



PUBLIC DISCLOSURE

September 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank and Trust
Charter Number 3906

145 W Colorado Street
La Grange, TX 78945

Office of the Comptroller of the Currency

Houston Office
909 Fannin Street
Suite 1900
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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

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

The lending test is rated: Satisfactory

The major factors that support this rating include:

- The bank's loan to deposit (LTD) ratio is reasonable.
- A majority of the bank's loans are inside its assessment area (AA).
- The bank exhibits a reasonable distribution of loans to individuals of different income levels.
- The bank did not receive any Community Reinvestment Act (CRA) related complaints during the evaluation period.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio is reasonable.

The bank's quarterly average LTD ratio calculated on a bank-wide basis for the evaluation period was 44 percent. During this time the LTD ratio ranged from a low of 35 percent at June 30, 2018, to a high of 54 percent at September 30, 2019. The bank's average quarterly ratio improved from 30 percent during the prior evaluation period. The bank's quarterly average LTD ratio is consistent with the quarterly average LTD ratio for three similarly situated institutions. The similarly situated institution's quarterly average LTD ratio was 46 percent, ranging from a low of 18 percent to a high of 89 percent during the evaluation period.

Lending in Assessment Area

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

The bank originated and purchased 74 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. The bank's performance with lending inside its AA has an overall positive impact on the geographic distribution analysis.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	17	57	13	43	30	2,208	28	5,562	72	7,770
Consumer	26	93	2	7	28	634	94	43	6	677
Total	43	74	15	26	58	2,842	34	5,605	66	8,447

Source: Bank Data

Description of Institution

National Bank & Trust (NBT) is an intrastate bank headquartered in La Grange, TX. The bank is a wholly owned subsidiary of First La Grange Bancshares, Inc. The bank operates within one AA, Fayette County, TX. Operations at the bank have been stable since the last performance evaluation. The bank has not opened or closed any branches since the previous evaluation and there was no merger or acquisition activity. The bank operates one full-service location with an automated teller machine (ATM) in La Grange, TX as well as a detached motor bank with an ATM one block east of the main location. Night drop boxes are located at both locations. Refer to the Description of Institution's Operations in Texas in the State Rating section for additional information.

The bank offers a variety of loan and deposit products and services through traditional delivery channels. As of June 30, 2022, NBT reported total assets of \$215 million. Tier 1 capital totaled \$28 million, and the tier 1 leverage ratio was 12.4 percent. The bank's net loans totaled \$89 million, representing 41 percent of total assets and 45 percent of all deposits. NBT's loan portfolio is composed of commercial (2.5 percent), residential and commercial real estate (88.9 percent), farmland and agriculture (0.2 percent), and consumer loans (8.5 percent).

In response to the Coronavirus Aid, Relief, and Economic Security Act or CARES Act established in 2020, NBT participated in the Small Business Administration's Paycheck Protection Program (PPP). The bank originated 161 PPP loans totaling \$6.74 million between 2020 and year-end 2021.

The bank has the financial ability to meet credit needs within the AA and no legal impediments exist impacting the bank's lending capabilities. NBT received a Satisfactory rating in the previous evaluation dated July 9, 2018.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for this examination was January 1, 2019, through December 31, 2021. Qualifying lending activities performed in response to the COVID-19 pandemic during the evaluation period are included in this CRA evaluation. The bank did not meet Home Mortgage Disclosure Act (HMDA) reporting thresholds during the evaluation period and was not required to submit data.

To evaluate lending performance, an analysis was completed on random samples of home mortgage loans and consumer loans. For the borrower distribution analyses, we compared lending performance data to updated 2015 American Community Survey census data effective January 2017 and aggregate lending data within the Fayette County AA.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state were selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area.

These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is based on performance in the State of Texas. The state rating is based upon NBT’s performance in their AA. We considered lending volume within the AA relative to the bank’s capacity based on deposits, competition, and market presence. The lending test considered the distribution of home mortgage loans and consumer loans inside and outside the AA and among different borrower income levels. Due to the bank’s location, there are no low or moderate-income (LMI) census tracts (CTs), within their AA. Refer to the Scope section under the State Rating section for details regarding how the areas were weighted in arriving at the respective rating.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

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

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

State of Texas

CRA rating for the State of Texas: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's LTD ratio is reasonable.
- A majority of the bank's loans are inside its AA.
- The bank exhibits a reasonable distribution of loans to individuals of different income levels.
- The bank did not receive any CRA-related complaints during the evaluation period.

Description of Institution's Operations in Texas

NBT operates solely in the state of Texas out of one full-service location (main office) and a detached motor bank located one block east of the main office location. The bank's headquarters in La Grange, TX are located inside its designated AA of Fayette County. The AA meets the requirements of the regulation and does not exclude any LMI geographies. Principal communities located in the AA include the City of La Grange, which is the county seat, and the smaller adjacent communities of Flatonina, Round Top, Schulenburg, Ellinger, and Carmine.

Fayette County AA

The AA sits in rural central Texas, approximately 100 miles east of San Antonio, TX, 100 miles west of Houston, TX, and 65 miles southeast of Austin, TX. Fayette County had a total population of 24,435 as of the 2020 census. More recent data as of July 2021 reflected a 1 percent population growth since the census was taken. La Grange, TX is the largest city in the county with a population of 4,391.

