



PUBLIC DISCLOSURE

July 5, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank Texas
Charter Number 5750

507 N. Gray
Killeen Street, TX 76541

Office of the Comptroller of the Currency
San Antonio North Field Office
10001 Reunion Place, Suite 250
San Antonio, TX 78216-4165

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 primary factors supporting the rating are summarized below:

- The bank originates a substantial majority of loans within the assessment areas (AAs).
- The bank's loan-to-deposit (LTD) ratio is reasonable when considering the performance context, volume of mortgage loans originated by the bank and sold on the secondary market, and the number of small dollar consumer loans originated.
- The geographic distribution of loans is reasonable when considering dispersion of residential and unsecured consumer loans in low- and moderate-income (LMI) geographies.
- The distribution of loans by borrower income is reasonable, when considering penetrations of residential loans and consumer loans to LMI borrowers.
- Community Development (CD) performance demonstrates adequate responsiveness to CD needs.
- Overall ratings are based primarily on performance in the state of Texas; the bank's poor performance in Arizona and New Mexico has minimal impact on the overall ratings because of the bank's very limited presence in those states.

Scope of Examination

This Performance Evaluation (PE) of First National Bank Texas (FNBT) assesses the bank's performance using interagency Intermediate Small Bank (ISB) procedures, which included a lending test and a CD Test. The lending test evaluates the bank's record of meeting credit needs of its AA through its lending activity. The CD Test evaluates the bank's responsiveness to identified needs in its AA through its CD lending, qualified investments and CD services.

The lending test focused on residential mortgage loans and unsecured consumer loans, the bank's primary loan products. Our review in the Killeen and Houston AAs (within the Texas state rating), also included business loans with an emphasis on lending to small businesses. During the evaluation period, FNBT purchased a significant volume of rehabilitated student loans. Borrower income information on these loans was not available, therefore our analysis was limited to a review of loan volume in the applicable AAs.

The evaluation period for the lending test covered the years 2013 through 2015. In our lending test analysis, we compared bank performance to AA demographics in the 2010 Census. Our analysis included a review of all residential loans submitted in 2013 through 2015 pursuant to the Home Mortgage Disclosure Act of 1975 (HMDA). Our analysis of business loans included a review of business loan originations from 2013 through 2015. For the income and geographical distribution analyses, we sampled 30 business loans in the Killeen-Temple AA and 30 in the Houston-The Woodlands-Sugarland (HTWS) AA. We used the applicable 2010 Census data in our comparative analysis for business loan geographic distribution.

The consumer loan analysis included a review of unsecured consumer loan originations in 2014 and 2015. We validated the integrity of the unsecured consumer loan originations and concluded the data was reliable. We did not include 2013 unsecured consumer loan data because bank data did not include all fields required for CRA purposes.

As part of our ongoing supervision of the bank, we validated the integrity of the HMDA data. We found the bank had an adequate process, including internal controls, to accurately collect and report HMDA data. We used the bank's submitted HMDA data during this CRA evaluation to assess its lending performance. The bank's mortgage department, First Community Mortgage Company (FCM), is a division of FNBT and as such, FCM's loans are included in the FNBT HMDA reports.

The evaluation period for the CD Test is from March 22, 2013, the date of our last CRA evaluation, to July 5, 2016, the start date of this evaluation. We tested the CD loans, investments, and services that management provided for our review and excluded any that did not meet the regulatory definition for CD.

In this evaluation, we placed more weight on the bank's performance in the state of Texas, the largest market with 97 percent of total deposits, 96 percent of loan originations, and 90 percent of the branch network.

Additionally, when evaluating the bank's performance under the lending test, we placed greater weight on the distribution of residential loans and unsecured consumer loans (the bank's primary products) than we did on the distribution of small business loans. Within the residential loan category, we placed greater weight on home purchase loans due to the bigger need for people to purchase affordable housing in many of the AAs. For the unsecured consumer loans, we placed greater weight on the number of loans originated versus the dollar amount. In the Killeen-Temple and the Houston-Woodlands-Sugarland AAs, we placed secondary emphasis on small business loan performance due to the identified community credit need.

Description of Institution

FNBT, an interstate bank headquartered in Killeen, Texas had total assets of \$1.6 billion as of March 31, 2016. FNBT was chartered in 1901 and is the lead bank for First Community Bancshares, Inc. (FCBI), its holding company. FCBI owns 100 percent of

FNBT and its sister bank, Fort Hood National Bank, which is located on the Fort Hood military base adjacent to the city of Killeen.

FNBT has 306 branches and 423 ATMs in 3 states and 82 counties. It has nine traditional brick and mortar offices located in the cities of Killeen and Houston, Texas. Over 90 percent of the branches are located in retail grocery stores such as Wal-Mart, Kroger, and HEB. FNBT operates its “in-store” branch network under the name “First Convenience Bank”. FNBT’s mortgage lending department operates under the name First Community Mortgage (FCM) and offers mortgage loans in all locations. FCM has twelve loan production offices (LPOs); eight in the Killeen-Temple Texas MSA, two in the El Paso Texas MSA, one in the Corpus Christi Texas MSA, and one in the Phoenix, Arizona MSA.

The bank’s predominant loan and deposit market area is Texas with 97 percent of total deposits and 90 percent of the locations. By deposit share, the Killeen-Temple AA is the largest AA with 36 percent of bank deposits and sixteen branches. It is also FNBT’s largest market for residential lending, with over \$263 million (56 percent) of loan originations during the evaluation period. By deposit share, the next largest AA is Houston-The Woodlands-Sugarland (HTWS AA), followed by the Dallas-Plano-Irving AA (DPI AA) and then the El Paso AA. FNBT entered the Arizona and New Mexico markets in 2011. The percentage of FNBT’s deposits in these two states is minimal with 2 percent in Arizona and 1 percent in New Mexico.

During the evaluation period, FNBT opened 25 in-store branches, five in Arizona, four in New Mexico, and sixteen in Texas. The OCC approved these branches prior to the March 22, 2013 CRA PE. FNBT entered several new markets when these branches opened, including:

- Mohave County in the Lake Havasu City-Kingman, AZ MSA;
- Cottonwood, in Yavapai County and the Prescott, AZ, MSA;
- Clovis in Curry County, NM; and
- Alamogordo, in Otero County, NM.

In addition, FNBT added the following communities in Texas:

- Kilgore in the Longview, TX MSA,
- Elgin in the Austin-Round Rock, TX MSA,
- West Orange and Beaumont in the Beaumont-Port Arthur, TX MSA,
- Cross Roads in the Dallas metropolitan division (MD),
- Haslet in the Fort Worth-Arlington (FWA) TX MD,
- Horizon City in the El Paso, MSA, and
- Edinburg and Elsa in the McAllen-Edinburg-Mission, TX MSA

FNBT closed 16 branches during the evaluation period; one (6 percent) in a low-income census tract (CT), five (31 percent) in moderate-income CTs, three (19 percent) in middle-income CTs, and seven (44 percent) in upper-income CTs. The majority were in Texas with one in New Mexico. Thirteen branches closed for business reasons; the small

customer base did not support branch profitability in these locations. Three branches closed because the grocery store where the branch was located closed.

Deposit products and other services offered by FNBT and First Convenience Bank branches are identical. FNBT offers consumer, residential, and commercial loan products in all locations, but consumer lending is the primary focus in First Convenience locations. Residential lending is a primary product in areas where FCM has established LPOs. Customer demographics and identified needs help drive the bank's delivery channels for its product and services.

Bank management provided information showing consumers are the primary customer base at in-store branches, while traditional brick and mortar branches have more commercial customers. Management provided information that shows average in-store branch deposit balances are lower; ranging from \$1,200 to \$4,000, compared to \$14,000 to \$26,000 in the traditional brick and mortar office locations. Average loan balances are also smaller at the in-store locations ranging from \$900 to \$6,900 compared to ranges of \$99,000 to \$217,000 in the traditional office locations.

FNBT's lending processes are centralized and loan officers are not available in all locations; but consumer loan applications and mortgage pre-qualification applications can be submitted at all branch locations and online through the bank's website. Customers requesting commercial loan products are referred to the appropriate lenders in Killeen or Houston by email or telephone. When commercial inquiries do not meet FNBT policy requirements, bank lenders may refer applicants to non-profit small business and micro lenders such as LiftFund, which operates in several of the bank's markets in Texas and New Mexico, and WESST which operates in New Mexico.

FNBT specializes in consumer loan products, particularly small consumer loans and government guaranteed VA and FHA mortgage loans. HMDA data reflects that the bank's mortgage company, FCM, originated 3,289 residential mortgage loans totaling \$476 million (73 percent are government guaranteed) during this evaluation period. Government guaranteed programs typically have lower down payment requirements and long-term fixed rates, which are attractive to the bank's customer base. FCM sells the majority of loan originations on the secondary market, but beginning in 2012, FNBT initiated a strategy to retain a portion of the FCM loans. FNBT retained approximately \$111 million of the FCM originated residential loans during the evaluation period, an increase from \$23 million reported in the previous performance evaluation.

Subsequent to the previous evaluation, FNBT has also focused on increasing the rehabilitated student loan portfolio. Beginning in August 2012, FNBT began purchasing rehabilitated government guaranteed student loans from the Texas Guaranteed Student Loan Corporation. FNBT initiated this strategy after regulatory changes in 2010 restricted its ability to offer government guaranteed student loans. The program provides borrowers who are often in a prolonged default status the opportunity to establish an affordable repayment plan and to re-establish their credit histories. After sustained performance of at least 10 months, the loans may be sold to a lending institution such as FNBT. The bank purchases both subsidized and un-subsidized government-guaranteed student

loans, previously in default. During this evaluation period, FNBT purchased 21,329 rehabilitated loans totaling \$125 million. Approximately 61 percent of the number and 76 percent of the dollar volume are in the bank's AAs.

In 2010, FNBT created and launched its small dollar loan program, the Smart Cash Loan. It is an unsecured consumer loan product that addresses customer credit needs and provides an affordable alternative to payday and auto title loans. FNBT's Smart Cash loan allows borrowers to get an unsecured loan with reasonable terms and to build their credit. Smart Cash loans range from \$200 to \$1,000 with a term of four- to nine-months. Most payday lenders require shorter repayment terms often leading to frequent renewals, high APRs, and a continuous cycle of debt. The interest rate on a Smart Cash loan is 12 percent with a tiered administrative fee ranging from \$10 to \$20 based on loan amount. The annual percentage rate will never exceed 36 percent, including fees.

The Smart Cash loan product also includes a financial education component, requiring each customer to complete a Money Management training course. Demand for this product continues to increase. Loan originations have increased significantly from \$992 thousand during the previous evaluation period to \$43 million this evaluation period. The increase is attributed in part to changes in the bank's underwriting standards, which now allows consideration of the customer's relationship with the bank as well as the credit history. During the evaluation period, FNBT originated 65,390 Smart Cash loans with a loan amount averaging \$655. While the bank has experienced significant growth in this loan product, the short-term nature and small loan size does not result in a significant impact to the bank's LTD ratio.

FNBT also offers the Fresh Start Loan (FSL). It is a loan to repay overdrafts (ODs) and fees over a longer period than a typical OD repayment. In March 2016, FSLs totaled \$7 million, representing only 1 percent of the bank's loan portfolio. The decline is attributed to additional controls that limit the number of FSLs per year and an overdraft cooling period during and after FSLs are repaid. These loans were not included in the scope of our lending analysis. FNBT offers consumer and business credit card products through a referral agreement with First National Bank Omaha. FNBT referrals during the evaluation period resulted in 11,000 new credit cards with balances totaling \$6 million at year-end 2015.

The bank's loan portfolio totaled \$520 million on March 31, 2016 representing 32 percent of total bank assets. Total loan volume has increased \$257 million, or 26 percent, since the previous evaluation period. The majority of this growth has been in the consumer and residential loan portfolios and a new municipal loan portfolio. During the evaluation period, Smart Cash loans, purchased student loans, and automobile loans represented the majority of consumer loan growth. Purchased student loans on March 31, 2016 totaled approximately \$143 million representing over 80 percent of the consumer loan portfolio. The average loan size for all loans continues to be very small at approximately \$1,500.

The composition of the loan portfolio on March 31, 2016 is summarized in the following chart:

LOAN PORTFOLIO SUMMARY BY PRODUCT MARCH 31, 2016		
Loan Category	Dollar Volume \$(000)	% of Outstanding Dollars
Consumer Loans	176,228	34%
RE Residential (1-4 Family)	169,259	32%
Business loans	101,772	20%
Loans to Municipalities	42,193	8%
Real Estate (RE) Construction and Land Development	18,957	4%
RE Multifamily	5,618	1%
Automobile Loans	4,948	1%
Loans Secured by Farmland	836	0%
Total Loan Portfolio	519,811	100%

Source: Institution Consolidated Reports of Condition as of March 31, 2016; Loans Secured by Farmland are 0.16%

FNBT's delivery channels provide customers with several options to access their accounts and to apply for loan products. Customers may access their depository accounts through the bank's expansive branch, ATM network, and Internet delivery channels. FNBT also provides access to accounts through Interactive Voice Response (IVR) solutions, toll-free customer support, and mobile banking solutions. Branch hours vary in each market but not significantly. FNBT in-store locations in all states are open seven days per week. In-store branch hours on Saturdays are typically 10:00 am until 6:00 PM and noon until 4:00 PM on Sundays. FNBT also offers extended lobby hours in most locations on Fridays, with some locations open as late as 8:00 PM. FNBT also offers online chat functionality supported by employees in the bank's Real Time Services Center (RTSC).

FNBT's Internet banking solutions allow customers to open deposit accounts, complete loan applications, view account information, transfer funds, set-up daily balance notifications, and low-balance alerts. FNBT began offering Mobile Banking in December 2010, giving all customers the ability to access their account information via text and a smart phone application.

Since the last CRA evaluation period, FNBT has enhanced services such as mobile bill pay and mobile check deposits and began offering iPad and Android applications for tablets. These services are free enabling customers to access and manage their accounts from any location. In addition, FNBT introduced several new deposit products.

In June 2013, FNBT introduced a new demand deposit product called Convenience Checking, which provides students, and retired and active military customers the ability to avoid a monthly service fee when they also enroll for e-statements.

In April of 2015, FNBT opened its first Financial Services Center (FCS) in Killeen, Texas. This new branch concept is located in Wal-Mart and leverages an Interactive Teller Machine (ITM) to provide basic banking needs, including answering questions on deposit

or retail loan products. The FCS concept is a self-service model that the bank's RTSC department supports. A bank employee in the RTCS responds to customer inquiries submitted through the ITM. The RTCS employee can assist the customer using the ITM's video capabilities. In addition to the ITM located at the Killeen FCS, the bank has installed four additional ITMs in Texas store locations.

In order to help address customer needs for lower cost deposit products, FNBT began offering reasonably-priced pre-paid card solutions in 2011. The bank's MasterCard® gift cards and re-loadable pre-paid card products are available to customers in all locations. The pre-paid card is accepted anywhere MasterCard is accepted and can be loaded and reloaded at any FNBT banking center or by using the MasterCard rePower™ Network. FNBT customers can set-up direct deposits on their reloadable cards and can make recurring automated payments using the prepaid cards at no cost. FNBT pre-paid card customers can access their account information online and withdraw funds at any FNBT ATM location at no cost. FNBT pre-paid products do not include overdraft privileges. Although the number of reloadable cardholders is still small compared to the number of bank customers, the popularity of the reloadable card product continues to grow and the number of active cards has increased 186 percent since fourth quarter 2014. In first quarter of 2016, active reloadable prepaid cardholders carried an average balance of \$123 per card. The average gift card balance was approximately \$19.

Since the March 22, 2013 CRA evaluation FNBT's total assets have increased approximately \$600 million from \$1 billion to \$1.6 billion. Although several new branches opened during the evaluation period, the majority of this growth has resulted from strong deposit growth of new and established customers.

As of March 31, 2016, the bank's capital base totaled \$120 million representing eight percent of average assets.

In the previous CRA evaluation, the OCC noted violations of Section 5 of the Federal Trade Commission Act (FTC Act) related to the bank's overdraft program that resulted in a downgrade in the overall CRA rating from "Satisfactory" to "Need to Improve." The "Needs to Improve" CRA rating has restricted the bank's branching opportunities. Since 2013, the Board and management have taken actions to address the FTC Act violations. Refer to the FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW comment for further information.

Selection of Areas for Full-Scope Review

We selected at least one AA in each state where the bank has an office for a full-scope review. In general, the AAs selected for the full-scope review were chosen because they represented a significant portion of the bank's deposit base and lending business in that state. We analyzed quantitative and qualitative factors in the full-scope AAs. We evaluated the other AAs in each state using limited-scope procedures and analyzed quantitative factors only. In Texas, we selected the Killeen, HTWS, DPI, and El Paso AAs for full-scope reviews. In Arizona, we selected a full-scope review of the Phoenix AA. In New Mexico, we selected a full-scope review of the Albuquerque and Las Cruces

AAs. Refer to the “Scope” section under each State Area Rating section for details regarding how we selected the areas for review.

Refer to Appendix A: Scope of Examination for details regarding which AAs were selected for full- and limited-scope reviews.

Ratings

The bank’s overall rating is a blend of the state ratings. The ratings for the state of Texas carry the most weight since 97 percent of the deposits, 96 percent of the loans, and 90 percent of the branches are from/in Texas.

Performance in the states of Arizona and New Mexico has minimal influence on the overall ratings for the bank. Combined, the states have three percent of the bank’s deposits and four percent of total loans.

LOANS AND DEPOSITS BY STATE							
LOAN TYPE 12/31/2015	TEXAS \$(000'S)	% LOAN TYPE	ARIZONA \$(000'S)	% LOAN TYPE	NEW MEXICO \$(000'S)	% LOAN TYPE	TOTAL LOAN ORIGINATIONS \$(000'S)
Residential Real Estate	466,452	98	7,049	1	2,369	1	475,870
Business loans	72,187	87	10,848	13	0	0	83,035
Consumer Loans	58,178	92	3,326	5	1,778	3	63,282
Purchased Rehab Loans	91,551	98	1,307	1	736	1	93,594
Total Loan Originations and Purchases	688,368	96	22,530	3	4,883	1	715,781
DEPOSITS BY STATE 12/31/2015	TEXAS \$(000'S)	% TOTAL DEPOSITS	ARIZONA \$(000'S)	% TOTAL DEPOSITS	NEW MEXICO \$(000'S)	%TOTAL DEPOSITS	TOTAL DEPOSITS \$(000'S)
FNBT Deposits	1,185,198	97	26,550	2	15,069	1	1,226,818

Source: 12/31/2015 Call Report, HMDA Reports, Bank Reports for loans originations, deposits 2013-2015.

We based the ratings primarily on the areas that received full-scope reviews, but also considered the bank’s performance in areas receiving limited-scope reviews. In many limited-scope AAs, the bank originated few, if any, HMDA or small business loans. Where there was an insufficient volume of loans to analyze, we noted this in the narrative for the applicable rating area and no analysis was performed.

We placed more weight on the volume of residential loan originations because these loans have greater impact in meeting the AA housing needs. In AAs with few or no low- or moderate-income geographies, we placed more weight on borrower loan distribution. For unsecured consumer loans, we placed more weight on the “number” versus the “dollar amount” since the average loan size is only \$655. Low lending activity had a negative impact, especially in New Mexico where lending volumes are very low, on our conclusions regarding both borrower and geographic distributions.

Conclusions with Respect to Performance Criteria

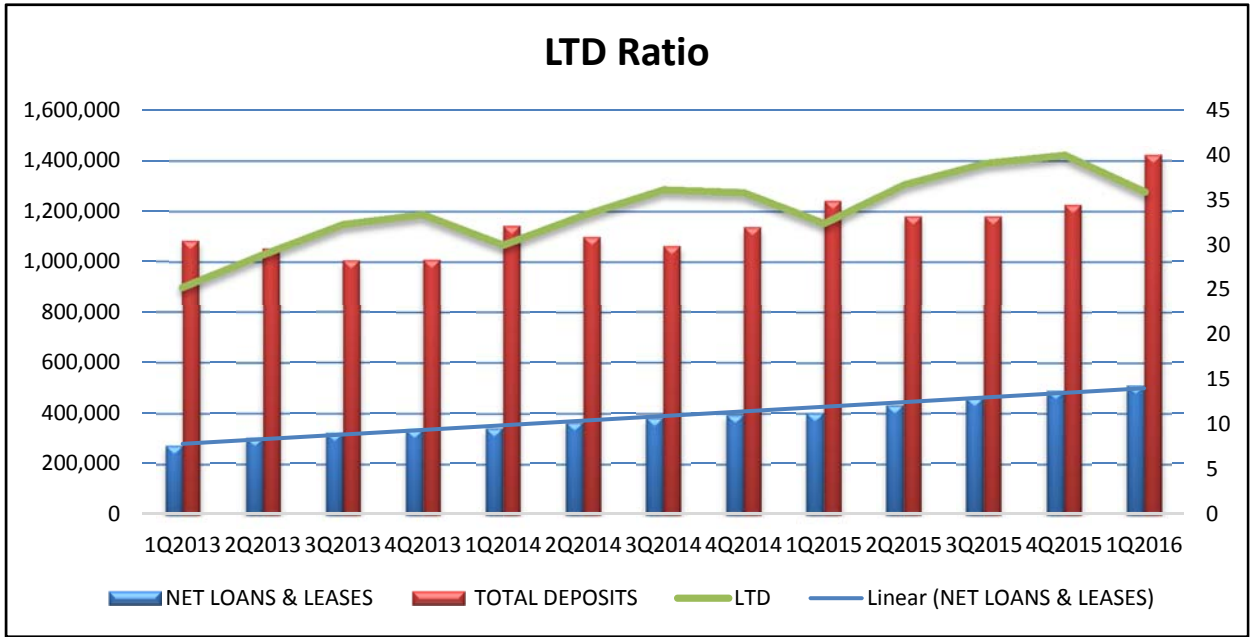
FNBT’s performance under the lending test is satisfactory when considering the performance context and the distribution of the bank’s loans to borrowers of different income levels.

