



## PUBLIC DISCLOSURE

February 13, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Livingston  
Charter Number 6169

2121 Highway 190 West,  
Livingston, TX 77351

Office of the Comptroller of the Currency

1301 McKinney Street Suite 1410, Houston, TX 77010

**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 Outstanding.**

First National Bank of Livingston (FNB) has an excellent record of meeting community credit needs. This conclusion is based on the following:

- A substantial majority of lending is inside the assessment area (AA) by number and dollar amount of loans originated. Of the number of residential real estate, business, and consumer loans originated during the review period, 94.75 percent by number and 94.65 percent by dollar amount were in the bank's AA;
- The overall distribution of business loans reflects excellent penetration for businesses of different sizes and reasonable penetration for residential mortgage and consumer loans in households of different income levels;
- The overall geographic distribution of residential real estate, business, and consumer loans is excellent; and
- The bank's Community Development (CD) activities demonstrate adequate responsiveness to community development needs in the AA.

## **Scope of Examination**

FNB 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 in its AA through qualified CD lending, investments and donations, and services. Prior to this examination cycle, FNB was subject to Small Bank CRA requirements. We completed a data integrity review in August, 2016 to determine the accuracy of the data to be used at this evaluation.

For this evaluation, primary loan products consist of residential real estate, business, and consumer 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 consumer loans consists of loans to consumers.

The Lending Test covered the time period from January 1, 2014 through December 31, 2016. To evaluate the bank's lending performance, for residential real estate loans, we used a statically sample of HDMA loans as the bank is not a HMDA reporter. Our sample consisted of 139 loans in number and \$13.2 million by dollar amount.

For business and consumer loans, we reviewed a statistically valid sample of 179 business loans and 185 consumer loans originated during the evaluation period. Of the total loans reviewed, 174 business loans totaling \$13.2 million and 170 consumer loans totaling \$1.1 million were located in the bank's AA.

For the CD Test, our review included all CD loans, investments and donations, and services submitted by the bank since the date of the last CRA evaluation dated February 21, 2014, through the date of this evaluation, February 21, 2017.

## **Description of Institution**

FNB Livingston is a full-service community bank headquartered in Livingston Texas with the main office located at 2121 Hwy 190 West, Livingston, Texas. FNB is a wholly-owned subsidiary of FNB Company.

The main branch is located on the west side of Livingston, and the two other branches are located in downtown Livingston, and Onalaska, Texas. Each branch, including the main office, has a deposit taking Automated Teller Machine (ATM), accessible lobby hours, and drive through facilities. The main office and the Onalaska branch are located in moderate-income census tracts. The downtown branch and standalone ATM are located in middle-income census tracts.

As of December 31, 2016 the bank total assets equal \$355 million and tier 1 leverage capital equal 13.67 percent. The investment portfolio represents 41 percent of total assets and the loan portfolio represents 33 percent of total assets. Since the prior evaluation period (PE), total assets increased by nine percent, deposits increased by 21 percent, and net loans increased by 16 percent.

FNB maintains the largest deposit market share in its assessment area with 32 percent market share. The bank offers several deposit products including business and personal checking, savings, money market accounts, individual retirement accounts, and certificates of deposits. Loan products consists of real estate, commercial or business, consumer, and agriculture.

There are no legal or financial factors that impeded the bank's ability to help meet the credit needs of the AA. FNB was rated "outstanding" at the last CRA evaluation dated January 21, 2014. FNB offers a full range credit products within its assessment area including consumer loans, business loans and residential loans.

## **Description of Assessment Area(S)**

The bank's AA consists of 19 whole census tracts (CTs) in three counties, Polk, San Jacinto, and Trinity. These three counties are north-east of the Houston-The Woodlands-Sugarland Metropolitan Statistical Area (MSA) and share county-line borders. The counties are not part of the MSA.

