



PUBLIC DISCLOSURE

October 30, 2017

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank Albany/Breckenridge
Charter Number 3248
100 S. Main Street
Albany, TX 76430

Office of the Comptroller of the Currency
Dallas Field Office
225 E. John Carpenter Freeway, Suite 900
Irving, Texas 75062

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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INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are inside the bank's assessment areas (AAs).
- The distribution of loans to borrowers of different incomes and to businesses of different sizes during the review period is reasonable and meets the standards of satisfactory performance.
- The distribution of consumer loans across low- and moderate-income census tracts reflects reasonable dispersion and meets the standards of satisfactory performance. The distribution of business loans in those areas is below the demographic comparator and thus reflects poor dispersion. While the bank's distribution of business loans in low- and moderate-income areas reflects poor dispersion, more weight was given to borrower distribution of loans to businesses. The distribution of loans to businesses better reflects the bank's lending practices to businesses with gross annual revenues of less than \$1 million.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.
- The overall level and responsiveness of community development (CD) lending, investments, and services is adequate.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is; therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a core based statistical area that contains an urbanized population of at least 2.5 million. A metropolitan division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The metropolitan statistical area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 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.

Description of Institution

First National Bank Albany/Breckenridge (FNB) is a single-state community bank wholly-owned by Albany Bancshares, Inc., a one-bank holding company controlled locally by individual shareholders, and headquartered in Albany, Texas. Established in 1883, FNB operates a total of four branch offices, in addition to the main office in Albany. FNB's branch network consists of banking offices in Gordon and Strawn, Texas, located in the southwest portion of Palo Pinto County, which resulted from branch acquisitions in 1989. The bank added a third branch in 1990, the Breckenridge branch in Breckenridge, Stephens County, Texas, and formally changed the name of the bank to First National Bank of Albany/Breckenridge.

Since the previous Performance Evaluation, the bank opened a new branch facility on January 25, 2017 which is located in a moderate-income CT in the southern portion of Abilene, approximately 40 miles southwest of its main bank in Albany. The city of Abilene is in Taylor County which is part of the Abilene Metropolitan Statistical Area that also includes the counties of Jones and Callahan. Due to the timing of the branch opening in Abilene, the bank has not had sufficient time to establish a banking presence in Taylor County; therefore, we excluded the Abilene MSA for this evaluation period.

FNB is a full-service bank offering an array of loan and deposit products, including telephone, mobile, and internet banking for both individuals and businesses. FNB's physical offices are its primary delivery system for retail products and services. The location and the census tract income designations for the bank and its branches are as follows:

- 100 S. Main Street, Albany, TX (middle-income)
- 101 E. Walker Street, Breckenridge, TX (moderate-income)
- 104 S. Main Street, Gordon, TX (middle-income)
- 123 Central, Strawn, TX (middle-income)
- 1500 Industrial Blvd., Suite 102, Abilene, TX (opened 01/25/2017)

Drive-in banks with extended hours, and ATMs with 24-hour access are located at 84 N. Main in Albany and the branch office in Breckenridge.

Loan Type (as of June 30, 2017)	Gross Dollar Amount \$ (000)	% of Gross Loans
Construction & Land Development Loans	19,320	6.5
Residential RE	45,203	15.2
Commercial RE	93,772	31.5
Business (C&I)	78,599	26.4
Consumer	23,169	7.7
Farm & Agriculture	37,970	12.7
Total	298,033	100%

Source: Call Report data as of June 30, 2017.

As of June 30, 2017, FNB reported total assets of \$526 million, total liabilities of \$461 million, and capital of \$65 million. Gross loans totaling \$298 million represent 57 percent of assets. The preceding table reflects the composition of the loan portfolio, by “Loan Type”, as of June 30, 2017. Commercial real estate and commercial and industrial (business) loans account for the largest percentage of gross loans at 31.5 percent and 26.4 percent respectively, followed by residential real estate at 15.2 percent and farm and agriculture at 12.7 percent. Consumer loans represent only 7.7 percent of gross loans.

