



## PUBLIC DISCLOSURE

March 12, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Beeville  
Charter Number 4238

1040 E Houston St.  
Beeville, TX 78102

Office of the Comptroller of the Currency

San Antonio Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4133

**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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The First National Bank of Beeville ("FNBB") has a satisfactory record of meeting community credit needs. The rating is based on the following findings:

- FNBB's quarterly average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and credit needs in the assessment areas (AAs).
- Although FNBB originated a substantial majority of loans outside of its AA, the effects of the influx of Eagle Ford Shale deposits help explain the volume of lending outside of the AA.
- The distribution of loans reflects reasonable penetration to borrowers of different income levels and to businesses of different sizes.
- The distribution of loans reflects reasonable dispersion.
- Community development (CD) performance demonstrates adequate responsiveness to CD needs in the AAs.

## 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 One 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

FNBB, a full service community bank headquartered in Beeville, Texas, was chartered in 1890, and is a wholly owned subsidiary of First Beeville Financial Corporation, a one-bank holding company. As of December 31, 2017, FNBB reported total assets of \$387 million and tier one capital of \$32 million, representing 8 percent of total assets.

FNBB has three offices located throughout Texas; one in Seguin, one in Yorktown, and the main office in Beeville. All three locations have a walk-in teller lobby, a drive-up motor bank, and an automated teller machine (ATM). FNBB also has three loan production offices located in New Braunfels, Karnes City, and Corpus Christi; which do not offer any deposit services. The New Braunfels LPO opened in April 2015 and the other two LPOs opened in November 2017.

In addition to a full range of residential and commercial banking products and services, the bank offers online banking through [www.fnbsotx.com](http://www.fnbsotx.com). The website lets customers obtain up to minute account activity, transfer funds between accounts, pay bills, receive e-statements, send and receive secure electronic messages concerning their accounts.

As of December 31, 2017, net loans totaled \$261 million and represented 74 percent of total deposits and 67 percent of total assets. The loan portfolio was comprised primarily of commercial and residential real estate loans. The following table reflects the loan portfolio composition by loan type.

Loan Portfolio Composition as of December 31, 2017		
Loan Type	Volume (\$000)	% of Total Loans
Commercial Loans	172,447	65%
Residential Real Estate Loans	59,322	23%
Agricultural Loans	30,182	11%
Consumer Installment Loans	1,622	1%
Total Loans:	263,651	100%

Source: December 31, 2017 Call Report

FNBB faces strong competition from local, regional, and national financial institutions in their AAs. Primary competitors include Prosperity Bank, IB Bank, Wells Fargo Bank, Broadway Bank, and Navy Army Community Credit Union. According to the FDIC's June 30, 2017 Deposit Market Share Reports, FNBB ranks 2<sup>nd</sup> of 6 institutions in the Bee County AA with 41 percent of the total market share of deposits, 6<sup>th</sup> of 8 in DeWitt County AA with 10 percent market share, and 10<sup>th</sup> of 14 in the Guadalupe County MSA AA with 3 percent market share.

Based on its financial condition, the local economy, product offerings, and competition, FNBB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder its ability to provide credit in its AAs. The previous CRA examination, dated January 27, 2014, rated FNBB "Satisfactory" under small bank criteria.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance using intermediate small bank (ISB) examination procedures, which include lending and CD tests. The lending test evaluates the bank's record of meeting credit needs of its AAs through its primary lending activities. The CD test evaluates the bank's responsiveness to identified needs in its AA through its CD lending, qualified investments, and CD services.

The evaluation period for this CRA examination is from January 27, 2014, the date of the last examination, through March 12, 2018, the date of the current examination. The evaluation period uses 2010 U.S. Census data and 2016 census tract data in the analysis. Although national census tract data changed from 2016 to 2017, there was no material impact on the lending test outcomes for commercial loans whose sample included a limited number of 2017 originations. FNBB's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of the bank's AAs.