Loan-to-Deposit Ratio

Overall, the bank's loan-to-deposit (LTD) ratio is reasonable when considering the performance context, volume of mortgage loans originated by the bank and sold on the secondary market, and the number of small dollar consumer loans originated.

FNBT’s LTD ratio is low, averaging 34 percent over the past 12 quarters since the prior CRA examination. The ratio has ranged from a low of 29 percent to a high of 40 percent at year-end 2015. The bank’s LTD ratio has historically been low and well below competitors’ average LTD ratios.

The chart below reflects the bank’s actual LTD ratio as well as loan and deposit growth over the evaluation period. FNBT experiences a seasonal increase in deposits primarily from income tax refunds in the first quarter of every year that results in a dip in the LTD ratio.



Source: Institution Consolidated Reports of Condition and Uniform Bank Performance Reports.

As the chart reflects, net loans increased from \$274 million in the first quarter of 2013 to \$512 million in the first quarter of 2016. Loan growth and resulting LTD ratio do not include \$30 million in unfunded loan commitments and letters of credit as of March 31, 2016. The LTD ratio and the chart above do not reflect the number of residential loans sold to investors in the secondary market. During the evaluation period, FNBT originated

and sold approximately \$348 million in longer-term, fixed-rate mortgage loans to private investors in the secondary market.

The table on Page 8 with the total volume of loans originated and purchased by the bank during the evaluation period and the bank's total deposit base provides a ratio of the bank's volume of lending relative to its deposit base. This ratio more accurately reflects the level of credit needs addressed by the bank within its communities. Comparing total originated and purchased loans, as of December 31, 2015, to the bank's deposits, the LTD ratio is 58.34 percent. As noted above, the bank originated and sold approximately \$348 million in mortgage loans during the evaluation period. Although the loans are not reflected in the LTD ratio, they did address credit needs within the bank's communities.

The bank's consumer lending also causes the LTD ratio to understate the level of community credit needs addressed by the bank's lending. The bank's demographic information on deposit balances and consumer loan distributions for its in-store branches reflects a significant number of consumer customers, many who are LMI individuals. Loan and deposit products and services are designed to meet the needs of consumer customers resulting in a large number of short-term, low dollar consumer loans. While the low dollar volume of these loans does not increase the LTD ratio as quickly as other types of loans with higher average dollar volumes, such as business or mortgage loans, the large number of consumer loans clearly indicates this product is a need for the bank's in-store branch customer base.

In an effort to boost the LTD ratio, management began a new municipal loan program in 2015 and continued programs for mortgage loan retention and purchasing rehabilitated student loans. The mortgage retention program involves retaining a portion of originated government-guaranteed VA and FHA mortgage loans that are eligible for sale in the secondary market. Under this initiative, the bank has retained \$42, \$24, and \$45 million in mortgage originations in 2013, 2014, and 2015, respectively. Rehabilitated student loan purchases totaled \$32, \$33, and \$60 million during 2013, 2014, and 2015, respectively. FNBT originated \$42 million in municipal loans through year-end 2015. All the municipal loans, retained mortgage loans, and purchased student loans are reflected in the actual LTD ratio. The programs have been successful in increasing the LTD from an average of 28 percent in prior CRA evaluation to the current average of 34 percent.

FNBT's business strategy, interstate branch network, and retail store focus are unique for a bank its size. We found that most financial institutions with significant multi-state, in-store branch networks are much larger in asset size. The following table identifies institutions with total assets less than \$10 billion that operate at least 20 in-store branches. While some operate in multiple states, none operate in the small markets as FNBT. The average LTD ratio for these institutions is 58 percent.

INSTITUTION	ASSETS as of 3/31/2016	AVERAGE QUARTERLY LOAN-TO-DEPOSIT RATIO as of 3/31/16
International Bank of Commerce, Laredo, TX	9,855,915	70%
The City National Bank and Trust Company of Lawton, OK	440,504	68%
Guaranty Bank, Milwaukee, WI	999,791	60%
Academy Bank, National Association	1,044,908	59%
Armed Forces Bank, National Association	1,087,606	58%
Woodforest National Bank, The Woodlands, TX	4,808,896	53%
FSNB, National Association, Lawton, OK	390,029	35%
First National Bank Texas	1,528,542	34%

Source: March 31, 2016 Institution Consolidated Reports of Condition.

We also identified financial institutions in FNBT's largest markets, including the Killeen-Temple AA and the HTWS AA, to evaluate lending opportunities. The following table identifies local competitors. Some have mortgage banking operations and sell loans into the secondary market, but most do not have a similar in-store branch network as FNBT. While Woodforest National Bank in The Woodlands, Texas has a similar in-store branch network, it has different market areas and is three times larger than FNBT. The average LTD ratio for the competitor banks is 52 percent indicating lending opportunities are available. The two institutions with similar asset size, Extraco Banks National Association and First State Bank Central Texas, do not have an in-store branch network similar to FNBT and both focus more on business lending.

INSTITUTION	ASSETS as of 3/31/2016	AVERAGE QUARTERLY LOAN-TO-DEPOSIT RATIO as of 3/31/16
Extraco Banks, National Association, Temple, TX	1,365,202	75%
National Bank, Gatesville, TX	622,332	64%
Woodforest National Bank, The Woodlands, TX	4,808,896	53%
First State Bank Central Texas, Austin, TX	1,354,007	50%
Union State Bank, Florence, TX	474,355	40%
First National Bank Texas	1,528,542	34%
First Texas Bank, Killeen, TX	295,839	26%

Source: March 31, 2016 Institution Consolidated Reports of Condition.

As described previously, the comparison of the total volume of loans originated and purchased by the bank during the evaluation period to its deposit base results in a LTD ratio of 58.34 percent. That ratio reflects the level of the bank's efforts to address community credit needs. It is also more consistent with the LTD ratios of the peer banks listed above.

Lending in Assessment Area

A substantial majority of FNBT's loans were originated inside the combined AAs. As reflected in the table below, FNBT originated 94 percent of the number and 96 percent of the dollar volume inside the combined AAs.

Table 1 - LENDING IN COMBINED ASSESSMENT AREAS										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	2,917	96%	121	4%	3,038	439,506	95%	16,922	4%	456,428
Home Improvement	117	94%	7	6%	124	5,714	96%	268	4%	5,982
Refinance	255	94%	15	6%	270	30,650	96%	1,357	4%	32,007
Total Real Estate	3,289	96%	143	4%	3,432	475,870	96%	18,547	4%	494,417
Consumer Loans *	54,669	94%	3,365	6%	58,034	35,735	94%	2,270	6%	38,005
Commercial/Business Loans	48	80%	12	20%	60	13,894	98%	4,841	2%	18,735
Totals	58,006	94%	3,520	6%	61,526	587,025	96%	25,658	4%	551,157

Source: HMDA, Bank Reports, Consumer, and Commercial Loan Samples 2013-2015. *Consumer loans in this analysis consist of unsecured Smart Cash Loans.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 12 CFR 195.28(c) in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA'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.

The full-scope, onsite examination dated February 10, 2014, identified violations of Section 5 of the FTC Act, 15 USC 45, in certain practices relating to the Overdraft Privilege Program and the Fresh Start Loan Program. These programs were offered bank-wide and the violations affected the bank's customers. Since the 2014 examination, FNBT's Board of Directors and management team have revised overdraft and Fresh Start Loan products, including policies and internal controls, to prevent identified practices and to bring the products into compliance with agency guidance. In addition, employees received training on the revised policies and procedures. The Board and management have met all deadlines and continue to cooperate with the OCC to resolve these violations.

The CRA performance rating was not lowered as a result of these findings. The prior CRA evaluation considered the nature, extent, and strength of the evidence of the practices; the extent to which institution had policies and procedures in place to prevent the practices; and the extent to which the institution has taken or has committed to take corrective action, including voluntary corrective action resulting from self-assessment; and other relevant information. As a result of these findings, the prior CRA Performance Evaluation rating was lowered from "Satisfactory" to "Needs to Improve."

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

State Rating

State of Texas

CRA Rating for Texas: Satisfactory.

The Lending test is rated: Satisfactory.

The Community Development test is rated: Satisfactory.

- Lending activity is reasonable given the volume of consumer and residential mortgage loans originated during the evaluation period.
- The distribution of loans by borrower income level reflects reasonable penetration among individuals and businesses of different incomes.
- The geographic distribution of mortgage, small business, and consumer loans reflects reasonable dispersion.
- CD activities reflect adequate responsiveness to identified CD needs.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN TEXAS

FNBT’s primary operations are located in Texas with 274 branches and 391 ATMs. The bank’s head office and eight traditional brick and mortar branch offices are also located in Texas. The total number of branches and ATMs in Texas represents 90 percent of the bank’s entire branch and ATM network. Deposits from Texas represented 97 percent of FNBT’s total deposit base.

FNBT’s largest markets in Texas include the Killeen-Temple AA, and the HTWS AA with 36 percent and 20 percent of total Texas deposits, respectively. The Killeen-Temple and El Paso AAs are the largest mortgage markets. The Killeen-Temple and HTWS AAs are the largest commercial loan markets.

FNBT has branches located in 25 Texas Metropolitan Statistical Areas (MSAs) and 22 rural counties (non-MSAs). FNBT designates AAs in each county where its branches are located. The bank’s AAs, with counties included, are listed below by MSA and Non-MSA areas.

25 ASSESSMENT AREAS IN TEXAS METROPOLITAN STATISTICAL AREAS (MSAs) AND DIVISIONS	
Amarillo: Potter and Randall Counties	Lubbock: Lubbock County
Austin-Round Rock: Bastrop, Caldwell, Hays, and Williamson Counties	McAllen-Edinburg-Mission: Hidalgo County
Beaumont-Port Arthur: Jefferson and Orange Counties	Midland: Midland County
Brownsville-Harlingen: Cameron County	Odessa: Ector County
College Station-Bryan: Brazos County	San Angelo: Tom Green County

Corpus Christi: Nueces and San Patricio Counties	San Antonio-New Braunfels: Atascosa, Bexar, and Wilson Counties
Dallas-Plano-Irving : Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties	Sherman-Denison: Grayson County
El Paso: El Paso County	Texarkana: Bowie County
Fort Worth-Arlington: Hood, Johnson, Parker, and Tarrant Counties	Tyler: Smith County
Houston-The Woodlands-Sugarland: Brazoria, Fort Bend, Galveston, Harris, and Montgomery Counties	Victoria: Victoria County
Killeen-Temple: Bell and Coryell Counties	Waco: McLennan County
Laredo: Webb County	Wichita Falls: Wichita County
Longview: Gregg County	
22 ASSESSMENT AREAS IN TEXAS NON-MSAs	
Anderson County – Palestine, TX	Hopkins County – Sulphur Spring, TX
Angelina County – Lufkin, TX	Jim Wells County – Alice, TX
Bee County – Beeville, TX	Kerr County – Kerrville, TX
Burnet County - Marble Falls, TX	Matagorda County - Bay City, TX
Calhoun County – Port Lavaca, TX	Moore County - Dumas, TX
Deaf Smith County - Hereford, TX	Nacogdoches County - Nacogdoches, TX
Erath County - Stephenville, TX	Palo Pinto County - Mineral Wells, TX
Gray County - Pampa, TX	Uvalde County - Uvalde, TX
Hale County – Plainview, TX	Walker County - Huntsville, TX
Hill County - Hillsboro, TX	Wharton County – El Campo, TX
Hockley County - Levelland, TX	Young County - Graham, TX

Most Texas branches (44 percent) are located in middle-income geographies, including four that are located in distressed middle-income areas. FNBT also has a significant number of branches in moderate-income areas at 23 percent and 6 percent are located in low-income areas. The remaining 27 percent of FNBT branches are located in upper-income areas.

FNBT reported \$1.1 billion in deposits within the state of Texas as reflected in the FDIC’s June 30, 2015 Deposit Market Share Report. Competition in the Texas market is very strong. FDIC’s report includes 400 insured financial institutions operating 5,319 banking offices within FNBT’s Texas AAs. FNBT ranks fifth in the state for the number of branch locations within its AAs, but with only 0.2 percent of the deposit market share. The only institutions in Texas with a larger number of branches are some of the largest banks in the nation, which include JPMorgan Chase Bank, N.A.; Bank of America, N.A.; Wells Fargo Bank, N.A.; and Compass Bank. FNBT’s top five AAs listed below represent over 80 percent of the bank’s deposit base in Texas.

FNBT TOP 5 ASSESSMENT AREAS	
METROPOLITAN STATISTICAL AREA	% OF TOTAL TEXAS DEPOSITS (06/30/2015)
Killeen–Temple, TX	36%
Houston–The Woodlands–Sugarland, TX	20%
Dallas-Plano-Irving, TX	13%
Fort Worth–Arlington, TX	8%
El Paso, TX	5%
CUMULATIVE % FOR THE TOP 5 AAs	82%

Since the last CRA evaluation, FNBT has opened sixteen in-store branches and closed fifteen locations in Texas. The new in-store (First Convenience) branches are located in the following cities and AAs:

- Beaumont and West Orange, TX (Beaumont-Port Arthur MSA)
- Bryan (College-Station-Bryan MSA)
- Crossroads and Dallas, TX (Dallas–Plano-Irving MSA)
- Elsa and Edinburg (McAllen-Edinburg-Mission MSA)
- Elgin (Austin – Round Rock MSA)
- Fort Worth and Haslet (Fort Worth–Arlington MSA)
- Horizon City - (El Paso MSA)
- Kilgore, TX (Longview MSA)
- Laredo, TX (Laredo MSA)
- San Antonio, TX (San Antonio-New Braunfels MSA)
- Victoria, TX (Victoria MSA)

The majority of the new locations are located in Wal-Mart stores and three are in HEB grocery stores. FNBT closed branches in Arlington, Burleson, College Station, Dallas, Denton, Fort Worth, Sachse, Spring, Houston, La Porte, Pasadena, and Rockwall, TX. Most of the branch closures were located in Kroger grocery stores; one was located in a Neighborhood Wal-Mart. FNBT closed most of the branches for business reasons such as low transaction volumes and low profitability; but three were closed due to store closures. Seven closures (47 percent) were in upper-income areas, three (20 percent) were in middle-income areas, four (27 percent) were in moderate-income areas, and one (6 percent) was located in a low-income area.

SCOPE OF EVALUATION IN TEXAS

We selected the following four AAs for full-scope reviews in the state of Texas:

- Killeen–Temple–MSA (Killeen-Temple AA)
- Houston-The Woodlands–Sugarland MSA (HTWS AA)
- Dallas-Plano-Irving MD (DPI AA)
- El Paso MSA (El Paso AA)

The bank's performance in the full-scope AAs was weighted the most heavily in arriving at the overall conclusion for Texas, as the majority of the bank's loans and deposits are located in these AAs.

FNBT had 21 limited-scope MSA AAs and 22 non-MSA AAs. For the limited scope analysis, we reviewed performance in each MSA separately and consolidated the bank's 22 Texas non-metropolitan AAs into one group.

Community Contacts

During a CRA evaluation, examiners contact various persons and/or organizations within the institution's full scope assessment areas to gain insight regarding local economic conditions and credit needs. We considered interviews with leaders of various community organizations involved with affordable housing and small business development, as well as local governmental officials. Comments from these contacts are summarized in the full scope AA market profiles, which are detailed below.

Full-Scope Market Profiles

Description of the Killeen–Temple Assessment Area

FNBT has designated a portion of the Killeen–Temple MSA as its Killeen AA that includes Bell and Coryell Counties. Larger cities in this area include Killeen, Belton, Copperas Cove, Harker Heights, Gatesville, Temple, and Salado. Fort Hood, which is adjacent to Bell and Coryell Counties, is one of the largest active duty military posts in the U.S. The AA designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

FNBT has six traditional brick and mortar banking facilities, 10 in-store branches, and 50 ATMs within the Killeen-Temple AA. FNBT also has eight residential LPOs in this AA, two are located in Killeen, three in Harker Heights, and one in each of the cities of Copperas Cove, Gatesville, and Temple.

The bank's main office is located in a moderate-income area in downtown Killeen. One of the in-store branches is also located in a moderate-income area and two of the remaining 14 branches are adjacent to moderate-income CTs. Twenty six (52%) of the bank's 50 ATMs in the AA are located in moderate-income CTs.

In the FDIC's Deposit Market Share Report as of June 30, 2015, FNBT reported deposits in the Killeen-Temple AA totaling \$412 million, or 36 percent of the bank's total deposits in Texas. The bank's largest location, in terms of total deposits, is the Killeen head office with \$217 million in deposits or 18 percent of total deposits.

The Killeen-Temple AA is a very competitive environment, including national, regional and community banks. FNBT ranks 4th in deposit market share, just behind National Bank with 10 percent of the deposit market share of all FDIC insured institutions in Bell and Coryell counties. Extraco Banks, N.A. is the market leader with 18 percent of the market

share, and Compass Bank is second with a 13 percent market share. FNBT ranks first in the number of locations with 17 offices within the AA.

The FDIC's June 30, 2015 Deposit Market Share Report included 20 insured financial institutions operating 84 offices in this AA. In addition to the FDIC-insured banks in the AA, there are numerous credit unions and over 100 non-bank institutions, pawnshops, and payday lenders. FNBT also faces strong competition from mortgage lenders and captive financing from automobile dealerships within the AA. Aggregate 2014 HMDA data reflects 388 lenders in this market, which is significantly more than 120 mortgage lenders reported during the previous CRA evaluation period.

The Killeen-Temple AA is the bank's largest residential lending market with \$263 million in loan originations during the evaluation period. The volume of residential loans declined from \$356 million in the previous evaluation period (2010-2012); but aggregate HMDA data from 2013 and 2014 shows that FNBT continues to be one of the top residential lenders in this market. FNBT ranked 4th and 5th, respectively, each year in the total number and dollar volume of residential loan originations. Three mortgage companies and much larger national and international institutions such as Wells Fargo Bank, N.A.; USAA Federal Savings Bank; and JPMorgan Chase Bank, N.A. had larger market shares. The increased competition from non-bank mortgage companies contributed to the lower volume of originations during this evaluation period. The volume of residential lending is reasonable and consistent with the bank's deposit market share ranking in the AA.

Demographic Information

The AA is comprised of 84 Census Tracts (CTs); three designated low-income, 19 moderate-income, 42 middle-income, and 16 upper-income. Four income tracts have no income designation because they are located on the Fort Hood military base. The entire Fort Hood base is included in the AA and includes six of the moderate-income CTs and two of the middle-income CTs. Fort Hood occupies 340 square miles of southwest Bell County and southeast Coryell County.

The Killeen-Temple AA population approximated 386 thousand as reported in the 2010 census. Bell County is the more populous of the two counties within the bank's AA with approximately 310 thousand people. Killeen is the largest city in the AA with a population of 128 thousand in the 2010 census.

Between 2000 and 2010, the entire MSA population grew almost 23 percent, or approximately 2.3 percent per year, which outpaced the state as a whole. More recent data from the Census Bureau and Moody's Analytics indicates that population growth has slowed in this MSA, ranging from 0.05 percent in 2014 to 1.4 percent in 2015. The estimated MSA population was 431 thousand in 2015.

The 2015 adjusted median family income for the Killeen-Temple AA was \$59,100. Approximately 19 percent of the families in the AA were low-income, earning a median annual income of \$29,549 or less. Moderate-income families in the AA also represented about 19 percent of the families, earning an annual income of \$47,279 or less. Census

and updated HUD information indicates that about 12 percent of all households in the AA had incomes below the poverty level. Selected demographic information for the AA is summarized in the chart below.

