PUBLIC DISCLOSURE

March 3, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank of Livingston
RSSD # 884358
112 West Polk Street
Livingston, Texas 77351

Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 75201

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INTUITION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated: ***Outstanding.***
The lending test is rated: ***Outstanding.***
The community development (CD) test is rated: ***Outstanding.***

First State Bank of Livingston (the bank or FSB) is rated **Outstanding**. This rating is based on the following conclusions with respect to the performance criteria under the lending and CD tests:

- The bank's 11-quarter average net loan-to-deposit ratio (NLTD) is reasonable given the bank's asset size, financial condition, and credit needs of the assessment area (AA).
- A substantial majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects an excellent distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different revenue sizes.
- Neither the bank nor the Federal Reserve Bank of Dallas (Reserve Bank) received any CRA-related complaints since the previous evaluation.
- CD activity reflects excellent responsiveness to the needs of the AA.

SCOPE OF THE EVALUATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Performance was assessed within the bank's only AA, the Livingston Nonmetropolitan AA**.** Examiners reviewed the following data:

- The bank's 11-quarter average NLTD ratio, ending September 30, 2024;
- The universe of 50 small business loans originated or renewed between January 1, 2023, and December 31, 2023;
- A statistically derived sample of 103 unsecured consumer loans selected from a universe of 209 loans originated between January 1, 2023, and December 31, 2023;
- Qualified CD activities (loans, investments, donations, and services) from February 7, 2022 through March 3, 2025;
- Information provided by a representative of a CD organization that promotes economic development in the AA to ascertain the credit and CD needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions.

DESCRIPTION OF THE INSTITUTION

FSB, an intrastate bank headquartered in Livingston, Texas, has the following characteristics.

- The bank is a wholly owned subsidiary of East Texas Bancshares, Inc (Bancshares).
- As of September 30, 2024, FSB had total assets of $689.5 million.
- On September 30, 2023, the bank merged with First National Bank of Jasper.
- The bank operates eight full-service locations across the state of Texas with automated teller machines (ATMs) at each location.
- As reflected in Table 1, FSB's strategic focus includes commercial real estate and government lending (identified as 'Other'). Additionally, while consumer loans account for a small percentage of the loan portfolio by dollar volume, unsecured consumer loans comprise a significant number of originated loans by number volume and were identified by the bank as a credit need in the community.
- FSB offers a myriad of products and services strategically targeted to meet the credit needs of LMI individuals which include zero cost checking accounts, free debit cards, no fees for ATM cash withdrawals, and free internet/mobile banking services.

Table 1

Composition of Loan Portfolio as of September 30, 2024		
Loan Type	**$(000)**	**%**
Agricultural	9,002	4.2
Commercial	58,898	27.3
Consumer	20,000	9.3
Residential Real Estate	47,349	22.0
Other	80,251	37.2
Gross Loans	215,500	100.0
Note: Percentages may not total 100.0 percent due to rounding.		

The Federal Reserve Bank of Dallas rated FSB's CRA performance as **Outstanding** at the previous performance evaluation dated February 7, 2022. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

LIVINGSTON NONMETROPOLITAN ASSESSMENT AREA
(Full-Scope Review)

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE LIVINGSTON NONMETROPOLITAN ASSESSMENT AREA

- The Livingston Nonmetropolitan AA consists of Tyler, Polk, San Jacinto, and Jasper Counties. Refer to Appendix A for an AA map.
- Since the previous CRA performance evaluation, FSB merged with First National Bank of Jasper, Jasper, Texas. This merger added Jasper and Tyler Counties to the AA.
- FSB operates eight branches within the AA. Three branches are located in moderate-income census tracts, four are in middle-income census tracts, and one branch is located within an upper-income census tract.
- According to 2023 American Community Survey (ACS) data, the AA consists of 38 census tracts: ten moderate-income (26.3 percent), 22 middle-income (57.9 percent), and six upper-income census tracts (15.8 percent).
- In 2023, the FFIEC designated 16 census tracts within the AA as distressed: four tracts in Tyler County due to high rates of unemployment, ten tracts in Polk County due to high rates of unemployment, and two tracts in Jasper County due to both high rates of poverty and unemployment.
- As of June 30, 2024, the Federal Deposit Insurance Corporation (FDIC) Market Share Report reflects that FSB had a 32.5 percent market share, ranking 1st out of 12 FDIC-insured depository institutions operating in the AA. Primary competitors in the market include First National Bank of Livingston (21.3 percent), People's State Bank (8.7 percent), and Southside Bank (7.9 percent).
- The community contact highlighted the need for more affordable housing in the community and access to credit for local business expansion as a credit need.

