



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

November 1, 2021

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Central Texas  
**CHARTER NUMBER 5850**

1835 North Valley Mills Drive  
Waco, TX 76710

Office of the Comptroller of the Currency

Dallas-Fort Worth Field Office  
225 E. John Carpenter Freeway, 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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

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

**The lending test is rated: Satisfactory.**

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

The major factors that support this rating include:

- The Lending Test rating is based on our full-scope review of the Waco and NonMSA assessment areas (AAs) in the state of Texas.
- The Community Development (CD) Test rating is based on our full-scope review of the Waco AA and NonMSA AA in the state of Texas.
- The bank's loan-to-deposit ratio (LTD) is more than reasonable, considering the credit needs and lending opportunities within the AAs.
- A substantial majority of the bank's loans are originated inside its AAs.
- The bank exhibits a reasonable distribution of home mortgage loans to low- and moderate-income (LMI) borrowers and loans to small businesses.
- The bank exhibits a reasonable geographic distribution of home mortgage loans and loans to small businesses.
- The bank exhibits an adequate responsiveness to community development needs, considering the bank's capacity and the level of community development opportunities in the AAs.

### Loan-to-Deposit Ratio

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

The First National Bank of Central Texas's (FNBCT) quarterly LTD ratio since the previous CRA Performance Evaluation (PE) averaged 90.9 percent. We compared the bank's LTD ratio to four similarly situated banks in the Waco market area. The aggregate average LTD ratio for the competing banks was 83.3 percent, with a low average of 76.7 percent and a high average of 88.3 percent.

### Lending in the Assessment Area

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

Based on the number of loans, the bank originated and purchased 88.2 percent of its total loans inside the bank's AA during the evaluation period. Based on the dollar amount of loans, the bank originated or purchased 81.5 percent of its total loans inside of the bank's AA. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	518	87.8	72	12.2	590	79,251	80.2	19,545	19.8	98,796
Small Business	108	90.0	12	10.0	120	8,152	96.1	339	4.9	8,491
<b>Total</b>	<b>626</b>	<b>88.2</b>	<b>84</b>	<b>11.8</b>	<b>710</b>	<b>87,403</b>	<b>81.5</b>	<b>19,884</b>	<b>18.5</b>	<b>107,287</b>

The bank's home mortgage loans and small business loans are considered primary lending products, as they have a greater direct impact and are more responsive to credit needs in the Waco and NonMSA AAs, including LMI geographies. Conclusions are factored into the overall analysis of the geographic distribution of lending by income level of geography.

## Description of Institution

FNBCCT was established August 12, 1901, is an intrastate bank headquartered in Waco, Texas (TX), and is wholly owned by FCT Bancshares Inc., a one bank holding company. We did not consider the activities of affiliates in this evaluation. As of December 31, 2020, the bank had total assets of \$1.1 billion and tier 1 capital of \$95.6 million.

As of December 31, 2020, the bank reported total loans of \$817.2 million representing 73.3 percent of total assets. The following table is a summary of FNBCCT's loan portfolio.

<b>First National Bank of Central Texas Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (\$000's)</b>	<b>Percentage</b>
Commercial Real Estate	424,382	51.9
Commercial/Industrial	241,806	29.6
Single Family Mortgages (including construction)	141,913	17.4
Consumer	9,084	1.1
<b>Total Loans</b>	<b>817,185</b>	<b>100%</b>

Source: December 31, 2020 Report of Condition.

The bank has two AAs located in Texas; the Waco AA and the NonMSA AA. Appendix B details a full description of the Waco MSA. The Waco AA consisted of McLennan and Falls Counties while the NonMSA AA is Hill County. Waco is the county seat for McLennan county and is the primary regional city for the entire MSA. Hillsboro is the county seat of Hill County and is located approximately 33 miles north of Waco. McLennan County and Hill County share a county border.

FNBCCT's physical offices are its primary delivery system for retail products and services. The bank has a total of five deposit taking branches with four of the branches in McLennan County and one branch in Hill County. The branches in McLennan County are Waco, Mart, China Springs, and Woodway-Hewitt. The Hill County branch is in the city of Hillsboro, TX. No branch offices were opened or closed during the review period.

