small dollar loans and no minimum loan amount requirement. During the evaluation period, FNB Shiner experienced significant loan payoffs and influx of deposits, associated with the EFS oil and gas activity and these are reflected in the low ratio. For the period of January 1, 2014 through December 31, 2016, the bank originated \$138.2 million in loans. However, for the period of January 1,

2014 through September 30, 2016 (evaluation period), loan payoffs totaled \$85.3 million. Furthermore, in addition to the primary loan products, during the evaluation period, FNB Shiner originated 825 Agriculture, Auto, and Consumer loans. Net loans reflect an increase of 66.5 percent for the evaluation period but deposits grew by 73.1 percent. Although the payoffs and increase in deposits contribute to the low ratio, they do not fully mitigate the level of lending activity.

Loan-to-Deposit Ratio

FNB Shiner's LTD ratio is poor and meets the definition of "substantial noncompliance". The LTD ratio averaged 13.71 percent over the past 12 quarters, ending September 30, 2016, and demonstrates a large decrease from the prior CRA PE average ratio of 31 percent. As previously mentioned, some of the decline is attributed to external factors as the EFS oil and gas revenues result in increased deposits and high loan payoffs during the evaluation period. However, similarly situated institutions generate more lending activity.

We compared the bank's LTD to similarly situated banks and FNB Shiner has significantly lower performance than all of the other banks. The average LTD ratio for five banks headquartered in counties adjacent to the bank's main office with assets between \$649 million and \$688 million was 64.06 percent, ranging from a low of 26.96 percent to high of 94.90 percent. The bank with the lowest ratio at 26.96 percent is an affiliate of FNB Shiner and its LTD ratio did not meet standards for satisfactory performance in its most recent public evaluation. Excluding public funds, FNB Shiner's LTD ratio averaged 16.90 percent since the prior evaluation and is still much lower than the similarly situated institutions. During the evaluation period, \$6.8 million of mortgage products were referred to a broker and one FNB Shiner's affiliates since 30-year fixed rate products are not offered by the bank. These indicate FNB Shiner is helping to meet mortgage credit needs through a broker and affiliate.

During the performance period, the bank had an influx of oil and gas related deposits from customers affected by the EFS oil and gas activity. Lease money from the oil companies to land owners accounts for the bulk of deposits. With the increased deposits, many of the bank's customers paid off or paid down their loans; payoffs totaled \$85.3 million. Furthermore, the bank, along with the holding companies affiliated banks, serves as a depository institution for public entities in seven surrounding counties and the State of Texas. Public fund deposits are required to have pledged securities, therefore, these funds are not available for lending. As of September 30, 2016, FNB Shiner reported \$186 million in public funds.

Historically, banks within FNB Shiner's AA were its main competition. However, since the prior evaluation, FNB Shiner's total assets increased from \$344 million to \$656 million and the branch network expanded. Banks within FNB Shiner's AA ranged from \$308 to \$783 million but had branches or loan production offices located in MSA and loan volumes were not predominately in rural areas.

Lending in Assessment Area

Lending in the AA is reasonable. A majority of loans originated during the evaluation period were inside the bank's AA. FNB Shiner originated 89 percent by number and 81 percent by dollar amount in its AA. The bank's performance is shown in the table on the following page.

Table 1 - Lending in FNB Shiner Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	158	91.86%	14	8.14%	172	\$14,795	88.61%	\$1,902	11.39%	\$16,697
Business	64	87.67%	9	12.33%	73	\$7,539	91.77%	\$676	8.23%	\$8,215
Farm	58	84.06%	11	15.94%	69	\$4,982	56.68%	\$3,808	43.32%	\$8,790
Totals	280	89.17%	34	10.83%	314	\$27,316	81.05%	\$ 6,386	18.95%	\$33,702

Source: Loan samples.

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

Overall, the distribution of loans reflects excellent penetration for businesses and farms of different sizes and households of different income levels within the AA. The distribution meets the standard for outstanding performance.