The table below shows the breakdown of all loans that FNBB originated over the evaluation period. As shown, the primary products are residential real estate and commercial loans, by dollar volume originated. A sample of 20 commercial loans was tested for the Bee County AA and Guadalupe County MSA AA, and 16 loans were tested for the DeWitt County AA. The sample of residential real estate loans included the entire population of HMDA-reportable loans.

Loan Originations and Purchases By Loan Type During the Evaluation Period	
Loan Type	% by Dollar of Loans
Residential Real Estate Loans	34%
Commercial Loans	60%
Consumer Installment Loans	5%
Agricultural Loans	1%
<i>Total</i>	<i>100%</i>

*Source: Internal bank reports*

## Data Integrity

The sampling period used for HMDA reportable loans included all loans originated, purchased, or renewed for calendar years 2014, 2015, and 2016. The OCC tested 60 HMDA reportable loans for each year resulting in a total sample of 180 loans to verify accuracy of reported loan data. The OCC found HMDA-reported data reliable for use in the current examination.

The sampling period for commercial loans included all loans originated, purchased, or renewed from January 27, 2014 to December 31, 2017. As previously noted, the OCC selected a sample of 16 to 20 loans in each AA and verified information reported to source documents. Examiners found no discrepancies between bank reported and source document data.

The sampling period for CD loans, services and investments ranged from January 1, 2014 through December 31, 2017. The OCC reviewed CD loans, investments, and services submitted by management to verify each met the regulatory definition for CD.

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

FNBB has designated three separate AAs: Bee County AA, DeWitt County AA, and Guadalupe County MSA AA. The AAs meet regulatory requirements, as each consists of whole geographies, and do not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. FNBB's lending by dollar volume during the evaluation period was concentrated in Bee County AA (53 percent) followed by the Guadalupe County MSA AA (44 percent), and DeWitt County AA (3 percent). The OCC conducted a full-scope review for each AA as all three contributed to bank operations. Refer to **Appendix A: Scope of Examination** for additional detail.

### **Ratings**

The bank's overall rating is based on the full-scope reviews of its three AAs. Both identified primary products (residential and commercial) were given equal weighting in determining the Lending Test rating.

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

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

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

FNBB's performance under the CRA is satisfactory and management has been successful in meeting the credit needs of its AAs. FNBB has demonstrated satisfactory performance based on its more than reasonable average quarterly LTD ratio, reasonable lending penetration to borrowers of various income levels and to businesses of different sizes, and reasonable lending dispersion to low- and moderate-income geographies.

#### Loan-to-Deposit Ratio

The quarterly average LTD ratio is more than reasonable and reflects outstanding performance given the bank's capacity to lend, market competition, local demographic and economic factors, and lending opportunities available in the AAs. FNBB's average quarterly LTD ratio for the 17 quarters in the evaluation period was 70 percent.

To assess FNBB's performance, examiners compared its average quarterly LTD ratio to six similarly situated community banks with total assets ranging from \$103 million to \$380 million. FNBB's average quarterly LTD ratio of 70 percent exceeded the peer group average of 55 percent. Please note banks in the following table are listed alphabetically, and no ranking is intended or implied. In addition, LTD ratios are calculated on a bank-wide basis.

Institution	Total Assets (\$000s) As of 12/31/2017	Average Quarterly LTD Ratio
<b>The First National Bank of Beeville</b>	<b>386,714</b>	<b>70%</b>
First Commercial Bank, NA (Seguin, TX)	323,304	60%
First State Bank (Yoakum, TX)	196,203	49%
Marion State Bank	103,975	44%
Schertz Bank & Trust	380,040	86%
The Yoakum National Bank	218,974	41%
Trust Texas Bank, S.S.B.	315,766	52%