Lobby hours at the main office and branch offices are 9:00 a.m. to 4:00 p.m. Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday. Drive-through hours are 7:30 a.m. to 6:00 p.m. at each location. The main office and branches each have an automated teller machine (ATM) with 24-hour access. None of the ATMs are full-service (i.e., accepting check or cash deposits).

Bank customers can access the *SUM Surcharge-Free ATMs* which provide ATMs throughout the entire U.S. and customers may find these ATMs using a link on FNBCT's website.

FNBCT's banking programs and hours allow the bank to deliver needed banking and credit services to consumers as well as small business customers throughout the AAs. Consumer loan products include home mortgage loans, home improvement loans, interim construction loans, personal and auto/boat loans. Business loan products include commercial real estate, revolving/drawdown lines of credit, working capital, agricultural, equipment, and interim construction.

FNBCT offers on-line banking through its website [www.fnbt.com](http://www.fnbt.com). Bank customers can utilize on-line banking and the mobile banking app at no charge. Telephone banking and ATM services are available in English and Spanish. The main office and each branch have Spanish speaking employees.

FNBCT did not engage in any merger or acquisition activity during the evaluation period.

There were no legal or financial factors impeding the bank's ability to help meet credit needs in its AAs during the evaluation period. FNBCT's CRA performance was rated "Satisfactory" in the last public evaluation dated September 10, 2018. The evaluation period for the 2018 CRA PE was January 6, 2015, through December 31, 2017.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We completed a full-scope review of FNBCT's CRA activities for both the Waco AA and NonMSA AA under the Intermediate Small Bank CRA procedures, which includes the lending test and the CD test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. The CD test evaluates the responsiveness to CD needs in its AAs through qualified lending, investments and donations, and services.

Conclusions regarding the lending test are based on the bank's primary lending products. Primary products selected for review included home mortgage loans and commercial loans to small businesses, which comprised 17.4 percent and 82.5 percent of the loan portfolio, respectively. Conclusions for home mortgage loans are based on loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2018, to December 31, 2020. Conclusions for loans to small business are based on samples selected from the same time period. Conclusions for the CD test are based on CD activities from January 1, 2018, to December 31, 2020. The Waco AA received more weight than the NonMSA AA given the Waco AA represented a significant majority of the bank's loan and deposit business.

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

In each state where the bank has an office, one or more of the AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

There were no Office of Management and Budget changes to the AAs during the evaluation period.

## **Ratings**

The bank’s overall rating is a blend of the state ratings, and where applicable, multistate ratings.

FNBCCT has two AAs in one state, the Waco AA and NonMSA AA. Ratings are based on the results of our full-scope reviews of the Waco AA and NonMSA AA.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the “Scope” section of each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

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

Pursuant to 12 CFR 25.17, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution’s lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

## State Rating

### State of Texas

**CRA rating for the State of Texas<sup>1</sup>:** Satisfactory

**The Lending Test is rated:** Satisfactory

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

The major factors that support this rating include:

- The geographic distribution of loans reflects a reasonable distribution throughout the bank's AAs.
- The distribution of home mortgage loans to LMI borrowers and loans to small businesses reflects a reasonable distribution throughout the bank's AAs.
- During the evaluation period, the bank originated 660 Small Business Administration's Paycheck Protection Program loans totaling \$81.9 million.
- CD loans, investments, and services reflect a reasonable responsiveness to the needs of LMI individuals and families throughout the bank's AAs.

### Description of Institution's Operations in Texas

FNBCT has two AAs within the state of Texas. The two AAs are comprised of the Waco AA and the NonMSA AA. See Appendix B for more information. The Waco AA is made up of McLennan and Falls counties while the NonMSA AA is made up of Hill County.

The bank operates five branches in Texas with four branches in the Waco AA and one branch in the NonMSA AA.