Loan Originations (1/12/2015 – 06/30/2017)	Total Number of Loans Originated	% of Total Number Loans Originated	Total Dollar Amount of Loans Originated \$ (000)	% of Total Loans Originated (Dollar Amount)
Construction & Land Development	42	0.5	25,689	4.8
Residential RE	197	2.5	19,808	3.7
Commercial RE	333	4.3	144,290	26.8
Consumer	3,906	50.0	46,711	8.7
Business (C&I)	2,299	29.40	222,059	41.2
Farm & Agriculture	1,038	13.3	80,163	14.9
Total	7,815	100.0	538,720	100.0

Source: Bank-provided data.

According to bank-provided loan activity data for the review period, we determined the bank’s primary lending is focused on consumer and business loans. As reflected in the preceding table, FNB originated a total 7,815 (in number) and \$538.7 million (in dollars) loans during the review period. There were 3,906 consumer loans originated totaling \$46.7 million, which represented 50 percent (in number) of all loans originated during the review period, albeit only 8.7 percent (in dollar). FNB originated 2,299 business loans totaling \$222 million, which represented 29.4 percent (in number) and 41.2 percent (in dollars) of all lending for the same period. A sample of 20 consumer loans and 20 business loans were randomly selected for the lending test.

There are no known legal or financial impediments to the FNB’s ability to meet the credit needs of its communities.

The previous CRA evaluation, dated January 12, 2015, assigned a “Satisfactory” rating to the bank.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNB is subject to the interagency Intermediate Small Bank (ISB) CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from January 12, 2015, the date of the prior PE, through October 30, 2017, the date of the current evaluation. We identified consumer and commercial business loans as the bank's primary loan products. As such, the Lending Test focused on consumer and business loans originated from January 12, 2015 through June 30, 2017.

In addition to the Lending Test, ISBs are evaluated under the Community Development (CD) Test. Our consideration of CD activity includes loans, investments/donations, and services extended from the date of the previous PE (January 12, 2015) through the start date of the current CRA evaluation (October 30, 2017).

Data Integrity

This evaluation is based on accurate data. Examiners gathered demographic data directly from consumer loan and commercial business loan files for comparison with 2010 U.S. Census data. FNB will not become subject to the filing requirements of the Home Mortgage Disclosure Act (HMDA) until January 1, 2018. The bank did not have a home or branch office in an MSA until January 25, 2017 when it opened a branch in Abilene, which is part of Taylor County and the Abilene Metropolitan Statistical Area (MSA). FNB will be required to collect HMDA reportable loan data in calendar year 2018 and submit an annual Loan Application Register to the Consumer Financial Protection Bureau (CFPB) prior to the deadline March 1, 2019. Additionally, community development loans, investments, and services provided by management were verified to ensure the activities met the regulatory definition of community development. Any activities that did not meet the definition or purpose of community development were excluded.

There were no affiliates the bank wanted considered for this evaluation.

Selection of Areas for Full-Scope Review

For this evaluation, we conducted a full-scope review of the Albany Non-MSA Assessment Area.

Please see the table in Appendix A for more information.

Ratings

The bank's rating is based on the full-scope review of the FNB Albany Non-MSA Assessment Area.

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 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 [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Based on the full-scope review of the FNB Albany Non-MSA, the bank’s performance under the Lending Test is rated “Satisfactory”.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is calculated on a bank-wide basis. FNB’s loan-to-deposit (LTD) ratio is considered reasonable given the bank’s size, location, local competition, and the credit needs of the AA. This determination is based on the quarterly average LTD ratio of 56.51 percent from December 31, 2014 through June 30, 2017. During this evaluation period, FNB’s LTD ratio progressively increased from a low of 49.09 percent as of December 31, 2014 to a high of 66.82 percent as of June 30, 2017.

