

PUBLIC DISCLOSURE

July 17, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Texas Star Bank
RSSD # 274164

177 East Jefferson
Van Alstyne, Texas 75495

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

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

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INSTITUTION

INSTITUTION RATING: This institution is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Texas Star Bank's (bank) performance demonstrates a reasonable responsiveness to both the credit needs and the community development needs of its assessment areas. The bank's performance under the Lending Test is Satisfactory based on the following criteria:

- A majority of residential real estate (HMDA) and small business loans, 78.7% of the number and 69.6% of the dollar volume, originated inside the bank's assessment areas.
- A reasonable net loan-to-deposit ratio (LTD) of 86.0% as of March 31, 2017, with a quarterly average of 77.4% since the previous CRA evaluation, given the institution's resources and competition in the assessment areas.
- A reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- A reasonable dispersion of loans throughout the institution's assessment areas.

The bank's performance under the Community Development Test is Satisfactory based on the following criteria:

- The institution's Community Development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

INSTITUTION

Scope of Examination

The evaluation was conducted using the CRA intermediate small bank (ISB) performance standards. ISB CRA performance standards evaluate lending using the following criteria:

- Average loan-to-deposit ratio since the last CRA evaluation.
- The overall level of lending within the assessment areas.
- The bank's lending to borrowers of different income levels and businesses and farms of different sizes.
- The bank's geographic distribution of loans within its assessment areas.
- The bank's response to written complaints with respect to CRA performance in the assessment areas.

Each standard is viewed as part of an overall picture of the bank's performance in meeting the credit needs of its delineated assessment areas.

Home Mortgage Disclosure Act (HMDA) lending for the period January 1, 2013 through December 31, 2016 was evaluated for consistency with the years of data presented in this evaluation. Unless otherwise addressed in the discussion of a specific assessment area, the bank's performance for this period was consistent with performance for the years presented. In addition, a sample of small business loans originated by the bank between July 1, 2016 and December 31, 2016 was reviewed.

Also under the ISB procedures, the bank's community development (CD) activities were reviewed to determine a community development test rating. The community development test allows flexibility, permitting a bank to apply its resources strategically to the types of community development activities (loans, investments, and/or services) that are most responsive in helping meet community needs. It is expected that a bank will appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the bank's capacity, and that it will take reasonable steps to apply its community development resources strategically to meet those needs. The evaluation was based on qualified community development loans, investments, and services provided by the bank since January 2015. The bank became an ISB as of December 31, 2015. Prior to that date, the bank was not required to participate in community development activity. The lending test rating and community development test rating were combined to determine the overall CRA rating.

Description of Institution

Texas Star is a small community bank headquartered in Van Alstyne, Grayson County, Texas. The bank is a wholly owned subsidiary of Van Alstyne Financial Corporation, Van Alstyne, Texas. The bank offers a full range of deposit services and loan products, including real estate, home improvement, consumer, commercial, Small Business Administration, and agricultural loans. A majority of the bank's HMDA-reportable mortgage loans are for business purposes and are typically non-owner occupied (rental properties). The following table depicts the bank's seven banking offices.

RETAIL BRANCHES WITH NON-DEPOSIT TAKING ATMs			
BRANCH ADDRESS	CENSUS TRACT/ INCOME LEVEL/ COUNTY	LOBBY HOURS	MOTOR BANK HOURS
Van Alstyne Main Branch 177 East Jefferson Street Van Alstyne, Texas 75496	18.03 Upper Grayson	Monday - Thursday 9:00 am – 3:00 pm Friday 9:00 am – 6:00 pm	Monday - Friday 8:00 am – 6:00 pm Saturday 9:00 am – 12:00 pm
Sherman Branch 500 N. Sam Rayburn Fwy. Sherman, Texas 75090	13.00 Middle Grayson	Monday – Thursday 9:00 am – 4:00 pm Friday 9:00 am – 6:00 pm	Monday – Friday 8:00 am – 6:00 pm Saturday 8:00 am – 12:00 pm
Tom Bean Branch 7890 West Hwy. 11 Tom Bean, Texas 75489	18.03 Middle Grayson	Monday – Thursday 9:00 am – 4:00 pm Friday 9:00 am – 6:00 pm	Monday – Thursday 8:00 am – 5:30 pm Friday 8:00 am – 6:00 pm
Tioga Branch 101 Gene Autry Dr. Tioga, Texas 76271	19.00 Upper Grayson	Monday – Thursday 9:00 am – 4:00 pm Friday 9:00 am – 6:00 pm	No Motor Bank
Anna Branch 402 W. White Street Anna, Texas 75409	302.03 Middle Collin	Monday - Thursday 9:00 am – 3:00 pm Friday 9:00 am – 6:00 pm	Monday - Friday 8:30 am – 6:00 pm Saturday 8:30 am – 11:30 am
Celina Branch 320 S. Preston Road Celina, Texas 75009	303.05 Upper Collin	Monday - Thursday 9:00 am – 3:00 pm Friday 9:00 am – 6:00 pm	Monday – Friday 8:00 am – 6:00 pm Saturday 8:00 am – 12:00 pm
McKinney Branch 2800 Virginia Parkway McKinney, Texas 75071	306.03 Middle Collin	Monday - Thursday 9:00 am – 3:00 pm Friday 9:00 am – 6:00 pm	Monday - Friday 7:00 am – 6:00 pm Saturday 9:00 am – 12:00 pm

