



PUBLIC DISCLOSURE

May 21, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Moody
Charter Number 5774

101 7th Street
Moody, TX 76557

Office of the Comptroller of the Currency
Dallas Field Office
225 E. John Carpenter Freeway, Suite 900
Irving, Texas 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.

Table of Contents

OVERALL CRA RATING.....	3
DEFINITIONS AND COMMON ABBREVIATIONS.....	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	11
LENDING TEST.....	11
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1

INSTITUTION'S CRA RATING: "Satisfactory"

The Lending Test is rated: "Satisfactory".

The major facts that support this satisfactory rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations are inside the bank's assessment areas (AA). More weight was placed on the dollar amount rather than the number of consumer loans.
- The distribution of home mortgage loans, as well as consumer loans to borrowers of different income levels, during the review period reflects reasonable penetration and meets the standard for satisfactory performance.

Definitions and Common Abbreviations

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

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

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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

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

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

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

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

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

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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

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

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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

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

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

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

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

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

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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

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

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

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

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

Tier 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.

Description of Institution

The First National Bank of Moody (FNB Moody or bank) is a single-state community bank headquartered in Moody, Texas (McLennan County). Established in 1893, the bank is located 80 miles north of Austin and 25 miles southwest of Waco. FNB Moody is locally managed and wholly owned by Reynolds, Teague, Thurman Financial Corp., a one-bank holding company that is family-owned (99.6 percent).

The bank has two AAs, the Waco MSA AA and the Killeen-Temple MSA AA. McLennan and Falls Counties make up the Waco MSA and Bell and Coryell Counties make up the Killeen-Temple MSA. FNB Moody's two AAs include portions of each of these MSAs. Under CRA regulations, assessment areas in two different MSAs may not be combined for evaluation purposes. The AAs are more fully described in Appendix B: Community Profiles for Full Scope Areas. There were no branch openings or closings during the evaluation period.

FNB Moody offers an array of loan and deposit products and services, including safe deposit boxes, debit cards, wire transfers, and online banking including bill pay. Banking hours are sufficient to deliver needed banking and credit services to low- or moderate-income (LMI) customers as well as small business owners throughout the bank's assessment areas. The banking lobby is open Monday through Thursday from 9:00 a.m. to 3:00 p.m. and Fridays from 9:00 a.m. to 6:00 p.m. A drive-thru at the rear of the building offers extended hours, 7:30 a.m. to 3:00 p.m. Monday through Thursday and 7:30 a.m. to 6:00 p.m. on Fridays. The bank is closed on Saturdays. FNB Moody has no branches or ATMs at this time.

As of December 31, 2017, FNB Moody's assets totaled \$50.4 million with gross loans totaling \$24 million or 48 percent of total assets. The following table reflects the composition of the loan portfolio by "Loan Type" as of December 31, 2017:

Loan Type (as of December 31, 2017)	Gross Dollar Amount \$ (000)	% of Gross Loans
Residential Real Estate	9,276	38.6
Commercial Real Estate	5,186	21.5
Farm & Agriculture	3,988	16.6
Consumer	2,047	8.5
Commercial & Industrial	1,769	7.4
Other	1,778	7.4
Total	24,044	100%

Source: Call Report data as of December 31, 2017.

There are no known legal or financial impediments to FNB Moody's ability to meet the credit needs of its communities.

The previous CRA evaluation, dated October 29, 2013, assigned a "Satisfactory" rating to the bank.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNB Moody is subject to the Interagency Small Bank CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank's performance solely under the Lending Test. The evaluation period ranges from October 29, 2013, the date of the prior PE, through May 21, 2018, the date of this evaluation. Through a review of bank-provided loan origination data during the review period, examiners determined residential real estate and consumer loans as the bank's primary loan products. The Lending Test concentrated on lending activity from January 1, 2015 to December 31, 2017. Lending activity beginning January 1, 2017 is evaluated using the 2015 American Community Survey (ACS) data. Therefore, in our evaluation of the distribution of loans for 2015 and 2016, we utilized the demographics and geographies related to the 2010 U.S. Census and for 2017, we utilized the ACS demographics and geographies.