Table 2

Population Change Assessment Area: Livingston Nonmetropolitan			
Area	**2015 Population**	**2020 Population**	**Percent Change**
Livingston Nonmetropolitan	130,366	130,303	0.0
Jasper County, TX	35,768	32,980	-7.8
Polk County, TX	46,113	50,123	8.7
San Jacinto County, TX	27,023	27,402	1.4
Tyler County, TX	21,462	19,798	-7.8
NonMSA Texas	3,060,473	3,051,458	-0.3
Texas	26,538,614	29,145,505	9.8
Source: 2020 U.S. Census Bureau: Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey			

- As depicted in Table 2, the population of the Livingston Nonmetropolitan AA remained essentially unchanged from 2015 to 2020; however, there was substantial change within the respective counties of the AA. Both Jasper and Tyler Counties experienced a population loss of 7.8 percent, while Polk County grew by 8.7 percent.
- The FFIEC designation of 16 census tracts as distressed within the AA highlights persistent economic challenges, particularly in Tyler, Polk, and Jasper counties, where unemployment and poverty rates persist. The elevated unemployment rates and lack of jobs contributes to the population loss in Tyler and Jasper counties.

- The community contact attributes the population growth in Polk County to a growing retirement community that is attracted to the area because of its natural features such as Lake Livingston.

Table 3

Median Family Income Change Assessment Area: Livingston Nonmetropolitan			
Area	**2015 Median Family Income ($)**	**2020 Median Family Income ($)**	**Percent Change**
Livingston Nonmetropolitan	56,901	59,918	5.3
Jasper County, TX	60,328	54,318	-10.0
Polk County, TX	55,061	59,669	8.4
San Jacinto County, TX	57,974	64,755	11.7
Tyler County, TX	58,175	60,716	4.4
NonMSA Texas	57,030	61,785	8.3
Texas	68,523	76,073	11.0

Source: 2011 - 2015 U.S. Census Bureau American Community Survey
2016 - 2020 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.

- As shown in Table 3, the AA median family income (MFI) grew at a lower rate than the state of Texas and other non-metropolitan (Non-MSA) counties of Texas between 2015 and 2020.
- Jasper County experienced significant MFI decrease of ten percent from 2015 to 2020. This aligns with the FFIEC's designation of Jasper County as distressed due to high poverty and unemployment rates.
- According to the 2023 FFIEC census data, 16.8 percent of AA households live below the poverty level which is higher than the statewide average of 13.4 percent.

Table 4

Housing Cost Burden Rates Assessment Area: Livingston Nonmetropolitan						
Area	**Cost Burden - Renters**			**Cost Burden - Owners**		
	Low Income	**Moderate Income**	**All Renters**	**Low Income**	**Moderate Income**	**All Owners**
Livingston Nonmetropolitan	62.5	35.7	35.1	48.2	24.2	17.8
Jasper County, TX	57.3	35.6	42.4	37.5	21.3	15.6
Polk County, TX	70.1	36.7	35.1	52.7	25.9	18.3
San Jacinto County, TX	54.0	36.4	24.3	61.0	33.0	22.8
Tyler County, TX	65.5	30.0	35.6	38.3	15.3	13.8
NonMSA Texas	66.2	38.4	36.9	49.9	21.8	16.3
Texas	79.4	49.8	43.5	59.0	32.7	19.4

Cost Burden is housing cost that equals 30 percent or more of household income
Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy

- As depicted in Table 4, the housing cost burden for LMI renters in the AA is greater than the housing cost burden for LMI homeowners, indicating it is more economical for LMI individuals to purchase a home rather than rent.
- The community contact noted that the area's appeal to retirees has led to increased home purchases.

- Of the AA housing stock, 55.7 percent is owner-occupied, 15.5 percent is rental, and 28.8 percent is vacant. The community contact noted that there is a limited supply of rental properties, which contributes to high rent rates in the AA.
- According to the 2023 FFIEC data, the AA's median gross rent is $792.
- In general, homes in the AA are more affordable than homes in the state, with the AA affordability ratio[1] at 40.3 and the state at 34.1.
- On average, homes in the AA are older but cost less than homes in other areas of the state. The median age of housing stock in the AA is 39 years compared to the statewide age of 33.
- The median housing value is in the AA $115,406, which is notably below the statewide housing value of $187,200.