*Source: Quarterly Call Reports from December 31, 2013 to December 31, 2017*

## Lending in Assessment Area

FNBB originated a substantial majority of loans, by number and dollar volume, outside its AAs exhibiting performance indicating substantial noncompliance. As the following table shows, 80 percent by number, and 91 percent by dollar volume of the loans sampled originated outside the AAs. Discussions with management indicated that the Eagle Ford Shale oil and gas activity brought in a large influx of deposits in 2013, which caused the FNBB to lend out of their AA. Management also indicated the residents in the DeWitt branch area benefited from this the Eagle Ford Shale oil activity, and has caused loan demand to be low in their Yorktown branch. Management is in the process of turning the Loan Production Office located in Corpus Christi into a full service branch which will benefit inside AA lending as many loans originate from that area. Additionally, FNBB chose to only designate part of the San Antonio-New Braunfels MSA as their Guadalupe County MSA AA. If the AA were expanded to the entire MSA, residential lending in the AA would improve to 38 percent by number and 30 percent by dollar. Commercial lending in the AA would improve to 70 percent by number and 50 percent by dollar. These mitigating factors help explain FNBB's Lending in AA performance, which currently has a substantial majority of outside loans, and support less weight being given to this criteria in consideration of the overall Lending Test rating.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000s	%	\$000s	%	
Residential RE	22	16	115	84	137	3,952	7	54,190	93	58,142
Commercial	10	50	10	50	20	2,006	34	3,844	66	5,850
<b>Totals</b>	<b>32</b>	<b>20</b>	125	80	157	<b>5,958</b>	<b>9</b>	58,034	91	63,992

*Source: Loan Sample; HMDA Data*

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

The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance. Lending in all three AAs exhibited an overall reasonable penetration rate. Commercial lending in each of the three AAs showed reasonable penetration rates. While the residential lending distribution was poor in the Bee County AA, more weight was placed on the satisfactory performance throughout commercial lending in Bee County, DeWitt County, and Guadalupe MSA County AA because 60 percent of loan originations in the evaluation period were commercial loans. The OCC could not conduct meaningful analysis in two AAs due to insufficient sample sizes. No residential loans were made in DeWitt County AA and only two residential loans were originated in Guadalupe County MSA AA.

## Performance in the Bee County AA

The distribution of loans in the AA shows reasonable penetration. By dollar volume, commercial loans made up 56 percent of all lending in the AA. Residential real estate loans accounted for 33 percent by dollar volume. As such, more weight was given to commercial lending. Residential real estate lending showed poor penetration but mitigating factors helped explain low lending levels. Additionally, while poor penetration to low and moderate-income (LMI) borrowers was seen for residential lending, commercial lending to small businesses was higher than area demographics and demonstrates that FNBB lends to small businesses in its AA.

### *Residential Loans*

The distribution of residential real estate loans to LMI individuals is significantly lower than comparative demographics and reflects poor penetration in the Bee County AA. Median housing value in Bee County is \$74,483 while median household income based on FFIEC data for 2016 was \$40,866, and 21 percent of households are below the poverty level. The low level of income, coupled with the median housing value, may inhibit LMI families from purchasing a home.

The following table shows the distribution of home loans among borrowers of different income levels compared to the percent of families in each income category.

<b>Borrower Distribution of Residential Real Estate Loans in the Bee County AA</b>								
Borrower Income Level	<b>Low</b>		<b>Moderate</b>		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	<b>24%</b>	<b>5%</b>	<b>15%</b>	<b>10%</b>	22%	10%	39%	65%

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

*NOTE: The "% of Number of Loans" category aggregates to less than 100 percent as a result of two loan applications not having reported income.*

### *Commercial Loans*

The distribution of sampled business loans reflects reasonable penetration to small businesses, defined as businesses with gross annual revenues of \$1 million dollars or less. While the percentage of the dollar volume of loans originated to small businesses is lower than demographic data, the percentage is skewed by three loans made to large businesses. Combined, the three loans make up 54 percent of the dollar volume sampled. The following table shows the distribution of commercial loans among different sized businesses in the AA compared against 2016 census tract data. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the distribution of business loans in the Bee County AA. The percentage of small businesses in the AA remained at 77 percent in the 2017 census tract data.

