



## **PUBLIC DISCLOSURE**

April 20, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number 17324

409 South Ellis Street  
Groesbeck, TX 76642

Office of the Comptroller of the Currency

225 E. John Carpenter Fwy  
Suite 900  
Irving, TX 75062

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

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

First National Bank's (FNB) lending performance reflects a satisfactory responsiveness to community credit needs. Factors that support the overall rating include:

- The bank's average overall loan-to deposit (LTD) ratio is reasonable given the bank's asset size, financial condition, and assessment area (AA) credit needs.
- A majority of loans sampled were made within the bank's AA.
- The distribution of borrowers, given the demographic of the AA, reflects reasonable penetration among borrowers of different income levels.
- The bank's AA includes only one middle-income census tract and two upper income tracts; therefore, an analysis of geographic distribution would not be meaningful.
- There have been no complaints with respect to FNB's CRA performance.

**SCOPE OF EXAMINATION**

FNB Groesbeck, Texas was evaluated using the Small Bank Community Reinvestment Act (CRA) examination procedures, which included a lending test. The lending test evaluates the financial institution's record of meeting the credit needs of its AA through lending activities. This performance evaluation starts from the date of the bank's previous CRA examination, covering the period from September 17, 2008 through December 31, 2014.

Residential loans were identified as FNB's primary loan product. The bank also originates a large number of consumer loans and considers consumer lending a primary loan product. To evaluate performance we sampled 20 residential loans and 20 consumer loans made from January 1, 2013 to December 31, 2014.

To assess lending performance, we used information provided by the United States Census Bureau as of the year 2010. We used updated information about the assessment when available.

To evaluate the reasonableness of the LTD ratio, we compared FNB to three similarly situated financial institutions with headquarters located within the AA.

**DESCRIPTION OF INSTITUTION**

FNB opened in 1982. First Groesbeck Holding Company, a single bank holding company, owns FNB. The bank operates as a community bank with total assets of \$51.8 million, as of December 31, 2014. The bank's primary emphasis is providing local banking services to the predominantly rural area of southern Limestone County, which is 40 miles east of Waco, Texas. Lending efforts are focused on residential real estate,

consumer, and agricultural. FNB has one office and one automated teller machine (ATM) in its AA. The office is located at 409 South Ellis Street in Groesbeck, Texas, and the ATM is located in the drive-through area. No branches were opened or closed during the evaluation period. FNB has a full range of deposit and loan products and services commensurate with its size and complexity. The bank's primary competition consists of community banks that operate within the bank's AA.

As of December 31, 2014, FNB's earning asset mix consists of 53 percent loans and 47 percent investment securities. The following table provides a breakdown of the bank's loan mix as of December 31, 2014.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
<b>Residential (1-4)</b>	<b>17,213</b>	<b>66.47</b>
<b>Consumer</b>	<b>2,220</b>	<b>8.57</b>
RE Agricultural and Production, Multifamily	4,254	16.43
Commercial and Industrial	1,551	5.99
Agricultural and Other	659	2.54
<b>Total</b>	<b>25,896</b>	<b>100%</b>

*Source: December 31, 2014 Report of Condition  
Dollar column does not total due to rounding*

FNB was rated "Outstanding" at the September 8, 2008 performance evaluation. FNB has no legal or financial circumstances that could impede its ability to meet credit needs in its AA.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB's AA consists of three census tracts covering the southern portion of Limestone County. One census tract is categorized middle-income and two are categorized as upper-income tracts based on the 2010 census data. Per the 2014 Federal Financial Institutions Examination Council (FFIEC) report, the middle-income census tract is classified as distressed based on the poverty level. The AA consists of whole census tracts. There is no evidence of illegal discrimination or arbitrary exclusion of low or moderate-income areas. FNB is located in the city of Groesbeck that is located approximately two hours from the cities of Dallas/Fort Worth, Houston and Austin and 40 miles east of Waco, Texas. The city of Groesbeck is centrally located in the AA and is situated in an area where oil and gas exploration, cattle ranching, and coal mining are the major economic drivers. The local economy is supported by *NRG Texas Power Plant, Texas Westmoreland Coal, Twin Oaks Power Plant, Walnut Creek Mining Company, and Luminant Energy Power Plant*. Other major employers in the community include the *Groesbeck Independent School District* and the county government offices. Lake Limestone also serves as a tourist attraction. Specific demographic data for the AA is listed below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA</b>	
<b><i>Population</i></b>	
Number of Families	2,438
Number of Households	3,405
<b><i>Geographies</i></b>	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	33%
% Upper-Income Census Tracts	66%
<b><i>Median Family Income (MFI)</i></b>	
2010 MFI for AA	\$62,875
2013 HUD-Adjusted MFI	\$50,500
<b><i>Economic Indicators</i></b>	
Unemployment Rate	4.6%
2000 Median Housing Value	\$92,999
% of Households Below Poverty Level	11.34%