Table 5

Unemployment Rates Assessment Area: Livingston Nonmetropolitan					
Area	**2019**	**2020**	**2021**	**2022**	**2023**
Livingston Nonmetropolitan	5.2	9.4	8.3	5.7	5.5
Jasper County, TX	6.1	11.2	9.6	6.5	6.3
Polk County, TX	4.8	8.8	7.9	5.6	5.4
San Jacinto County, TX	4.6	8.1	7.3	4.9	4.7
Tyler County, TX	5.7	9.9	8.4	6.1	5.8
NonMSA Texas	3.7	7.3	6.0	4.3	4.2
Texas	3.5	7.7	5.6	3.9	3.9
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics					

- As shown in Table 5, the AA unemployment rate tends to be higher than that of the state and other Non-MSA areas.
- The unemployment rate rapidly increased in 2020 and 2021 due to the COVID-19 pandemic. In 2022, the AA unemployment rate stabilized to near pre-pandemic levels; however, it remains higher than the state of Texas and the average rate of unemployment in Non-MSAs throughout Texas.
- In 2023, the FFIEC designated 16 census tracts within the AA as distressed due to high unemployment rates.
- The top three industries in the AA include retail trade, manufacturing, and health care/ social services. Additionally, the government employs a large portion of people in the AA.
- The community contact noted that the major employers in the AA are fast food chains, the Naskila Casino, and the local hospital.

Table 6 on the following page details selected characteristics of the AA.

1 The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

Table 6

2023 Combined Demographics
Assessment Area: Livingston Nonmetropolitan

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	7,878	23.4
Moderate-income	10	26.3	7,859	23.3	1670	21.2	6,102	18.1
Middle-income	22	57.9	20,286	60.2	2,700	13.3	6,431	19.1
Upper-income	6	15.8	5,538	16.4	220	4.0	13,272	39.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**38**	**100.0**	**33,683**	**100.0**	**4,590**	**13.6**	**33,683**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	15,930	8,295	21.7	52.1	3,607	22.6	4,028	25.3
Middle-income	41,877	23,213	60.7	55.4	6,057	14.5	12,607	30.1
Upper-income	10,899	6,749	17.6	61.9	1,001	9.2	3,149	28.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**68,706**	**38,257**	**100.0**	**55.7**	**10,665**	**15.5**	**19,784**	**28.8**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1,102	25.3	1,011	24.8	70	31.8	21	31.8
Middle-income	2,540	58.3	2,381	58.4	124	56.4	35	53.0
Upper-income	718	16.5	682	16.7	26	11.8	10	15.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**4,360**	**100.0**	**4,074**	**100.0**	**220**	**100.0**	**66**	**100.0**
Percentage of Total Businesses:				**93.4**		**5.0**		**1.5**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	35	21.3	32	20.8	3	30.0	0	0.0
Middle-income	105	64.0	99	64.3	6	60.0	0	0.0
Upper-income	24	14.6	23	14.9	1	10.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**164**	**100.0**	**154**	**100.0**	**10**	**100.0**	**0**	**0.0**
Percentage of Total Farms:				**93.9**		**6.1**		**0.0**

Source: *2023 FFIEC Census Data*
2023 D&B Information
2016-2020 U.S. Census Bureau: American Community Survey
Note: *Percentages may not total 100.0 percent due to rounding.*

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

FSB's overall performance under the lending test is Outstanding. The rating is based on a reasonable average NLTD ratio, a substantial majority of loans originated within the bank's AA, an overall reasonable distribution among geographies of different income levels, and an excellent distribution among borrowers of different income levels and businesses of different revenue sizes.

In drawing conclusions, greater weight was placed on the unsecured consumer loan product given AA needs and the bank's efforts to meet those needs. As previously discussed, the FFIEC classified many counties in the AA as distressed due to poverty. FSB identified a credit need for small-dollar unsecured consumer loans to help residents avoid high-cost payday loans and other predatory lending practices. The bank developed flexible underwriting practices and originated loans with below market interest rates to promote a better banking environment for the community despite lower profitability. These efforts demonstrate FSB's strong commitment to meeting the credit and community needs of the AA.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AA. Moreover, FSB's performance was compared to similarly situated institutions insured by the FDIC. Examiners considered the bank's asset size, activity in the delineated AA, and loan portfolio composition when selecting similarly situated institutions.