Data Integrity

This evaluation is based on accurate data. Home Mortgage Disclosure Act (HMDA) data for residential real estate loans reported by the bank for the years 2015 and 2016 was verified prior to this evaluation and found to be reliable. The bank was not subject to the filing requirements of the HMDA in 2017 as it did not make or refinance a sufficient volume of mortgages to require reporting under the HMDA. Therefore, we selected a random sample of 20 mortgages originated or renewed in 2017 in each of the two AAs (40 total) for our review. We validated the borrower's income and the property location for each loan for the borrower income analysis.

To evaluate the bank's performance relative to consumer lending for the bank's two AAs, we selected a random sample of 20 consumer loans originated by the bank (40 total) during the timeframe January 1, 2015 through December 31, 2016. As lending activity beginning January 1, 2017 is evaluated using the 2015 American Community Survey (ACS) data rather than 2010 U.S. Census Data, we selected two more random samples of 20 consumer loans originated by the bank (40 total) during the timeframe January 1, 2017 through December 31, 2017. We validated consumer income and location for each loan for the borrower income analysis.

Selection of Areas for Full-Scope Review

Full-scope reviews were conducted on the bank's two assessment areas, Waco MSA AA and Killeen-Temple MSA AA. There were no limited-scope reviews. Please refer to Appendices A and B for additional detail on the AAs.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. Internal bank data breaking out the composition of deposit and loan originations between the two AAs was not available. Therefore equal weight was placed on the Waco MSA AA and Killeen-Temple MSA AA in the overall rating, given the close proximity of the six CTs (that comprise the two AAs) to one another and to the bank's only location.

Discriminatory or Other Illegal Credit Practices Review

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

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

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

Conclusions with Respect to Performance Tests

LENDING TEST

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

Loan-to-Deposit Ratio

Loan-to-Deposit Ratio			
Financial Institutions	Location City/County	Total Assets as of 12/31/2017 (\$000's)	Quarterly Average Loan-to-Deposit Ratio (%)
The First National Bank of Moody	Moody/McLennan	50,375	62.33
Fidelity Bank of Texas	Waco/McLennan	98,222	79.34
Security Bank of Crawford	Crawford/McLennan	46,146	84.13
The First National Bank of Evant	Evant/Coryell	91,244	73.69
The State National Bank in West	West/McLennan	74,536	22.46

Source: Institution Reports of Condition from September 30, 2013 to December 31, 2017.

FNB Moody's loan-to-deposit (LTD) ratio is reasonable given the bank's size, location, local competition, and the credit needs of the AAs. The LTD ratio is calculated on a bank-wide basis. While there is no ranking intended or implied by their order, the above table compares the bank's quarterly average LTD ratio with that of four similarly situated institutions (SSI) for the same time period. Our determination is based on the quarterly average LTD ratios during the evaluation period, from the quarter ended September 30, 2013 through December 31, 2017. During the evaluation period, the bank's LTD ratio ranged from a low of 58.46 percent to a high of 65.95 percent, with an average of 62.33 percent. The quarterly average LTD ratio for SSIs for the same period ranged from 22.46 percent to 84.13 percent, or an average of 64.90 percent.

Management considers the other banks reflected in the table to be SSIs. All the other banks offer similar loan and deposit products, and have branch locations in the same AAs. However, three of the four SSIs noted above have aspects of their performance contexts that give them a competitive advantage over FNB Moody, yielding them a higher LTD ratio. Fidelity Bank's presence in the northern part of Waco, and in the suburb of Robinson on the south side of Waco, provide it with a competitive advantage over FNB Moody. While the Security Bank of Crawford, like FNB Moody, has just one location, their LTD ratio benefits from a material portfolio of loan participations purchased from other financial institutions, leaving FNB Moody at a competitive disadvantage (given that it does not purchase loan participations). Finally, the First National Bank of Evant, while similarly situated by its geographic location in rural communities, has the benefit of three locations, each in a different city, including the City of Gatesville which has approximately 12 times the population of Moody. All of these factors contribute to the higher LTD ratios of the previously mentioned SSIs compared to FNB Moody.