The bank's primary business strategy focuses on originating business loans, such as commercial and industrial loans, and commercial real estate loans. In addition, FNBCT originates home mortgage loans. The bank's competitors include other local community banks, savings and loans associations, and credit unions. Large regional and nationwide banks and nonbank financial institutions (mortgage companies) compete for small business and residential loans in the same markets as the bank.

Based on FDIC Deposit Market Share data as of June 30, 2020, FNBCT had a 0.1 percent deposit market share in Texas and is ranked 94th out of 498 FDIC insured financial institutions doing business in the state. Nationwide competitors include Charles Schwab Bank, SSB at 19.6 percent deposit market share, JPMorgan Chase 18.1 percent, Bank of America, National Association at 12.8 percent, and USAA Federal Savings Bank at 6.3 percent. These four banking institutions have a combined deposit market share of 56.8 percent.

The following tables depict the demographic information for the full-scope AAs in Texas.

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

## Waco AA

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Waco AA 2020</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	57	12.3	29.8	28.1	26.3	3.5
Population by Geography	258,915	9.7	30.0	25.1	33.7	1.5
Housing Units by Geography	104,660	11.2	30.6	26.7	31.5	0.0
Owner-Occupied Units by Geography	54,820	4.2	22.5	29.1	44.2	0.0
Occupied Rental Units by Geography	37,367	19.9	41.5	20.9	17.7	0.0
Vacant Units by Geography	12,473	16.0	33.0	33.7	17.4	0.0
Businesses by Geography	18,905	4.8	30.5	26.2	37.9	0.5
Farms by Geography	737	2.0	13.0	42.2	42.7	0.0
Family Distribution by Income Level	61,229	22.6	17.8	18.0	41.5	0.0
Household Distribution by Income Level	92,187	25.5	16.1	15.6	42.8	0.0
Median Family Income MSA - 47380 Waco, TX MSA		\$54,026	Median Housing Value			\$108,453
			Median Gross Rent			\$770
			Families Below Poverty Level			14.8%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Waco AA is comprised of all of McLennan and Falls Counties, Texas. The AA meets the requirement of the regulation and does not arbitrarily exclude LMI CTs. According to the 2015 American Community Survey (ACS) data, the AA consists of 57 CTs of which seven are low-income and 17 are moderate-income.

The Waco AA accounts for 92.5 percent of the bank's total deposits. FNBCT's deposit market share of 13.7 percent in the Waco AA ranked first out of 27 FDIC insured financial institutions in the Waco AA. The primary deposit competitors include Central National Bank with two branches and a market share of 9.8 percent, The First National Bank of McGregor with four branches and a market share of 9.2 percent, Bank of America, National Association with two branches and a market share of 7.9 percent, Wells Fargo Bank, National Association with three branches and a market share of 6.9 percent, and Community Bank and Trust, Waco Texas, with three branches and a market share of 6.8 percent.



During the evaluation period, the bank made 92.5 percent of its home mortgage loans by number of loans, and 95.1 percent by dollar volume, in this AA.

### ***Employment Factors***

According to the U.S. Bureau of Labor and Statistics, as of December 31, 2020, the Waco AA had a labor force of 129,436 people. The unemployment rate in the Waco AA was 5.6 percent as of December 31, 2020, which is up from 3.9 percent in January 2018. In April 2020, the unemployment rate was at its highest during the evaluation period at 10.1 percent, at the height of the COVID-19 pandemic. The unemployment rate for the state of Texas as of December 31, 2020 was 6.9 percent, up from 4.1 percent in January 2018. The national unemployment as of January 2018 was 4.0 percent and grew to 6.7 percent as of December 31, 2020.

According to Moody's Analytics, the Waco AA's strengths are low employment volatility compared to other areas of Texas that have an oil-reliant economy and below average business and living costs. Weaknesses are low educational attainment despite Baylor University, highly reliant on the volatile aviation industry, below-average per capita income, and below-average concentration of prime working age adults. Baylor University will remain a mainstay of the Waco economy, and its strength will give the metro area an edge over other college towns. The University is the main source of mid-wage employment in the Waco AA, and its growing student body will increase school staffing needs, which will brighten the outlook for secondary industries such as consumer services and construction. Waco's central location between Dallas and Austin, its rock-bottom business costs, and access to talent from Baylor University make it fertile ground for growth in office-using industries.