<b>Borrower Distribution of Loans to Businesses in the Bee County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	<b>77%</b>	5%	18%	100%
% of Bank Loans in AA by #	<b>85%</b>	15%	0%	100%
% of Bank Loans in AA by \$	<b>46%</b>	54%	0%	100%

Source: Loan sample; June 2016 Dunn & Bradstreet data; 2010 US Census Data.

### Performance in the DeWitt County AA

The distribution of loans to borrowers of different income levels and to businesses of different sizes reflects reasonable penetration. More weight was given to commercial loans as these products made up the majority of lending performed, and no residential loans were made during the evaluation period for this AA.

#### *Residential Real Estate Loans*

No residential real estate loans were made in the DeWitt County AA during the evaluation period. As such, no meaningful analysis could be performed.

#### *Commercial Loans*

The distribution of sampled business loans reflects reasonable penetration to small businesses. While the percentage of the dollar volume of loans originated to small businesses is lower than demographic data, the percentage is skewed by two loans made to large businesses. Combined these two loans make up 48 percent of the dollar volume sampled. The following table shows the distribution of commercial loans among different sized businesses in the AA compared against 2016 census tract data. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the distribution of business loans in the DeWitt County AA. The percentage of small businesses in the AA declined slightly to 84 percent in the 2017 census tract data.

<b>Borrower Distribution of Loans to Businesses in the Dewitt County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	<b>85%</b>	6%	9%	100%
% of Bank Loans in AA by #	<b>69%</b>	13%	19%	100%
% of Bank Loans in AA by \$	<b>41%</b>	48%	11%	100%

Source: Loan sample; June 2016 Dunn & Bradstreet data; 2010 US Census Data

### Performance in the Guadalupe County MSA AA

The distribution of loans to borrowers of different income levels and to businesses of different sizes reflects reasonable penetration. The OCC placed more weight on commercial loans as these products made up the majority of lending performed, and only two residential loans were made during the evaluation period for this AA.

*Residential Real Estate Loans*

FNBB originated only two residential loans during the evaluation period in the Guadalupe County MSA AA. As such, examiners could not perform meaningful analysis.

*Commercial Lending*

The distribution of commercial loans to businesses of different sizes reflects reasonable penetration. Of the 20 commercial loans sampled, FNBB made 80 percent by number and 80 percent by dollar volume to small businesses in the Guadalupe County MSA AA. The following table shows the distribution of commercial loans among different sized businesses in the AA compared against 2016 census tract data. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the distribution of business loans in the Guadalupe County MSA AA. The percentage of small businesses in the AA declined slightly to 83 percent in the 2017 census tract data.

<b>Borrower Distribution of Loans to Businesses in the Guadalupe County MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	<b>84%</b>	5%	12%	100%
% of Bank Loans in AA by #	<b>80%</b>	20%	0%	100%
% of Bank Loans in AA by \$	<b>85%</b>	15%	0%	100%

*Source: Loan sample; June 2016 Dunn & Bradstreet data; 2010 US Census Data*

**Geographic Distribution of Loans**

FNBB’s geographic distribution of loans reflects reasonable dispersion and satisfactory performance throughout its AAs given the bank’s size, primary loan products, and demographics. Although the geographic distribution of loans in the Bee County AA showed poor dispersion, excellent commercial lending in the Guadalupe County MSA AA lends weight to an overall satisfactory rating.

Performance in Bee County

The disbursement of loans in the AA shows poor penetration and needs to improve. By dollar volume, commercial loans made up 56 percent of all lending in the AA. Residential real estate loans accounted for 33 percent by dollar volume. As such, more weight was given to commercial lending. Residential real estate lending showed satisfactory reasonable dispersion. Additionally, while poor penetration to small businesses was seen for commercial lending, residential lending to LMI borrowers was close to area demographics and demonstrates that FNBB does lend to LMI borrowers.