Therefore, FNB Moody’s quarterly average LTD is considered reasonable given its performance context, especially when comparing the lending opportunities available to FNB Moody versus the other SSIs.

Lending in Assessment Area

Lending in the AA is calculated on a bank-wide basis. As noted in Table 1 below, a majority of the number, and a near majority of the dollar amount, of FNB Moody’s loans were originated inside its AAs. As depicted in Table 1 below, 60.42 percent of the number and 44.37 percent of the dollar amount of loans were originated inside the AAs. While the dollar amount of total loans originated in the AAs at 44.37 percent is slightly below a majority, more weight was placed on the dollar amount of consumer loans, in which a substantial majority at 89.82 percent, were made inside the AA. More weight was placed on consumer lending as these loans are typically smaller dollar amounts. With 89.82 percent of the dollar amount of consumer loans being made inside the AA, this demonstrates FNB Moody’s commitment to serving its community.

Table 1 - Lending in Combined AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage (2015-2016)	33	58.93	23	41.07	56	2,879	40.57	4,217	59.43	7,096
Home Mortgage (2017)	11	55.00	9	45.00	20	661	55.79	524	44.21	1,185
Consumer Loans	14	70.00	6	30.00	20	266	89.82	30	10.18	296
Totals	58	60.42	38	39.58	96	3,806	44.37	4,771	55.63	8,577

Source: Data reported under HMDA; random samples of bank-provided data.

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

Overall, FNB Moody’s distribution of loans to borrowers of different incomes within both the Waco MSA AA and Killeen-Temple MSA AA is reasonable and meets the standard for satisfactory performance.

Waco MSA AA

The borrower distribution of loans in the Waco MSA AA reflects reasonable penetration among borrowers of different income levels and meets the standard of satisfactory performance. The bank’s distribution of residential real estate loans to LMI borrowers reflects reasonable penetration and meets the standard for satisfactory performance. The bank’s borrower distribution of loans to consumers of low- and moderate-income demonstrates reasonable penetration and meets the standard for satisfactory performance.

Residential Real Estate Loans

2015-2016

Table 2 - Borrower Distribution of Residential Real Estate Loans in Waco MSA AA								
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
Home Mortgages	14.40	18.52	18.10	25.93	18.63	25.93	48.88	29.63

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

2017

Table 2a - Borrower Distribution of Residential Real Estate Loans in Waco MSA AA								
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
Home Mortgages	14.56	10.00	14.68	20.00	16.91	15.00	53.85	55.00

Source: 2015 ACS U.S. Census data; loan sample data.

In Tables 2 and 2a above, the bank's percentage of the number of home mortgages originated to low-, moderate-, middle-, and upper-income borrowers is compared to the percentage of AA families that are in each of those income levels. Our analysis focuses on LMI borrowers.

The distribution of residential real estate loans originated to borrowers of different income levels reflects reasonable penetration and meets the standard of satisfactory performance in the Waco MSA AA. As shown in Table 2 for the 2015-2016 lending period, the percentage of the number of home mortgages the bank originated to LMI borrowers reflects excellent penetration and exceeds the standard for satisfactory performance. For both LMI borrowers, the number of home mortgages made by the bank (18.52 and 25.93 percent, respectively) was more than the comparator of the percentage of families in those respective income levels (14.40 and 18.10 percent, respectively).

As portrayed in Table 2a for the 2017 lending period, the percentage of the number of home mortgages to low-income borrowers (10 percent), despite lagging slightly behind the comparator of the percentage of low-income families (14.56 percent), reflects reasonable penetration and meets the standard for satisfactory performance. However, the percentage of the number of home mortgages made to moderate-income borrowers (20 percent) surpasses the percentage of the number of moderate-income families (14.68 percent), thus reflecting excellent penetration and exceeding the standard for satisfactory performance.