The AA has no low income CTs, four moderate income CTs, 15 middle income CTs, and no high income CTs. There are nine middle income tracts that are distressed or underserved tracts. These CTs are in San Jacinto and Trinity Counties. The bank's AA meets the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs.

Banking competition within the AA is moderate. According to the June 30, 2016 Federal Deposit Insurance Corporation (FDIC) Market Share Report, there are eight FDIC insured financial institutions in the AA. FNB has the largest market share of deposits with 32.27 percent of the \$933 million of deposits in the AA.

The 2010 United States (U.S.) Census shows a total AA population of 86,382. Low income households make up 29.87 percent and moderate income households make up 24.94 percent of the total AA households. According to the 2010 U. S. Census, approximately 56 percent of housing is owner-occupied units. The weighted average of median housing cost is \$72,693. According to the 2010 U.S. Census, the weighted average of median family income for the AA is \$43,689.

### Polk County

Polk County has 10 CTs. It has no low or high income tracts. Four tracts are moderate and six middle income CTs. Based on the U.S. Census Bureau estimates for 2015, Polk County's population was 46,113. Livingston town holds the county seat. Major employers in Livingston include Livingston ISD, Wal-Mart, Memorial Medical Center, County of Polk, and IAH Detention Center.

This office conducted one community contact with a member of a local community organization in Polk County. The contact identified the need for small business loans. The contact was favorable in their comments about the performance of FNB and its participation in the community.

### San Jacinto County

San Jacinto County has five CTs. All the tracts are middle income. Four of the five CTs are distressed or underserved tracts. Based on the U.S. Census Bureau estimates for 2015, San Jacinto County's population was 27,023. This is a 2.4 percent growth estimate from the 2010 Census, when the population was 26,384. Unemployment rate according to the Texas Commission workforce was 5.7 percent for 2015.

### Trinity County

Trinity County has six CTs. The tracts are all middle income. Five of the six CTs are distressed or underserved tracts. Based on the U.S. Census Bureau estimates for 2015, Trinity County's population was 14,405. This is a 1.24 percent population decline from the 2010 Census, when population was 14,585. According to Trinity Chamber of Commerce major employers include Trinity County Public Utilities District, Trinity Timber Lumber Company, Trinity Hospital, Trinity County and Trinity county schools. Unemployment rate according to Texas Commission Workforce was 6 percent for 2015.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

FNB Livingston's overall performance under the Lending Test is Outstanding.

#### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is reasonable. The bank's quarterly LTD ratio averaged 38.84 percent since the prior CRA evaluation. The average LTD ratio for a peer group of three banks headquartered in Polk and San Jacinto counties with total asset sizes between \$106 and \$321 million was 47.11 percent, ranging from a low of 41.63 percent to a high of 55.56 percent.

#### **Lending in Assessment Area**

Lending in the AA is outstanding. A substantial majority of the loans originated during the review period, both by number and dollar amount, were inside the bank's AA. FNB originated 94.75 percent by number and 94.65 percent by dollar amount in its AA. The bank's performance is shown in the following table:

<b>Table 1 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	39	86.67%	6	13.33%	45	\$4,868	95.56%	\$226	4.44%	\$5,094
Improvement	51	98.08%	1	1.92%	52	\$3,455	98.86%	\$40	1.14%	\$3,495
Refinance	53	100.00%	0	0.00%	53	\$4,602	100.00%	\$0	0.00%	\$4,602
Consumer	170	91.89%	15	8.11%	185	\$1,143	91.04%	\$113	8.96	\$1,256
Business	174	97.21%	5	2.79%	179	\$13,242	91.92%	\$1,164	8.08	\$14,406
Totals	487	<b>94.75%</b>	27	5.25%	514	\$27,310	<b>94.65%</b>	\$1,543	5.35%	\$28,853

Source: Loan sample.

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

Overall, the distribution of loans reflects excellent penetration for businesses of different sizes and reasonable penetration for residential real estate and consumer loans for households of different income levels considering the bank's performance context. The bank's AA consist of 14 CT which includes no low-income CTs and four moderate-income CTs.