DEMOGRAPHIC INFORMATION FOR FULL SCOPE AREA: KILLEEN – TEMPLE ASSESSMENT AREA FOR CENSUS 2010						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	84	3	23	50	19	5
Population by Geography	385,623	2	17	58	22	1
Owner-Occupied Housing by Geography	71,432	1	9	62	28	0.00
Business by Geography	19,258	1	17	54	27	1
Farms by Geography	1,023	1	8	63	28	0
Family Distribution by Income Level	89,044	19	19	22	40	0
Distribution of Low and Moderate Income Families throughout AA Geographies	34,287	3	27	58	12	0
Median Family Income		54,774	Median Housing Value		104,729	
FFIEC Adjusted Median Family Income 2015		59,100	Unemployment Rate		4.4%	
Households Below Poverty Level		12%	(May 2016 BLS)			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census, 2015 FFIEC updated MFI, May 2016 US Bureau of Labor Statistics.

Employment and Economic Factors

Killeen, located in Bell County, is the principal city in the bank’s AA. The Killeen economy is very dependent on Fort Hood, which is the area’s major employer. According to a Moody’s Analytics report dated March 2016, Fort Hood employs approximately 71,616 individuals. The Texas Comptroller of Public Accounts reports that indirect employment associated with Fort Hood approximates over 140,000 individuals and that 27 percent of the Bell and Coryell County’s population is associated with Fort Hood. This includes employees (military, civilians, and contractors), federal tenants, retirees, and family members. Fort Hood’s estimated 2015 economic impact was \$35 billion statewide.

The Moody’s March 2016 report indicated that medical, logistics, and military sectors have created job growth in the Killeen-Temple AA and the report highlighted an increase in construction activity at Fort Hood and Texas A&M’s Central Texas campus. However, Moody’s report states that industry employment has been flat, primarily in the transportation, warehousing, and healthcare industries, all of which had shed jobs the previous two quarters, offsetting gains in construction.

The seasonally adjusted unemployment rate, according to the United States Bureau of Labor Statistics (BLS), was 4.4 percent in May 2016. This is an improvement from highs of 7.5 to 8.1 percent during the previous evaluation period.

Major employers in the Killeen-Temple AA, include Fort Hood, Scott and White Hospital & Clinics, Central Texas Veterans Health Care System, Central Texas College, McLane Company, and Walmart. Fort Hood is also the second largest employer in the state of Texas.

The AA is facing a significant economic impact from potential defense budget cuts. In July 2015, the US Army announced cutbacks of 40,000 personnel in order to meet the requirements of the 2011 Budget Control Act. Fort Hood's share of the cuts amounts to more than 3,300 soldiers over the next three fiscal years, or nearly 9 percent of the base's current military personnel, plus an unspecified number of federal civilian employees. Job losses could affect the total employment base in the AA and limit long-term growth prospects.

Housing

Median home values in the AA approximated \$105M in the 2010 census. Housing market data from HUD dated August 1, 2016 reflects that single-family building permits were lower in 2015 than the prior two years.

Fort Hood's official website indicates it was one of the first Army bases to undergo privatization resulting in housing being completely revamped over the last five years. Residing on-post is voluntary, except for personnel, as the Installation Commander designates, assigned to key and essential positions. The website indicates over 6,000 homes on base are available to eligible service members. To some degree the availability of on-base housing reduces potential residential lending opportunities in this AA.

Recent 2015 demographic data from the American Community Survey (ACS) indicates the percentage of rental occupied units in this AA is 44 percent. The high percentage is attributed to the large military presence. In 2015, owner occupied units represented 56 percent of the housing inventory, down slightly from 58 percent in 2012.

Community Contacts

As part of this evaluation, we reviewed five community contacts in Bell and Coryell Counties to gain insight regarding the local economy and credit needs. The contacts indicated affordable housing, small consumer loans, and financial literacy are needs in the AA.

Performance evaluations of other institutions in the Killeen -Temple MSA, and the bank's performance context identified the same credit needs in the AA.

The City of Killeen is an "entitlement community" under the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program. As part of this program, HUD provides grants based upon several factors, including community need, the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to metropolitan areas. The CDBG program works to ensure decent affordable housing, to provide services to those in need,

and to create jobs through the expansion and retention of businesses. As part of this program, the city prepares a strategic plan and provides annual accomplishment reports. To further evaluate the credit needs and opportunities in the bank's largest AA, we reviewed the City of Killeen's Community Development Department Consolidated Strategic Plan for 2015-2019. This plan identified several high priority housing needs in the community, including homeless shelters and housing for elderly persons age 65 and older. The plan also reflected several barriers to home ownership including poor credit, the lack of down payment funds and income necessary to maintain and fund necessary repairs. The plan also referenced a Texas A&M - Central Texas study in 2015, which reflected an increase in larger, newer housing units in the area with smaller and more affordable units declining each year.

The CDBG programs' Consolidated Annual Performance Evaluation report for 2015, reflected a 21% increase in the number of persons assisted through public service programs. The report linked this increase to the stagnant economy. The report also highlighted the completion of 12 housing rehabilitation projects during the year, which was higher than expected. The annual evaluation report also highlighted completion of a new Families in Crisis Homeless Shelter (FIC) renovation in Killeen. This facility is located less than one half mile from the bank's head office location.

The City of Killeen and the Economic Development Corporation (EDC) have also focused on revitalization of downtown Killeen. In August of 2012, the City of Killeen and the EDC began a downtown revitalization project, which focused on sidewalk replacements, streets, landscaping, lighting, and plazas. This project is part of the longer term plan to attract new and retain businesses in downtown Killeen. Funding for the project was provided in part, by the City, EDC, and the Texas Department of Transportation. The construction phase of this project continued throughout the evaluation period and once complete, should help to encourage future economic development opportunities in this AA.

FNBT has established relationships with approximately 90% of the nineteen identified community development related organizations within the city of Killeen. Several of these organizations are focused on serving the needs of service members and veterans in the AA. The bank's affiliate, Fort Hood NB, works on community development initiatives with these organizations.

Description of the Houston–The Woodlands-Sugar Land Assessment Area

FNBT has designated a portion of the Houston-The Woodlands-Sugarland (HTWS) MSA as its HTWS AA, which includes Brazoria, Fort Bend, Galveston, Harris, and Montgomery Counties. The Census Bureau changed the geographical boundaries and name of this MSA in 2014 from the Houston-Sugarland-Baytown MSA to the Houston-The Woodlands-Sugar Land MSA. The bank's AA did not change when the Census Bureau changed the MSA boundaries. The AA designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

The HTWS MSA is the fifth largest metropolitan area in the country according to estimates from the U. S. Census Bureau in July 1, 2015. FNBT has 50 in-store branches and three traditional brick and mortar branches in its HTWS AA. Two of the traditional branches are located in Conroe (Montgomery County) and the other traditional branch is in Houston, TX (Harris County). FNBT also has 58 ATMs in this AA. Most of the in-store branches are also located in Conroe and Houston, along with store locations in Lake Jackson and Pearland (Brazoria County), Richmond, Stafford, Missouri City (Fort Bend County), Galveston (Galveston County), Pasadena, Baytown, Humble, Spring, and South Houston (Harris County), Porter, New Caney and Willis, TX (Montgomery County). FNBT branches in this AA are located in Wal-Mart and grocery stores such as, Kroger, and HEB. None of the locations in this AA were new in this evaluation period. FNBT closed six locations in this AA, all of which were located in Kroger grocery stores. One branch closed when the store it operated in was closed, and the other five closed primarily for business reasons, i.e., low profitability and limited growth. Three of the closed locations were in upper-income areas, one in a middle-income area, and two in moderate-income areas.

The HTWS AA is the bank's second largest AA in terms of deposits. FNBT reported \$230 million AA deposits in the FDIC's June 30, 2015 Deposit Market Share Report. This volume of deposits represents about 20 percent of the bank's deposits in Texas. The FDIC's report reflects a strong competitive environment in this AA with 96 insured institutions operating 1,448 offices. FNBT's deposit market share in this AA is small at 0.1 percent; but FNBT ranked 7th in the number of office locations. Some of the largest competitors in this market include much larger national and international banks including; JP Morgan Chase Bank, NA, Wells Fargo Bank, NA, Compass Bank, and Amegy Bank, which hold a combined 71 percent of AA deposits.

Aggregate 2014 HMDA also reflects strong competition in this AA for residential lenders. In 2014, FNBT ranked 150th out of 863 lenders in the HTWS AA with a 0.09 percent market share. During the evaluation period, FNBT originated 310 residential loans totaling \$36 million in this AA, which is a significant increase from the previous evaluation period when FNBT originated 116 loans totaling \$16 million.

Demographic Information

The combined population of all five counties in the bank's AA totals approximately 5.7 million. Harris County is the most populated county in Texas, with a population of more than 4.5 million as reported by the US Census Bureau on July 1, 2015. Houston is the

county seat of Harris County and the largest city in the HTWS AA. The combined populations of Harris and Montgomery Counties represent about 88 percent of the bank’s AA population. Montgomery County includes the county seat of Conroe, The Woodlands, and other small communities north of Houston.

The 2015 FFIEC-estimated median family income for the HTWS AA was \$70,100. Census data from 2010 indicated approximately 24 percent of the families in the AA earned less than \$35,050 annually making them low-income families. About 17 percent of families were moderate-income, earning less than \$56,080 annually. Approximately 13 percent of all households in the AA had incomes below the poverty level, and 1.4 percent received public assistance.

The AA is comprised of 1,037 CTs, of which 130 (12.5 percent) are designated as low-income tracts and 295 (28 percent) are moderate-income tracts. Of the remaining tracts, 274 tracts (26 percent) are middle-income, 334 (32 percent) are upper-income, and four have no income designation. FNBT has eight branches (15 percent) in low-income tracts and nineteen branches (36 percent) in moderate-income tracts. Eighteen branches (34 percent) are located in middle-income tracts and the remaining eight locations (15 percent) are located in upper-income tracts. Two of the three brick and mortar locations are in moderate- income tracts and one in Conroe is located in an upper-income tract.

The table below summarizes selected AA demographic information.

DEMOGRAPHIC INFORMATION FOR FULL SCOPE AREA: HOUSTON-THE WOODLANDS-SUGARLAND ASSESSMENT AREA FOR CENSUS 2010						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,037	12	28	27	32	1
Population by Geography	5,738,055	9	26	28	36	1
Owner-Occupied Housing by Geography	1,193,825	4	21	29	46	0
Business by Geography	476,356	8	19	25	48	0
Farms by Geography	8,101	5	16	32	47	0
Family Distribution by Income Level	1,348,472	24	17	17	42	0
Distribution of Low and Moderate Income Families throughout AA Geographies	541,591	17	38	27	18	0
Median Family Income FFIEC Adjusted Median Family Income for 2015 Households Below Poverty Level		63,898 70,100 13%	Median Housing Value Unemployment Rate (May 2016 BLS)		156,918 4.8%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census, 2015 FFIEC updated MFI, and U. S. Bureau of Labor Statistics (BLS)

Employment and Economic Factors

The Houston metropolitan area is known as the “Energy Capital of the World” according to a May 2015 Housing Market Profile from the US Department of Housing and Urban Development (HUD). The report also states that of the 26 Fortune 500 companies headquartered in Houston, 23 are involved in energy production. Information provided by the bank from the Port of Houston website indicates that the \$15 billion petrochemical complex that lines the Houston ship channel is the largest in the nation. The Port of Houston is the busiest port in the nation if measured by foreign tonnage and generates economic activity totaling more than \$265 billion in Texas.

Low oil prices have constrained the Houston AA economy. According to a Moody’s Analytics report on March 2016, after oil price temporally stabilized in mid-2015, active drilling rigs statewide resumed their decline and are at the lowest since 1998. A July 2016 report from the Greater Houston Partnership titled, *The Economy at a Glance*, examined job growth over a twelve-month period to May 2016, which showed that the region created 5,100 jobs, significantly lower than 66,400 jobs created in the twelve months ending May 2015 and 98,500 jobs created in the 12 months ending May 2014. In May 2016, the BLS reported an unemployment rate of 4.8 percent, which is slightly higher than the same period in 2015. This level also slightly exceeded the U. S. unemployment rate of 4.5 percent.

According to the Greater Houston Partnership and Moody’s Analytics, some the major employers in the Houston AA include; Memorial Hermann Healthcare System, The University of Texas MD Anderson Cancer Center, United Airlines, Exxon Mobile Corporation, Houston Methodist (Healthcare), Shell Oil Company, BP America, National Oilwell Varco, Kroger, Baylor College of Medicine, UTMB Health, and Hewlett-Packard. The Texas Governor’s website also indicates that Houston is the home of NASA’s Johnson Space Center.

Moody’s Analytics and reports from the Texas A&M Real Estate Center reflect that the housing market has weakened, with home sales and new residential permits declining. Moody’s reports that home sales are down 4.5 percent over the past year, and the inventory of unsold homes has risen steadily the past year. Housing prices are still rising but more slowly than in other places, such as Dallas. Texas A&M’s Real Estate Center reported a median sales price in 2015 of \$212 thousand, up from about \$199 thousand in 2014. According to 2010 U. S. Census data in the Houston AA, 56 percent of the housing units are owner occupied, 33 percent are renter occupied, and 12 percent of the housing units are vacant. The median housing value was \$156,918 and median monthly gross rent was \$855.

Community Contacts

Our assessment included a review of one community contact in this AA involved with affordable housing. We also considered comments from a listening session in the Houston area with numerous non-profit and community-based organizations. From these contacts and a review of other CRA performance evaluations in this area, we determined

that the AA needs include: affordable residential loan products, housing in low- and moderate- income areas, resources for home buyer education, workforce and economic development, and down payment assistance funding. Contacts also mentioned AA needs for financial literacy education for youth, adults, and seniors; assistance with basic needs, such as food, housing and healthcare; and transitional housing for homeless and veterans. Additionally, contacts mentioned educational needs for small businesses and support for non-profits including programs to develop leaders.

Description of the Dallas-Plano-Irving Metropolitan Division Assessment Area

FNBT has designated the entire Dallas-Plano-Irving (DPI) Metropolitan Division (MD) as one of its AAs. The DPI AA is comprised of seven counties including: Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties. The AA designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

FNBT has 56 in-store branches and ATMs within the DPI AA. The majority of the bank's branches in this AA are located in Dallas area Wal-Mart stores. The bank also has branches in Kroger grocery stores throughout the AA. In addition to the city of Dallas, FNBT has branches in the cities of Allen, Balch Springs, Cross Roads, Denton, Desoto, Duncanville, Forney, Frisco, Garland, Grand Prairie, Greenville, Irving, Lancaster, Lewisville, Lucas, McKinney, Mesquite, Midlothian, Plano, Quinlan, Red Oak, Richardson, Roanoke, and Waxahachie. FNBT opened two new branches in this AA since the last evaluation period; one in Cross Roads and one in Dallas. The bank closed four branches located in Kroger stores for business reasons, primarily due to limited growth and low profitability. Two were in upper-income CTs, one in a middle-income CT, and one in a low- income CT.

The DPI AA is the bank's third largest AA in deposits. On June 30, 2015, FNBT reported \$136 million in AA deposits in the FDIC's Deposit Market Share Report, which represents approximately 12 percent of the bank's deposits in Texas. Competition in this AA is very strong with a large number of banks and non-bank financial institutions operating in this market. The FDIC's Deposit Market Share Report listed 132 financial institutions in this AA with 1,151 offices. FNBT ranked fifth in the number of locations in this AA with 56 offices, but the bank's deposits represented only 0.07 percent of the total deposit market share. FNBT competes with large multi-national banks in this market, including Wells Fargo Bank, N.A, J.P. Morgan Chase, N.A, Bank of America, N.A., which combined have approximately 64 percent of the AA deposit market. Other competitors in this AA include large regional banks such as Texas Capital Bank, N.A., Compass Bank, Comerica Bank, and Legacy Texas Bank.

Aggregate 2014 HMDA also reflects very strong competition in this AA from residential lenders. In 2014, FNBT ranked 286th out of 942 lenders reporting loans in the DPI AA, with a 0.03 percent market share. During this evaluation period, FNBT did not have a mortgage loan production office or mortgage loan officer in the DPI AA and still originated 20 residential loans in this AA totaling \$3 million. This is a slight increase from 18

originations in the previous evaluation period. FNBT also purchased 32 residential loans in this AA approximating \$1 million.

FNBT does not have commercial loan officers within the DPI in-store branches. The primary loan product in this AA is consumer lending.

Demographic Information

Dallas is the largest city in the MD and the county seat. Portions of the city extend into neighboring counties. Dallas County is the second largest county in Texas, with an estimated population of more than 2.5 million as of July 1, 2015 according to the U.S. Census Bureau. Updated 2015 population estimates for the Dallas AA approximated 4.7 million according to information from Moody’s Analytics.

The 2015 FFIEC-estimated median family income for the Dallas AA was \$70,500. Census data from 2010 indicated that approximately 23 percent of the families in the AA were low-income, earning a median annual income of \$35,250 or less. Approximately 17 percent of the families were moderate-income, earning an annual income of \$56,399 or less. Approximately 12 percent of all households in the AA had incomes below the poverty level.

The AA is comprised of 897 CTs; 116 designated low-income, 222 moderate-income, 237 middle-income, and 319 upper-income. Three CTs are not assigned an income level. Six of the branches in this AA (11 percent) are in low-income CTs, 12 (21 percent) in moderate-income CTs, 20 (36 percent) in middle-income CTs, and 18 (32 percent) in upper-income CTs. A summary of selected AA demographic information is provided on the following table.

DEMOGRAPHIC INFORMATION: DALLAS-PLANO-IRVING (DPI) ASSESSMENT AREA FOR CENSUS 2010						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	897	13	25	26	35	1
Population by Geography	4,230,520	11	25	28	36	0
Owner-Occupied Housing by Geography	898,449	5	19	30	46	0
Business by Geography	386,594	8	18	26	48	0
Farms by Geography	7,670	5	18	33	44	0
Family Distribution by Income Level	1,004,926	23	17	18	42	0
Distribution of Low and Moderate Income Families throughout AA Geographies	398,737	20	36	28	16	0.00
Median Family Income		67,175	Median Housing Value		173,315	
FFIEC Adjusted Median Family Income - 2015		70,500	Unemployment Rate		3.5%	
Households Below Poverty Level		12%	(May 2016 BLS)			

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2015 FFIEC updated MFI, and U.S. Bureau of Labor Statistics (BLS)

Employment and Economic Factors

A well-diversified business environment supports the economy of the Dallas metropolitan area. Dallas is the key city driving the economy in the DPI AA. Its economy is primarily based on banking, commerce, telecommunications, computer technology, energy, healthcare and medical research, transportation and logistics. Dallas has a strong industrial and financial sector and is a major inland port due largely to the presence of the DFW International Airport, one of the largest and busiest airports in the world.

According to information from the Dallas Business Journal in July 2015, and the Dallas Economic Guide in 2016, some of the major employers in the Dallas area include: Wal-Mart, American Airlines, Dallas Independent School District, the City of Dallas, Bank of America Corp., JP Morgan Chase Bank N.A, Texas Instruments, AT&T, Kroger, and government entities such as the US Postal Service and the Naval Air Station. Top employers in the healthcare industry include: Texas Health Resources, Baylor Scott & White Health Care System, UT – Southwestern Medical Center, and the Hospital Corporation of American (HCA – North Texas).

Data from Moody's Analytics in March 2016 reflected strong economic growth in the Dallas metropolitan area with employment increasing at more than twice the national pace over the past year. The data further indicates that the decline in oil prices has not had a significant impact on this market because it has less exposure to the energy industry and recent employment gains have been widespread across various industries including hospitality, financial services, and healthcare leading the way. In May 2016, the BLS reported the unemployment rate in the DPI AA was 3.5 percent, which is lower than state and national averages.

Moody's Analytics March 2016 report also reflects a strong housing market, with home prices increasing nine percent per year, on average for the past four years and were up cumulatively about 40 percent during that four year period. In 2015, single-family home sales rose four percent. Multi-family permits were the highest in 30 years and single-family permits were similar to those in the early 2000s, just 15 percent below the peak periods in 2004–2007. Data from the Texas A&M Real Estate Center reported the median home price in the Dallas-Fort Worth area was about \$239,000 in May 2016.

Community Contacts

Our assessment included a review of information provided by two recent community contacts within this AA. One of these contacts was with a non-profit community development corporation involved with affordable housing and neighborhood revitalization in the Dallas metropolitan area and the other contact was with a minority business development organization. Through these contacts, we identified needs for small business working capital, affordable housing, as well as the need for counseling recent homeowners and individuals interested in purchasing a home.

The City of Dallas five year Consolidated Plan for the years 2013-2018 outlines the identified needs. Priority needs highlighted within the plan included; housing availability due to aging inventory and shortage of public/subsidized housing, affordable housing, support services for the homeless, and special needs housing assistance. The plan identified needs of public housing clients including; employment, job training, education and access to affordable grocery/retail stores. The plan also highlights the Neighborhood Investment Program (NIP) with designated tracts for revitalization and the need for various public services such as medical and dental, childcare, youth services, and senior services.