In addition to its full service branches in Texas, the bank also has loan production offices in Van Alstyne, Texas and Durant, Oklahoma.

As of March 31, 2017, the bank reported total assets of approximately \$360.3 million, gross loans of \$275.5 million, total deposits of \$316.6 million, and a net loan-to-deposit ratio of 86.0%. The following table reflects the loan portfolio mix:

Product	3/31/2017 \$(000's)	% of Loans	12/31/2016 \$(000's)	% of Loans
<u>Real Estate</u>				
1-4 Family Residential Construction Loans	6,884	2.5	4865	1.8
Other Construction Loans & Land Development & Other	46,320	16.8	39,273	14.6
Farm Land	4,455	1.6	4,749	1.8
1-4 Family Residential Secured by First Liens	34,129	12.4	35,077	13.0
1-4 Family Residential Secured by Junior Liens	6	0.0	7	0.0
Multifamily	225	0.0	236	0.0
<u>Nonfarm Nonresidential</u>				
Loans Secured Owner Occupied Nonfarm Nonresidential	54,747	119.8	56,870	21.1
Loans Secured by Other Nonfarm Nonresidential	15,392	5.5	15,430	5.8
Total Real Estate	162,158	58.9	156,507	58.1
Agricultural	4,529	1.6	5,344	1.9
Commercial and Industrial	52,019	18.9	50,263	18.7
Consumer	21,816	7.9	22,447	8.3
State and Political Subdivisions	3,785	1.4	5,177	1.9
Other	2,633	0.9	2,444	0.9
Lease Financing	28,578	10.4	26,165	9.7
Gross Loans	275,518	100.0	268,347	100.0

The bank's ability to meet various credit needs of the community has not been hampered by its capacity to lend, its financial condition and size, product offerings, prior performance, legal impediments or other factors. The bank received a Satisfactory rating on its previous CRA performance evaluation, dated April 15, 2013, performed by the Federal Reserve Bank of Dallas.

Description of Assessment Areas

The bank maintains two assessment areas which are contiguous. The first is the Sherman Denison MSA, which is comprised of Grayson County. Grayson County is bordered on the north by Oklahoma and on the south by Collin County. The assessment area contained twenty-six census tracts comprised of no low-income, eight moderate-income (30.8%), fifteen middle-income (57.6%), three upper-income (11.6%) census tracts. In this assessment area, there are four branches, including the main office, which hold approximately 54.5% of the bank's total deposits.

The second assessment area is comprised of North Collin County. This assessment area is part of the Dallas-Plano-Irving MD, which is part of the Dallas-Ft. Worth-Arlington MSA. The assessment area contained forty-eight census tracts comprised of five moderate-income (10.4%), ten middle-income (20.8%), and thirty-three upper-income (68.7%) census tracts. In the North Collin County Assessment Area, there are three branches which hold approximately 45.5% of the bank's total deposits.

Both assessment areas were reviewed using full-scope procedures. Additional information can be seen in the separate assessment area discussions. However, greater weight was placed on

the performance in the Sherman Denison MSA assessment area as it represents a larger portion of the bank's operations.