### **Residential Real Estate Loans**

The distribution of residential real estate loans reflects reasonable penetration among borrowers of different income considering the demographics and bank products. Residential real estate loans comprised 47.31 percent, by dollar amount, of total loans. We analyzed residential real estate lending using 2010 U.S. Census information pertaining to borrower income compared to the percentage of families by median family income levels.

The table below shows the bank's performance is below the characteristics of the AA for low-income households for home purchase and home improvement loans. However, for refinance loans, the bank's performance reflects satisfactory penetration among moderate-income households. For owner-occupied Home Mortgage Disclosure Act (HMDA) loans, for home purchase loans, the bank had poor performance as the penetration of low-income households was 2.56 percent compared to the AA characteristic of 23.88 percent and the penetration of moderate-income households was 5.13 percent compared to the AA characteristic of 18.51 percent.

For home improvement loans, the bank had poor performance as low-income households was 5.88 percent compared to the AA characteristic of 23.88 percent. For home improvement loans, the bank had reasonable penetration as the bank's

penetration of moderate-income households was 15.69 percent compared to the AA characteristic of 18.51 percent. For refinance loans, the bank had reasonable penetration as the bank’s penetration of low-income households was 11.32 percent compared to the AA characteristic of 23.88 percent and the penetration of moderate-income households was 15.09 percent compared to the AA characteristic of 18.51 percent. The penetration of low-income households is lower than the AA characteristic but is reasonable based on the following points:

- There are no low-income CTs in the bank’s AA.
- The bank only offers variable rate mortgages and require a minimum down payment of ten percent.
- The weighted average median family income was \$43,689 in 2016 in the bank’s MSA according to the 2010 U.S. Census which makes it difficult for low-income borrowers to have the minimum down payment and the weighted average median housing value was \$72,693.

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

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in 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
Purchase	23.88	<b>2.56</b>	18.51	<b>5.13</b>	21.43	25.64	36.18	64.11
Improvement	23.88	<b>5.88</b>	18.51	<b>15.69</b>	21.43	9.80	36.18	68.63
Refinance	23.88	<b>11.32</b>	18.51	<b>15.09</b>	21.43	7.55	36.18	66.04

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

Unknown Purchase Loans: 2.56%

### Business Loans

Lending to businesses of different sizes reflects excellent penetration to small businesses. The distribution of number of loans to businesses with revenues of \$1 million or less is excellent and is near to the AA characteristics. The bank’s performance is shown in the following table:

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	86.86	3.31	9.83	100%
% of Bank Loans in AA by #	<b>78.16</b>	18.39	3.45	100%
% of Bank Loans in AA by \$	58.62	37.32	4.06	100%

Source: Loan sample; Dunn and Bradstreet data.

### Consumer Loans

The distribution of consumer loans to low-and moderate-income borrowers is reasonable considering the bank’s performance context. As previously mentioned the bank’s AA does not have any low-income CTs. The penetration of loans to low-income households is 5.29 percent compared to census data of 25.89 percent and the penetration of moderate-income households is 15.88 percent compared to the census data of 16.08 percent. The bank’s performance is shown in the following table:

Table 2B - Borrower Distribution of Consumer Loans in AA								
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	25.89	<b>5.29</b>	16.08	<b>15.88</b>	19.92	13.54	38.11	65.29

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

### Geographic Distribution of Loans

The geographic distribution of loans is excellent and exceeds the characteristics of the AA. The AA did not contain any low-income CTs. Lending in moderate-income CTs exceeds the characteristics of the AA for majority of the loan products including residential real estate loans, business loans, and consumer loans. The loan samples did not identify any unexplained conspicuous gaps in the geographic distribution of loans.