Description of the El Paso Assessment Area

FNBT's El Paso AA includes El Paso County, which represents a portion of the El Paso MSA. The AA designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. El Paso County is the eighth largest county in Texas based on July 1, 2015 population estimates from the U.S. Census Bureau. The city of El Paso is the county seat and the sixth largest city in Texas.

FNBT operates 15 in-store branches and 20 ATMs in the El Paso AA. FNBT also has two mortgage loan production offices in the city of El Paso. The majority (twelve) of the branches in this AA are located in El Paso Wal-Mart stores, two are located in El Super Market grocery stores, formerly Pro's Ranch, and one is located in an El Paso Albertson's grocery store. During the evaluation period, FNBT opened a branch in Horizon City. FNBT did not close any branches in this AA during the evaluation period.

FNBT reported \$53 million in deposits in this AA in the FDIC's June 30, 2015 Deposit Market Share Report. This volume of deposits represents approximately 4.5 percent of the bank's deposits in Texas. FNBT faces competition from larger institutions such as Wells Fargo Bank, N.A; JPMorgan Chase Bank, N.A; Bank of America, N.A.; WestStar Bank; and Compass Bank in this AA. FNBT's share of the El Paso County deposit market is only 0.7 percent. According to the FDIC's Deposit Market Share Report, there are 16 financial institutions with 96 offices in El Paso County.

Although the volume of deposits in the El Paso AA is not significant, this market is the bank's second largest for residential lending. During the evaluation period, FNBT originated 921 residential loans in the El Paso AA, approximating \$118 million. This volume of lending is almost double the volume from our previous evaluation period, when the bank originated 466 loans in this AA totaling \$58 million.

Aggregate 2014 HMDA data shows that FNBT competes well in this market ranking 17 out of 330 lenders that reported loans in the El Paso AA. FNBT's share of the residential loan market share was 1.7 percent. FNBT does not have a commercial lender in this AA, the primary focus is residential and consumer lending. During the evaluation period, FNBT also originated approximately four thousand consumer loans totaling \$2.8 million. The majority of these loans were Smart Cash, small unsecured consumer loans which numbered approximately 3500 and totaled \$2 million. FNBT also purchased 424 rehabilitated student loans in this AA totaling \$2.2 million.

Demographic Information

The El Paso AA has population of 835 thousand, according to July 1, 2015 U.S. Census Bureau estimates. The population has grown 4.4 percent since the 2010 Census. The 2015 FFIEC-estimated median family income for the El Paso AA was \$46,100. Approximately 24 percent of the families earn less than \$23,050 annually making them low-income families. Approximately 17 percent of the families are moderate-income families earning less than \$36,880 annually. This AA has a poverty rate of 24 percent, significantly higher than the national poverty rate of 15 percent as reported by the U.S. Census Bureau.

The AA is comprised of 161 CTs; nine low-income, 57 moderate-income, 47 middle-income, and 47 upper-income. One CT does not have an income designation and one upper-income tract includes portions of Fort Bliss Army Base. Two of the 15 branches (13 percent) and three ATMs are located in moderate-income tracts, nine (60 percent) are in middle-income tracts, and four (27 percent) are in upper-income tracts. Five of the nine branches are located in middle- income tracts adjacent to moderate-income areas.

A summary of selected AA demographic information is provided on the following table.

DEMOGRAPHIC INFORMATION FOR FULL SCOPE AREA: EL PASO ASSESSMENT AREA FOR CENSUS 2010						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	161	6	35	29	29	1
Population by Geography	800,647	4	32	32	32	0
Owner-Occupied Housing by Geography	155,280	2	28	32	38	0
Business by Geography	42,354	7	29	27	36	1
Farms by Geography	537	3	30	27	39	1
Family Distribution by Income Level	186,687	23	17	18	42	0
Distribution of Low and Moderate Income Families throughout AA Geographies	75,676	7	45	31	17	0
Median Family Income		40,255	Median Housing Value		109,330	
FFIEC Adjusted Median Family Income - 2015		46,100	Unemployment Rate		4.5%	
Households Below Poverty Level		24%	(May 2016 BLS)			

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census, 2015 FFIEC updated MFI, and U.S. Bureau of Labor Statistics (BLS)

Employment and Economic Factors

According to information provided by the bank, El Paso is the second largest conduit for trade along the Mexico-U.S. border after San Diego, California. Manufacturing is El Paso’s most important industry, followed by government, education, and health services.

Information from the bank and the El Paso Economic Development Staff in December 2015 reported that the top employers in El Paso County include the Fort Bliss Army Base, Tenet Hospitals Limited, El Paso Healthcare System, University Medical Center, and T&T Staff Management LP. There are several higher educational institutions including the University of Texas El Paso (UTEP), El Paso Community College, and Texas Tech University Health Sciences Center that also provide employment opportunities. Other major employers include the county, local school districts, the Bureau of Customs - Border Patrol, Dish Network's technical support center, and Alorica, an inbound customer service center.

The Texas Comptroller of Public Accounts (TX Comptroller) reported in June 2016 that Fort Bliss is geographically, the U.S.' second-largest military installation, with 1.12 million acres in Texas and New Mexico. According to the TX Comptroller, Fort Bliss is the single largest employer in the Upper Rio Grande region employing 41 thousand directly and 95 thousand indirectly. One of every five persons in El Paso County is associated with Fort Bliss either as an employee, retiree, or family member. The TX Comptroller's report indicated military employment more than doubled between 2004 and 2014, with an increase of 17,158 jobs. The Fort Bliss economic impact for 2015 was estimated at \$24.1 billion statewide.

Information provided by the bank indicated that in 2015 the Army disclosed plans to reduce national troop strength by 40,000 over a two-year period. Fort Bliss is one of six installations in the country that may potentially cut up to five percent of its service members.

Economic reports from Moody's Analytics in March 2016 indicated employment in this area rose more than a percentage point faster than the national average over the past year. The employment growth has been widespread, with most private industries participating in the gains, led by construction and hospitality. Industry employment was up by more than 12 percent over the past year. Government job growth has been flat. In May 2016, the BLS reported the unemployment rate at 4.5 percent.

Reports from the Moody's and the Texas A&M Real Estate Center report home sales rose at a double digit pace in 2015 (11 percent) and permits for multi-family units were up significantly higher than the past five years. Single-family permits were up in 2015, but still near the recession period low. Texas A&M further reported that the median sales price in El Paso County approximated \$142,000.

Community Contacts

Our assessment included a review of one community contact in this AA, an affordable housing non-profit entity. The contact identified a need for neighborhood revitalization in this AA.

We also evaluated the City of El Paso's comprehensive Plan, "Plan El Paso," that identifies AA needs within the following categories: land use, transportation, public facilities, housing, economic development, and health care. Some of the identified needs

pertained to new homes, more variety and selection of affordable housing, and accessible housing. Other identified needs pertained to water supply and city infrastructure needs for flood control infrastructure, the reliability of the electric power grid, and school closures in older parts of the city. Economic development needs were also identified in neighborhoods and the downtown area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

FNBT's overall performance in Texas is Satisfactory based primarily upon our full scope reviews of the Killeen, Houston, Dallas, and El Paso AAs.

- Lending activity is adequate given the volume of consumer and residential mortgage loans originated during the evaluation period.
- The distribution of loans to borrowers of different income levels and to businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- CD loans and services reflect adequate responsiveness in the full-scope AAs.

LENDING TEST

The bank's performance under the lending test in Texas is rated "Satisfactory."

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

The overall distribution of mortgage and unsecured consumer loans to individuals of different income levels and the distribution of business loans to businesses of different sizes all reflect reasonable penetration, when considering bank product offerings and local economic conditions. In our analysis of mortgage lending, we gave more weight to the bank's performance related to moderate-income borrowers due to the challenges many low-income borrowers have in qualifying for mortgage loans.

Performance in the Killeen - Temple Assessment Area

During this evaluation period, FNBT originated 1,707 residential loans totaling \$262.5 million and 237 small business and other commercial-related loans totaling \$71 million in this AA. We sampled 30 small business loan originations totaling \$10.2 million. FNBT also originated 2,323 unsecured consumer loans, Smart Cash loans totaling \$1.4 million, and purchased 193 rehabilitated student loans totaling \$1.1 million.

Overall, the penetration of loans to borrowers of different incomes and to businesses of different sizes is reasonable. In addition, the borrower distribution of unsecured

consumer loans demonstrated excellent penetration. Our analysis of loan distribution by borrower income is provided below.

Residential Loans

Overall, the distribution of residential loans reflects reasonable penetration among borrowers of different income levels. We place more weight on the lending to moderate-income borrowers than to lower-income borrowers based on the performance context. Demographic data shows 24 percent of the households in this AA live below the poverty level. Many of these households are low-income limiting home lending opportunities. Recent median home sales prices are \$144 thousand. Based on this value, it could be more difficult for individuals and families with low-income (those earning less than \$23,050 annually) to afford home ownership given down payment, closing costs, and debt-to-income ratio requirements. FNBT does offer government guaranteed mortgage loan programs with lower down payment requirements; however, FNBT underwrites mortgage loans so they can be sold into the secondary market. Investors set down payment and debt-to-income ratios requirements for loans sold into the secondary market, and FNBT uses the same requirements. Also, AA demographic data indicates the percentage of rental occupied units in this AA is high at 35 percent, which is attributed in part to the large military presence.

Our review of residential lending focused on home purchase loans, which represent 91 percent of the bank’s total residential loan originations in this AA. We also reviewed home improvement and home loan refinance loans, but a significant percentage of these loans, 23 percent and 69 percent, respectively had income reported as not applicable. The high percentages resulted in an insufficient number for meaningful analysis.

Home Purchase Loans

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. As depicted in the chart below, the percentage of home purchase loans to low-income borrowers is significantly lower than comparable AA demographic information reflecting poor penetration. However, the volume of home purchase loans to moderate-income borrowers exceeds AA demographics. FNBT’s CD lending performance in this AA also helps provide affordable housing to LMI individuals.

The following table reflects the distribution of residential loan products among borrowers of different income levels as compared to the percentage of families in each income category. The percentage of loans in each income level is calculated based on the number of loans with reported income and not on the total number of originated loans.

Borrower Distribution of Residential Real Estate Loans in Killeen-Temple Assessment Area – 2013-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	19	4	19	21	22	36	40	39

Source: HMDA 2013-2015; 2010 U.S. Census data. During the evaluation period 3.4% of home purchase loans reported income as NA.

Business Loans

Overall, the distribution of sampled business loans reflects reasonable penetration among small businesses, which are defined as businesses with gross annual revenues of \$1 million dollars or less. During the evaluation period, the small business loan penetration was somewhat lower than AA demographics. However, we placed less weight on this analysis due to the large percentage of unknown/unavailable revenues in the AA demographics.

During the evaluation period, FNBT originated 60 percent of the sampled business loans to small businesses with gross revenues of \$1 million or less. These loans represented 63 percent of the total dollar volume of the selected sample.

Borrower Distribution of Loans to Businesses in the Killeen - Temple Assessment Area – 2013–2015				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79	3	18	100
% of Bank Loans in AA by #	60	40	0	100
% of Bank Loans in AA by \$	63	37	0	100

Source: Sample of 30 Loans 2013-2015 from this AA; Dunn and Bradstreet data (2015)

Consumer Loans

The distribution of consumer loans to borrowers of different income levels reflects excellent penetration among low-income borrowers in this AA. The bank’s performance significantly exceeds comparable demographics for low-income households. In addition, the loan penetration among moderate-income borrowers exceeds AA demographics as reflected in the table below:

Borrower Distribution of Consumer Loans in Killeen - Temple Assessment Area - 2014–2015									
Borrower Level	Income	Low		Moderate		Middle		Upper	
		% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans		21	57	18	20	20	6	41	11

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data; 6% of borrowers did not report income.

Performance in the HTWS Assessment Area

During the evaluation period, FNBT originated 310 residential loans totaling \$35.5 million in this AA; an increase from the previous evaluation period when the bank originated 116 loans totaling \$16 million. We sampled 30 small business loan originations totaling \$13.0 million in this AA. FNBT also originated 8,626 unsecured consumer Smart Cash loans totaling \$5.7 million and purchased 3,000 rehabilitated student loans totaling \$18 million.

Overall, the distribution of loans to LMI borrowers and to businesses of different sizes reflects reasonable penetration. Business and unsecured consumer loan penetrations were excellent and residential loan penetration was reasonable. Our analysis of loan distribution by borrower income is provided below.

Residential Loans

The residential lending performance reflects reasonable penetration among borrowers of all income levels. We place more weight on lending to moderate-income borrowers than lending to lower-income borrowers based on the performance context. It shows recent median home sales prices averaged \$212 thousand. At this level it is more difficult for individuals and families with low-income (those earning less than \$31,940 annually) to qualify for home purchase loans given down payment, closing costs, and debt-to-income ratios requirements.

Our review of residential lending focused on home purchase loans, which represent 64 percent (197 of 310 residential loans) of the bank’s total residential loan originations in this AA. Fifty-five percent of the 197 home purchase loans had income reported as not applicable; however, the number of loans with reported income (89) was sufficient for meaningful analysis. We also reviewed home improvement and home loan refinance loans, but a significant percentage of these loans, 73 percent and 77 percent, respectively, had income reported as not applicable. The high percentages resulted in an insufficient number for meaningful analysis; 13 home improvement loans and 15 home refinance loans. One of the 13 home improvement loans with income reported was to a low-income borrower and three were to moderate-income borrowers. In addition, two of the 15 home refinance loans with reported income were to moderate-income borrowers.

Home Purchase Loans

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. The home purchase loan penetration among low-income borrowers was significantly lower than AA demographics reflecting poor penetration; however, home purchase loan penetration among moderate-income borrowers exceeds AA demographics.

The following table reflects the distribution of residential loan products among borrowers of different income levels as compared to the percentage of families in each income category. The percentage of loans in each income level is calculated based on the number of loans with reported income and not on the total number of originated loans.

Borrower Distribution of Residential Real Estate Loans in the Houston-The Woodlands-Sugarland Assessment Area - 2013–2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	24	9	16	20	18	26	42	45

Source: HMDA 2013 - 2015, 2010 U.S. Census data. Income information was reported as “NA” on 55% of home purchase loans.

Business Loans

Overall, the distribution of sampled business loans reflects excellent penetration among small businesses, which are defined as businesses with gross annual revenues of \$1 million dollars or less. During the evaluation period, the number of small business loans was near AA demographics; while the dollar volume of loans to small businesses significantly exceeded AA demographics. As reflected in the chart below, during the evaluation period, the bank originated 73 percent of the number and 95 percent of the dollar volume of sampled business loans to small businesses.

Borrower Distribution of Loans to Businesses in the Houston-The Woodlands-Sugarland Assessment Area - 2013-2015				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79	4	17	100
% of Bank Loans in AA by #	73	27	0	100
% of Bank Loans in AA by \$	95	5	0	100

Source: Sample of 30 Loans in 2013-2015 in this AA; Dunn and Bradstreet data (2015).

Consumer Loans

Overall, the distribution of unsecured consumer loans to borrowers of different income levels reflects excellent penetration among LMI borrowers. The loan penetration among both low- and moderate-income borrowers exceeds AA demographics as reflected in the table below:

Borrower Distribution of Consumer Loans in the Houston-The Woodlands-Sugarland Assessment Area – 2014–2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	24	59	16	22	17	5	43	9

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data; 5% of borrowers did not report income.

Performance in the DPI Assessment Area

Overall, the penetration of loans to borrowers of different incomes is excellent. The penetration of home purchase loans and unsecured consumer loans among both low-income and moderate-income borrowers is excellent.

Business lending is not a primary product in this AA; therefore, we did not review the bank’s performance for these loans.

During the evaluation period, FNBT originated 52 residential loans totaling \$4.0 million. In addition, FNBT originated 9,543 unsecured consumer Smart Cash loans, which totaled

\$6.4 million. FNBT also purchased 2,538 rehabilitated student loans in this AA totaling \$15 million.

Residential Loans

The distribution of home purchase loans reflects excellent penetration among borrowers of different income levels.

FNBT’s home purchase lending performance to low-income borrowers is particularly noteworthy given the strong competition from mortgage lenders in this AA and recent residential sales data from the performance context. Recent median home sales prices are close to \$239 thousand. Based on this value, it might be difficult for individuals and families with low-income (those earning less than \$35,250 annually) and moderate-income (those earning less than \$56,400 annually), to afford home ownership given down payment, closing cost, and debt-to-income ratio requirements. The volume of home improvement and home refinance loans was insufficient to perform a meaningful analysis.

The following table reflects the distribution of home purchase loans among borrowers of different income levels as compared to the percentage of families in each income category.

Home Purchase Loans

The distribution of home purchase loans reflects excellent penetration among borrowers of different income levels.

FNBT’s home purchase loan penetration among low-income borrowers slightly exceeds AA demographics. Home purchase loan penetration among moderate-income borrowers is near to AA demographics and is considered reasonable.

Borrower Distribution of Residential Real Estate Loans in the DPI Assessment Area - 2013–2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23	23	17	15	18	8	42	54

Source: HMDA 2013 - 2015, 2010 U.S. Census data. Income information was reported as N/A on 48% of home purchase loans, 93% of home improvement loans and 75% of refinance loans.

Consumer Loans

The distribution of unsecured consumer loans to borrowers of different income levels reflects excellent penetration among low- and moderate-income borrowers. Loan penetration among low-income borrowers and moderate-income borrowers significantly exceeds AA demographics as reflected in the table below:

Borrower Distribution of Consumer Loans in the DPI Assessment Area - 2014-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	23	59	17	24	18	5	42	8

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data; 5% of borrowers did not report income.

Performance in the El Paso Assessment Area

Overall, the penetration of loans to borrowers of different incomes is reasonable. The penetration of home purchase loans and unsecured consumer loans among low-income borrowers is reasonable. The penetration of home purchase loans and consumer loans among moderate-income borrowers is excellent. Business lending is not a primary product in this AA and the bank's performance for these loans was not reviewed.

During the evaluation period, FNBT originated 921 residential loans totaling \$117.5 million in this AA. In addition, FNBT originated 3,462 unsecured consumer loans, Smart Cash loans, which totaled \$2.1 million. FNBT also purchased 424 rehabilitated student loans totaling \$2.2 million.

Residential Loans

Overall, the distribution of residential loans reflects reasonable penetration among borrowers of different income levels.

Our review of residential lending focused on home purchase loans, which represent 98 percent of the bank's total residential loan originations (901 loans totaling \$115 million) in this AA. We also reviewed home improvement and home loan refinancing loans, but both had insufficient number of loans to perform a meaningful analysis.

Home Purchase Loans

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. The percentage of home purchase loans to low-income borrowers is significantly lower than comparable AA demographics reflecting poor penetration. However, the distribution of home purchase loans to moderate-income borrowers exceeds AA demographics and reflects excellent penetration.

The following table reflects the distribution of residential loan products among borrowers of different income levels as compared to the percentage of families in each income category.

Borrower Distribution of Residential Real Estate Loans in El Paso Assessment Area – 2013-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23	6	17	26	18	33	42	35

Source: HMDA 2013-2015; 2010 U.S. Census data. Income information was reported as N/A on 0.78% of home purchase loans.

Consumer Loans

Overall, the distribution of unsecured consumer loans to borrowers of different income levels reflects excellent penetration. Loan penetration among low-income borrowers in this AA significantly exceeds AA demographics. Loan penetration among moderate-income borrowers is also excellent in comparison to AA demographics as reflected in the table below:

Borrower Distribution of Consumer Loans in the El Paso Assessment Area - 2014-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	25	45	16	28	17	12	42	11

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data; 4% of borrowers did not report income.

Conclusion for Limited-Scope Reviews

Overall performance in the limited-scope AAs is not inconsistent with performance in the full-scope AAs.

During the evaluation period, the volume of loans originated or purchased in the Texas limited-scope AAs, was \$119 million. The volume is reasonable compared to deposits of \$313 million from the Texas limited-scope AAs.

Our analysis in the limited-scope AAs focused primarily on consumer loans, except in the Austin and Fort Worth AAs, where the bank had more residential loans. During the evaluation period, FNBT originated or purchased 199 residential loans totaling \$38 million in the Texas limited-scope AAs; however, there was an insufficient number in every AA to perform a meaningful analysis. The lack of residential loans and business loans in most limited-scope AAs did not have a negative impact on our conclusions since the primary loan product in these areas is consumer loans. We focused primarily on unsecured Smart Cash loans in the 21 limited-scope MSAs and the one consolidated non-MSA in Texas. During the evaluation period, the bank originated 24 thousand Smart Cash loans totaling \$16 million in the limited scope AAs.