Consumer Loans

2015-2016

Table 3 - Borrower Distribution of Consumer Loans in Waco MSA AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	17.18	40.00	12.99	35.00	17.78	25.00	52.06	0.00

Source: 2010 U.S. Census data; loan sample data.

2017

Table 3b - Borrower Distribution of Consumer Loans in Waco MSA AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	17.71	50.00	12.54	10.00	56.21	10.00	13.99	30.00

Source: 2015 ACS U.S. Census data; loan sample data.

In Tables 3 and 3b above, the percentage of the number of consumer loans the bank originated to low-, moderate-, middle-, and upper-income borrowers was compared to the percentage of AA households that fall within each of those income levels. Our analysis focuses on LMI borrowers.

The distribution of consumer loans originated to borrowers of different income levels reflects reasonable penetration and meets the standard of satisfactory performance in the Waco MSA AA. As reflected in Table 3 for the 2015-2016 lending period, the percentage of the number of consumer loans the bank originated to LMI borrowers reflects excellent penetration and significantly exceeds the standard for satisfactory performance. For both LMI borrowers, the number of consumer loans made by the bank (40 and 35 percent, respectively) was more than double the comparator of the percentage of LMI households in the AA (17.18 and 12.99 percent, respectively).

As displayed in Table 3b for the 2017 lending period, the percentage of the number of consumer loans originated to low-income borrowers (50 percent), is nearly three times the comparator (17.71 percent), reflects excellent penetration and significantly exceeds the standard for satisfactory performance. However, the percentage of the number of consumer loans originated to moderate-income borrowers (10 percent) is slightly below the number of moderate-income households in the AA (12.54 percent).

As the percent of the number of loans to both LMI borrowers in the 2015-2016 lending period and low-income borrowers in the 2017 lending period significantly exceeded the standard for satisfactory performance, this compensates for the bank's consumer lending to moderate-income borrowers in 2017 lagging slightly behind the comparator for satisfactory performance.

Killeen-Temple MSA AA

The borrower distribution of loans in the Killeen-Temple MSA AA reflects reasonable penetration among borrowers of different income levels and meets the standard of satisfactory performance. The bank's distribution of residential real estate loans to LMI borrowers reflects reasonable penetration when considering the bank's performance context and consistency with safe and sound operations. More weight was given to moderate-income borrowers. The bank's borrower distribution of loans to consumers of low- and moderate-income demonstrates reasonable penetration and meets the standard for satisfactory performance.

Residential Real Estate Loans

2015-2016

Table 2 - Borrower Distribution of Residential Real Estate Loans in Killeen-Temple MSA AA								
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
Home Mortgages	11.82	0.00	15.66	27.27	24.00	36.36	48.52	36.36

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

In Table 2 above, the bank's percentage of the number of home mortgages originated to low-, moderate-, middle-, and upper-income borrowers is compared to the percentage of AA families that are in each of those income levels. Our analysis focuses on LMI borrowers.

The distribution of residential real estate loans originated to borrowers of different income levels reflects reasonable penetration and meets the standard of satisfactory performance in the Killeen-Temple MSA AA. As indicated in Table 2 above, there were no home mortgages made to low-income borrowers during the 2015-2016 lending period, which reflects poor penetration of the percent of low-income families in the AA (11.82 percent) and does not meet the standard for satisfactory performance. Conversely, the home mortgage originations to moderate-income borrowers (27.27 percent) reflects excellent penetration of moderate-income families in the AA (15.66 percent) and exceeds the standard for satisfactory performance.