### Residential Real Estate Loans

The geographic distribution of residential real estate loans in moderate-income CTs reflects excellent dispersion among families and households. For home improvement and refinance loans, the bank’s performance significantly exceeds the AA characteristics; however, for purchase loans, is less than the AA characteristics. The bank’s performance is shown in the following table:



Table 3 - Geographic Distribution of Residential Real Estate Loans in AA								
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
Purchase	0.00	0.00	18.29	<b>5.13</b>	81.71	94.87	0.00	0.00
Improvement	0.00	0.00	18.29	<b>21.57</b>	81.71	78.43	0.00	0.00
Refinance	0.00	0.00	18.29	<b>33.96</b>	81.71	66.04	0.00	0.00

Source: Loan sample; 2010 U.S. Census data.

### Business Loans

The banks performance in moderate-income CTs significantly exceeds the AA characteristics for business loans. In moderate-income CTs, the bank’s performance was 32.18 percent and significantly exceeded the AA characteristics of 18.45 percent. The bank’s performance is shown in the following table:

Table 3A - Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0.00	0.00	18.45	<b>32.18</b>	81.55	67.82	0.00	0.00

Source: Loan sample; Dunn & Bradstreet data.

### Consumer Loans

The bank’s performance in moderate-income CTs significantly exceeds the AA characteristics for consumer loans. In moderate-income CTs, the bank's performance was 43.53 percent and significantly exceeded the AA characteristics of 19.14 percent. The bank’s performance is shown in the following table:

Table 3B - Geographic Distribution of Consumer Loans in AA								
Census Tract 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	0.00	0.00	19.14	<b>43.53</b>	80.86	56.47	0.00	0.00

Source: Loan sample; 2010 U.S. Census

## **Responses to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated a satisfactory record regarding the Community Development Test. FNB's level of CD activities provided adequate responsiveness to the needs of the community. Factors supporting this conclusion include an adequate record regarding qualified community development loans and investments/donations, and an excellent record regarding qualified CD services. FNB provided \$68.5 thousand qualifying investments/donations and \$1.3 million in qualifying CD loans. In addition, FNB bank officers provided nine CD services to seven organizations during the evaluation period.

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

FNB originated 20 CD loans totaling \$1.3 million. CD lending activities were primarily concentrated in economic development initiatives. Of the total qualified CD loans, 17 loans, totaling \$828 thousand, supported economic development in the form of job creation and retention in the bank's AA. Three loans, totaling \$518 thousand, supported affordable housing for LMI individual. CD lending activities exhibited adequate responsiveness to the identified needs in the area, specifically by supporting small businesses and permanent job creation through economic development.

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

FNB provided an adequate level of qualified investments. FNB provided 41 charitable contributions totaling \$68.5 thousand to organizations that offer community services to LMI individuals. Contributions benefited scholarship funds and youth programs for LMI students, as well as organizations that provide shelter, food, and essentials to individuals and families who are struggling economically.

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

FNB provided an excellent level of CD services. During the evaluation period, bank staff provided 428 service hours to seven organizations in the AA. Bank employees provided services and served as board members to various organizations within the bank's AA. Of the qualified CD services, many of the services performed by employees were financial education presentations to students in elementary and high schools in the assessment area.

Bank staff provided written material and training on saving money to elementary students at seven schools in five school districts. Training was provided to high school students about types of services and accounts offered by banks. A significant majority of students in these schools are reported as economically disadvantaged. Additionally, bank officers are active in numerous local organizations that promote community development and serve in financial leadership roles that benefit the organization. These include Deep East Texas Workforce Solutions, Teach Children to Save, and Habitat for Humanity.

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

The level of lending and CD efforts demonstrates satisfactory responsiveness to the needs and opportunities in the AA. During the evaluation period, we made a community contact with a member of local government. The contact reported the need for small business loans and financial literacy classes within the community. FNB provided CD loans to small businesses for economic development and job creation as well as providing financial literacy presentations and classes to LMI individuals.

### **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.