Consumer Loans

We found the penetration of loans to both low- and moderate-income borrowers is consistent with performance in the full-scope AAs. The penetration of loans to low-income borrowers significantly exceeded AA demographics in 18, or 82 percent, of the limited-scope AAs. In three areas, Laredo, McAllen-Edinburg-Mission, and Odessa, the bank's performance just slightly exceeded AA demographics. In the Brownsville-Harlingen AA, the bank's penetration of loans to low-income borrowers was slightly below AA demographics.

FNBT's loan penetration among moderate-income borrowers significantly exceeded AA demographics in all of the limited-scope AAs, except in two areas, the Austin-Round Rock and San Angelo MSAs, where loan distributions slightly exceeded AA demographics.

Residential Loans

Our analysis focused on the two AAs (Austin-Round Rock AA and Fort Worth-Arlington AA) where the bank had a sufficient number of residential loans for a meaningful analysis. In both AAs, the penetration of home purchase loans to low- and moderate-income borrowers was reasonable and consistent with performance in the full-scope AAs. The number of home improvement and home refinance loans was insufficient for a meaningful analysis in these AAs. In the other AAs, the bank had no residential loans or so few residential loans that analysis was not meaningful.

Geographic Distribution of Loans

FNBT's overall geographic distribution of loans reflects reasonable dispersion throughout the full-scope Texas AAs, based upon a reasonable distribution of residential loans and small loans to businesses and an excellent distribution of unsecured consumer loans.

Performance in the Killeen – Temple Assessment Area

Overall, the geographic distribution of loans in the AA reflects reasonable dispersion. The geographic distribution of residential mortgage loans is poor, but the distribution of small loans to businesses reflects reasonable dispersion. The geographic dispersion of unsecured consumer loans is excellent. With only three low-income CTs in this AA, we placed more weight on the bank's performance in the moderate-income CTs.

Residential Loans

The geographic dispersion of residential loans is poor. The distribution of home purchase, home improvement, and home refinance loans in low-income CTs is lower than the comparable demographic data. However, we placed little weight on this distribution, as there are only three low-income CTs in the AA and only 1.3 percent of owner-occupied housing units (929 of 71,432 housing units) were located in these CTs limiting mortgage lending opportunities in the AA. One of the three low-income CTs is located near

downtown Killeen in a predominately business-oriented area. The other low-income CTs are located near Belton and in Temple.

Home purchase, home improvement, and home refinance loans in moderate-income CTs were also lower than comparable AA demographics for the review period.

Home Purchase Loans

The dispersion of home purchase loans reflects poor penetration among the different CT levels. As depicted in the chart below, the percentage of home purchase loans in low-income CTs is lower than AA demographics. The volume of home purchase loans in moderate-income CTs is also lower than AA demographics.

Home Improvement

FNBT’s distribution of home improvement loans reflects reasonable dispersion among the different CT levels. The dispersion among low-income CTs is lower than AA demographics. However, the dispersion in moderate-income CTs exceeds AA demographics. We placed less weight on this loan product as there was a small number (26 loans) and they represented only 1.5 percent of the bank’s residential loans in this AA.

Refinancing

FNBT’s distribution of home refinance loans reflects poor dispersion among the different CT levels. The distribution in low-income and moderate-income CTs is lower than AA demographics. We placed less weight on this loan product as these loans represented only 7.4 percent of the bank’s residential loans in this AA.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in CT income level.

Geographic Distribution of Residential Real Estate Loans in the Killeen - Temple Assessment Area – 2013–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	1	0	9	5	62	63	28	32
Home Improvement	1	0	9	15	62	65	28	20
Refinance	1	0	9	4	62	56	28	40

Source: 2013-2015 HMDA loan data, 2010 U.S. Census data.

Business Loans

The geographic distribution of sampled business loans is consistent with poor dispersion. During the evaluation period, FNBT did not make any loans in the low-income CTs. However, there are very limited lending opportunities in low-income CTs. Less than two percent of the AA’s businesses that report annual revenue, are located in the low-income CTs. Considering the bank’s lack of lending under these circumstances, performance is reasonable.

The dispersion of business loans in moderate-income areas is reasonable. The loan dispersion in moderate-income areas was 13 percent, which is near to AA demographics. The following table further details the bank’s performance as compared to the percentage of businesses in each CT income level.

Geographic Distribution of Loans to Businesses in the Killeen - Temple Assessment Area – 2013–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Nonfarm Businesses	% of # of Loans	% of Nonfarm Businesses	% of # of Loans	% of Nonfarm Businesses	% of # of Loans	% of Nonfarm Businesses	% of # of Loans
Businesses	1	0	17	13	54	70	27	17

Source: 2013-2015 Loan sample for this AA; Dunn and Bradstreet data, 2010 Census Data. CTs with no income designation have 0.66% of AA nonfarm businesses.

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout the different CT income levels. The distribution in both the low-income and moderate-income CTs reflects excellent dispersion in comparison to the AA households.

Geographic Distribution of Consumer Loans in the Killeen – Temple Assessment Area – 2014–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	2	4	18	20	59	60	21	16

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Performance in the HTWS Assessment Area

Overall, the geographic distribution of loans reflects reasonable dispersion throughout CTs of different income levels. Residential loan dispersion is poor; however, business and unsecured consumer loan dispersions are excellent.

Residential Loans

The geographic dispersion of residential loans is poor. The distribution of home purchase, home improvement, and home refinance loans in low-income CTs is lower than the comparable demographic data; but we placed less weight on this distribution, as only four percent of owner-occupied housing units were located in these CTs.

Home purchase, home improvement, and home refinance loans in moderate-income CTs were also lower than comparable AA demographics for the review period.

Home Purchase Loans

The dispersion of home purchase loans reflects poor penetration among the different CT levels. As depicted in the chart below, the percentage of home purchase loans in low-income CTs is lower than comparable AA demographic information. The volume of home purchase loans in moderate-income CTs is somewhat lower than AA demographics.

Home Improvement

The dispersion of home improvement loans reflects poor penetration among the different CT levels. The loan penetration among low-income CTs is lower than AA demographics. The penetration to moderate-income CTs is somewhat lower the AA demographics.

Refinancing

The dispersion of home refinance loans reflects poor penetration among the different CT levels. The loan penetration among low-income CTs is lower than AA demographics. The loan penetration among moderate-income CTs is near to AA demographics.

Geographic Distribution of Residential Real Estate Loans in the Houston-The Woodlands-Sugarland Assessment Area – 2013–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	4	1	21	13	29	29	46	57
Home Improvement	4	2	21	13	29	21	46	64
Refinance	4	0	21	17	29	17	46	66

Source: 2013-2015 HMDA Data, 2010 U.S. Census data.

Business Loans

The geographic distribution of sampled business loans reflects excellent dispersion throughout this AA’s CTs. During the evaluation period, FNBT made 10 percent of its commercial loans in the low-income CTs, slightly exceeding the AA demographics.

The dispersion of business loans in moderate-income areas is also excellent. The loan dispersion in moderate-income areas was 23 percent, which also exceeds AA demographics. The following table further details the bank’s performance as compared to the percentage of businesses in each CT income level.

Geographic Distribution of Loans to Businesses in the Houston-The Woodlands-Sugarland Assessment Area – 2013–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	8	10	19	23	25	30	48	37

Source: Sample of 30 Loans 2013-2015 for this AA, Dunn and Bradstreet, 2010 census Data

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout the different CT income levels. The distribution in the low-income CTs demonstrated excellent dispersion in comparison to the AA households. The distribution in the moderate-income CTs also demonstrated excellent dispersion to the AA households.

Geographic Distribution of Consumer Loans in the Houston-The Woodlands-Sugarland Assessment Area – 2014–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	10	17	25	43	28	30	37	10

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Performance in the DPI Assessment Area

Overall, the geographic distribution of residential loans is reasonable. The geographic distribution of unsecured consumer loans is excellent.

The bank only has in-store branches within the DPI AA. These branches are more conducive to consumer lending, and the bank does not have small business lenders in the branches. Because of the nature of the branches, business lending is not a primary product in this AA and the bank’s performance for these loans was not reviewed.

Residential Loans

The dispersion of home purchase loans reflects reasonable penetration among the different CT levels.

FNBT originated and/or purchased 25 home purchase loans totaling \$2.8 million during the evaluation period. FNBT also originated and/or purchased an additional 15 home improvement and 12 home refinance loans in this AA approximating \$1.2 million. The volume of home improvement and refinance loans is insufficient to perform a meaningful analysis.

The following table reflects the dispersion of home purchase loans among the different CT levels as compared to the percentage of CTs in each income category.

Home Purchase Loans

The distribution of home purchase loans reflects reasonable dispersion among the different CT levels. FNBT’s home purchase loan dispersion among low-income CTs significantly exceeds AA demographics. Home purchase loan dispersion among moderate-income CTs is somewhat lower than AA demographics.

Geographic Distribution of Residential Real Estate Loans in the DPI Assessment Area - 2013–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans
Home Purchase	5	8	19	12	30	44	46	36

Source: HMDA 2013 - 2015, 2010 U.S. Census data

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout the different CT income levels. The loan distribution in both the low-income and moderate-income CTs demonstrated excellent dispersion in comparison to the AA households.

Geographic Distribution of Consumer Loans in the DPI Assessment Area – 2014-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	12	19	23	36	29	31	36	14

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Performance in the El Paso Assessment Area

Overall, the geographic distribution of residential and unsecured consumer loans reflects reasonable dispersion when taking into consideration the performance context. With only nine low-income CTs in this AA, we placed more weight on the bank’s performance in the 57 moderate-income CTs. Within this context, the geographic distribution of lending for residential loans is reasonable. The geographic distribution on unsecured consumer loans is excellent.

The bank only has in-store branches within the El Paso AA. These branches are more conducive to consumer lending, and the bank does not have small business lenders in the branches. Because of the nature of the branches, business lending is not a primary product in this AA and the bank’s performance for these loans was not reviewed.

Residential Loans

The distribution of home purchase loans reflects reasonable dispersion among the different CT levels.

FNBT originated or purchased 901 home purchase loans and 20 home refinance loans totaling \$118 million. FNBT did not originate any home improvement loans during the evaluation period. The number of home improvement loans and home refinance loans is insufficient to perform meaningful analysis.

Home Purchase Loans

The distribution of home purchase loans reflects reasonable penetration among the different CT levels.

The home purchase loan dispersion among low-income CTs is lower than AA demographics. However, we placed little weight on this distribution, as there were only nine low-income CTs in this AA and less than two percent of owner-occupied housing units were located in the low-income CTs. Home purchase loan dispersion among moderate-income CTs is near to AA demographics. The following table reflects the distribution of home purchase loans among the different CT levels as compared to the percentage of CTs in each income category.

Geographic Distribution of Residential Real Estate Loans in the El Paso Assessment Area - 2013–2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans
Home Purchase	2	1	28	22	32	42	38	35

Source: HMDA 2013 - 2015, 2010 U.S. Census data

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout CTs of different income levels. During the evaluation period, loan dispersion in the low-income CTs and in the moderate-income CTs exceeded AA demographics.

Geographic Distribution of Consumer Loans in the El Paso Assessment Area – 2014-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	4	5	31	39	31	37	34	19

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Conclusion for Limited-Scope Assessment Areas

The geographic distributions of consumer loans and residential loans in the limited-scope AAs are not inconsistent with performance in the full-scope AAs. Our analysis of the geographic distribution of loans in limited-scope AAs focused primarily on consumer loans, except in the Austin and Fort Worth AAs, where the bank had more residential loans.

Consumer Loans

The geographic dispersion of consumer loans was reasonable and consistent with performance in the full-scope AAs. The geographic dispersion of consumer loans in low-income geographies exceeded demographics in 16 of the 22 limited-scope AAs. There were no low-income geographies in two limited-scope AAs, the Odessa AA and the Sherman-Denison AA. In the following ten limited-scope AAs, loan distributions in low-income areas reflected excellent dispersion significantly exceeding AA demographics:

- Amarillo AA
- Beaumont-Port Arthur AA
- Corpus Christi AA
- Fort Worth-Arlington AA
- Lubbock AA
- Midland AA
- Odessa AA
- San Antonio-New Braunfels AA
- Victoria AA
- Waco AA

Loan dispersions were below AA demographics in four limited-scope AAs: Brownsville-Harlingen AA, College Station AA, Texarkana AA, and the Texas Non-MSAs.

Loan dispersions in moderate-income geographies significantly exceeded AA demographics except in the Sherman-Denison AA and the Odessa AA where dispersions just slightly exceeded AA demographics, and in the Texarkana AA where dispersions were below AA demographics.

Residential Loans

The bank had no residential loans or so few loans in several limited-scope AAs that analysis was not meaningful. The geographical dispersion of home purchase loans in the Austin and Fort Worth AAs was consistent with performance in the full-scope AAs.

Responses to Complaints

FNBT has not received any CRA-related complaints in the state of Texas during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in Texas is "Satisfactory."

- Qualified investments totaling \$71 million in the Texas AAs demonstrate excellent responsiveness to CD needs.
- FNBT officers and employees are active in the communities they serve, as evidenced by leadership roles on various civic and non-profit organizations that provide services to LMI individuals.
- Community development services in the bank's largest Killeen-Temple AA are excellent. FNBT officers have provided financial expertise and numerous hours supporting community development organizations which focus on a variety of needs including financial education, economic development, and essential services to low-and moderate-income individuals.
- FNBT has supported affordable housing needs in its largest Texas AAs through a combination of both investments, loans and services.
- CD lending performance is poor in relationship to the bank's financial capacity, resources, and opportunities in the AAs.

We placed more weight on CD activities in the full-scope AAs where the majority of loans, deposits, and branch offices are located. We placed the most weight on the Killeen AA, where the bank's head office is located, followed by the Houston AA, the Dallas AA and the El Paso AA.

CD performance in the limited-scope AAs was weaker than performance in the full-scope AAs. The limited scope AAs contributed minimal weight to the overall conclusion for Texas, given the bank's limited presence in those markets.

Number and Amount of Community Development Loans

Overall, CD lending in Texas reflects poor responsiveness to AA needs. The bank originated eight qualifying CD loans totaling \$7.5 million in its Texas AAs. Six loans totaling \$5.7 million were in the full scope AAs and used primarily to provide affordable housing. CD lending in the limited scope AAs included two CD loans totaling \$1.9 million.

FNBT also originated a qualified CD loan totaling \$260 thousand to a school district in a distressed area of Texas outside of the bank's AAs.

Performance in the Killeen-Temple Assessment Area

CD lending performance in the AA reflects poor responsiveness given the bank's market presence and financial resources. CD lending was limited to three loans totaling \$375 thousand. Two loans totaling \$125 thousand benefitted entities that provide affordable

housing for LMI individuals and families. One of the two loans was a \$50 thousand loan to the Fort Hood Habitat for Humanity, a non-profit entity that provides funds necessary to acquire, renovate, and market foreclosed homes to LMI individuals and families.

The third loan, a renewed \$250 thousand loan originally was used to purchase an investment in a qualified CRA fund that provided financing for an affordable housing apartment complex in Belton, Texas. Earnings from the CRA fund benefit the Senior Housing Crimes Prevention Foundation, which provides safe environments for seniors/veterans in nursing homes. The collateral securing FNBT's loan supports crime prevention programs in the William R. Courtney Texas Veteran's Home in Temple, Texas where 90 percent of the occupants are LMI individuals. The bank has renewed this loan annually since 2010.

The bank's CD lending opportunities in this AA are limited to some extent by the limited number of community development related organizations and the strong competition from other larger institutions in the AA with more focus and expertise in complex community development lending solutions. FNBT does not specialize in government guaranteed small business lending, although they are involved with non-profit organizations in this area, such as the Central Texas Certified Development Corporation, which does partner with institutions in offering these types of loans.

During the evaluation period, the Killeen downtown redevelopment project was in the construction phase and some of the bank's prospective new clients were reluctant to relocate or expand downtown limiting CD lending opportunities in Killeen during this evaluation period.

Most of FNBT's lending efforts to address AA affordable housing needs during this evaluation period focused on government guaranteed loans to individuals or investors, which were all HMDA reportable and not eligible for recognition as community development loans. As mentioned in the description of the Institution, FNBT is a leader in providing residential loans in the AA through VA and FHA loan programs, which help to address barriers to home ownership through lower down payment requirements. Also, FNBT participates in the City of Killeen's Homebuyer Assistance Program (HAP), which provides funds for down payment and closing cost assistance through the city's partnership with HUD. FNBT is an approved lender for this program, which enables the bank to provide financing for first time homebuyers in the AA.

Performance in the HTWS Assessment Area

CD lending performance reflects reasonable responsiveness. FNBT originated two loans totaling \$3.9 million in the AA to entities that provided affordable housing to LMI tenants. The loans resulted in 154 affordable housing units.

Performance in the DPI Assessment Area

CD lending performance reflects reasonable responsiveness. FNBT originated one loan totaling \$1.4 million to a small municipality. The loan provided for revitalization of LMI geographies.

Performance in the El Paso Assessment Area

CD lending performance reflects very poor responsiveness. The bank did not originate any qualifying CD loans in this AA.

Conclusion for Limited-Scope Assessment Areas

CD lending performance in all limited scope AAs, except Fort Worth-Arlington AA and Anderson County, one of the Texas non-MSA counties, is weaker than the performance in the full-scope areas. FNBT originated two CD loans totaling \$1.9 million. A \$1.1 million CD loan in the Fort Worth-Arlington AA was used to purchase equipment and make repairs to school buildings in a school district where a majority of students qualify for the free and reduced lunch programs. An \$800 thousand CD loan to a small municipality in a designated distressed area in Anderson County funded improvements to essential city services.

Number and Amount of Qualified Investments

Qualifying investments are bond or equity investments, deposits, membership shares, donations, or grants that have as their primary purpose CD, as defined in the CRA regulations.

The level of investments and qualified donations in the state of Texas is excellent. As of review period, qualified investments totaled \$71 million, including prior period investments of \$14 million, representing 20 percent of total investments. FNBT also made qualified donations totaling \$1.1 million. The bank made 97 percent of qualified investments in the state of Texas in direct response to its CRA strategic plan to improve the previous CRA rating.

Overall, approximately \$63 million, or 90 percent of Texas investments centered in bonds financing the construction or renovation of schools. These investments qualified because more than 50 percent of the student populations in the schools qualify for the federal free or reduced-price lunch program. In addition, FNBT purchased seven qualified investments totaling \$1 million. All seven investments are in qualified CRA funds allocated to the bank's full-scope Texas AA's and are comprised of mortgage-backed securities that include individual loans funding housing projects for LMI individuals and families in the designated Texas full-scope AAs.

FNBT also invested \$16 million in Texas municipal bonds outside the bank's AAs that support LMI school districts.

Full-Scope Assessment Areas

Qualified investments within the Texas full-scope AAs demonstrates excellent responsiveness to AA needs. Qualified investments focused on affordable housing and on revitalizing and stabilizing local areas.

Performance in Killeen – Temple Assessment Area

Qualified investment performance within the Killeen AA is "reasonable". Qualified investments totaled \$1.4 million, representing approximately 3.4 percent of total capital. Investments included a FNMA bond totaling \$1 million, two Community Capital Management investments totaling \$250 thousand, and 22 donations totaling \$105 thousand. The FNMA bond and Community Capital Management investments addressed identified AA needs by providing affordable housing units to low- and moderate-income individuals and families.

Qualifying donations benefitted various organizations that provide services primarily to LMI individuals. These organizations included the : Clements Boys and Girls Club, Metroplex Health Systems Foundation, Killeen ISD Education Foundation, Rock the Foundation, and the Armed Services YMCA Child Care Program.

The largest donation, \$36,000, was made to Armed Services YMCA, the largest provider of school age childcare in the Central Texas area with 36 before and after school sites serving over 1,250 children a day. Over 55 percent of the families using the child care services have low- or moderate income. FNBT also provided donations to various organizations, which support CBDG initiatives for providing services to the most vulnerable and low- and moderate- income individuals including: Homeless Awareness Response Program (HARP), Families in Crisis, Communities in Schools, the Killeen Homeless Shelter, Cove House Emergency Homeless Shelter, Inc., the Greater Killeen Free Clinic, and the Food Care Center in Killeen.

Performance in HTWS Assessment Area

Qualified investment performance within the HTWS AA demonstrates excellent response to AA needs. FNBT made 27 qualified investments totaling \$16.9 million; 21 municipal bonds totaling \$15.6 million that helped to fund new schools, classrooms, technology improvements, and educational programs. More than 50 percent of the student population in these schools qualifies for the federal free or reduced-price lunch program. FNBT also made two Community Capital Management investments totaling \$332 thousand that provided affordable housing to LMI individuals. One investment financed the Wentworth Senior Apartments, an affordable rental property for elderly individuals in Harris County, Texas. At least 63 units or 70 percent of the 90 units are restricted to residents with incomes at or below 60 percent of area median income. The property also qualified for Low-Income Housing Tax Credits.