Residential Real Estate Loans

Owner occupied residential real estate loans represented 22.9 percent of net loans as of September 30, 2016. The overall penetration of low- and moderate-income families and households is excellent.

Non-MSA

The bank's overall penetration of low- and moderate-income families and households in the non-MSA AA is excellent. The bank's penetration of residential real estate loans made to low-income families was 20.97 percent compared to the AA census characteristics of 18.42 percent. Penetration of loans to moderate-income families was 17.27 percent compared to the AA census characteristic of 17.36 percent.

The following table shows the distribution of residential real estate loans compared to families at varying income levels in the AA:

Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-MSA AA								
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	18.42	20.97	17.36	17.27	19.81	17.15	44.41	44.61

Source: Data reported under HMDA; 2010 U.S. Census data.

Goliad County - MSA

The bank’s penetration in the MSA AA for real estate loans reflects excellent penetration to low-income families and good penetration to moderate-income families and households. The bank’s penetration of residential real estate loans made to low-income families was 24.66 percent compared to the AA census characteristics of 19.54 percent. Penetration of loans to moderate-income families was 12.29 percent compared to the AA census characteristic of 14.14 percent. The following table shows the penetration of residential real estate loans compared to families at varying income levels in the AA:

Table 2 - Borrower Distribution of Residential Real Estate Loans in MSA AA								
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	19.54	24.66	14.14	12.29	19.16	17.57	47.16	45.48

Source: Data reported under HMDA; 2010 U.S. Census data.

Business Loans

Overall, lending to businesses of different sizes in the non-MSA and MSA reflects excellent penetration and meets the standards for outstanding performance.

Non-MSA

Lending to businesses of different sizes in the non-MSA AA reflects excellent penetration to small businesses. The percentage of loans originated to small businesses with revenues of \$1 million or less by number exceeds the characteristics of the AA and is considered excellent performance. The percentage of loans by dollar amount falls within a reasonable range below the industry comparators and is considered satisfactory performance.

The bank’s performance is shown in the following table:

Table 2A - Borrower Distribution of Loans to Businesses in Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.29	3.94	17.77	100%
% of Bank Loans in AA by #	87.76	12.24	0.00	100%
% of Bank Loans in AA by \$	63.85	36.15	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Goliad County - MSA

Lending to businesses of different sizes in the Goliad AA reflects excellent penetration to small businesses. The percentage of loans originated to small businesses with revenues of \$1 million or less by number and dollar amount exceeds the characteristics of the AA and is considered excellent performance. The bank’s performance is shown in the following table:

Table 2A - Borrower Distribution of Loans to Businesses in MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.76%	1.93%	19.31%	100%
% of Bank Loans in AA by #	93.33%	6.67%	0.00%	100%
% of Bank Loans in AA by \$	90.61%	9.39%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Farm Loans

Overall, the penetration of agriculture loans to farms in the non-MSA and MSA reflects reasonable penetration among farms of different sizes and meets the standards for satisfactory performance.

Non-MSA

The penetration of agriculture loans to farms reflects excellent penetration among farms of different sizes. By number, 97.56 percent of the bank’s agriculture loans originated or purchased during the review period is near to industry comparators, which meets the standards for outstanding performance. The bank’s performance is shown in the following table:

Table 2A - Borrower Distribution of Loans to Farms in Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.16	0.36	0.48	100%
% of Bank Loans in AA by #	97.56	2.44	0.00	100%
% of Bank Loans in AA by \$	63.85	36.15	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Goliad County – MSA

The bank’s performance falls within reasonable range and is above industry comparators. By number and dollar amount of agriculture loans originated or purchased during the review period, the bank’s performance is near to industry comparators, which meets the standards for satisfactory performance. The bank’s performance is shown in the following table:

Table 2A - Borrower Distribution of Loans to Farms in MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.72%	0.00	1.28%	100%
% of Bank Loans in AA by #	88.24%	0.00	11.76%	100%
% of Bank Loans in AA by \$	86.22%	0.00	13.78%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion among families and households of different income levels and businesses and farms of different sizes based on performance context. The loan sample did not identify any unexplained conspicuous gaps in the geographic distribution.