Top employers in the AA were Baylor University with approximately 3,253 employees, H-E-B Food Stores with approximately 2,000 employees, Baylor-Scott & White Medical Center – Hillcrest with approximately 1,736 employees, Texas State Technical College - Waco with approximately 1,706 employees, and Ascension Providence with approximately 1,622 employees.

The total population as of December 2020 was 275,500. The weighted per capita income is \$45,741 while the state of Texas is \$55,129, and the U.S. is \$59,510. The US Census noted 55.1 percent of the homes are owner-occupied while 33.3 percent are rental-occupied and 11.5 percent are vacant. In addition, 21.4 percent of the housing units are multifamily units. The weighted average monthly gross rent was \$770 and the weighted average median housing value was \$108,453.

### ***Community Contacts***

Community credit needs in the Waco AA were determined by reviewing recent housing and demographic information, and CRA PEs from other banks operating in the bank's AA. The contact from a 2020 CRA PE noted the area's economic conditions are stable, but shaky as the COVID-19 pandemic poses a below-average threat for the area given that all major employers remained open. According to the contact, affordable housing reflects the primary need of the community. The contact also stated new businesses continue to move into the area and existing small businesses are growing; therefore, noting the need for small business lending. Overall, the contact felt that financial institutions have been responsive to the community credit and community development needs of the area, especially given the current economic conditions.

## NonMSA AA

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: NonMSA AA 2020</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	11	9.1	18.2	63.6	9.1	0.0
Population by Geography	34,923	6.1	15.3	67.4	11.2	0.0
Housing Units by Geography	16,134	4.7	14.4	70.9	10.0	0.0
Owner-Occupied Units by Geography	9,318	3.8	10.0	74.8	11.4	0.0
Occupied Rental Units by Geography	3,584	7.6	29.9	55.6	6.9	0.0
Vacant Units by Geography	3,232	4.2	9.7	76.8	9.3	0.0
Businesses by Geography	2,234	9.5	15.2	61.6	13.6	0.0
Farms by Geography	145	1.4	4.1	73.1	21.4	0.0
Family Distribution by Income Level	8,911	23.7	16.8	19.4	40.2	0.0
Household Distribution by Income Level	12,902	25.0	17.3	16.3	41.3	0.0
Median Family Income Non- MSAs - TX		\$52,198	Median Housing Value			\$86,969
			Median Gross Rent			\$640
			Families Below Poverty Level			15.8%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

The NonMSA AA is comprised of Hill County which is a rural county that is just north of McLennan County (Waco AA). The AA meets the requirement of the regulation and does not arbitrarily exclude LMI census tracts (CTs). According to the 2015 ACS data, the AA consists of 11 CTs of which only one is low-income and two are moderate-income.

The NonMSA AA accounts for 7.5 percent of the bank's total deposits. FNBCT's deposits ranked fourth out of seven FDIC insured financial institutions in the NonMSA AA. The primary competitors include Citizens State Bank with three branches and a market share of 43.6, The Citizens National Bank of Hillsboro with two branches and a market share of 27.9 percent, and Wells Fargo Bank, National Association with one branch and a market share of 12.6 percent.

During the evaluation period, the bank made 7.5 percent of its total home mortgage loans by number of loans in this AA compared to total bank loans, and 4.9 percent by dollar volume in this AA.

### ***Employment Factors***

According to the U.S. Bureau of Labor and Statistics, the unemployment rate for the state of Texas as of December 31, 2020 was 6.9 percent, up from 4.1 percent in January 2018. The national unemployment rate as of January 2018 was 4.0 percent and grew to 6.7 percent as of December 31, 2020.

According to Moody's Analytics, the state of Texas and the NonMSA AA strengths are the above average population growth that supports consumer-driven industries and the state's central location within the US that has a well-developed infrastructure that fosters trade. Weaknesses are the state's proximity to Mexico exposes the state to that country's economic problems, and exposure to the volatile energy industry adds to the business cycle swings.