*Source: 2010 and 2013 Census data and HUD updated income data*

We interviewed the Executive Director of the Groesbeck Economic Development Corporation (GEDC) to assess the credit needs of the community. The GEDC works to build and maintain working relationships with local and regional partners in order to leverage resources for the local community.

The director indicated that the Limestone County economy is fairly stagnate and growth has been somewhat limited, however prospective businesses are making inquiries regarding relocating their operations to the area and additional 1-4 residential homes will be needed for families if businesses decide to relocate. Our contact indicated that the bank and other financial institutions operating in the city strive to meet the credit needs of the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB has demonstrated satisfactory performance in meeting the credit needs of its AA. We focused our review on the residential and consumer products. We sampled 20 residential and consumer loans originated from January 1, 2013 to December 31, 2014 to determine the extent of lending within the AA and the distribution of loans by borrower income level.

### Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable given the bank’s size, financial condition, location, and the volume of loan demand in the area. The quarterly average LTD ratio over the twenty-six quarters since the last examination is 65.93 percent. We compared the LTD ratio of similarly situated institutions in the area. The average LTD ratio for these banks ranged from 25.51 percent to 76.61percent. A summary of similarly situated institutions and their quarterly LTD ratio is detailed in the following table. Please note that no ranking is intended or implied in this table.

Institution	Assets As of 12/31/2014	Average LTD Ratio%
<b>First National Bank, Groesbeck</b>	<b>51,820</b>	<b>65.93</b>
Farmers State Bank, Groesbeck	133,698	46.71
Citizens State Bank, Buffalo	742,687	25.51
Incommons Bank, NA Mexia	107,912	76.61

Source: Call Report Data

### Lending in Assessment Area

Based on the sample of loans reviewed, FNB originated a majority of residential and consumer loans within its AA. As indicated in the following table, 85 percent of the number and 95 percent of the dollar volume of loans originated during the review period were within FNB’s AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family Residential	18	90.00	2	10.00	20	1,282	95.81	56	4.19	1,338
Consumer	16	80.00	4	20.00	20	59	80.82	14	19.18	73
<b>Total Loans</b>	<b>34</b>	<b>85.00</b>	<b>6</b>	<b>15.00</b>	<b>40</b>	<b>1,341</b>	<b>95.04</b>	<b>70</b>	<b>4.96</b>	<b>1,411</b>

Source: Loan Sample

### Lending to Borrowers of Different Incomes

Overall, the loan distribution to individuals with different income levels for consumer and residential loans is reasonable given the performance context.

The bank’s residential lending to low and moderate -income (LMI) borrowers is less than the percentage of families in the low and moderate income categories. This can be attributed to a shortage of affordable housing in the assessment area and many LMI borrowers have difficulties qualifying for residential loans. This is illustrated in Table 2 below.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Limestone County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family Residential	12.63	6.67	16.04	0.00	16.86	3.17	54.47	90.16

Source: Loan Sample; U.S. Census Data

FNB’s distribution of loans made to consumer borrowers is reasonable. The volume of loans made to low-income consumer borrowers (20 percent) is consistent with percentage of households in the AA (18 percent). Loans made to moderate-income consumer borrowers (20 percent) exceed the percentage of households in the AA of (14 percent). This distribution is shown in Table 2B below.

<b>Table 2B - Borrower Distribution of Consumer Loans in Limestone County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	18.44	20.00	13.63	20.0	16.74	20.00	51.19	40.00

Source: Bank data; U.S. Census Data

**Geographic Distribution of Loans**

The bank’s AA is comprised of one middle income and two upper-income census tracts. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

**Responses to Complaints**

No CRA complaints were made against FNB during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.