Demographic and economic information impacting the bank's performance context are detailed in the separate assessment area discussions. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, 2010; American Community Survey (ACS) 2006-2010, the U.S. Department of Labor; the U.S. Department of Housing and Urban Development (HUD); Dun & Bradstreet (D&B); and the Texas Workforce Commission.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's overall performance under the lending test is rated Satisfactory. The bank's net loan-to-deposit (LTD) ratio is reasonable. A majority of loans were extended inside the assessment areas. The distribution of loans to low- and moderate-income (LMI) borrowers and to businesses of different sizes was reasonable. The geographic dispersion of the bank's lending was reasonable given the performance context. The bank does a reasonable job of meeting the small business and consumer credit needs of its assessment areas.

The bank's performance under the lending test was analyzed by a review of the home mortgage-related loans reported by the bank from 2013-2016. The data for 2015 and 2016 is documented in this evaluation. In addition, the analysis included the small business loans originated by the bank between July 1, 2016 and December 31, 2016. This lending activity totaled 169 loans for a dollar volume of \$14.8 million. The table below provides a breakdown by loan type.

Summary of Loans Reviewed				
(Years 2015 and 2016)				
Loan Type	#	\$(000s)	# %	\$ %
Home Purchase	97	10,431	57.4	70.6
Refinancing	2	337	1.2	2.3
Home Improvement	4	141	2.4	1.0
Multi-Family Housing	1	620	0.6	4.2
Total HMDA-Related	104	11,529	61.5	78.0
Small Business	65	3,256	38.5	22.0
Total Loans	169	14,785	100.0	100.0

Consistent with the performance standards for an ISB, conclusions about the bank's distribution of lending within its assessment areas considers; the bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different revenue sizes; and, the geographic distribution of the bank's loans.

Loan-to-Deposit Ratio

The general purpose of the CRA is to encourage banks to meet the credit needs in their assessment areas while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the net loan-to-deposit (LTD) ratio is used. The ratio is a measure of the bank's lending volume relative to its capacity to lend. It is derived by adding the quarterly net LTD ratios and dividing the total by the number of quarters since the last evaluation.

The bank's net LTD ratio is reasonable, given the bank's size and financial condition, the credit needs of the assessment area, and the competitive local banking environment. As of March 31, 2017, the net LTD ratio was 86.0%, and the quarterly average since the previous evaluation was 77.4%.

To better understand the bank's performance in relation to its assessment area, a comparison of five of similarly situated local banks was performed. These banks were chosen for analysis based on their proximity and similar size and structure. The similarly situated banks have net LTD ratios ranging from 74.1% to 106.7% as of March 31, 2017. Their quarterly average net LTD ratios ranged from 65.9% to 95.2%. As noted, the bank's LTD ratios are similar to the comparator banks.

Lending in Assessment Area

A majority of the bank's loans were originated inside its assessment areas. As shown in the table below, the bank extended 133 or 78.7% by number inside its assessment areas. These loans represent \$10.3 million or 69.6% by dollar amount.

Lending Inside and Outside the Bank's Assessment Areas								
Bank Loans	Inside				Outside			
	#	\$(000s)	# %	\$ %	#	\$(000s)	# %	\$ %
Home Purchase - Conventional	79	7,336	81.4	70.3	18	3,095	18.6	29.7
Refinancing	1	97	50.0	28.8	1	240	50.0	71.2
Home Improvement	4	141	100.0	100.0	0	0	0.0	0.0
Multi-Family Housing	1	620	100.0	100.0	0	0	0.0	0.0
Total HMDA-Related	85	8,194	81.7	71.1	19	3,335	18.3	28.9
Small Business	48	2,100	73.8	64.5	17	1,156	26.2	35.5
TOTAL LOANS	133	10,294	78.7	69.6	36	4,491	21.3	30.4

The remaining analyses will be based on loans made inside the bank's assessment areas.

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

The distribution of lending based on income and revenue levels of the borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The bank was able to meet the credit demand given the performance context in the bank's assessment areas. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

Geographic Distribution of Loans

The geographic distribution by the income level of geographies within the assessment areas is reasonable given the performance context in each assessment area. This conclusion is based on the bank's performance in each assessment area in comparison to demographic data. Loans are generally made in close proximity to the bank's branches, and there were no conspicuous gaps or anomalies in the lending patterns. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

Response to Complaints

There were no complaints related to the CRA during the review period. Consequently, the bank's performance in responding to complaints was not considered in evaluating its overall CRA performance.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with applicable laws and regulations.