The city of Hillsboro Economic Development's web site noted the city of Hillsboro is an excellent location for warehouse distribution facilities due to their easy access to Dallas/Fort Worth, San Antonio, and Austin. In addition, Hillsboro is located on Interstate 35 which provides an excellent location for distribution facilities needing access to Mexico and Canada. The Hillsboro Economic District noted they are ready to fully incentivize startups and relocations.

### ***Community Contacts***

Community credit needs in the NonMSA AA were determined by reviewing recent housing and demographic information, and CRA PEs from other banks operating in the bank's AAs. A community contact from a 2019 CRA PE in Hillsboro noted financial institution's have been responsive to the needs of the community.

### **Scope of Evaluation in Texas**

FNBT has two AAs which consists of the Waco AA and the NonMSA AA in the state of Texas. The Waco AA and the NonMSA AA both received full-scope reviews. There are no limited scope reviews.

Refer to Scope of the Evaluation Table in Appendix A for a listing of all bank AAs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS**

### **LENDING TEST**

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

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank's lending performance in the state of Texas is reasonable.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits reasonable geographic distribution of loans in the state.

### ***Home Mortgage Loans***

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

#### Waco AA

The geographic distribution of home mortgage loans is excellent. The percentage of the bank loans in low-income geographies exceeds the percentage of owner-occupied housing units in this AA. In addition, the percentage of bank loans in moderate-income geographies is near to the percentage of owner-occupied housing units in this AA. The percentage of bank loans in LMI geographies exceeds the performance from other area mortgage lenders as reported in the Aggregate Lending data.

#### NonMSA AA

The geographic distribution of home mortgage loans is good. The percentage of bank loans in low-income geographies is lower than the percentage of owner-occupied housing units in this AA. However, Hill County has only one low-income census tract and a majority of the housing units in this census tract were either rental property or vacant. In addition, the percentage of bank loans in moderate-income geographies exceeds the percentage of owner-occupied housing units in this AA. The percentage of bank loans in low-income geographies is lower than the performance of other area mortgage lenders as reported in the aggregate lending data. The percentage of bank loans in moderate-income geographies exceeds the performance of other area mortgage lenders as reported in the Aggregate Lending data.

### ***Small Loans to Businesses***

Refer to Table Q in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

#### Waco AA

The geographic distribution of small business loans to businesses is reasonable. The bank's geographic distribution of lending in comparison to aggregate lenders in LMI geographies is reasonable. The bank's lending in LMI geographies is reasonable when compared to the number of businesses in LMI geographies.

#### NonMSA AA

The geographic distribution of small business loans to businesses is excellent. The bank's geographic distribution of lending in comparison to aggregate lenders in LMI geographies is excellent. The bank's lending in low-income geographies is excellent when compared to the number of businesses in low-income geographies. The bank's lending in moderate-income geographies is reasonable when compared to the number of businesses in moderate-income geographies.

### ***Lending Gap Analysis***

There were no unexplained conspicuous gaps based on geographic distribution of loans, branch locations, and the performance context.

## **Distribution of Loans by Income Level of the Borrower**

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

### ***Home Mortgage Loans***

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

#### Waco AA

The bank's distribution of mortgage loans to borrowers of different income levels is reasonable. The percentage of bank loans to LMI families is less than the percentage of LMI families in the AA. The bank's distribution of mortgage loans to low-income borrowers exceeded the aggregate lenders in the AA. The bank's distribution of mortgage loans to moderate-income borrowers was reasonable when compared to the aggregate lenders in the AA.

#### NonMSA AA

The bank's distribution of mortgage loans to borrowers of different income levels is reasonable. The percentage of bank loans to LMI families is less than the percentage of LMI families in the AA. The bank's distribution of mortgage loans to low-income borrowers exceeded the aggregate lenders in the AA. The bank's distribution of mortgage loans to moderate-income borrowers was reasonable when compared to the aggregate lenders in the AA.