Management considers the banks shown in the following table to be the closest representations of similarly situated institutions (SSI). Though these banks are headquartered in adjacent counties to FNB’s AA and are similar in asset size, they both have a significant presence in nearby MSAs (Abilene and Dallas/Fort Worth/Arlington) that provide for more lending opportunities compared to FNB’s non-MSA AA. Demographic and economic factors further compound the lending disparity between these two banks and FNB. Specifically, FNB’s AA is primarily comprised of distressed and/or underserved middle-income nonmetropolitan census tracts driven by the poverty level and/or the remote/rural landscape. These factors place additional limits on FNB’s lending opportunities compared to the SSIs listed below.

The quarterly average LTD ratio for each SSI is listed in the following table. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Financial Institutions	Total Assets \$ (000’s) (As of 6/30/2017)	Average Loan-to-Deposit Ratio
First National Bank Albany/Breckenridge	526,356	56.51%
First Bank Texas, SSB	415,433	94.86%
Ciera Bank	524,801	90.76%

Lending in Assessment Area

A majority of the number and dollar amount of FNB's loans originated during the evaluation period was inside its AA. As depicted in Table 1 below, 82.5 percent of the number and 90.8 percent of the dollar amount of loans were originated inside the AA. As such, FNB meets the standards of satisfactory performance for this criterion.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	14	70.0	6	30.0	20	2,522,592	90.5	265,200	9.5	2,787,792
Consumer	19	95.0	1	5.0	20	147,000	95.9	6,214	4.1	153,213
Totals	33	82.5	7	17.5	40	2,669,592	90.8	271,414	9.2	2,941,006

Source: Loan sample of bank-provided data.

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

Overall, the distribution of loans to borrowers of different incomes and to businesses of different sizes is reasonable and thus meets the standards of satisfactory performance. We compared the percentage of the number and dollar amount of business loans the bank originated to businesses with gross annual revenues of \$1 million or less, and to businesses with gross annual revenues over \$1 million, to the percentage of AA businesses with gross annual revenues at those respective levels. Additionally, the percentage of the number of consumer loans the bank originated to low-, moderate-, middle-, and upper-income borrowers was compared to the percentage of AA households that fall within each of those income levels.

FNB Albany Non-MSA

As depicted in the following Table 2A, FNB's distribution of loans to businesses reflects reasonable penetration. The percentage of the number of commercial loans originated by the bank to businesses in the AA with revenues of \$1.0 million or less (85 percent) exceeds the demographic comparator (82.6 percent). However, the percentage of the dollar amount of commercial loans to businesses with revenues less than \$1.0 million (21.5 percent) is significantly lower than the demographic comparator. The disparity in this percentage can be explained by our sample penetration. Our sample of 20 business loans represented less than 1 percent of the number of business loans originated during the review period. Considering the entire population of business loans made during the review period, 50 percent were originated for \$20 thousand or less. Moreover, 74 percent of those originated were for \$50 thousand or less. This evidences FNB makes smaller business loans inside its AA which are typical of the needs of small businesses.

Table 2A - Borrower Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	82.6	5.9	11.6	100%
% of Bank Loans in AA by #	85.0	15.0	0	100%
% of Bank Loans in AA by \$	21.5	78.5	0	100%

Source: Loan sample; Dun and Bradstreet data.

As reflected in the following Table 2B, the percentage of the number of consumer loans the bank originated to low- and moderate-income borrowers combined (55 percent) exceeds the percentage of AA households (40.3 percent) in those income tract levels. The bank's performance for these type loans reflects reasonable penetration. While the percentage of the number of consumer loans to low-income level borrowers lags the percentage of AA households that fall within that income level (22.1 percent), the percentage of the number of consumer loans originated to moderate-income borrowers (45 percent) exceeds the demographic comparator (18.2 percent). When considering the entire population of consumer loans made during the review period, about one-third of the number of consumer loans made were for \$2,500 or less which evidences FNB's responsiveness to the needs of the communities it serves.