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is adequate considering the bank's capacity and the need and available opportunities. Due to the fact that the bank did not become an Intermediate Small Bank until December 31, 2015, there was not a large volume of community development activity. Nonetheless, the bank has applied its community development resources strategically to meet the substance of community needs, through targeting economic development, affordable housing, and qualified investments to organizations serving LMI individuals in its community.

The table below depicts a summary of the bank's community development activities in since the bank became an intermediate small bank under CRA guidelines.

ALL ASSESSMENT AREAS									
COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
	#	\$(000s)	Investments		Donations		Total Investments		Hours
			#	\$(000s)	#	\$(000s)	#	\$(000s)	
Affordable Housing	76	\$5,652		-		-		-	-
Community Services		-		-	59	\$113	59	\$113	225
Economic Development	3	\$1,820		-		-		-	-
Totals	79	\$7,472		-	59	\$113	59	\$113	225

METROPLITAN AREAS (Full Scope Review)

Description of Institution's Operations in Sherman Denison MSA Assessment Area

Grayson County is bordered on the north by Oklahoma and on the south by Collin County, Texas. Sherman, the county seat, is located 30 miles south of the Oklahoma border. The county's population, estimated at 125,467 in 2015, decreased by 0.9% since 2012. Van Alstyne, population 3,599, is located south of Sherman (pop. 41,567), just north of the Collin County line. Other municipalities in the county include Denison (pop. 23,654), Whitesboro (pop. 3,973), and Howe (pop. 2,858).

As of the evaluation date, the bank operated four retail branches and one loan production office in the assessment area. The Sherman Denison MSA assessment area branches contained \$143.3 million in deposits on June 30, 2016, representing 54.5% of the bank's deposits. The bank ranks fifth in deposit market share out of thirteen FDIC-insured financial institutions operating in the Grayson County banking market. The deposits in the bank's four branches represented 7.5% of the total deposits in FDIC-insured financial institutions. American Bank of Texas dominates the market, with 33.6% of total deposits, followed by Landmark Bank (17.6%); Independent Bank (16.9%); and JPMorgan Chase (10.6%).

The following table details selected characteristics of the assessment area.

Sherman Denison MSA 2016 Assessment Area Demographics								
Income Categories	Tract Distribution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	6,614	20.8
Moderate-Income	8	30.8	7,345	23.1	1,417	19.3	5,763	18.1
Middle-Income	15	57.7	18,417	58.0	1,538	8.4	6,754	21.3
Upper-Income	3	11.5	6,006	18.9	283	4.7	12,637	39.8
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	26	100.0	31,768	100.0	3,238	10.2	31,768	100.0
Housing Units By Tract	Housing Type By Tract							
	Owner-Occupied			Rental		Vacant		
	#	% By Tract	% By Unit	#	% By Unit	#	% By Unit	
Low-Income	0	0	0.0	0	0.0	0	0.0	
Moderate-Income	13,709	7,383	23.0	53.9	3,713	27.1	2,613	19.1
Middle-Income	31,007	18,394	57.3	59.3	8,588	27.7	4,025	13.0
Upper-Income	8,387	6,299	19.6	75.1	1,168	13.9	920	11.0
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	53,103	32,076	100.0	60.4	13,469	25.4	7,558	14.2
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	1,449	24.6	1,343	24.4	98	29.5	8	17.8
Middle-Income	3,502	59.5	3,294	59.8	185	55.7	23	51.1
Upper-Income	935	15.9	872	15.8	49	14.8	14	31.1
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5,886	100.0	5,509	100.0	332	100.0	45	100.0
Percent of Total Businesses:			93.6		5.6		0.8	
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	17	4.6	17	4.6	0	0.0	0	0.0
Middle-Income	255	68.7	255	68.7	0	0.0	0	0.0
Upper-Income	99	26.7	99	26.7	0	0.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	371	100.0	371	100.0	0	0.0	0	0.0
Percent of Total Farms:			100.0		0.0		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2016 FFIEC Online Census Data System tract designations, and 2016 Dun & Bradstreet data.