### ***Small Loans to Businesses***

Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

#### Waco AA

The bank's distribution of small loans to businesses is reasonable. The percentage of bank loans to businesses with annual revenues less than \$1 million exceeds the performance of aggregate lenders. The percentage of bank loans to businesses with annual revenues of \$1 million or less is reasonable compared to the total percent of small businesses within the AA.

#### NonMSA AA

The bank's distribution of small loans to businesses is excellent. The percentage of bank loans to businesses with annual revenues less than \$1 million exceeds the performance of aggregate lenders. The percentage of bank loans to businesses with annual revenues of \$1 million or less exceeds the total percent of small businesses within the AA.

## **Responses to Complaints**

FNBCT received no CRA-related complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of Texas is rated Satisfactory.

### Conclusions for Areas Receiving Full-Scope Reviews

Based on our full-scope reviews, the bank exhibits an adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

### Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
NonMSA AA	0	0	0	0
Waco AA	19	100	2,884	100

The bank's overall level of CD lending demonstrates a reasonable responsiveness, considering the bank's capacity and the need and availability of such opportunities for community development lending in the bank's AAs. The bank's CD lending performance for the Waco AA is reasonable while their performance for the NonMSA AA demonstrates poor performance, considering the bank's capacity and the needs and availability of such opportunities in this AA.

During the evaluation period, the bank originated or renewed 19 CD loans totaling \$2.9 million or 3.3 percent of tier 1 capital.

Noteworthy CD loans include:

- 13 loans for \$1.3 million to a nonprofit organization for the purpose of assisting LMI borrowers in obtaining homeownership via down payment and closing cost assistance at below market interest rates.
- 2 loans totaling \$1.5 million for a partnership to purchase 27 lots from a nonprofit and to build duplexes on each lot where the rents will be \$1,000 to \$1,200 per month. These lots are in high crime areas of the city and will help to revitalize the neighborhoods for these areas.

## Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
NonMSA AA	0	0	0	0	0	0	0	0	0	0
Waco AA	0	0	33	191	33	100	191	100	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The bank's level of donations demonstrates a reasonable responsiveness to the needs of its AAs given the performance context. The bank's CD investment performance for the Waco AA is a reasonable responsiveness while the NonMSA AA demonstrates a poor performance, considering the bank's capacity and the needs and availability of such opportunities in this AA. Opportunities for investments are limited in the AAs, but the bank actively seeks to address the needs of the community through donations.

Examples of qualified CD donations in the Waco AA include:

- \$103,000 to a nonprofit organization that provides community services that assists in educating LMI school children.
- \$21,000 to a nonprofit organization that provides community services for court appointed advocates for abused and neglected children, including advocating for their housing needs.
- \$4,000 to a nonprofit organization that promotes economic development.

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

Six bank officers and employees serve in leadership positions in local qualifying organizations that provide community services to LMI individuals, support economic development, and revitalize and stabilize areas within both the Waco AA and the NonMSA AA. In both AAs the bank had a total of 827 hours of community services.

#### Waco AA

The bank's level of CD services demonstrates a reasonable responsiveness to the needs of this AA when considering the bank's capacity and the need and availability of such opportunities in this AA.

Examples of qualified services in the Waco AA include:

- 220 hours by one employee who serves on a nonprofit's board of directors and finance committee. The nonprofit provides vital community services to LMI individuals and families.
- 212 hours by one employee who serves as a director for a nonprofit that provides refuge and resources to homeless high school students.
- 148 hours by one employee who serves on the executive and finance committees for a nonprofit that provides financial literacy to LMI communities.

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\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

NonMSA AA

The bank's level of CD services demonstrates an adequate in response to the needs of the AA considering the bank's capacity and the need and availability of such opportunities in this AA. Examples of qualified services in the NonMSA AA include:

- 12 hours by one employee who serves as the Treasurer for a nonprofit that provides housing and essential services to homeless individuals. The nonprofit provides vital community services to LMI individuals and families.