Table 2B - Borrower Distribution of Consumer Loans in the AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	22.1	10.0	18.2	45.0	17.5	10.0	42.1	35.0

Source: Loan sample of bank-provided data; 2010 U.S. Census data.

Geographic Distribution of Loans

FNB's geographic distribution of business and consumer loans in low- and moderate-income (LMI) geographies reflects reasonable dispersion, and thus the bank meets the standards of satisfactory performance. For business loans and consumer loans, we compared the percentage of the number of business or consumer loans the bank originated in each geography income level to the percentage distribution of all businesses or households located in those geography income levels. More weight was given to the bank's borrower distribution performance for purposes of our overall lending assessment. Borrower distribution better reflects the bank's lending practices to low- and moderate-income households and businesses with revenues of less than \$1 million.

FNB Albany Non-MSA

As reflected in the following Table 3A, FNB's geographic dispersion of business loans in the AA reflects poor dispersion. While there are no low-income geographies and only one moderate-income geography in the AA, the percentage of the number of business loans the bank originated in the moderate-income geography (10.0 percent) is below the percentage of AA businesses located in that income geography (20.5 percent). Only two of the 20 loans sampled were originated in the moderate-income geography (CT 9503.00) in Stephens County where the Breckenridge branch is located. While the bank's distribution of business loans in LMI areas reflects poor dispersion, more weight was given to borrower distribution of loans to businesses. The distribution of loans to businesses better reflects the bank's lending practices to businesses with gross annual revenues of less than \$1 million.

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 Loans	0	0	20.5	10.0	79.5	90.0	0	0

Source: Loan sample of bank-provided data; Dun and Bradstreet data.

As reflected in Table 3B, the percentage of the number of consumer loans the bank originated in moderate-income geographies (20.0 percent) exceeds the percentage of AA households in moderate-income geographies (17.6 percent). This distribution of consumer loans reflects reasonable dispersion and meets the standards of satisfactory performance.

Table 3B - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	17.6	20.0	82.4	80.0	0	0

Source: Indicate source, i.e., loan sample of bank-provided data; 2010 U.S. Census data.

Responses to Complaints

No CRA-related complaints were made against the bank during the evaluation period. Thus, this criterion is not applicable.

COMMUNITY DEVELOPMENT TEST

Overall responsiveness through CD lending, qualified investments, and CD services to the CD lending, investment, and services needs in the bank's AA is adequate. This conclusion is based on the bank's size, financial condition, level of activity, and performance context. CD opportunities are limited by the vast and rural nature of the AA. The bank's AA spans across two contiguous counties (Shackelford and Stephens) and one census tract of a third contiguous county (Palo Pinto). The population is centered in the communities of Breckenridge and Albany. Large portions of Shackelford and Stephens Counties are designated distressed and underserved nonmetropolitan middle-income census tracts. There are no low-income census tracts, and the Breckenridge branch is located in the only moderate-income geography in the AA.

As noted previously, the evaluation period for evaluating CD activities starts with the date of the last CRA evaluation period (January 12, 2015) and extends to the start date of this CRA evaluation (October 30, 2017).

Number and Amount of Community Development Loans

FNB Albany Non-MSA

The level of CD lending in the AA reflects adequate responsiveness to the CD needs of the AA.