Income Characteristics: According to the 2010 ACS information, the Sherman Denison MSA Assessment Area contained 26 census tracts. Of which, 30.8% are moderate-income, 57.7% middle-income, and 11.5% upper-income. There are 31,768 families in the assessment area. Approximately 20.8% of the families are low-income, 18.1% moderate-income, 21.3% middle-income, and 39.8% are upper-income families. Of the families in the Sherman Denison MSA,

10.2% are living in poverty compared to the state's poverty level of 13.0%. The Sherman Denison MSA median family income is \$56,200.

Housing: According to the 2010 ACS information, there are 53,103 housing units in the assessment area with a median age of 36 years. The median housing value is \$99,582. Owner-occupied housing units comprise 60.4% of the housing stock, which is similar to the state average of 57.0%. Of the remaining housing units, 25.4% are rental with median rental rate of \$716 per month, and 14.2% are vacant units.

The housing affordability ratio for the assessment area was 47.1. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable, while a low ratio means the housing is considered less affordable. By comparison, the affordability ratio for the state of Texas was 40.2. Therefore, housing in the Sherman Denison MSA assessment area was slightly more affordable compared to the state of Texas.

Labor, Employment, and Economic Characteristics: Manufacturing, distribution, health care, education, and the service sector are the primary industries in the community. The two principal cities in Grayson County are Sherman and Denison. The major employers in Sherman include Tyson Foods, Texas Instruments, Sherman ISD, and Grayson County. Leading Denison employers include Wilson N. Jones Regional Health System, Texoma Health Care System, Connect General, a Cigna Company, Ruiz Foods, Denison ISD, and Trailblazer Health Enterprises. The Choctaw Casino Resort is located in Durant, Oklahoma, employing approximately 1,500 area residents. The casino is eight miles north of the Texas state line.

According to the 2016 D&B data, 5,886 businesses are located in the assessment area. Of those, 93.6% reported gross annual revenues less than or equal to \$1 million, with 21.4% in moderate-income, 59.8% in middle-income, 15.8% in upper-income census tracts.

The following table provides unemployment rates for the assessment area and the state of Texas.

Annual Average Unemployment Rate		
Sherman Denison MSA	2015	2016
Assessment Area	4.0%	3.8%
State of Texas	4.5%	4.6%
United States	5.3%	4.9%

Community Contacts and Credit Needs: Contact was made with an individual working in the economic development sector. The contact indicated that small businesses in the area could increase if the unincorporated portions of the county had sufficient utilities available. Also, a small business advocate stated financial institutions could assist small businesses with financial literacy along with their credit needs.

Conclusions with Respect to Performance Tests in Sherman Denison MSA Assessment Area

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of revenue different sizes. Greater weight was placed on the small business lending.

The following table depicts the referenced income level ranges:

Income Level	2015 MSA	2016 MSA
Median Income	\$62,600	\$56,200
Low-income	< \$31,300	<\$28,100
Moderate-income	\$31,300 ≥ \$ 50,080	\$28,100 ≥ \$ 44,960
Middle-income	\$ 50,080 ≥ \$75,120	\$ 44,960 ≥ \$67,440
Upper-income	≥ \$ 75,120	≥ \$ 67,440

Residential Real Estate (HMDA) Lending:

The majority of the HMDA lending was for rental property and the income of the borrowers was not available. As such, a meaningful analysis could not be performed. In 2015, the bank originated 36 mortgage loans totaling \$2.6 million. In 2016, 33 mortgage loans were originated totaling \$3.5 million. The tables on the following pages detail the bank's mortgage lending.