FSB's 11-quarter NLTD ratio, at 35.9 percent, is reasonable. The NLTD ratios of the selected similarly situated institutions ranged between 30.7 and 62.3 percent. While FSB's NLTD is similar to peer institutions, the bank holds a significant volume of public funds (local government and government-sponsored organizations) on deposit, which impacts lending capacity as public funds must generally be protected by a corporate surety bond or pledged collateral. Given performance context, the bank's NLTD ratio reflects reasonable lending levels and reflects favorably on the bank meeting credit needs in the AA.

Table 7

Comparative NLTD Ratios January 1, 2022 – September 30, 2024			
Institution	**Location**	**Asset Size $(000)**	**11-Quarter Average NLTD Ratio (%)**
First State Bank of Livingston	Livingston, TX	689,499	35.9
Similarly Situated Institutions	Bellville, TX	780,838	30.7
	Livingston, TX	480,545	39.5
	Sealy, TX	426,955	62.3

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. As indicated in Table 8 below, the bank originated a substantial majority of loans, by number and dollar, inside the AA.

Table 8

Lending Inside and Outside the Assessment Area								
Loan Type	**Inside**				**Outside**			
	#	**#%**	**$(000)**	**$%**	**#**	**#%**	**$(000)**	**$%**
Consumer - Unsecured	93	90.3	326	90.5	10	9.7	34	9.5
Small Business	41	82.0	4,180	93.0	9	18.0	314	7.0
Total Loans	134	87.6	4,506	92.8	19	12.4	348	7.2
Note: Percentages may not total 100.0 percent due to rounding.								

The remaining analysis is based on the loans made inside the bank's AA.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts with consideration given to the dispersion of loans throughout the AA. The bank's overall geographic distribution of loans is reasonable; both small business lending and unsecured consumer lending reflect reasonable distribution among geographies of different income levels and census tracts throughout the AA. As previously noted, the AA does not contain low-income census tracts; therefore, this criterion focuses primarily on lending in moderate-income geographies. In addition, lending in middle-income census tracts is noteworthy due to the FFIEC's designation of many of these tracts as distressed.

Small Business Lending

The geographic distribution of small business lending is reasonable. As depicted in Table 9, FSB's small business lending among moderate-income census tracts was slightly below the percentage of total businesses located in moderate-income census tracts. The bank's lending in middle-income census tracts exceeded the percentage of businesses located in middle-income census tracts. Given the FFIEC's designation of many of these tracts as distressed due to unemployment, FSB's lending is considered beneficial to the AA, as these loans are likely to create and retain jobs. Overall, FSB's geographic distribution of small business lending reflects favorably on the bank's performance in meeting the credit needs of the AA.

Table 9

Distribution of 2023 Small Business Lending by Income Level of Geography Assessment Area: Livingston Nonmetropolitan					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	$(000)	$%	
Low	0	0.0	0	0.0	0.0
Moderate	8	19.5	1,000	23.9	25.3
Middle	28	68.3	2,663	63.7	58.3
Upper	5	12.2	517	12.4	16.5
Unknown	0	0.0	0	0.0	0.0
Total	41	100.0	4,180	100.0	100.0

Source: 2023 FFIEC Census Data
2023 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Unsecured Consumer Lending

The geographic distribution of unsecured consumer lending is reasonable. Among moderate-income census tracts, FSB's unsecured consumer lending was below the percentage of total households in moderate-income census tracts (demographic). However, it is noteworthy that of the bank's eight total branches, three (37.5 percent) are located in moderate income census tracts and four (50.0 percent) are located in distressed middle-income census tracts, which is where FSB originated the majority of its loans. FSB strategically uses these branches to meet the credit needs of consumers in moderate-income census tracts. The bank recognizes that consumer loans are not a highly profitable product; however, FSB strategically offers the product to prevent the degradation of moderate-income census tracts by encouraging borrowing from a regulated and well-established institution, rather than high-priced title or payday loan companies. FSB's flexible lending and branching strategy indicates that bank management is finely attuned to the credit needs of the AA and has a developed process and delivery system to meet those credit needs.