The bank originated or renewed 10 qualified CD loans in the AA totaling \$4.3 million which represented 7.7 percent of tier 1 capital as of June 30, 2017. Examples include:

- FNB originated seven separate loans during the review period, totaling \$3.8 million, to the Stephens Memorial Hospital District in Breckenridge for it to meet match funding requirements (intergovernmental transfer payments) until Medicaid funds are received. The hospital, located in a moderate-income census tract, provides services that help stabilize a community that is also designated by the federal agencies as a distressed and underserved remote rural area.
- The bank originated a \$350 thousand loan to the city of Breckenridge that is secured by city tax revenue. Proceeds help to fund a water line improvement project and benefit LMI families and households in the moderate-income community, in addition to bordering communities that federal agencies have designated distressed and underserved.
- FNB originated a \$20 thousand loan to the Hubbard Creek Volunteer Fire Department that match funds U.S. Forest Service Grants and helps to purchase new fire equipment to be used in Breckenridge. Proceeds from the loan go towards the purpose of providing community services that benefit LMI in a distressed and underserved community.

Through loans such as these, FNB is making a positive impact on the CD credit needs of the AA.

Number and Amount of Qualified Investments

FNB Albany Non-MSA

The bank's performance under the Qualified Investment Test is "Adequate". Current and prior period qualified investments total \$1.4 million, compared to \$2.6 million in the prior PE. This level of investments represents 2.5 percent of tier 1 capital as of June 30, 2017. The current investment balance, in large part, is represented by a GNMA security the bank purchased for \$2.55 million on November 30, 2011 (in the prior period). The current book value of the security is \$1.35 million. The security is securitized by twenty-four 30 year single-family mortgage loans either originated to low- and moderate-income borrowers or the properties are located in low- and moderate-income geographies. There were no new qualified investments during the current evaluation period. The bank made qualified donations totaling just over \$10 thousand to community organizations that serve LMI individuals in the AA such as Ben Richey Boys Ranch, Albany Community Chest, the Breckenridge Chamber of Commerce, and Friends of Historic Breckenridge.

Extent to Which the Bank Provides Community Development Services

FNB Albany Non-MSA

Six employees provided their expertise to 10 CD organizations within the AA. All six employees served either as an executive, director, treasurer, and/or committee member. This equates to 100 percent of engaged employees serving in leadership positions within the community.

CD service occurrences are categorized by the four CD criteria. Following are each criteria, the number of occurrences, and a few of the CD organizations that have benefited through the bank staff's efforts:

- Community services (four) – West Central Texas Municipal Water District, Albany Kiwanis Club, and Stephens Memorial Hospital.
- Economic development (nine) – Albany Chamber of Commerce, City of Albany EDC, Breckenridge Economic Development Corporation, and Breckenridge Chamber of Commerce.

Responsiveness to Community Development Needs

The bank demonstrates adequate responsiveness to the needs in its AAs. The bank has invested time, personnel resources, and financing commitment to CD activities that benefit community organizations and LMI individuals.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans, Investments, and Services): Consumer Loans (01/12/2015 to 06/30/2017) Business Loans (01/12/2015 to 06/30/2017) Community Development Test: Loans, Investments, and Services (01/12/2015 to 10/30/2017)	
Financial Institution		Products Reviewed
First National Bank Albany/Breckenridge (FNB) Albany, Texas		Consumer and Business Loans CD Loans, Investments, and Services
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>[Instructions: Provide only if affiliate products are reviewed.]</i> No affiliates		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Texas FNB Albany Non-MSA	Full-Scope	Shackelford County (all CTs) Stephens County (all CTs) Palo Pinto County (CT 0002.00 only)

Appendix B: Community Profiles for Full-Scope Areas

FNB Albany Non-MSA AA

Demographic Information for Full-Scope Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0	20	80	0	0
Population by Geography	15,199	0	15.41	84.59	0	0
Owner-Occupied Housing by Geography	4,333	0	50.89	51.29	0	0
Businesses by Geography	1,246	0	20.47	79.53	0	0
Farms by Geography	115	0	8.70	91.30	0	0
Family Distribution by Income Level	3,864	21.01	17.42	22.28	39.29	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,485	0	24.65	75.35	0	0
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$47,486 = \$52,400 = 14.55%	Median Housing Value <u>Unemployment Rate (2016)</u> Shackelford County Stephens County Palo Pinto County				= \$69,777 3.9% 5.3% 5.6%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, 2016 HUD updated MFI, and Bureau of Labor Statistics (BLS).