The Fayette County AA consists of seven CTs, four of which are middle income and three are upper income. NBT is located within an upper income CT. No CT within the AA is designated as distressed or underserved. The 2020 census data reflected a county-wide poverty rate of 9.4 percent, below both statewide and national poverty rates.

The largest employment industry in the county is services, followed by retail and agriculture. The U.S. Bureau of Labor Statistics identified the unemployment rate for Fayette County as 3.7 percent as of June 2022, in line with the overall rate for the state of Texas of 4.1 percent and the national rate of 3.3 percent. Major employers in the AA include the local medical system, local school systems and government, and the LCRA power plant adjacent to La Grange.

The Fayette County AA is a highly competitive banking environment. The county houses nine deposit-taking banks, composed of both intrastate and interstate financial institutions. The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report as of June 30, 2022, indicates NBT holds 11 percent of the market, or \$199 million in total deposits.

To help identify needs and opportunities in the AA, we contacted two members of the community with local organizations. The contacts described local economic conditions as stable with affordable housing posing the greatest challenge to the community. The contacts had favorable opinions of local financial institutions' involvement in the community and stated that investment opportunities are limited due to the number of financial institutions in the area competing for the same deals.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Lagrange Fayette County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	0.0	57.1	42.9	0.0
Population by Geography	24,849	0.0	0.0	53.1	46.9	0.0
Housing Units by Geography	13,854	0.0	0.0	57.6	42.4	0.0
Owner-Occupied Units by Geography	7,437	0.0	0.0	55.5	44.5	0.0
Occupied Rental Units by Geography	2,121	0.0	0.0	52.5	47.5	0.0
Vacant Units by Geography	4,296	0.0	0.0	63.9	36.1	0.0
Businesses by Geography	2,570	0.0	0.0	50.8	49.2	0.0
Farms by Geography	222	0.0	0.0	61.3	38.7	0.0
Family Distribution by Income Level	6,569	14.4	15.7	20.0	49.9	0.0
Household Distribution by Income Level	9,558	21.1	15.5	15.4	48.0	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$138,289
			Median Gross Rent			\$741
			Families Below Poverty Level			7.8%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Texas

The evaluation in Texas was based on a full-scope review of the Fayette County AA, as it represents the bank's only AA.

LENDING TEST

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

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Fayette County AA is good.

Distribution of Loans by Income Level of the Geography

The bank's AA does not include any LMI areas. It also does not include any underserved or distressed areas. Therefore, an analysis of geographic distribution would not be meaningful, and no weight was given to this performance factor when deriving the final CRA rating.

Distribution of Loans by Income Level of the Borrower

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

Home Mortgage Loans

Refer to Table P in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans to borrowers of different income levels is satisfactory. Lending penetration to LMI borrowers is slightly less than the AA distribution of LMI families, but exceeds the aggregate lending distribution within the AA. The bank provides sufficient home mortgage lending opportunities to the AA, but rising home prices and declining housing affordability continues to hamper lower income borrowers' ability to qualify for home mortgage loans.

Consumer Loans

Refer to Table V in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of consumer loans to borrowers of different income levels is excellent. The distribution of consumer loans to low-income borrowers is near the AA distribution of low-income households and the distribution of moderate-income borrowers exceeds the AA distribution moderate-income households. The bank continues to provide consumer loan opportunities to the AA and LMI borrowers make up 46 percent of the consumer lending test sample.

Responses to Complaints

The bank did not receive any complaints related to its CRA performance during the evaluation period. This has a neutral impact on the bank's overall performance.

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 MSAs and non-MSAs 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:	01/01/2019 – 12/31/2021	
Bank Products Reviewed:	Home Mortgage Loans and Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Assessment Areas	Type of Exam	Other Information
Fayette County AA	Full-Scope	Includes all five CTs within the county.

Appendix B: Summary of MMSA and State Ratings

RATINGS – National Bank and Trust	
Overall Bank:	Lending Test Rating
National Bank and Trust	Satisfactory
State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

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

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

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

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

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

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

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

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

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

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

Geography: A CT delineated by the 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 MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

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

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

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

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes.

Also, the median income determined by the Federal Financial Institutions Examination Council annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

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

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

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

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

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

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

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

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 call report. These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

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

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

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/AA. The table also presents aggregate peer data for the years the data is available.

Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/AA.

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2019-2021		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$ (000's)	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Fayette County AA	20	2,441	100	610	14.4	5.0	1.1	15.7	10.0	8.4	20.0	25.0	15.9	49.9	60.0	62.5	0.0	0.0	12.1		
Total	20	2,441	100	610	14.4	5.0	1.1	15.7	10.0	8.4	20.0	25.0	15.9	49.9	60.0	62.5	0.0	0.0	12.1		

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower														2019-2021	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers			
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans		
Fayette County AA	26	634	100	21.1	19.2	15.5	26.9	15.4	26.9	48.0	26.9	0.0	0.0		
Total	26	634	100	21.1	19.2	15.5	26.9	15.4	26.9	48.0	26.9	0.0	0.0		

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0%*