Table 10

Distribution of 2023 Unsecured Consumer Lending by Income Level of Geography Assessment Area: Livingston Nonmetropolitan					
Geographic Income Level	Bank Loans				Households %
	#	#%	$(000)	$%	
Low	0	0.0	0	0.0	0.0
Moderate	18	19.4	52	16.0	24.3
Middle	68	73.1	257	78.8	59.8
Upper	7	7.5	17	5.2	15.8
Unknown	0	0.0	0	0.0	0.0
Total	93	100.0	326	100.0	100.0

Source: 2023 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

This performance criterion evaluates FSB's lending to borrowers of different income levels and businesses of different revenue sizes. The bank's lending has an excellent distribution among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending among businesses of different revenue sizes is excellent. As depicted in Table 11, 93.4 percent of businesses within the AA reported revenues of $1 million or less. FSB extended 78.0 percent of loans to small businesses with revenues of $1 million or less, which is below the total percentage of small businesses within the AA. However, during the review period, aggregate CRA lenders only originated 53.3 percent of reported small business loans in the AA to businesses with annual revenues of $1 million or less. While FSB did not report CRA small business loan data, and its performance is not directly compared to the performance of aggregate lenders, this data point provides context related to the loan demand and demonstrates a strong resolve to meet small business lending needs in the AA. Another way to consider the bank's performance in meeting the credit needs of small businesses is by loan amount. Small businesses generally need smaller dollar loans. In this way, 95.1 percent of the bank's loans were originated in amounts of $250,000 or less. These loans are more likely to benefit small businesses and reflect favorably on the bank's performance.

Table 11

Distribution of 2023 Small Business Lending by Revenue Size of Businesses
Assessment Area: Livingston Nonmetropolitan

	Bank Loans				Total Businesses %
	#	#%	$(000)	$%	
By Revenue					
$1 Million or Less	32	78.0	2,761	66.1	93.4
Over $1 Million	8	19.5	1,374	32.9	5.0
Revenue Unknown	1	2.4	45	1.1	1.5
Total	41	100.0	4,180	100.0	100.0
By Loan Size					
$100,000 or Less	26	63.4	887	21.2	
$100,001 - $250,000	13	31.7	2,178	52.1	
$250,001 - $1 Million	2	4.9	1,115	26.7	
Total	41	100.0	4,180	100.0	
By Loan Size and Revenue $1 Million or Less					
$100,000 or Less	20	62.5	652	23.6	
$100,001 - $250,000	11	34.4	1,858	67.3	
$250,001 - $1 Million	1	3.1	251	9.1	
Total	32	100.0	2,761	100.0	

Source: 2023 FFIEC Census Data
2023 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Consumer Lending: Unsecured Consumer Lending

FSB's borrower distribution of unsecured consumer lending by income level is excellent. As noted in Table 12, the bank's dispersion of unsecured consumer loans to low-income borrowers significantly exceeded the percentage of low-income households in the AA. FSB's unsecured consumer lending to moderate-income borrowers also exceeded the percentage of moderate-income households in the AA. The bank identified small-dollar loans as a credit need in the AA. These loans are a part of the bank's CRA strategy to help borrowers avoid the high fees associated with payday lenders and other high-cost lenders. Thus, FSB's unsecured consumer lending to LMI borrowers speaks to bank management's understanding of AA credit needs and reflects not only a willingness to meet those needs, but an intentional effort to promote a strong economy despite economic challenges.

Table 12

Distribution of 2023 Unsecured Consumer Lending by Borrower Income Level Assessment Area: Livingston Nonmetropolitan					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	$(000)	$%	
Low	47	50.5	185	56.7	26.1
Moderate	26	28.0	76	23.3	17.6
Middle	12	12.9	37	11.3	16.7
Upper	8	8.6	29	8.9	39.6
Unknown	0	0.0	0	0.0	0.0
Total	93	100.0	326	100.0	100.0

Source: 2023 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

COMMUNITY DEVELOPMENT TEST

The CD Test is rated Outstanding. The CD test evaluates the bank's responsiveness to CD needs of the delineated AA through qualified loans, investments, donations, and services, considering the bank's capacity and the need and availability of such opportunities. The bank's CD performance, as outlined in Table 13, demonstrates excellent responsiveness to the CD needs of the bank's AA.

FSB met CD needs primarily through originated loans. FSB strategically extended CD loans to help attract new or retain existing businesses or residents in distressed census tracts within the AA. Given the FFIEC designation of Tyler, Polk, and Jasper Counties as distressed due to poverty and unemployment, these loans are considered particularly responsive. Overall, CD lending increased by 439.2 percent in dollar amount (371.0 percent by number) since the previous evaluation. This significant increase demonstrates management's intentional efforts to meet CD needs.

In addition to the significant increase in CD lending, FSB invested over $1.4 million in organizations promoting economic development. These investments directly address the elevated unemployment rates by creating and maintaining jobs in the AA. Furthermore, the bank made over $62 thousand in donations to CD organizations. The majority of these donations were to non-profit organizations providing community services targeted to LMI individuals in the AA. Given the high rates of poverty in the AA, these donations represent excellent responsiveness to the AA needs. Finally, bank employees provided financial expertise on local boards and conducted financial literacy classes and programs that benefit LMI residents in the AA. Overall, the bank's CD activity demonstrates a management team that is aware of and proactively seeks to meet the needs of its community, including CD needs.