FNB Albany Non-MSA AA

The AA is comprised of five (5) census tracts (CT) from three contiguous counties in Texas in which the bank has its main office and three branch offices. The AA consists of the entire geographies of Shackelford County and Stephens County, and a portion of Palo Pinto County. According to 2010 U.S. Census data, the AA overall had a population of 15,199. Shackelford County, which is entirely rural, had an estimated population in 2016 of just over 3,300. The county consists of only one census tract that federal agencies designate as a remote rural and underserved middle-income nonmetropolitan geography. There are no low- or moderate-income geographies in Shackelford County. Albany is the county seat and the largest city with a population of just under 2,000. The county directly east is Stephens County, which is also largely rural but had an estimated population of 9,906 in 2016, three times that of Shackelford County. This county has a total of three census tracts, two middle-income and one moderate-income. There are no low-income geographies.

Breckenridge is the largest city and county seat with an estimated population of 5,563. The physical address of the bank's branch is situated on the border of the moderate- and middle-income census tracts dividing the city (CT 9503 and CT 9502), and CT 9503 is designated by federal agencies as a distressed and underserved middle-income nonmetropolitan area. The bank delineates only a portion of Palo Pinto County, the southwestern part of the county that comprises the cities of Gordon and Strawn where the bank has its branches (CT 0002). This is due to the remote rural nature, large geography of Palo Pinto County, and the location of the bank's branches. Management believes it would not be feasible for the bank to service the bordering middle- and upper-income census tracts. The cities of Strawn and Gordon each had estimated populations of less than 500 in 2016. The City of Strawn is less than 10 miles to the west of Gordon, 40 miles east of Breckenridge, and Breckenridge is 24 miles east of Albany. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

All four of the bank's offices are in this AA. According to the June 30, 2017 *FDIC Deposit Market Share Report*, a total of eight banks operate 20 branches within the AA. FNB is ranked first overall, holding 40.72 percent of the total market share with deposits totaling \$421 million. First Financial Bank, N.A., which is almost 14 times the size of FNB and headquartered in Abilene, operates three offices in the AA and ranked second in total market share (25.15%) with deposits totaling \$260 million.

Major employers are largely in Stephens County, more specifically Breckenridge. These employers include Jonell Incorporated (gas filtration), Bridgeport Truck Manufacturing (refuse and front- and side-loaders), Walmart, and the Breckenridge Independent School District, Stephens Memorial Hospital, and government offices. In Albany (Shackelford County), the major employers include Anderson Perforating Company (oil field services – wirelines), the independent school district, and government offices. The main employers in Strawn and Gordon are the independent school districts.

Economic conditions in the AA varies a bit by county but overall is a bit stagnant as much of the area is dependent on the energy sector. The economy in Shackelford County is much more dependent on oil prices compared to Stephens County, as the city of Breckenridge is more diversified and includes services, retail trade, and agribusiness. Of a total 1,246 nonfarm and 115 farm businesses in the AA, 75.31 percent employ less than four employees and 79.65 percent report annual revenues less than \$500,000. Almost 20 percent of all businesses (farm and nonfarm) in the AA are situated in the one moderate-income geography of the AA (Breckenridge).

Information from a local community contact indicates economic conditions remain a bit stagnant in the AA, largely due a struggling oil sector. Low oil prices have negatively impacted oil related businesses, as well as agriculture and retail businesses.

Many communities within the AA are supported by the oil and gas industry, and layoffs and reduced salaries have adversely affected the economy in recent years. However, a positive trend in oil prices in recent months has helped local businesses and increased sales tax revenues, which has slightly improved the economy.

The community contact indicated opportunities for community development are limited in the AA but local financial institutions are doing a good job making affordable credit and working capital available to local businesses and individuals in the community. Small business and consumer loans continue to be of need in the community.