While poor penetration is noted with respect to low-income borrowers, performance overall reflects reasonable penetration and meets the standard for satisfactory performance when considering the performance context and safe and sound banking practices. As 9 percent of families in the AA lived below the poverty level in 2016, this reduced the ability of the 11.82 percent of families in the AA, that were low-income, to qualify for home mortgage loans. In addition, low-income applicants typically have difficulty qualifying for and meeting conventional underwriting standards for residential real estate loans, which further limited the bank’s opportunities to originate home mortgages to low-income applicants. Finally, while there were no originations to low-income borrowers, the volume of home mortgages originated to moderate-income borrowers (27.27 percent) not only met the percent of moderate-income families (15.66 percent), it met the percent of LMI families combined (27.48 percent). As a result, more weight was placed on lending to moderate-income borrowers, which reflected excellent penetration and demonstrates FNB Moody’s commitment to serve LMI borrowers in its AA. Please refer Appendix B: Community Profile for the Killeen-Temple MSA AA for further performance-related context on this AA.

An analysis of the distribution of residential real estate loans originated in the Killeen-Temple MSA AA in 2017 was not meaningful due to the lack of loan demand for this product in this AA in 2017, regardless of borrower income level. Therefore, we were unable to review the minimum random sample of at least 20 loans in this AA in the 2017 review period to assess the bank’s lending to LMI borrowers. While management stated the bank had not altered its lending strategy or market, management acknowledged there was less mortgage-related activity in this AA during 2017.

Consumer Loans

2015-2016

Table 3 - Borrower Distribution of Consumer Loans in Killeen-Temple MSA AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	15.76	5.00	15.30	25.00	21.53	55.00	47.42	15.00

Source: 2010 U.S. Census data; loan sample data.

2017

Table 3b - Borrower Distribution of Consumer Loans in Killeen-Temple MSA AA								
	Low		Moderate		Middle		Upper	
Borrower Income Level	% 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	21.12	30.00	13.93	30.00	20.67	20.00	44.28	20.00

Source: 2015 ACS U.S. Census data; loan sample data.

In Tables 3 and 3b above, the percentage of the number of consumer loans the bank originated to low-, moderate-, middle-, and upper-income borrowers was compared to the percentage of AA households that fall within each of those income levels. Our analysis focuses on LMI borrowers.

The distribution of consumer loans originated to borrowers of different income levels reflects reasonable penetration and meets the standard of satisfactory performance in the Killeen-Temple MSA AA. As reflected in Table 3 for the 2015-2016 lending period, the percentage of the number of consumer loans the bank originated to low-income borrowers (5 percent) compared to the number of low-income households in the AA (15.76 percent) does not meet the standard for satisfactory performance. Meanwhile, the number of consumer loans to moderate-income borrowers (25 percent) compared to the number of moderate-income households in the AA (15.30 percent) reflects reasonable penetration and meets the standard for satisfactory performance. As displayed in Table 3b for the 2017 lending period, the percentage of the number of consumer loans originated to LMI borrowers (each at 30 percent) compared to the number of LMI households in the AA (21.12 and 13.93 percent, respectively), both reflect reasonable penetration and meet the standard for satisfactory performance. Given lending to moderate-income borrowers in the 2015-2016 lending period (25 percent) was nearly double the comparator (15.30 percent), and considering the percentage of the number of consumer loans the bank originated to LMI borrowers in 2017 combined (60 percent) nearly doubles the percentage of AA households (35.05 percent) in those income tract levels, the bank's performance for these type of loans reflects reasonable penetration.

Geographic Distribution of Loans

This criterion measures the bank's performance with respect to dispersion of lending to geographies of different income levels within the AA. Due to the absence of low- and moderate-income geographies in the bank's two AAs, any analysis of the geographic distribution of loans is not meaningful. Thus, this criterion is not applicable.

Responses to Complaints

No CRA-related complaints were made against the bank during this evaluation period.