Table 13

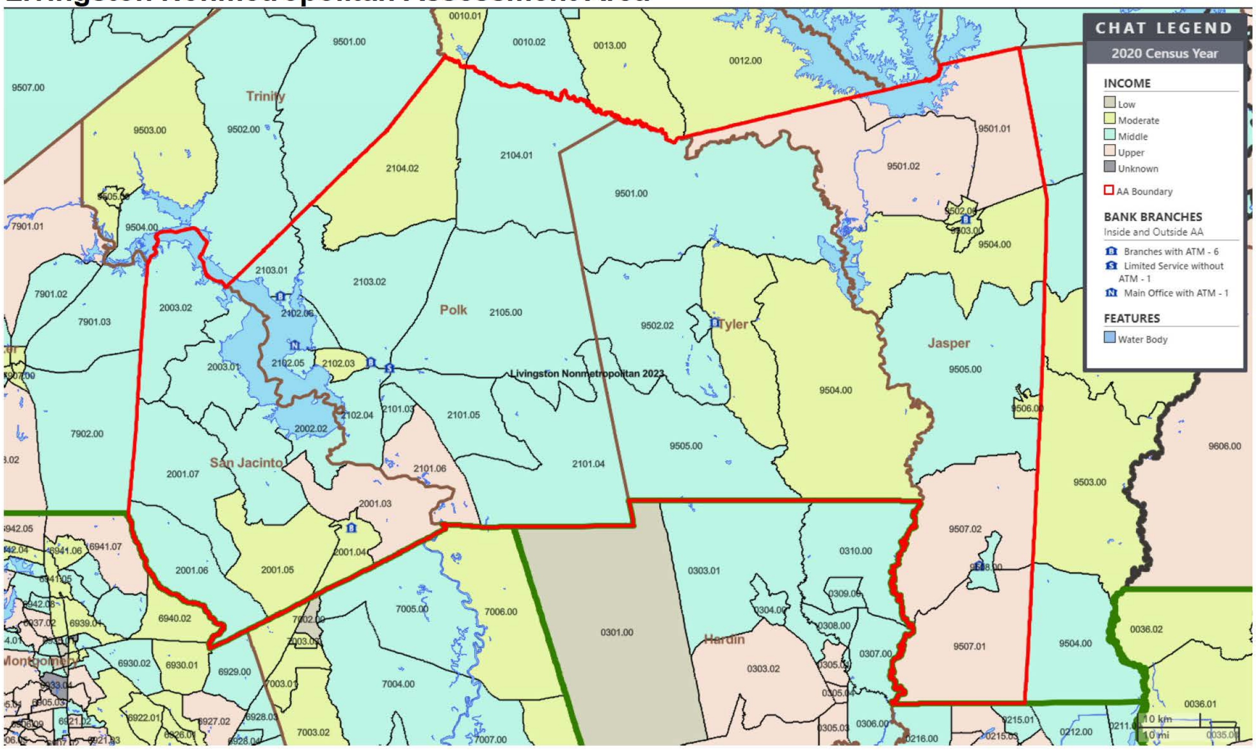
Community Development Activity Assessment Area: Livingston Nonmetropolitan									
Community Development Purpose	**CD Loans**		**Qualified Investments**						**CD Services**
			Investments		**Donations**		**Total Investments**		
	#	**$(000)**	**#**	**$(000)**	**#**	**$(000)**	**#**	**$(000)**	**#**
Affordable Housing	0	0	0	0	1	1	1	1	0
Community Services	0	0	0	0	34	51	34	51	4
Economic Development	0	0	2	1,485	2	10	4	1,495	0
Revitalization and Stabilization	696	27,313	0	0	0	0	0	0	0
Totals	**696**	**27,313**	**2**	**1,485**	**37**	**62**	**39**	**1,547**	**4**

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of this CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A- MAP OF THE ASSESSMENT AREA

Livingston Nonmetropolitan Assessment Area



APPENDIX B - GLOSSARY

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 metropolitan area/assessment area.

Census tract: 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 statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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 nonrelatives 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 is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans,

loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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 is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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.

Nonmetropolitan area (NonMSA): Any area that is not located within an MSA.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as ‘small business loans’ if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in ‘loans to small farms’ as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. 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.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.