*Residential Lending*

The geographic distribution of residential real estate loans reflects reasonable dispersion as FNBB lending in moderate-income census tracts is near demographics. FNBB made 10 percent of the residential real estate loans in the moderate income CTs which accounted for 16 percent of owner occupied housing in the AA. The following table shows the distribution of residential loans in the AA.

Geographic Distribution of Residential Real Estate Loans in Bee County								
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
Residential RE	0%	0%	<b>16%</b>	<b>10%</b>	47%	40%	37%	50%

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

### Commercial Lending

The distribution of commercial loans to businesses of different sizes reflects poor dispersion. FNBB's pattern of lending to small businesses in the AA needs to improve. Business demographics for 2016 report 23 percent of businesses are located in the only moderate income CT within the AA. Of the 20 commercial loans sampled, FNBB made 10 percent by number to these same businesses. The following table shows the distribution of commercial loans among different sized businesses in the AA compared against 2016 census tract data. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the geographic distribution of business loans in the Bee County AA. There were no changes in low or moderate income tracts as the Bee County AA continued to have zero low income CTs and one moderate income CT. The percentage of businesses in the moderate income CT declined slightly to 22 percent.

Geographic Distribution of Loans to Businesses in in Bee County 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
Businesses	<b>0%</b>	<b>0%</b>	<b>23%</b>	<b>10%</b>	57%	65%	20%	25%

Source: Loan sample; June 2016 Dunn & Bradstreet data; 2010 US Census Data

### Performance in DeWitt County

Meaningful analysis could not be performed as there were no LMI CTs in this AA. Since the prior CRA examination, CT 9702 switched from middle income to moderate income. Additionally, FNBB had originated only one commercial loan in this AA during the evaluation period.

### Performance in the Guadalupe County MSA AA

The disbursement of loans in the Guadalupe County MSA AA shows excellent dispersion. By dollar volume, commercial loans made up 66 percent of all lending performed in the AA during the evaluation period. Residential real estate loans accounted for 33 percent by dollar volume. As such, more weight was given to commercial lending. Only two loans originated for residential real estate in the AA, which does not allow for meaningful analysis.

*Commercial Lending*

The geographic distribution of business loans reflects excellent dispersion. As reflected in the following table using 2016 census tract data, the percentage of loans to businesses in the moderate-income CTs exceeds the percentage of businesses located in the moderate-income CTs. Although national census tract data changed from 2016 to 2017, it did not have a material effect on the geographic distribution of business loans in the Guadalupe County MSA AA. There were no changes in low or moderate income tracts as the AA continued to have one low income CT and two moderate income CTs. The percentage of businesses in the low income CT increased slightly to 13 percent and those in the moderate income CTs declined slightly to 12 percent. The changes in the 2017 census tract data still reflect excellent dispersion given the significant level of loans originated in the moderate-income CTs.

Geographic Distribution of Loans to Businesses in Guadalupe County MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	5%	0%	17%	50%	78%	50%	0%	0%

*Loan sample; June 2016 Dunn & Bradstreet data; 2010 US Census Data*

**Responses to Complaints**

FNBB 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.

**COMMUNITY DEVELOPMENT TEST**

FNBB CD performance demonstrates adequate responsiveness to community development needs.

**Number and Amount of Community Development Loans**

FNBB originated 16 qualifying CD loans totaling \$15 million during the evaluation period. A majority of the loans supported economic development as the loans provided financing to small businesses. All three AAs received a full scope review.

**Number and Amount of Qualified Investments**

FNBB made adequate donations to organizations providing community services for LMI individuals and families in each AA. The bank donated a total of \$2 million to various organizations providing services to LMI individuals in all three AAs during the evaluation period.

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

FNBB provided satisfactory levels of CD services in its AAs during the evaluation period. Based on full-scope reviews, performance in the Bee County AA, DeWitt AA, and Guadalupe MSA AA.

Several bank officers provide financial technical assistance through leadership roles as Board members, directors, or committee chairpersons to organizations whose primary purpose is community development.