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: 01/01/15 to 12/31/17	
Financial Institution	Products Reviewed	
The First National Bank of Moody (FNB Moody) Moody, Texas	Residential Real Estate Loans Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Texas Waco MSA #47380	Full-Scope	CTs 38.02 & 40.00 (McLennan County) CT 02.00 (Falls County)
Killeen-Temple MSA #28660	Full-Scope	CTs 201.00 & 202.02 (Bell County) CT 101.01 (Coryell County)

Appendix B: Community Profiles for Full-Scope Areas

Waco MSA AA

2016 Demographic Information for Full-Scope Area: Waco MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	66.67	33.33	0
Population by Geography	13,896	0	0	64.33	35.67	0
Owner-Occupied Housing by Geography	4,102	0	0	61.43	38.57	0
Businesses by Geography	701	0	0	49.79	50.21	0
Farms by Geography	117	0	0	49.57	50.43	0
Family Distribution by Income Level	3,779	0	0	59.35	40.65	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,228	0	0	74.19	25.81	0
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$63,055 = \$50,900 = 13.41%	Median Housing Value Unemployment Rate				= \$106,616 = 4.27%

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

Source: 2010 U.S. Census, 2016 FFIEC updated MFI.

2017 Demographic Information for Full-Scope Area: Waco MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	66.7	33.3	0
Population by Geography	12,891	0	0	61.30	38.70	0
Owner-Occupied Housing by Geography	4,050	0	0	60.79	39.21	0
Businesses by Geography	736	0	0	48.64	51.36	0
Farms by Geography	116	0	0	48.28	51.72	0
Family Distribution by Income Level	3,413	0	0	56.69	43.31	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	998	0	0	75.25	25.75	0
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$70,390 = \$57,500 = 13.99%	Median Housing Value Unemployment Rate				= \$129,500 = 2.59%

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

Source: 2015 ACS U.S. Census data, 2017 FFIEC updated MFI.

McLennan County and Falls County combined comprise the Waco MSA in Central Texas. FNB Moody designates the combination of two census tracts (CT) in McLennan County and one CT in Falls County as one of its two AAs referred to as the Waco MSA AA. The Waco MSA AA includes two middle-income and one upper-income CTs. There are no existing low- or moderate-income (LMI) geographies in the AA or situated contiguous to these three CTs. The bank's only location is situated in the middle-income CT in McLennan County in the southwest corner of the county. According to Federal Financial Institutions Examination Council (FFIEC) Reports, these two middle-income CTs were not designated as either distressed or underserved during the evaluation period.

The bank has properly defined its Waco MSA AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole geographies, does not arbitrarily exclude LMI geographies, includes the CT where the bank is located (there are no branches or ATMs), and does not reflect illegal discrimination.

The City of Moody is a small town in McLennan County with a population of 1,378 as of the 2010 U.S. Census. Major employers in the AA include the City of Moody, Moody Independent School District (ISD), and similar government sector and ISDs in the other small communities such as Chilton, Crawford, and Bruceville-Eddy. McLennan County, with a population of 238,564, includes numerous cities, towns, and unincorporated communities including Waco, West, Woodway, Moody, Hewitt, Bellmead, and McGregor to name several. Waco is the county's largest city with a population of 126,697 and is the county seat. Falls County is predominately rural and is composed primarily of unincorporated communities. Marlin is the largest city with a population of 5,992 and is the county seat. Other cities within the county include Golinda, Chilton, Lott, and Rosebud.

FNB Moody provides an array of traditional lending products including one-to-four family residential mortgages, consumer loans, commercial & industrial loans, commercial real estate loans, agriculture loans, and farm loans. However, FNB Moody's lending activity is predominately centered in one-to-family residential mortgages and consumer lending based on their lending volume during the review period.

The AA is a modestly competitive banking environment. According to the FDIC Deposit Market Share Report as of June 30, 2017, there are three banks operating three offices in the AA with deposits totaling \$82 million. FNB Moody, operating one of these three offices, ranked first overall with 46.5 percent market share and deposits totaling \$38.1 million.