## Appendix A: Scope of Examination

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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 MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/2018 to 12/31/2020	
<b>Bank Products Reviewed:</b>	Home mortgage, small business, Community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
Texas		
Waco AA	Full Scope	All of McLennan & Falls counties.
NonMSA AA	Full Scope	All of Hill County

## Appendix B: Summary of MMSA and State Ratings

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RATINGS First National Bank of Central Texas			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
<b>First National Bank of Central Texas</b>	Satisfactory	Satisfactory	Satisfactory
State:			
<b>Texas</b>	Satisfactory	Satisfactory	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

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

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

**Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

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

**Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

**Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size)

throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

**Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.

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



<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																			<b>2018-20</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
NonMSA AA	39	3,914	7.5	981	3.8	0.0	1.1	10.0	35.9	13.5	74.8	43.6	77.4	11.4	20.5	8.1	0.0	0.0	0.0	
Waco AA	479	75,337	92.5	9,534	4.2	4.8	3.5	22.5	19.2	13.8	29.1	25.1	20.5	44.2	50.9	62.2	0.0	0.0	0.0	
<b>Total</b>	<b>518</b>	<b>79,251</b>	<b>100.0</b>	<b>10,515</b>	<b>4.1</b>	<b>4.4</b>	<b>3.2</b>	<b>20.7</b>	<b>20.5</b>	<b>13.8</b>	<b>35.8</b>	<b>26.4</b>	<b>25.8</b>	<b>39.4</b>	<b>48.6</b>	<b>57.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2015 ACS Census; 01/01/2018 - 12/21/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																			<b>2018-20</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
NonMSA AA	39	3,914	8.7	981	23.7	6.5	2.9	16.8	10.3	9.1	19.4	17.9	19.8	40.2	53.8	47.5	0.0	12.8	20.8	
Waco AA	479	75,337	92.5	9,534	22.6	6.1	2.7	17.8	9.4	11.0	18.0	6.3	18.2	41.5	42.4	47.0	0.0	35.9	21.1	
<b>Total</b>	<b>518</b>	<b>79,251</b>	<b>100.0</b>	<b>10,515</b>	<b>22.8</b>	<b>6.0</b>	<b>2.7</b>	<b>17.7</b>	<b>9.5</b>	<b>10.8</b>	<b>18.2</b>	<b>7.1</b>	<b>18.4</b>	<b>41.3</b>	<b>43.2</b>	<b>47.0</b>	<b>0.0</b>	<b>34.2</b>	<b>21.1</b>	

Source: 2015 ACS Census ; 01/01/2018 - 12/21/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

**Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2018-20**

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate	% Business	% Bank Loans	Aggregate
NonMSA AA	28	2,137,273	25.9	572	9.5	10.7	7.0	15.2	10.7	8.9	61.6	60.7	65.6	13.6	17.9	18.5	0.0	0.0	0.0
Waco AA	80	6,014,327	74.1	3,762	4.8	3.8	4.6	30.5	22.5	28.5	26.2	42.5	27.8	37.9	31.3	38.7	0.5	0.0	0.4
<b>Total</b>	<b>108</b>	<b>8,151,600</b>	<b>100</b>	<b>4,334</b>	<b>5.3</b>	<b>--</b>	<b>4.9</b>	<b>28.9</b>	<b>--</b>	<b>25.9</b>	<b>30.0</b>	<b>--</b>	<b>32.7</b>	<b>35.3</b>	<b>--</b>	<b>36.1</b>	<b>0.5</b>	<b>--</b>	<b>0.3</b>

Source: 2020 D&B Data; 01/01/2018 - 12/21/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

**Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2018-20**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
NonMSA AA	28	2,137,273	25.9	572	82.1	82.1	38.5	3.7	10.7	14.3	7.1
Waco AA	80	6,014,327	74.1	3,762	83.7	66.3	41.8	4.8	33.8	11.5	0.0
<b>Total</b>	<b>108</b>	<b>8,151,600</b>	<b>100</b>	<b>4,334</b>	<b>83.5</b>	<b>--</b>	<b>41.4</b>	<b>4.7</b>	<b>--</b>	<b>11.8</b>	<b>--</b>

Source: 2020 D&B Data; 01/01/2018 - 12/21/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%