Qualified investments also included a \$1 million donation to the Texas Children's Hospital Mobile Clinic Program in Houston made in June 2016. The program provides free comprehensive primary care and preventative education to underserved children 0 to 18 years of age of uninsured LMI families, refugees, recent immigrants, and unemployed families. In addition, FNBT had donations totaling \$5.6 thousand to several organizations including the Montgomery County Community Foundation, Bank On Houston, and the Conroe Noon Lions Club. The donation to the Conroe Noon Lions Club is used to provide eye exams and glasses to LMI children and the homeless. The contribution to Bank On Houston supported materials for financial education events. FNBT, a founding member of the Texas Bank On initiatives, is involved currently in four areas, Houston, Central Texas, Brazos Valley, and Dallas. The Bank On mission is to unite local financial institutions with community based organizations to provide financial education to the unbanked, and to provide banking products with low minimum balance requirements and reasonable service fees. An FNBT officer serves as co-chairperson of the marketing and innovation committee for Bank On Houston.

Performance in DPI Assessment Area

Qualified investment performance within the Dallas AA demonstrates an excellent response to AA needs. FNBT made 19 qualified investments totaling \$15.5 million; 14 municipal bonds totaling \$11.8 million that funded new schools, classrooms, and renovations in areas benefiting primarily LMI individuals. In addition, FNBT purchased two FNMA bonds totaling \$3.2 million that were used to provide affordable housing to LMI individuals and made three Community Capital Management investments that provided loan funds for LMI borrowers to purchase homes. FNBT's qualified donations of \$1,000 supported United Way's Bank On Dallas program, a financial literacy campaign targeting the unbanked and LMI individuals. The Bank On Dallas program has transitioned into the Economic Inclusion Roundtable.

Performance in El Paso Assessment Area

Qualified investment performance within the El Paso AA demonstrates an excellent response to AA needs. FNBT made six qualified investments totaling \$7.6 million; five municipal bonds totaling \$6.7 million that helped to fund new schools, renovations, and needed technology and security programs in schools benefiting primarily LMI students. Most of the bond investments are in school districts where the majority of students qualify for the federal free or reduced-price lunch program. In addition, FNBT also had one prior period bond totaling \$855 thousand. The proceeds were used to purchase a 36 unit apartment complex that restricts 89 percent of the units to residents with incomes at or below 60 percent of area median income. FNBT also donated \$4.4 thousand to support Money Smart Week in El Paso, a financial education initiative sponsored by the Federal Reserve and the United Way that seeks to expand knowledge of financial concepts and access to financial resources for LMI individuals.

Limited Scope Assessment Areas

Qualified investment performance in the limited-scope AAs demonstrates reasonable responsiveness to AA needs. Investments included 42 school bonds totaling \$30 million. More than 50 percent of student populations in these schools qualify for the federal free or reduced-price lunch program.

FNBT made municipal investments and/or donations in 10 of 21 limited-scope AAs in MSAs and in 6 of 22 non-MSA Texas counties where performance was excellent and consistent with performance in the full-scope areas. The AAs where investment performance was consistent with the full-scope areas include the following:

MSA Assessment Areas	Texas Non- MSA Assessment Areas
1. Austin-Round Rock AA 2. Brownsville – Harlingen AA 3. Fort Worth – Arlington AA 4. Laredo AA 5. McAllen – Edinburg – Mission AA 6. Odessa – AA 7. San Antonio – New Braunfels AA 8. Sherman Dennison – AA 9. Tyler AA 10. Waco AA	1. Anderson County 2. Angelina County 3. Bee County 4. Burnet County 5. Gray County 6. Wharton County

Performance in the remaining 11 AAs in MSAs and in 16 non-MSA counties was weaker than performance in the full scope areas. FNBT did not have investments or donations in the following AAs and performance was weaker than in the full-scope areas.

MSA Assessment Areas	Texas Non- MSA Assessment Areas
1. Amarillo AA 2. Beaumont-Port Arthur AA 3. Bryan-College Station AA 4. Corpus Christi AA 5. Longview AA 6. Lubbock AA 7. Midland AA 8. San Angelo AA 9. Texarkana AA 10. Victoria AA 11. Wichita Falls AA	1. Calhoun 2. Deaf Smith 3. Erath 4. Hale 5. Hill 6. Hockley 7. Hopkins 8. Jim Wells 9. Kerr 10. Matagorda 11. Moore 12. Nacogdoches 13. Palo Pinto 14. Uvalde 15. Walker 16. Young

Qualifying donations in the limited-scope AA's were minimal, but benefitted organizations such as the Brazos Valley Community Action Center, which provides free eye examinations and physicals for LMI children, and the Higher Education Servicing Corp. Outreach Services in the Fort Worth-Arlington MSA, which provides funding for youth education centers in LMI schools.

Extent to Which the Bank Provides Community Development Services

The bank's performance in providing CD services is reasonable. We placed the most weight on performance in full scope AAs. CD services in the Killeen – Temple AA, the bank's head office location, are excellent; however, the bank's activities are more limited in other full-scope areas.

FNBT's banking services are reasonably accessible to LMI individuals and families through online banking services and the expansive branch and ATM network in Texas. FNBT provides financial services to individuals primarily through its in-store branches and ATMs located throughout the State of Texas, including LMI areas. During the evaluation period, FNBT had 17 in-store branches in low-income CTs with an additional 63 in-store branches in moderate-income CTs. FNBT also had four in-store locations in distressed or underserved geographies. Collectively, branches in low-income, moderate-income, and distressed areas represent 31 percent of the branch network in Texas.

As indicated in the Institution Description section, FNBT opened sixteen new in-store branches during the evaluation period and closed fifteen in-store locations. Only one of the closures was in a low-income area and four were in moderate-income areas. The remaining closures were in upper- and middle-income areas.

The Institution Description section also includes additional information on FNBT's lower-cost products designed for LMI individuals, such as the reloadable pre-paid debit MasterCard, free online banking services, checking accounts with low minimum opening deposit requirements and low monthly maintenance fees. FNBT deposit products also include an option for "no overdraft privilege". Since the previous evaluation, FNBT has further expanded access to its banking services with additional mobile banking features such as bill pay and mobile check deposits. Mobile access to banking services is available through smart phone, iPad and Android tablet applications. FNBT also provides extended service hours in most locations by using call centers and online chat capabilities, and provides toll-free numbers for international callers.

FNBT provides access to loan products through its branch network, website, call center, and interactive teller machines. Bank customers can submit applications for consumer loans and mortgage pre-qualifications online or by phone. Since the previous evaluation, FNBT has introduced interactive teller machines (ITMs) in five Texas locations. These machines incorporate ATM features along with virtual tellers to provide basic banking needs on consumer loan and deposit products.

FNBT continues to offer its Smart Cash loan product as an alternative to higher cost small dollar loan programs. FNBT's mortgage division participates in bond programs that provide affordable housing opportunities in the bank's AAs. Since the previous evaluation, FNBT has funded approximately \$23 million in Texas affordable bond program loans.

Performance in the Killeen - Temple AA

CD service activities are excellent. CD service activities qualifying for CRA credit include those activities that have a CD purpose. Bank employees must serve as a representative of the bank and provide financial expertise to help qualifying organizations.

FNBT officers have provided community development services to at least 35 different organizations in this AA. FNBT officers provided numerous hours of financial education to LMI school children through partnerships with Junior Achievement. In response to an identified need in the Texas AAs, FNBT has supported The "Bank On" program as one of its founding members. The program focuses on uniting local financial institutions and community groups to educate the unbanked population, including LMI individuals, and to provide banking products with low minimum balance requirements and reasonable service fees. FNBT has designed deposit products and loan products for reasonably priced secured credit cards in support of Bank On initiatives.

FNBT continues as an active sponsor, organizer, and participant in the annual Lemonade Day program, which creatively educates youth on the value of entrepreneurship through basic lessons on goal setting, money management, budgeting, and savings. FNBT has provided financial support, marketing, and staffing for various sponsored events. FNBT first introduced the program in the Killeen and Fort Hood communities in 2010 and continues to support program initiatives by providing financial education to area youth, particularly those in LMI schools. FNBT officers coordinate the annual event with an advisory board of local community leaders.

Bank officers provide financial expertise in the community by serving on boards and committees for various organizations which help to promote economic development, revitalization and stabilization of LMI areas as well as serve the needs of small businesses and LMI individuals in the AA. The organizations include the Central Texas Certified Development Corporation (CTCDC), Central Texas Economic Development District, City of Killeen Community Development Division, Copperas Cove Economic Development Corporation, Killeen Industrial Foundation, Communities in Schools, and the Fort Hood Area Habitat for Humanity.

Bank officers also participate in organizations that provide free and/or low cost child care services, education to LMI students, job training and assistance to LMI veterans and seniors through outreach programs like Armed Services YMCA, Workforce Solutions of Central Texas, and Families in Crisis.

In an effort to better serve small business customers, FNBT established a formal relationship with Lift-fund, formerly Accion Texas, Inc. in 2015. Since then, FNBT has

referred 37 small business customers to Lift-fund resulting in technical assistance and one \$30 thousand loan. FNBT officers serve on the Board of CTCDC, a non-profit corporation created for facilitating public finance programs in Texas that help stimulate economic growth and development of Texas communities by creating or retaining jobs and expanding the local tax base. FNBT has referred at least two customers to the CTCDC.

Bank services are reasonably assessable to all individuals and families in the AA through online banking services and the bank's branch network. Two of the bank's sixteen offices in this AA, including the bank's head office in downtown Killeen, are located in moderate-income CTs. FNBT has 120 ATMs in this AA; 26 are located in moderate-income areas. One of the bank's new ITMs is located in this AA.

Performance in the HTWS Assessment Area

CD service activities are reasonable in this AA. FNBT officers have provided CD services to 10 different organizations. FNBT officers partner with the Montgomery County Housing Authority to provide financial literacy training to LMI first-time homebuyers. Bank officers are also involved with the Bank On Houston initiative that supports financial literacy training and banking services to unbanked and under-banked individuals. FNBT facilitates job education and financial literacy training to LMI youth and adults in the AA through service at Goodwill Houston; Austin Elementary School, and the Harris County Department of Education. FNBT officers provide financial expertise to the Conroe Industrial Development Corporation through membership on the Board. Also, FNBT officers are involved in committees and the advisory Board of the Alliance for Economic Inclusion which focuses on the economic wellness of communities, with particular emphasis on financially underserved populations. FNBT is involved in two of the organizations coalitions, one in Houston and another in Austin.

Banking services in this AA are reasonably accessible to all individuals and families through online banking and the expansive branch network. Eight of the 53 branches in this AA (15 percent) are in low-income CTs and 19 (36 percent) are in moderate-income areas. The two full service, traditional brick and mortar branches are located in moderate-income CTs.

Performance in the DPI Assessment Area

Community service activities are reasonable. FNBT officers have provided financial expertise through committee memberships for three organizations that focus primarily on financial literacy. FNBT officers have been involved in the Bank On Denton program and the Financial Fitness DFW program, which develops and supports financial education campaigns for various community development related organizations in the DPI and Fort Worth area. Local financial institutions, non-profits, government agencies, schools, libraries, places of worship, and others sponsor Financial Fitness educational events. FNBT has been involved through committee membership in the Dollars for College program. As part of this initiative, FNBT partnered with Opportunity Texas and the United Way of Metropolitan Dallas to conduct a College Savings Account (CSA) pilot program in

the Richardson ISD. This program reached approximately 300 kindergarten students in the larger of the two pilot elementary schools, where the 89 percent of the student population was economically disadvantaged.

Banking services are reasonably accessible to all individuals and families through online banking and the branch network. Six of the 56 branches in this AA (11 percent) are in low-income CTs, and 12 (21 percent) are in moderate-income CTs. FNBT also has 57 ATMs in this AA; 6 in low-income CTs and 13 in moderate-income CTs.

Performance in the El Paso Assessment Area

Community service activities are reasonable based on the bank's market presence in this AA. Service activities focused primarily on supporting Money Smart programs that provide financial education to residents of a low-income community, present first time home buyer programs to LMI adults, and budgeting and financial education to a LMI school district.

Banking services are reasonably accessible to all individuals and families through online banking and the branch network. Two of the 15 branches (13 percent) in this AA are located in moderate-income CTs. FNBT also has 20 ATMs in this AA; 3 (15 percent) located in moderate-income CTs. FCM has two mortgage LPOs in the AA.

Limited-Scope Assessment Areas

CD service performance in the limited scope AAs is weaker than performance in the full-scope AAs, except in the following areas where performance was reasonable and consistent with performance in the HTWS, DPI and El Paso full-scope AAs.

- **Austin-Round Rock AA:** FNBT officers provided financial expertise through participation on the Seton Williamson County Development Board, the Alliance for Economic Inclusion, and United Way – Williamson County.
- **Bryan-College Station AA:** FNBT officers were involved with four organizations in support of financial literacy. FNBT officers provided financial literacy coaching to LMI individuals through the United Way of Bryan. FNBT officers worked with the Junior Achievement program to provide financial education to students in several local elementary schools where a majority of students were from LMI families. An FNBT officer served as a financial advisor for Ag Life Projects at a local high school where a majority of students were from LMI families.
- **Fort Worth-Arlington AA:** FNBT officers provided financial education classes for students at a high school where a majority of students were from LMI families.
- **Gray County – Texas Non MSA:** A FNBT officer served as a director providing financial expertise for United Way initiatives supporting LMI individuals.
- **Texarkana AA:** FNBT officers provided financial management services for Domestic Violence Prevention, Inc. of Texarkana
- **Waco AA:** FNBT officers provided financial education in Preparation for Adult Living (PAL) classes which focus on LMI teens in foster care.

Responsiveness to Community Development Needs

Overall, FNBT demonstrates adequate responsiveness to identified needs and opportunities throughout the full-scope AAs. Through a combination of investments, loans, and services FNBT has focused on meeting affordable housing needs, supporting financial literacy and educational programs for children and adults, and supporting schools especially those where a majority of students are economically disadvantaged. FNBT offers reasonably priced loan and deposit products to help meet the needs of LMI individuals. FNBT's involvement in Bank On and Money Smart programs further support its responsiveness to AA needs for financial education and reasonably priced banking products for un-banked and under banked consumers. FNBT's online and mobile banking services as well as the number of branches and ATMs in LMI CTs help make banking services accessible to all individuals and families, including LMI individuals and families

Performance in the Killeen-Temple Assessment Area

FNBT demonstrates adequate responsiveness to community needs for affordable housing with CD loans and investments that provide affordable housing solutions for LMI individuals and families in the AA. FNBT demonstrates excellent responsiveness to AA needs for financial education, particularly for school-age children, with the Lemonade Day program along with Bank On programs in Central Texas. FNBT's contributions to the Fort Hood Habitat for Humanity Program, government guaranteed mortgage programs and participation in affordable housing bond programs are responsive to AA needs.

Performance in the HTWS Assessment Area

FNBT demonstrates excellent responsiveness to housing needs and support of LMI schools primarily through qualified investments in this AA. CD loans have been responsive to affordable housing needs in the AA. The donation to the Texas Children's Hospital supported essential medical needs of LMI children in the AA. FNBT has focused community service activities on those that are the most responsive to identified needs for financial literacy training with a focus on reaching the unbanked and under-banked.

Performance in the DPI Assessment Area

FNBT demonstrates excellent responsiveness to AA affordable housing needs and support of LMI schools through its investments in this AA. Qualified donations and community services in this AA have been responsive to identified needs for financial literacy education and training.

Performance in the El Paso Assessment Area

FNBT demonstrates adequate responsiveness in this AA primarily through its municipal investments supporting LMI schools. Qualified donations and community services have supported Money Smart program initiatives which are responsive to AA identified needs for financial literacy education and training.

Limited-scope Assessment Areas

Responsiveness in most limited-scope AAs is poor and not consistent with performance in the full-scope AAs. FNBT demonstrates adequate responsiveness that is consistent with full-scope performance in the limited-scope AAs listed in the following table. Performance activity included municipal school investments: CD loans in two AAs, one in a distressed county; and CD services focusing primarily on financial literacy in six AAs. The areas where performance reflects adequate responsiveness include the following:

MSA Assessment Areas	Community Development Activity
<ol style="list-style-type: none"> 1. Austin-Round Rock AA 2. Brownsville – Harlingen AA 3. Bryan-College Station AA 4. Fort Worth – Arlington AA 5. Laredo AA 6. McAllen – Edinburg – Mission AA 7. Odessa – AA 8. San Antonio – New Braunfels AA 9. Sherman Dennison AA 10. Texarkana AA 11. Tyler AA 12. Waco AA 	<ol style="list-style-type: none"> 1. Investments, Services 2. Investments 3. Services 4. Investments, Services, Loans 5. Investments 6. Investments 7. Investments 8. Investments 9. Investments 10. Services 11. Investments 12. Investments, Services
Texas Non- MSA Assessment Area	Community Development Activity
<ol style="list-style-type: none"> 1. Anderson County 2. Angelina County 3. Bee County 4. Burnet County 5. Gray County 6. Wharton County 	<ol style="list-style-type: none"> 1. Investments, Loans 2. Investments 3. Investments 4. Investments 5. Investments, Services 6. Investments

State of Arizona

CRA Rating for Arizona: Needs to Improve.

The Lending test is rated: Satisfactory.

The Community development test is rated: Needs to Improve.

- Lending activity is adequate given the volume of consumer and residential mortgage loans originated during the evaluation period.
- Overall, the distribution of loans among borrowers of different income levels reflects excellent penetration.
- The distribution of loans in LMI areas reflects reasonable dispersion.
- CD activities reflect poor responsiveness to identified CD needs in the AAs.
- The bank's poor responsiveness to identified CD needs resulted in an overall "Needs to Improve" rating in the state of Arizona.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

FNBT entered the Arizona market in September 2011 with an in-store branch in Goodyear and one in Phoenix, Arizona. FNBT now has 19 in-store branches in Arizona. The majority of the branches are located in Wal-Mart stores in the Phoenix MSA. Two of the 19 branches (11 percent) are located in low-income CTs; six (32 percent) are in moderate-income CTs, seven (37 percent) are in middle-income CTs, and four (21 percent) are located in upper-income CTs.

Since the previous CRA evaluation, FNBT has opened five in-store branches; two in the Phoenix-Mesa-Scottsdale MSA, two in the Lake Havasu City-Kingman MSA, and one in the Prescott MSA.

FNBT reported deposits of \$23 million in Arizona on June 30, 2015, which represents 2 percent of the bank's total deposits. FNBT's deposit market share for the entire state of Arizona is minimal at 0.02 percent as reported in the FDIC's June 30, 2015 Deposit Market Share Report.

FNBT's lending activity in Arizona totaled \$11.3 million during the evaluation period representing two percent of the bank's entire loan originations. Lending activity included 39 mortgage loans totaling \$7.0 million, 4,065 consumer loans totaling \$2.8 million and 163 student loans totaling \$1.3 million.

Based on deposits, the largest AA is the Phoenix AA with over 64 percent of total Arizona deposits. The Phoenix AA is also the largest Arizona lending market with 89 percent of loan originations during the evaluation period.

SCOPE OF EVALUATION IN ARIZONA

The rating for the State of Arizona is based primarily on the full-scope review of FNBT's performance in the Phoenix AA. We performed limited scope reviews for the Lake Havasu, Prescott, and Tucson MSA AAs, and for the non-MSA AA of Santa Cruz.

We based our conclusions on the residential lending performance from 2013-2015 and unsecured consumer loans (Smart Cash Loans) during the past two years (2014-2015). We also considered other lending related activities, including the purchase of rehabilitated student loans in the AAs during the evaluation period. The Community Development (CD) Test covered the period from March 22, 2013, the date of our last performance evaluation to July 5, 2016, the start date of this performance evaluation. The CD Test included a review of eligible loans, investments, grants, donations, and services that meet the definition of CD.

As part of the evaluation, we reviewed recent information provided by four non-profit community organizations involved in economic development, small business lending, affordable housing, and first-time homebuyer programs in the Phoenix market to help ascertain CD needs and opportunities in the AA. Three of these entities were "Community Development Financial Institutions" (CDFIs). Refer to the Community Contact section of the Full Scope Market Profile below for additional information.

Full Scope Market Profile

Description of Phoenix-Mesa-Scottsdale MSA Assessment Area (Phoenix AA)

FNBT's Phoenix AA includes Maricopa County, which is part of the Phoenix-Mesa-Scottsdale MSA. The AA designation meets the requirements of the regulation and does not arbitrarily exclude LMI areas.

The bank has 13 in-store branches in this AA; six located in Phoenix, three located in Mesa, and one located in Chandler, Goodyear, Scottsdale, and Surprise. In December 2013, FNBT opened a mortgage LPO in Tempe that primarily serves the Phoenix AA.