Security Bank of Crawford came in second with 44.5 percent market share. However, it is important to point out the surrounding competition just outside of FNB Moody's Waco MSA AA market, as these communities tend to blend together and do impact FNB Moody's ability to lend in the AA. In addition to the communities of Moody, Chilton, and Crawford that are inside the bank's Waco MSA AA, including the surrounding communities of McGregor, Marlin, Lott, Riesel, and Rosebud, increases the number of financial institutions from three to 11, the number of offices from three to 14, and total deposits from \$82 million to \$541 million. FNB Moody's deposit market share decreases from 46.5 percent to 7.0 percent with the First National Bank of McGregor

taking nearly half of the area's deposits with 46.3 percent market share. No other institution has more than 10 percent market share with FNB Moody ranking fourth. With FNB McGregor's main office sandwiched in the middle of FNB Moody's two AAs (CT 39.00), FNB Moody's opportunity to lend decreases.

Owner-occupied housing units represent 73.61 percent of total housing in the AA, while rental occupied housing units represent another 11.76 percent. Another 14.63 percent of housing is vacant. While there are no LMI geographies in the AA, LMI families at 14.56 percent and 14.68 percent, respectively, make up just under one-third of the AA, making lending in LMI geographies not possible and limiting the bank's opportunities to lend to LMI families. Additionally, 14 percent of households in the AA live below the poverty level and approximately 24 percent of AA households are in retirement, which often make it difficult for borrowers to qualify for loans.

The median value of housing in the AA is \$129,500 and housing stock is on average 34 years old. Older housing often has higher maintenance costs and frequently requires significant repairs to meet code requirements, while also often less energy efficient resulting in higher utility costs. In addition, higher property taxes further increase the cost of home ownership. These factors coupled with loan demand and down payment requirements for traditional mortgage loan financings, are obstacles to homeownership opportunities for LMI families, especially low-income applicants.

A community contact interview with a local senior management official in Moody, conducted during this evaluation, indicated that the community has a significant presence of age 65 or older and LMI individuals despite all of the CTs in the area being middle-income. The contact added that the largest employers are tax-supported including the city, police, and Moody ISD; however, salaries are low at approximately \$30,000, which is well-below the weighted average median family income of \$57,500. As a result, the contact stated the community has a significant need for small dollar consumer loans for various purposes ranging from house repairs, vehicles, and other family or personal matters.

The contact further indicated that the City of Moody relies on FNB Moody for many financial services due to their limited budget from low revenues and difficulty in obtaining grants due to its status as a middle-income community and their location within the Waco MSA.

Killeen-Temple MSA AA

2016 Demographic Information for Full-Scope Area: Killeen-Temple MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	100.0	0	0
Population by Geography	16,399	0	0	100.0	0	0
Owner-Occupied Housing by Geography	6,210	0	0	100.0	0	0
Businesses by Geography	697	0	0	100.0	0	0
Farms by Geography	122	0	0	100.0	0	0
Family Distribution by Income Level	3,959	0	0	100.0	0	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,088	0	0	100.0	0	0
Median Family Income	= \$62,333	Median Housing Value		= \$104,256		
FFIEC Adjusted Median Family Income for 2016	= \$59,300	Unemployment Rate		= 1.85%		
Households Below the Poverty Level	= 8.78%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, 2016 FFIEC updated MFI.

2017 Demographic Information for Full-Scope Area: Killeen-Temple MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	100.0	0	0
Population by Geography	15,806	0	0	100.0	0	0
Owner-Occupied Housing by Geography	7,023	0	0	100.0	0	0
Businesses by Geography	732	0	0	100.0	0	0
Farms by Geography	118	0	0	100.0	0	0
Family Distribution by Income Level	4,479	0	0	100.0	0	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,607	0	0	100.0	0	0
Median Family Income	= \$63,751	Median Housing Value		= \$109,994		
FFIEC Adjusted Median Family Income for 2017	= \$59,200	Unemployment Rate		= 3.77%		
Households Below the Poverty Level	= 10.31%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS U.S. Census data, 2017 FFIEC updated MFI.