Examples of these organizations, include, but are not limited to:

- Beeville Economic Improvement Committee – Organization provides financial services to assist the city of Beeville, which has distressed/underserved tracts
- Beeville Rotary Club – Bank president serves on Board, Rotary Club donates time/money/resources to distressed/underserved area
- St. James Church – Bank employee serves as a financial auditor

## **Responsiveness to Community Development Needs**

Responsiveness to community development needs is satisfactory. FNBB has demonstrated adequate responsiveness to CD needs in its AAs through CD loans and CD services.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: 01/27/2014 to 12/31/2017 <ul style="list-style-type: none"> <li>• Residential RE (2014, 2015, &amp; 2016 HMDA Data)</li> <li>• Commercial Loans (1/27/2014 to 12/31/2017)</li> </ul> Investment, Service Tests and CD Loans: 01/27/2014 to 12/31/2017	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The First National Bank of Beeville Beeville, TX		Commercial and Mortgage lending
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	None	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Bee County AA	Full Scope	Non-MSA; contains only 1 upper, 1 moderate, and 5 middle-income census tracts. Bee County also has 5 distressed or underserved tracts
DeWitt County AA	Full Scope	Non-MSA; contains only 1 moderate, and 5 upper income census tracts.
Guadalupe County MSA AA	Full Scope	MSA; Part of the San Antonio-New Braunfels MSA 41700

## Appendix B: Community Profiles for Full-Scope Areas

### Bee County AA

Demographic Information for Full-Scope Area: Bee County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0	14	57	29	0
Population by Geography	31,861	0	23	36	41	0
Owner-Occupied Housing by Geography	5,689	0	16	47	37	0
Businesses by Geography	1,164	0	23	57	20	0
Farms by Geography	78	0	5	50	45	0
Family Distribution by Income Level	6,109	24	15	22	39	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,423	0	39	20	41	0
Median Family Income	= \$47,234	Median Housing Value				= \$74,483
FFIEC Adjusted Median Family Income for 2017	= \$52,400	Unemployment Rate (2016 ACS US Census)				= 6.1%
Households Below the Poverty Level	= 20.93					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2017 FFIEC updated MFI.

The Bee County AA includes all seven CTs in the county and is located in a non-metropolitan statistical area. One tract is moderate income, two are upper income, and the remaining four are middle income. Five of the seven tracts are classified as distressed or underserved areas.

FNBB's main office is located in the Bee County AA. Other financial institutions include Prosperity Bank, Texas Champion Bank, IBC Bank, First Convenience bank, and Frost Bank. The 2010 census indicates that the county population is 31,861. As of January 2018, the US Bureau of Labor Statistics reports an unemployment rate of 6.1 percent, which is significantly higher than the state average of 4.2 percent and the national average of 4.1 percent.

The industries primarily supporting the populous of the city and county consist of a junior college, the public school district, municipal and county government, utilities retail service companies, a medical facility owned by Corpus Christi's Spohn Health System which facility is licensed for 70 bed occupancy, two nursing homes, various home health care providers, several family practice physicians, three TDCJ Correctional Units and the Sikorsky helicopter repair facility. Most recently, as a result of the oil and gas exploration and development taking place in the northern section of the county and in Karnes County, large oil and gas production and service companies have begun moving into the city. These business entities include Halliburton, Conoco, Pioneer, as well as other oil and gas industry service companies.

The OCC contacted a local community organization to gain perspective on credit needs in the AA. The contact stated that local institutions are doing a good job meeting the needs of the community and that there were opportunities to provide further aid in community development via small business loans.

## Dewitt County AA

Demographic Information for Full-Scope Area: Dewitt County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	67	33	0
Population by Geography	11,898	0	0	77	23	0
Owner-Occupied Housing by Geography	3,195	0	0	70	30	0
Businesses by Geography	670	0	0	75	25	0
Farms by Geography	85	0	0	54	46	0
Family Distribution by Income Level	2,778	17	16	22	45	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	912	0	0	78	22	0
Median Family Income	= \$64,765	Median Housing Value				= \$69,860
FFIEC Adjusted Median Family Income for 2017	= \$54,200	Unemployment Rate (2016 ACS US Census)				= 3.7%
Households Below the Poverty Level	= 18.64%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census, and 2017 FFIEC updated MFI.