As of June 30, 2015, FNBT deposits in this AA totaled \$14.7 million representing 1.3 percent of the bank's total deposits. The FDIC's June 30, 2015, Deposit Market Share Report shows very strong competition in this AA. The report shows 57 financial institutions with 845 offices in the Phoenix AA. FNBT holds only 0.02 percent of the total deposit market share ranking 52 out of 57 financial institutions. Some of the largest competitors in the AA with a combined deposit market share of 80 percent include JPMorgan Chase, N.A.; Wells Fargo Bank, N.A.; Bank of America, N.A.; Compass Bank, and Western Alliance Bank.

The mortgage LPO helped increase residential loans in this market. During the evaluation period, FNBT originated 37 residential loans totaling \$6.8 million, an increase from only one residential loan totaling \$56 thousand in the previous evaluation. Aggregate 2014 HMDA data shows very strong competition in this AA from 743 lenders reporting

residential loans. In 2014, FNBT ranked at 420 with three loan originations totaling \$690 thousand. FNBT originated the majority of its residential loans in the AA during 2015.

Demographic Information

The Phoenix AA, which consists of Maricopa County, the fourth largest county in the United States, is located in south-central Arizona. Phoenix, its largest city, is the county seat and the state capital. Other cities located within the Phoenix-Mesa-Scottsdale MSA include Tempe, Scottsdale, Glendale, Mesa, and Chandler. Several smaller cities and residential communities, such as Goodyear and Surprise, are located in Maricopa County. The western half of the county is more sparsely populated, rural and mostly undeveloped.

Maricopa County is the most populous of Arizona's counties. The 2010 U. S. Census data reported total population of 3.8 million and more recent data from July 1, 2015 shows strong population growth (nine percent since 2010) averaging 1.8 percent each year.

The AA includes 916 CTs; 86 (nine percent) low-income, 219 (24 percent) moderate-income, 293 tracts (32 percent) middle-income, and 308 (34 percent) upper-income.

LMI geographies comprise one-third of the total geographies. Four Indian reservations are within Maricopa County. Two reservations, Fort McDowell Yavapai Nation and the Salt River Reservation, are located in the northeastern portion of the county and include one middle-income CT and one moderate-income CT. The reservations are adjacent to the cities of Phoenix and Scottsdale. The northeast portion of the Gila River Indian Reservation is located in a low-income CT, just south of Phoenix; however, most of the reservation is located in the adjoining Pinal County. A small portion of the Tohono O'odham Nation Reservation is located in another low-income CT in the south-eastern corner of Maricopa County. Most of the reservation is located in the adjoining counties outside the bank's AA. Since FNBT includes only Maricopa County in this AA, the parts of the reservations located in adjoining counties are not included in the Phoenix AA.

Two of the 13 branches (15 percent) are located in low-income CTs, three (23 percent) are in moderate-income CT's, five (38 percent) are in middle-income CTs, and three (23 percent) are in upper-income CTs. The percentage of branches in LMI geographies is similar to AA demographics.

The 2015 adjusted MFI for this AA is \$64,000, slightly lower than the 2012 adjusted MFI of \$66,400 reported at the prior CRA evaluation. The U.S. Census Bureau reported 17 percent of the Phoenix-Mesa-Scottsdale MSA population were below the poverty level in 2015. This percentage is higher than the 2015 national average of 14.8 percent, but slightly lower than the Arizona statewide average of 18 percent. According to 2014 data from the US Census Bureau and the American Community Survey, the state of Arizona is tied at 42 of 50 states as having one of the highest poverty levels in the nation. The following table summarizes selected demographics.

Demographic Information for Full Scope Area: Maricopa County - Phoenix-Mesa-Scottsdale MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	916	9	24	32	34	1
Population by Geography	3,817,117	8	24	33	34	1
Owner-Occupied Housing by Geography	916,515	3	21	36	40	0
Business by Geography	328,755	6	15	30	48	1
Farms by Geography	6,198	6	16	32	46	0
Family Distribution by Income Level	913,798	21	17	20	42	0
Distribution of Low and Moderate Income Families throughout AA Geographies	350,618	14	36	32	18	0
Median Family Income		64,408	Median Housing Value		258,903	
FFIEC Adjusted Median Family Income 2015		64,000	Unemployment Rate		4.7%	
Households Below Poverty Level		12.1%	(May 2016 BLS)			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 – 2014, 2015 US Census, 2015 FFIEC updated MFI, and U. S. Bureau of Labor Statistics (BLS)

Employment and Economic Factors

Economic conditions began to improve during 2011 and 2012 after the economic downturn. A recent Moody's Analytics report dated April 2016 indicates employment growth in the Phoenix area is strongly outpacing other areas of the state with financial services, and education/healthcare providing more support. The BLS reported an unemployment rate of 4.7 percent for the Phoenix area in May 2016, a significant improvement from a high of 9.7 percent in 2010. The May 2016 unemployment rate is better than the state average of 5.5 percent. The Moody's report indicates housing, tourism and financial services growth helped fuel the post-recession economic growth in this area.

Major employers include: Banner Health System, Wal-Mart Stores, Inc., Fry's Food Stores, higher educational institutions such as Arizona State University and the University of Arizona, and financial services entities such as Wells Fargo, Bank of America, JP Morgan Chase, and American Express. Other top employers include: Dignity Health, Intel, and Raytheon Missile Systems.

The Moody's report also indicates housing market fundamentals have improved. Existing home sales have climbed to 85 percent of the pre-recession peak. The foreclosure inventory remains elevated and above state and national averages, but inventories are moving. HUD's August 1, 2016 Market at a Glance Report for the MSA also reflects declining residential vacancy rates, from a high of 14 percent in 2010 to eight percent in 2014. Residential building permits were up in 2015. In May 2016, the average residential sales price had increased by less than one percent to \$261,900 since May 2015.

Community Contacts

Our assessment included a review of interviews with four organizations serving the bank's AA and the state of Arizona. The organizations provide support and services to LMI individuals and small businesses within the AA. Contacts within these organizations identified affordable mortgage products, including rental units, small business, and micro loan products, as primary AA credit needs. The contacts also mentioned the need for economic development in portions of the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARIZONA

LENDING TEST

The bank's performance under the lending test is rated "Satisfactory". We placed more weight on performance in the full scope AA and borrower loan distributions. The distribution of loans reflects excellent penetration to LMI borrowers throughout the Phoenix AA. In addition, the geographic dispersion of loans is reasonable.

There are a few factors affecting loan volumes in the Phoenix AA, including no full time loan officers at the in-store branches and no small business lending officers. In addition, the bank's offices in these AAs are still relatively new and the bank faces strong competition from other local in-state financial institutions.

Conclusion for Full-Scope Assessment Area

Lending performance is reasonable. During the evaluation period, the bank originated 37 residential mortgage loans totaling \$6.8 million in the Phoenix AA. In addition, FNBT originated 2,852 consumer loans totaling \$2.0 million and purchased 134 rehabilitation student loans for \$1.2 million. The volume of consumer loans in Arizona is good. Although the volume of residential loans has improved, it is still low and FNBT has not made any business loans in Arizona. The lack of mortgage and business loans has a slight negative impact on conclusions in Arizona. FNBT has opened a new mortgage LPO in the Phoenix AA and focused on building relationships with new mortgage loan officers. The volume of lending in the Phoenix AA is reasonable when compared to the volume of deposits (\$14.7 million) in the AA.

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

Overall, the penetration of loans to borrowers of different incomes is excellent. The penetration of unsecured consumer loans among low-income borrowers is excellent. The penetration of both home purchase loans and unsecured consumer loans among moderate-income borrowers is also excellent. Since the number of home loans is low, this penetration is not highly meaningful for overall conclusions.

The bank only has in-store branches in the AA. In-store branches are not conducive to business lending. Business lending is not a primary product in the Phoenix AA and the bank’s performance for these loans was not reviewed.

Residential Loans

Overall, the distribution of residential loans reflects excellent penetration among borrowers of different income levels. FNBT originated 27 home purchase loans during the evaluation period. There were no home improvement loans and only 10 home refinance loans. The number of home improvement and refinance loans is insufficient to perform a meaningful analysis. However, three home refinance loans totaling \$347 thousand were to moderate-income borrowers.

Our review of residential lending focused on home purchase loans, which represent 73 percent of the bank’s total residential loan originations in this AA.

Home Purchase Loans

The bank’s distribution of home purchase loans reflects an excellent penetration among borrowers of different income levels. As depicted in the chart below, the percentage of home purchase loans to low-income borrowers is lower than comparable AA demographics. However, the distribution of home purchase loans to moderate-income borrowers significantly exceeds AA demographics. The percentage of bank loans in each income level was calculated based on the number of loans with reported income and not on the total number of originated loans. More weight was given to the bank’s performance related to moderate-income borrowers due to the difficulties, including down payment requirements, many low-income borrowers have in qualifying for mortgage loans.

The percent of low-income families was high at 21 percent as was the percent of households living below the poverty level (17 percent in 2015). With a median family housing value of \$258,903 and a median family income of less than \$32,000 for low-income families, it might be difficult for low-income families to qualify for mortgage loans especially with down payment, cash to close and debt-to-income ratio requirements. FNBT underwrites mortgage loans so they can be sold into the secondary market.

Borrower Distribution of Residential Real Estate Loans in Phoenix Assessment Area – 2013-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	21	12	17	44	20	16	42	28

Source: HMDA 2013-2015; 2010 U.S. Census data

Consumer Loans

The distribution of unsecured consumer loans to borrowers of different income levels reflects excellent penetration. As reflected in the following table, penetration to LMI borrowers is excellent compared to the AA demographics.

Borrower Distribution of Consumer Loans in the Phoenix Assessment Area - 2014-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	22	52	17	28	18	5	43	10

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data; 5% of borrowers did not report income.

Geographic Distribution of Loans

Residential Loans

The distribution of home purchase loans reflects reasonable dispersion among the different CT levels. The following table reflects the distribution of home purchase loans among the different CT levels as compared to the percentage of CTs in each income category.

Home Purchase Loans

The bank's distribution of home purchase loans reflects reasonable dispersion among the different CTs.

FNBT did not originate any home purchase loans in low-income CTs; however, the dispersion of loans in moderate-income CTs exceeds AA demographics. We placed more weight on performance in moderate-income areas because only four percent of owner-occupied housing units were located in low-income CTs.

Geographic Distribution of Residential Real Estate Loans in the Phoenix Assessment Area - 2013 - 2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans	% of AA Owner Occupied Housing Units	% of # of Loans
Home Purchase	4	0	21	22	36	56	39	22

Source: HMDA 2013 - 2015, 2010 U.S. Census data

Refinance Loans

Although the number of refinance loans was insufficient for meaningful analysis, the bank originated three loans totaling \$345 thousand in moderate-income CTs.

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout CTs of different income levels. The distribution of loans in LMI geographies reflects excellent dispersion when compared to the AA demographics.

Geographic Distribution of Consumer Loans in the Phoenix Assessment Area – 2014-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	7	18	25	36	35	32	33	14

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Conclusion for Limited –Scope Assessment Areas

The volume of residential loans was insufficient for meaningful analysis. Consumer loan performance was not inconsistent with performance in the full-scope AA, except in the Tucson AA where consumer loan dispersion in LMI geographies was slightly below AA demographics.

Responses to Complaints

FNBT has not received any CRA-related complaints during the evaluation period in the State of Arizona.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test in Arizona is “Needs to Improve”.

- CD performance in Arizona has improved since the previous evaluation period. FNBT focused CD activities on qualified investments in the Phoenix AA responsive to affordable housing needs. Qualified investments are significant relative to the size of bank operations in the full scope AA in Arizona, but no investments were made in limited scope areas. The bank made no CD loans in the limited scope AAs. Bank officers and employees were active in one CD service activity focused on affordable housing and financial education, but none in limited scope areas.
- We placed the most weight on performance in the full scope AA; however, the lack of performance in the limited scope AAs adversely impacted the rating.

Number and Amount of Community Development Loans

The level of CD loans in the Phoenix AA is poor. During the evaluation period, FNBT renewed one CD loan totaling \$500 thousand in the full scope Phoenix AA. Originally, the loan proceeds were used to invest in a CRA Fund providing affordable homes to moderate-income borrowers within the Phoenix AA. Additionally, one percent of the earnings from the CRA Fund benefit the Senior Housing Crimes Prevention Foundation and the Arizona State Veteran's Home in Phoenix. The foundation noted that 92 percent of the home's residents are LMI individuals.

Limited Scope Assessment Areas

CD lending performance in all Arizona limited-scope AAs is weaker than performance in the full-scope AA and very poor. FNBT did not originate any CD loans in the limited scope AAs.

Number and Amount of Qualified Investments

Qualifying investments are bond or equity investments, deposits, membership shares, donations, or grants that have as their primary purpose CD, as defined in the CRA regulations.

The level of qualified investment is excellent in the state of Arizona. During the evaluation period, FNBT made three new investments totaling \$1.2 million in the Phoenix AA. This level of qualified investment is significant relative to the bank's operations in Arizona and represents a significant increase from the previous evaluation period when there were no investments in Arizona.

The three qualified investments include a FNMA bond totaling \$600 thousand and two Community Capital Management CRA fund investments totaling \$633 thousand. All three investments support affordable housing needs in the Phoenix AA. The two Community Capital Management CRA fund investments provided funds for four LMI borrowers to purchase homes.

Limited Scope Assessment Areas

Performance in all limited-scope AAs is weaker than performance in the full-scope AAs and very poor. FNBT had no qualified investments in the limited-scope AAs.

Extent to Which the Bank Provides Community Development Services

The level of CD services is poor. FNBT had one CD service related activity in the Phoenix AA during the evaluation period. The bank provided financial expertise to the Arizona Housing Alliance with a bank officer serving on the legal committee.

FNBT's banking services are reasonably accessible to LMI individuals and families through online and mobile banking channels and the bank's branch and ATM network. FNBT has 19 in-store branches in Arizona AAs; 13 in the Phoenix AA. FNBT provides financial services to LMI individuals through the in-store branches and ATMs located in LMI areas. During the evaluation period, FNBT had two in-store branches and ATMs in low-income CTs located in the Phoenix AA. An additional three in-store branches and ATMs were in moderate-income CTs.

Limited Scope Assessment Areas

Performance in the limited-scope AAs is weaker than performance in the full-scope AA and poor. FNBT has three branches and ATMs located in moderate-income CTs in the limited-scope Arizona AAs. The bank had no additional CD services in the limited-scope AAs.

Responsiveness to Community Development Needs

FNBT's responsiveness to CD needs in Arizona is poor. The bank's CD loan, investments, and service in Arizona are responsive to an identified need for affordable housing in the Arizona AAs.

State of New Mexico

CRA Rating for New Mexico: Needs to Improve.

The Lending test is rated: Needs to Improve.

The Community development test is rated: Needs to Improve.

- Lending activity is poor. The volume of loans (\$4 million) compared to deposits of \$13 million is limited. In addition, the number of residential mortgage and small business loans was insufficient to perform a meaningful analysis for loan penetration and dispersion.
- CD activities reflect poor responsiveness to identified CD needs in the AAs.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW MEXICO

FNBT entered the New Mexico market in November 2011 with three in-store branches and now has thirteen in-store branches with ATMs in eight counties. The majority of the branches (92 percent) are located in Wal-Mart stores. Three of the 13 branches (23 percent) are located in moderate-income CTs, four (31 percent) are in middle-income CTs, and six (46 percent) are in upper-income CTs. There are no branches in low-income CTs. FNBT opened the Clovis branch in Curry County in February 2014. The FFIEC designated Curry County a distressed middle-income area in 2015 and in 2016.

FNBT reported total deposits of \$13.1 million or 1 percent of total bank deposits in New Mexico as of June 30, 2015. The FDIC's June 30, 2015 Deposit Market Share Report shows FNBT's total deposit market share is minimal at 0.04 percent. FNBT's lending activity totaled \$4.6 million or 1 percent of the bank's loan originations during the evaluation period.

Based on deposits, the Albuquerque AA with deposits of \$6.7 million or 51 percent of FNBT's deposits in New Mexico is the largest AA. Based on loans, the Las Cruces AA, with 516 loans totaling \$2.7 million or 58 percent of loan originations, is the largest AA. During this evaluation period, FNBT did not have a traditional brick and mortar location, commercial lender, or mortgage loan office in New Mexico.

SCOPE OF EVALUATION IN NEW MEXICO

The rating for the state of New Mexico is based primarily on the full-scope review of the bank's performance in the Albuquerque and Las Cruces AAs. We performed limited scope reviews for the Farmington AA and the non-MSA counties. We combined the non-MSA counties for analysis purposes.

We based our conclusions on the residential lending performance from 2013 to 2015; unsecured consumer loans (Smart Cash Loans) from 2014 to 2015; and rehabilitated student loans purchased during the evaluation period. The CD Test covered the period from March 22, 2013 to the date of the previous performance evaluation to July 5, 2016, the start date of this performance evaluation.

The CD Test included a review of eligible loans, investments, grants, donations, and services that meet the definition of CD.

We contacted two organizations in the Albuquerque MSA and one in the Las Cruces MSA to help ascertain CD needs and opportunities in the MSAs. The organizations contacted focus on economic development, small business development, and affordable housing in the MSAs and rural New Mexico. Additional information derived from these contacts is discussed within the AA profiles.

Full Scope Market Profile

Description of Las Cruces Assessment Area

The Las Cruces AA is comprised of Dona Ana County. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI areas. FNBT operates one in-store branch and one ATM in this AA. The branch, located in a Wal-Mart store in an upper-income CT, opened in June 2013, just after the prior evaluation period. FNBT initially entered this market in November 2011 with an in-store branch located in a moderate-income CT. However, FNBT closed the branch in March 2015 when the grocery store was closed.

FNBT's Las Cruces AA deposits, as reported in the FDIC's June 2015, Deposit Market Share Report, totaled \$933 thousand and represented only seven percent of total bank deposits in New Mexico. The FDIC Report shows 19 other institutions with 47 offices in this AA. FNBT's deposit market share is very low, ranking 18 of 47 with 0.05 percent.

During the evaluation period, FNBT originated 13 mortgage loans totaling \$2.2 million. Aggregate 2014 HMDA data reflected strong competition with 187 lenders reporting 4,149 loans in the Las Cruces MSA. FNBT ranked 126 of 187 with a 0.05 percent share. The majority of the residential loans during the evaluation period originated in 2015. FNBT also purchased 28 rehabilitated student loans totaling \$161 thousand and originated 466 unsecured consumer loans totaling \$269 thousand. The majority of the consumer loans were Smart Cash Loans.

Demographic Information

Las Cruces, located in south-central New Mexico, is the largest city in Dona Ana County and the second largest city in the state. The 2010 Census data shows population of 209 thousand in this AA. Updated U.S. Census data from July 2015 estimates moderate population growth of 2.4 percent over the past five years.

The Las Cruces AA is comprised of 41 CTs; four (10 percent) designated low-income, 16 (39 percent) moderate-income, seven (17 percent) middle-income, and 14 (34 percent) upper-income geographies. The AA designation meets the requirements of the regulation and does not arbitrarily exclude LMI areas. The 2015 FFIEC-estimated median family income was \$45,200. The poverty rate of 28 percent continues to be very high and

exceeds state and national averages. According to 2014 data from the US Census Bureau and the American Community Survey, the state of New Mexico has the second highest poverty rate in the nation.

We gave more weight to the bank’s performance related to moderate-income borrowers due to the difficulties many low-income borrowers have in qualifying for mortgage loans, given down payment and debt-to-income requirements. The percent of low-income families in the AA was 25.1 percent and the number of families in the AA living below the poverty level was 27.9 percent. With the 2015 median family housing value of \$158,000 and the median family income for low-income families less than \$22,600, it could be difficult for low-income families to meet down payment and debt-to-income requirements.

The following table summarizes selected AA demographic information.

Demographic Information for Limited Scope Area: Las Cruces MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	41	10	39	17	34	0
Population by Geography	209,233	10	34	18	38	0
Owner-Occupied Housing by Geography	47,015	4	32	18	46	0
Business by Geography	9,652	9	27	18	46	0
Farms by Geography	425	4	44	13	39	0
Family Distribution by Income Level	50,020	25	17	16	42	0
Distribution of Low and Moderate Income Families throughout AA Geographies	20,830	12	48	15	25	0
Median Family Income		43,184	Median Housing Value		138,556	
FFIEC Adjusted Median Family Income for 2015		45,200	Unemployment Rate		6.7%	
Households Below Poverty Level		27.9%	(May 2016 - BLS)			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010-2015 US Census, 2015 FFIEC updated MFI, and U. S. Bureau of Labor & Statistics (BLS)

Employment and Economic Factors

The BLS in May 2016 reported that the Las Cruces MSA (Dona Ana County) unemployment rate was 6.7 percent, which is above the New Mexico average of 6 percent and the national average of 4.5 percent. Unemployment rates in this AA have fluctuated the past five years from a high of 7.8 percent in 2010. Economic reports from Moody’s Analytics in the first quarter of 2016 report that recent job gains have helped to reduce the unemployment rate below 7 percent.