Bells, Coryell, and Lampasas Counties comprise the Killeen-Temple-Fort Hood MSA in Central Texas. FNB Moody designates the combination of two census tracts (CT) in Bell County and one CT in Coryell County as the second of its two AAs referred to as the Killeen-Temple MSA AA. The Killeen-Temple MSA AA includes only middle-income CTs with no existing LMI geographies in the AA or situated contiguous to these three CTs. While FNB Moody does not have any locations situated in these CTs, its main office is located in a CT that is contiguous to all of these three CTs. According to Federal Financial Institutions Examination Council (FFIEC) Reports, the three middle-income CTs that compose this AA were not designated as either distressed or underserved during the evaluation period.

The bank has properly defined its Killeen-Temple MSA AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole geographies, does not arbitrarily exclude LMI geographies, is in close proximity to the bank's only location (there are no branches or ATMs), and does not reflect illegal discrimination.

Bell County, with a population of 315,196, includes numerous cities, towns, and unincorporated communities including Killeen, Temple, Belton, Rogers, Pendleton, and Ding Dong to name several. Killeen is the county's largest city with a population of 127,921, and Belton is the county seat. The primary economic drivers for the Killeen-Temple-Belton area are the extensive medical community and goods distribution based on the central location between the Dallas-Fort Worth, San Antonio, and Houston metro areas. Coryell County is more rural than Bell County and, while consisting of a number of cities and towns, is primarily comprised of unincorporated communities. Copperas Cove is the largest city with a population of 32,272 and Gatesville is the county seat. Other cities and communities within the county include Oglesby, Evant, Pancake, and Bee House among others. The three CTs that compose the bank's Killeen-Temple MSA AA are predominately rural and are comprised of small towns and unincorporated communities.

FNB Moody's lending activity in this AA is consistent with its lending activity in its Waco MSA AA, being predominately centered in one-to-family residential mortgages and consumer lending based on their lending volume during the review period.

There is not much competition within the boundaries of FNB Moody's Killeen-Temple MSA AA, with the First National Bank of Evant being the only financial institution with a location (Oglesby) within the three CTs that comprise the AA, according to the FDIC Deposit Market Share Report as of June 30, 2017. However, it is important to point out the surrounding competition just outside of FNB Moody's Killeen-Temple MSA AA market, as these communities tend to blend together and do impact FNB Moody's ability to lend in the AA. In addition to the community of Oglesby, which is the only community available on the FDIC's Deposit Market Share Report inside the bank's Killeen-Temple MSA AA, including the surrounding communities of Gatesville, Rogers, and Moody (so to include FNB Moody in the analysis) increases the number of financial institutions from one to seven, the number of offices from one to eight, and total deposits from \$8 million to \$491 million.

National United comprises half of the market share with 49.3 percent, followed by Extraco Banks, N.A., and Texas First State Bank with 14.6 and 12.4 percent, respectively. FNB Moody ranks fifth with 7.8 percent of the deposit market share. Competition from these surrounding communities decreases FNB Moody's lending opportunities.

Owner-occupied housing units represent 67.98 percent of total housing in the AA, while rental occupied housing units represent another 13.80 percent. Another 18.23 percent of housing is vacant. While there are no LMI geographies in the AA, LMI families at 15.94 percent and 19.94 percent, respectively, make up just over one-third of the AA. This hampers lending in LMI geographies and limits the bank's opportunities to lend to LMI families. Additionally, 10 percent of households in the AA live below the poverty level and approximately 23 percent of AA households are in retirement, which often make it difficult for borrowers to qualify for loans.

The median value of housing in the AA is \$109,994 and housing stock is on average 32 years old. Older housing often has higher maintenance costs and frequently requires significant repairs to meet code requirements, while also often less energy efficient resulting in higher utility costs. Higher property taxes can further increase the cost of home ownership. These factors, coupled with loan demand and down payment requirements for traditional mortgage loan financings, are obstacles to homeownership opportunities for LMI families, especially low-income applicants.