An analysis of loan distribution by geographic area was not performed in the MSA as there were no low- or moderate-income areas; therefore, it would not be a meaningful analysis.

Non-MSA

The bank’s performance falls within a reasonable range below the industry comparators for residential and farm loans and significantly exceeded the AA characteristics for business loans when considering the bank’s performance context. There were no low-income CTs and only two moderate-income CTs in one of the non-MSAs. The bank had reasonable range below the industry comparators for owner-occupied residential real estate loans in moderate-income CTs. For business loans, the moderate-income distribution exceeds the AA characteristics and for agriculture loans, there were no loans in moderate-income CTs. The bank’s performance is shown in the following tables:

Table 3 - Geographic Distribution of Residential Real Estate Loans in Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	0.00	0.00	6.49	2.24	62.79	47.76	30.73	50.00

Source: Data reported under HMDA; 2010 U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in Non-MSA 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
	0.00	0.00	6.31	8.16	67.01	36.73	26.68	55.10

Source: Loan sample; Dun and Bradstreet data.

Table 3A - Geographic Distribution of Loans to Farms in Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
	0.00	0.00	5.30	0.00	63.01	34.15	31.69	65.85

Source: Loan sample; Dun and Bradstreet data.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FNB Shiner’s performance under the CD test is rated “Outstanding.” FNB Shiner’s activities demonstrate an excellent response to the needs of the community with an excellent level of qualified investments, donations, and services and an adequate responsiveness to CD lending supporting this rating. During the evaluation period, FNB Shiner made \$6.03 million in qualified CD loans and \$54.8 million in qualifying investments and donations. Additionally, FNB Shiner’s officers and employees provided 12 CD services to low- and moderate-income individuals.

Number and Amount of Community Development Loans

FNB Shiner originated five qualified CD loans totaling \$6.03 million, all in the non-MSA AA. There were three CD loans originated for economic development purposes totaling \$5.128 million and two loans originated for affordable housing totaling \$900 thousand. The economic development loans were loans to businesses that created permanent jobs. The affordable housing loans were apartment complexes where a majority, if not all, of the rents in the complexes were below the area’s median rents

Number and Amount of Qualified Investments

FNB Shiner provided an excellent level of qualified investments and donations. During the evaluation period, FNB Shiner purchased and made 196 qualified investments and donations totaling \$54.8 million.

Investments include 171 municipal bond investments used to revitalize and stabilize areas within federal designated disaster areas that suffered from severe storm, wind, and flood damage; seven investments in bonds that support poverty stricken, distressed, and remote underserved areas; and, sixteen donations for the purpose of affordable housing, community services, and revitalization and stabilization.

Broader Statewide or Regional Area

FNB Shiner committed \$2.5 million to two Small Business Investment Company (SBIC) program funds, of which \$350 thousand had been funded. 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.

Extent to Which the Bank Provides Community Development Services

FNB Shiner provides an excellent level of CD services. Bank personnel provided 12 services totaling 295 hours to organizations within the bank's AA. FNB Shiner's management identified an important community development need for financial education and initiated the Money Smart Program. 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 Shiner, Cuero, Flatonia, and Waelder. The focus was on schools with over 50 percent of the student population identified as LMI individuals. Additionally, bank personnel provided financial service presentations to a variety of community groups within their AA. These financial classes supported LMI individuals. In the non-MSA a total of ten classes with 170 hours were performed. In the MSA, there were two classes with 25 service hours performed.

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, a community contact stated there is a need for general financial education.

Fair Lending or Other Illegal Credit Practices Review

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

Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

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.