Key employment sectors include federal government, education and health services, and trade, transportation and utilities. New Mexico State University (NMSU) and the White Sands Missile Range (White Sands) are the largest AA employers. The White Sands Missile Range is the Army's largest installation covering 40 miles wide (east to west) and

100 miles long (north to south). The post has been used for testing weapons and rockets by most branches of the military and NASA. A report from Moody's analytics in March 2016, states the Army's public affairs office announced an increase in troop strength for the White Sands air defense artillery unit by 2018. This could potentially have a positive impact on the AA after five years of downsizing. Moody's report also indicated that the Senate has appropriated funds for base renovations, which could add to construction payrolls and potentially have a longer-term positive economic impact. Other major employers in this AA include Memorial Medical Center and Walmart Stores, Inc.

Moody's Analytics in April 2016, reported the average home price approximates \$158 thousand, which has been relatively stable since 2013. Single-family housing permits increased in 2015. Multi-family permits were also higher in 2015 than the prior year, but well below activity in 2012 and 2013. Census data from 2010 reflects a higher percentage of rental units (31 percent) in this market with 59 percent owner occupied.

Community Contacts

The primary AA credit needs, identified by the community contact in the Las Cruces AA, are affordable housing, including single family, multi-family rental properties, and transitional housing for the homeless. Other identified needs include affordable housing for the large agriculture labor market and small business loan financing. Recent performance evaluations of other institutions in the AA identified similar credit needs for affordable housing.

Description of the Albuquerque Assessment Area

The Albuquerque AA includes a portion of the MSA, Bernalillo and Sandoval Counties. The AA designation meets the requirements of the regulation and does not arbitrarily exclude LMI areas.

FNBT operates six in-store branches and ATMs in this AA. The majority (four) of the branches are in Bernalillo County (Albuquerque) and two are in Sandoval County (Bernalillo and Rio Rancho). FNBT entered this market in November 2011 with the Bernalillo (Sandoval County) location. The four Albuquerque branches are relatively new, having opened in 2013.

Five of the six branches are located in Walmart Stores. Two branches (33 percent) are in moderate-income areas, three (50 percent) are in middle-income areas, and one (17 percent) is in an upper-income area.

The Albuquerque AA deposits, as reflected in the FDIC's June 2015 Deposit Market Share Report, totaled \$6.7 million and represented 51 percent of the bank's total deposits in New Mexico. The FDIC report shows 24 other institutions with 153 offices in this AA. FNBT's deposit market share is very low, ranking 22 of 24 institutions with 0.05 percent. Aggregate 2014 HMDA data reflects strong competition with over 309 lenders reporting loans in the Albuquerque MSA.

During the evaluation period, FNBT did not originate any residential mortgage loans in the Albuquerque AA, but the bank did originate 1,112 consumer loans totaling \$673 thousand, and purchased 49 student rehabilitated loans for \$330 thousand. The majority of the consumer loan originations were Smart Cash, small dollar unsecured loans.

Demographic Information

Albuquerque, the largest city in the state, is the county seat of Bernalillo County has a population of 559 thousand as reported in the July 2015 U. S. Census data. The population of the two counties in the Albuquerque AA totals 794 thousand; 663 thousand in Bernalillo County and 132 thousand in Sandoval County. Census data from 2015 shows moderate population growth of 2 percent in Bernalillo County and 6 percent in Sandoval County.

The AA is comprised of 181 CTs; 10 (6 percent) low-income, 48 (27 percent) moderate-income, 62 (34 percent) middle-income, and 60 (33 percent) upper-income. Two branches (33 percent) are located in moderate-income areas, three (50 percent) in middle-income areas, and one (17 percent) in an upper-income area. Bernalillo County includes a portion of the Navajo Nation and there are eight Indian Pueblos within Bernalillo and Sandoval Counties.

The 2015 FFIEC estimated adjusted MFI was \$59,400. The average percentage of persons living below poverty level in this AA is approximately the same as the national average at 14.8 percent, but poverty rates in Bernalillo County are higher at approximately 18.7 percent. The average poverty rate for this AA is below the statewide average of 21 percent.

Housing and Urban Development (HUD) data in May 2016 reflected the housing market is slightly soft because of slow population growth since 2008. Home prices have been recovering since 2012, but at \$200,935, values are less than the average of \$227,000 prior to the 2008 recession. New home construction has recovered but annual permits remain well below levels seen between 2000 and 2007 when job and population growth was strong.

The following table summarizes selected AA demographic information.

Demographic Information for Full Scope Area: Albuquerque MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	181	5.52	26.52	34.25	33.15	0.55
Population by Geography	794,125	4.98	29.97	32.02	33.03	0.00
Owner-Occupied Housing by Geography	203,779	2.52	25.57	33.35	38.55	0.00
Business by Geography	54,960	6.48	25.50	33.05	34.96	0.00
Farms by Geography	1,024	4.10	22.17	34.47	39.26	0.00
Family Distribution by Income Level	192,024	21.39	17.41	19.16	42.04	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	74,501	7.40	43.18	30.84	18.58	0.00
Median Family Income		59,381	Median Housing Value	200,935		
FFIEC Adjusted Median Family Income for 2015		59,400	Unemployment Rate	5.4%		
Households Below Poverty Level		14%	(May 2016 BLS)			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census, 2015 FFIEC updated MFI, and Bureau of Labor & Statistics (BLS)

Employment and Economic Factors

The Bureau of Labor and Statistics (BLS) in May 2016 reported an unemployment rate of 5.4 percent for Albuquerque, which is below the New Mexico average of 6 percent, but higher than the national average of 4.5 percent. Unemployment rates in this AA have fluctuated the past five years from a high of 8 percent in 2010 to the current low rate. Economic reports from Moody’s Analytics in the first quarter of 2016 reflect Albuquerque is recovering slowly from the recession periods in 2008-2010. More recently; however, statewide tax revenues have been impacted from lower oil and gas prices, which could potentially affect future funding for state entities in Albuquerque. One of the AA’s largest employers, Intel, announced cuts of 12,000 jobs worldwide by mid-2017, which could potentially negatively affect the Intel plant at Rio Rancho. In 2016, the Rio Ranch plant had already laid off 200 employees.

Top employment sectors in this AA include state and federal government, aerospace and defense, energy technology; including solar energy, and semiconductor and chip manufacturing. Major employers, in addition to Intel include, Kirtland Airforce Base, Sandia National Laboratory, Presbyterian Health Services, and the University of New Mexico. Information from HUD reflects that in 2014, Kirtland AFB had an economic impact of \$3.8 billion within a 50-mile radius of the base, including \$1.1 billion in local job creating. HUD quick facts indicate the metropolitan area also benefits from tourism and the film industry. The area is known for its tramway, trails, and ski facilities at Sandia Peak.

Community Contacts

The primary AA credit need identified by community contacts in the Albuquerque AA is for small business loan financing, including small dollar business loans and assistance in developing a stronger housing inventory. Contacts also mentioned a need for qualified investments and funding to help support local non-profit small business development entities. FNBT also identified adult education and literacy programs as a primary need within this AA. Health care and rehabilitation facilities are additional needs identified through FNBT's survey and assessment of community development needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW MEXICO

LENDING TEST

The bank’s performance under the lending test is rated “Needs to Improve”. While the distribution of unsecured consumer loans reflects excellent penetration among borrowers of all income levels and excellent geographical dispersions throughout the AAs, the number of mortgage loans was not sufficient to perform a meaningful analysis. FNBT did not originate any small business loans in New Mexico.

Several factors, including no full time mortgage or small business loan officers in the branches, affect loan volumes in the New Mexico AAs. In addition, FNBT faces strong competition from other local financial institutions.

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

Performance in the Albuquerque Assessment Area

During the evaluation period, the volume of loan originations in the Albuquerque AA totaled \$1 million while the deposits totaled \$6.7 million. FNBT did not originate any residential mortgage loans in this AA. FNBT originated 1,112 unsecured consumer loans totaling \$673 thousand. The majority were Smart Cash loans which were included in our analysis. The bank also purchased 49 student rehabilitated loans totaling \$330 thousand.

Our analysis focused on unsecured consumer loans due to no residential or business loan originations. The lack of residential and business loans has a negative impact on borrower distribution conclusions. The percentage of loans in each income level is calculated based on the number of loans with reported income and not on the total number of originated loans.

Consumer Loans

Overall, the distribution of unsecured consumer loans to borrowers of different income levels reflects excellent penetration among borrowers of all income levels. Loan penetration among low-income borrowers in this AA is excellent when compared to the AA demographics. Loan penetration among moderate-income borrowers in this AA is also excellent when compared to the AA demographics as reflected in the table below:

Borrower Distribution of Consumer Loans in the Albuquerque Assessment Area - 2014-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	23	56	16	24	18	4	43	10

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Performance in the Las Cruces Assessment Area

In the Las Cruces AA, the bank originated 13 residential mortgage loans totaling \$2.2 million, 466 consumer loans totaling \$269 thousand, and 28 student rehabilitation loans totaling \$161 thousand. Total loans \$2.7 million in this AA exceeded the deposits of \$933 thousand. Although the number of residential loans was too small for a meaningful analysis, we did note an increase since the previous evaluation period.

Our analysis focused on unsecured consumer loans. The number of residential mortgage loans in this AA was too small to perform a meaningful analysis of loan distribution by borrower income or by geography. The bank did not originate any business loans in this AA.

Consumer Loans

Overall, the distribution of unsecured consumer loans to borrowers of different income levels reflects excellent penetration. The distribution of loans to low- and moderate-income borrowers reflects excellent penetration when compared to the AA demographics.

Borrower Distribution of Consumer Loans in the Las Cruces Assessment Area - 2014-2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	25	42	16	32	16	10	43	10

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Residential Loans

Although there was an insufficient number of residential loans in this AA for a meaningful analysis, none of the home purchase loans were to low- or moderate-income borrowers.

Conclusion for Limited-Scope Assessment Areas

There were insufficient mortgage loans and small business loan volumes in the limited scope AAs to perform analyses of loan distribution by borrower income. The consumer loan performance in all the New Mexico limited-scope AAs was consistent with performance in the full scope AAs.

Geographic Distribution of Loans

The number of residential mortgage and small business loans in the full-scope AAs was too small to perform a meaningful geographical analysis and had a negative impact on geographic distribution conclusions. However, there was a sufficient volume of unsecured consumer loans upon which to base an analysis. The geographic distribution of unsecured consumer loans reflects excellent dispersion throughout the AAs.

Performance in the Albuquerque Assessment Area

The geographic distribution of consumer loans in this AA reflects excellent dispersion throughout CTs of different income levels, particularly low- and moderate-income areas. The bank did not originate any residential loans in the Albuquerque AA during this evaluation period.

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout all CTs. Loan dispersion in the low-income CTs was excellent when compared to the AA demographics. The dispersion of loans in the moderate-income CTs was also excellent when compared to the AA demographics.

Geographic Distribution of Consumer Loans in the Albuquerque Assessment Area – 2013-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	5	7	29	44	34	33	32	15

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Performance in the Las Cruces Assessment Area

Consumer Loans

As reflected in the table below, the geographic distribution of unsecured consumer loans reflects excellent dispersion throughout CTs of different income levels. The loan dispersion in the low-income CTs is reasonable when compared to the AA demographics, while the dispersion of loans in the moderate-income CTs was excellent, significantly exceeding AA demographics.

Geographic Distribution of Consumer Loans in the Las Cruces Assessment Area – 2014-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	9	8	31	58	17	16	43	18

Source: 2014-2015 Consumer Loan data; 2010 U.S. Census data.

Residential Loans

Although there was an insufficient number of residential loans for a meaningful analysis, the bank originated two home purchase loans totaling \$318 thousand in moderate-income CTs.

Conclusion for Limited-Scope Assessment Areas

FNBT's overall performance in the limited-scope AAs was not inconsistent with the performance of the full-scope AAs. Unsecured consumer loan dispersions in low- and moderate-income CTs of the limited-scope non-MSA AAs are excellent. However, loan dispersions in the Farmington AA are reasonable as compared to excellent in the full-scope AAs. The geographic loan dispersions in low-income CTs of the Farmington AA are significantly higher than AA demographics, but significantly lower than AA demographics in moderate-income CTs. Unsecured loans in low-income CTs represented 28 percent of the loans compared to five percent of AA households in low-income CTs. The distribution of unsecured consumer loans in moderate-income CTs in the Farmington AA was poor with the percent of AA Households being 11.3 percent compared to the percentage of the loans at 5.5 percent.

There were insufficient residential and small business loan volumes to perform geographic analyses in the limited scope AAs.

Responses to Complaints

FNBT has not received any CRA-related complaints during the evaluation period in the State of New Mexico.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in New Mexico is rated "Needs to Improve".

- FNBT's CD performance demonstrates poor responsiveness to CD needs of its New Mexico AAs. The bank had \$1.3 million in qualified investments and no CD loans. Officers and employees of FNBT are active in the communities they serve.

Number and Amount of Community Development Loans

CD lending performance is very poor. The bank did not make any CD loans in the New Mexico full-scope or limited-scope AAs.

Number and Amount of Qualified Investments

Qualifying investments are bond or equity investments, deposits, membership shares, donations, or grants that have as their primary purpose CD, as defined in the CRA regulations.

The level of qualified investments and donations in New Mexico is reasonable and reflects adequate responsiveness to needs. The level of qualified investment is significant relative to the bank's operations in New Mexico. During the evaluation period, FNBT made five investments totaling \$1.3 million. One investment benefitted the Albuquerque

AA, a full-scope AA, and the other benefitted Lea County, a non-MSA AA. The remainder benefitted the broader statewide area.

Performance in the Albuquerque Assessment Area

Qualified investments in the Albuquerque AA are excellent. Investments include a municipal bond totaling \$500 thousand, a Community Capital Management CRA fund investment totaling \$500 thousand, and two donations totaling \$20 thousand. The municipal bond proceeds were used to help fund new schools, renovations, and acquire needed technology for a school within the Bernalillo school district. More than 50 percent of the student population in this school district qualifies for the federal free or reduced-price lunch program. The CRA fund provided funding for a new 200,000 square foot, 68-bed, public, not-for-profit community teaching hospital in Sandoval County and underserved surrounding areas. A majority of bank donations supported the Everfi, Inc., program, which provides funding and support for financial education in three LMI schools in Albuquerque.

Performance in the Las Cruces Assessment Area

Qualified investment performance in this AA is very poor. The bank did not have any qualified investments in the Las Cruces AA.

Limited Scope Assessment Areas

Overall, qualified investment performance in the limited-scope AAs is adequate and reflects adequate responsiveness to needs in the AAs. FNBT made one qualified investment in the limited-scope AAs. The bank invested \$250 thousand in a Hobbs, New Mexico (Lea County) school bond that provides new schools, renovations, and needed technology in a school district where more than 50 percent of the student population qualifies for the federal free or reduced-price lunch program. Qualified investment performance is poor in the Farmington AA and in Chaves, Curry, and Otero Counties, which are included in the combined non-MSA AA. Overall performance in the limited-scope AAs, is weaker than performance in the full-scope Albuquerque AA and considered poor, but stronger than performance in the full-scope Las Cruces AA.

Extent to Which the Bank Provides Community Development Services

CD services in New Mexico are adequate and reflect adequate responsiveness to needs in the AAs. FNBT has five CD qualifying services that included the Lemonade Day program the bank hosted for LMI students in Albuquerque, the Money Smart Week hosted in Las Cruces and Albuquerque, and financial literacy programs hosted in Albuquerque. Bank staff provided 5.5 hours of financial education service by serving on the launch committee and tracking the financial literacy sessions.

FNBT's banking services are reasonably accessible to LMI individuals and families in New Mexico through online banking and mobile banking delivery channels and the bank's extensive branch and ATM network. FNBT has 13 branches and ATMs in New Mexico;

six in the full-scope Albuquerque AA and one in the full-scope Las Cruces AA. During the evaluation period, FNBT had three branches (23 percent) in moderate-income CTs; two in the full-scope Albuquerque AA and one in the limited-scope Farmington AA. FNBT also had one branch located in a distressed middle-income area of Clovis, New Mexico in the non-MSA AA of Curry County.

FNBT offers several reasonably priced loan and deposit products, as described in the Institution Description section, to all customers, including LMI individuals. The bank also refers small business customers to WESST, an entity that provides training and technical assistance to small businesses. Since the bank began this relationship in October 2015, it has referred one customer who needed assistance to WESST.

Limited Scope Assessment Areas

CD service performance in all limited-scope AAs is weaker than the performance in the full-scope AAs. FNBT did not have any CD service activity in any of the limited-scope AAs.

Responsiveness to Community Development Needs

FNBT's CD investments, and services reflects adequate responsiveness to CD needs relative to bank operations in New Mexico.

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: January 1, 2013 – December 31, 2015 Community Development Test: March 22, 2013 – June 20, 2016	
Financial Institution	Products Reviewed	
First National Bank Texas (FNBT) Killeen, Texas	1-4- Family Mortgage Loans Consumer Loans (2014-2015) Business Loans in Killeen & Houston AAs	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Arizona		
Lake Havasu City-Kingman MSA (29420)	Limited Scope	Mohave County only
Phoenix-Mesa-Scottsdale MSA (38060)	Full Scope	Maricopa County only
Prescott MSA (39140)	Limited Scope	
Tucson MSA (46060)	Limited Scope	
Non-MSA: Santa Cruz County	Limited Scope	
State of New Mexico		
Albuquerque MSA (10740)	Full Scope	Bernalillo and Sandoval Counties only
Farmington MSA (22140)	Limited Scope	
Las Cruces MSA (29740)	Full Scope	
Non-MSA: Chaves County	Limited Scope	
Non-MSA: Curry County	Limited Scope	
Non-MSA: Lea County	Limited Scope	
Non-MSA: Otero County	Limited Scope	

State of Texas		
Amarillo MSA (11100)	Limited Scope	
Austin-Round Rock MSA (12420)	Limited Scope	
Beaumont-Port Arthur MSA (13140)	Limited Scope	
Brownsville-Harlingen MSA (15180)	Limited Scope	
College Station-Bryan MSA (17780)	Limited Scope	
Corpus Christi MSA (18580)	Limited Scope	
Dallas-Plano-Irving MD (19124)	Full Scope	
El Paso MSA (21340)	Full Scope	
Fort Worth-Arlington MD (23104)	Limited Scope	
Houston-The Woodlands-Sugarland MSA (26420)	Full Scope	
Killeen-Temple MSA (28660)	Full Scope	
Laredo MSA (29700)	Limited Scope	
Longview MSA (30980)	Limited Scope	
Lubbock MSA (31180)	Limited Scope	
McAllen-Edinburg-Mission MSA (32580)	Limited Scope	
Midland MSA (33260)	Limited Scope	
Odessa MSA (36220)	Limited Scope	
San Angelo MSA (41660)	Limited Scope	
Sam Antonio-New Braunfels MSA (41700)	Limited Scope	
Sherman-Denison MSA (43300)	Limited Scope	
Texarkana MSA (45500)	Limited Scope	
Tyler MSA (46340)	Limited Scope	
Victoria MSA (47020)	Limited Scope	
Waco MSA (47380)	Limited Scope	
Wichita Falls MSA (48660)	Limited Scope	
Non-MSA: Anderson County	Limited Scope	
Non-MSA: Angelina County	Limited Scope	
Non-MSA: Bee County	Limited Scope	
Non-MSA: Burnet County	Limited Scope	
Non-MSA: Calhoun County	Limited Scope	
Non-MSA: Deaf Smith	Limited Scope	
Non-MSA: Erath County	Limited Scope	
Non-MSA: Gray County	Limited Scope	

Non-MSA: Hale County	Limited Scope	
Non-MSA: Hill County	Limited Scope	
Non-MSA: Hockley County	Limited Scope	
Non-MSA: Hopkins County	Limited Scope	
Non-MSA: Jim Wells County	Limited Scope	
Non-MSA: Kerr County	Limited Scope	
Non-MSA: Matagorda County	Limited Scope	
Non-MSA: Moore County	Limited Scope	
Non-MSA: Nacogdoches County	Limited Scope	
Non-MSA: Palo Pinto County	Limited Scope	
Non-MSA: Uvalde County	Limited Scope	
Non-MSA: Walker County	Limited Scope	
Non-MSA: Wharton County	Limited Scope	
Non-MSA: Young County	Limited Scope	

Appendix B: Summary of Bank and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
FIRST NATIONAL BANK TEXAS	SATISFACTORY	SATISFACTORY	SATISFACTORY
Overall State:			
TEXAS	SATISFACTORY	SATISFACTORY	SATISFACTORY
ARIZONA	SATISFACTORY	NEEDS TO IMPROVE	NEEDS TO IMPROVE
NEW MEXICO	NEEDS TO IMPROVE	NEEDS TO IMPROVE	NEEDS TO IMPROVE