The Dewitt County AA includes three of the five CTs in the county and is not included in a metropolitan statistical area. The table above depicts census data as of 2016 when two tracts were classified as middle income and one tract was upper. As of 2017, the two middle tracts have been reclassified, one as upper income and one as moderate income. Population and business data was unavailable using the 2017 reclassifications. Several institutions and small loan companies in Cuero, TX serve tracts 9701 and 9703. These tracts are both upper-income tracts and there is no potential low-to-moderate income discrimination by the bank’s decision to not include these tracts as part of their AA.

The branch in Yorktown is located within the Dewitt County AA. The primary industry in Yorktown is agriculture and is comprised of ranchland with little diversification for employment opportunities. Major non-agriculture related employers consist of a local school district, nursing home, and an oilfield-manufacturing firm. Non-local employment opportunities consist of Texas Department of Criminal Justice prison units, which are located in Karnes County and Dewitt County. The Eagle Ford Shale boom has led to a significant spike in deposits across the area and a correlated decrease in loan demand, as citizens across the area began receiving royalty income. The 2010 census information indicated that the county population is 20,097 with Yorktown totaling 2,162. As of January 2018, the US Bureau of Labor Statistics reports an unemployment rate of 3.7 percent, which is lower than the state average of 4.2 percent and the national average of 4.1 percent.

The OCC contacted a local community organization to gain perspective on credit needs in the AA. The contact stated there were opportunities for financial institutions to provide for small business, hotel and housing credit needs associated with influx of oil and gas workers associated with the Eagle Ford Shale activity.

## Guadalupe County Non-MSA AA

Demographic Information for Full-Scope Area: Guadalupe County Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	8	15	77	0	0
Population by Geography	54,585	8	17	75	0	0
Owner-Occupied Housing by Geography	14,299	5	13	82	0	0
Businesses by Geography	3,072	5	17	78	0	0
Farms by Geography	225	2	15	83	0	0
Family Distribution by Income Level	14,578	23	21	19	37	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,424	14	20	66	0	0
Median Family Income	= \$74,149	Median Housing Value				= \$105,433
FFIEC Adjusted Median Family Income for 2017	= \$64,300	Unemployment Rate (2016 ACS US Census)				= 3.3%
Households Below the Poverty Level	= 14.13%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2017 FFIEC updated MFI.

Guadalupe County MSA AA includes thirteen census tracts in the county and is included in the San Antonio-New Braunfels MSA. FNBB has elected to not include all of Guadalupe's county 29 tracts due to the branch's inability to effectively serve customers in some of the outlying tracts, which are better served by other banking facilities which includes areas such as New Braunfels. Ten tracts are designated middle income, two tracts are designated moderate income, and one tract is designated low income.

The branch in Seguin is located in the center of the Guadalupe County, which is developing rapidly. Large employers in the area consist of but are not limited to a local school district, steel plant, Texas Powertrain Assembly LLC, Alert Roof Systems, and Motorola. Other financial institutions in Seguin include Wells Fargo Bank, Broadway Bank, Bank of America, First United Bank, Prosperity Bank, Schertz Bank, First Commercial Bank, and Frost Bank. 2010 Census information indicated that the county population is 131,533 with the population of Seguin totaling 26,482. As of January 2018, the US Bureau of Labor Statistics reports an unemployment rate of 3.3 percent, which is lower than the state average of 4.2 percent and the national average of 4.1 percent

The OCC contacted a local community organization to gain perspective on credit needs in the AA. The contact stated that local institutions are heavily involved in sponsoring events and developments that benefit the needs of the community. The contact stated there were opportunities for financial institutions to provide for small business and housing credit needs associated with Seguin's ongoing population growth.