Distribution of 2015 HMDA Loans by Borrower Income Levels Sherman Denison MSA							
Borrow Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	1	70	3.0	2.9	5.0	2.5	20.8
Moderate	1	50	3.0	2.1	15.7	10.8	18.1
Middle	3	260	9.1	10.7	21.0	19.3	21.3
Upper	8	570	24.2	23.4	37.1	48.7	39.8
Unknown	20	1,487	60.6	61.0	21.2	18.6	0.0
Total	33	2,437	100.0	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0	0.0	0.0	3.8	1.9	20.8
Moderate	0	0	0.0	0.0	11.2	6.9	18.1
Middle	0	0	0.0	0.0	17.1	13.9	21.3
Upper	1	97	0.0	0.0	42.8	51.3	39.8
Unknown	0	0	0.0	0.0	25.2	26.0	0.0
Total	1	97	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	8.2	2.4	20.8
Moderate	0	0	0.0	0.0	13.9	8.8	18.1
Middle	0	0	0.0	0.0	23.4	16.9	21.3
Upper	1	10	50.0	16.4	41.8	53.5	39.8
Unknown	1	51	50.0	83.6	12.7	18.4	0.0
Total	2	61	100.0	100.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	1	70	2.8	2.7	4.8	2.4	20.8
Moderate	1	50	2.8	1.9	14.4	9.7	18.1
Middle	3	260	8.3	10.0	20.0	17.7	21.3
Upper	10	677	27.8	26.1	38.8	49.4	39.8
Unknown	21	1,538	58.3	59.3	22.0	20.9	0.0
Total	36	2,595	100.0	100.0	100.0	100.0	100.0
¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. ² The percentage of families is based on 2010 ACS 5-year estimates. ³ Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages may vary due to automated rounding differences.)							

Distribution of 2016 HMDA Loans by Borrower Income Levels Sherman Denison MSA							
Borrow Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	3.0	1.3	20.8
Moderate	0	0	0.0	0.0	11.0	7.1	18.1
Middle	1	51	3.2	1.8	19.4	16.0	21.3
Upper	14	1,441	45.2	50.9	46.3	57.7	39.8
Unknown	16	1,341	51.6	47.3	20.2	17.9	0.0
Total	31	2,833	100.0	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0	0.0	0.0	3.5	1.2	20.8
Moderate	0	0	0.0	0.0	6.7	3.5	18.1
Middle	0	0	0.0	0.0	15.1	10.3	21.3
Upper	0	0	0.0	0.0	48.4	58.7	39.8
Unknown	0	0	0.0	0.0	26.3	26.4	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	2.7	0.7	20.8
Moderate	0	0	0.0	0.0	7.7	2.6	18.1
Middle	1	15	100.0	100.0	15.9	10.5	21.3
Upper	0	0	0.0	0.0	59.1	77.3	39.8
Unknown	0	0	0.0	0.0	14.5	9.0	0.0
Total	1	15	100.0	100.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	3.1	1.2	20.8
Moderate	0	0	0.0	0.0	9.7	5.7	18.1
Middle	2	66	6.1	1.9	18.1	13.6	21.3
Upper	14	1,441	42.4	41.6	47.4	55.7	39.8
Unknown	17	1,961	51.5	56.5	21.7	23.9	0.0
Total	33	3,468	100.0	100.0	100.0	100.0	100.0
¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. ² The percentage of families is based on 2010 ACS 5-year estimates. ³ Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages may vary due to automated rounding differences.)							

Small Business Loans

The sample included 27 business loans originated in the assessment area. Of which, 24 loans, totaling \$896 thousand were to business with revenue of \$1 million or less. These are considered small businesses under the CRA. To determine the bank's performance, the lending is compared to the assessment area's demographics. Based on the 2016 business demographic data, there were 5,886 businesses within the Sherman Denison MSA assessment area. Of this number, 93.6% of the businesses reported revenues of less than or equal to \$1 million. The volume of the bank's lending to small businesses is comparable to the demographic data.

Distribution of 2016 Business Loans By Revenue Size Sherman Denison MSA					
Business Revenue	Small Business Loans				% of Businesses by Revenue
	#	\$(000)	# %	\$ %	
\$1MM or less	24	896	88.9	91.1	91.9
Over \$1MM	3	87	11.1	8.9	6.8
Income Not Known	0	0	0.0	0.0	1.3
Total	27	983	100.0	100.0	100.0
Business and farm demographic figures based on 2016 Dun & Bradstreet Data. (NOTE: Total percentages may vary due to automated rounding differences.)					

Another way to gauge the bank’s small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that 81.5% of the small business loans were made in loan amounts of \$50,000 or less and all were under \$250,000.

DISTRIBUTION OF 2016 BUSINESS LOANS BY LOAN AMOUNT SHERMAN DENISON MSA ASSESSMENT AREA				
Loan Amount	#	# %	\$(000)	\$ %
\$10,000 or less	1	3.7	10	1.0
\$10,001 - \$25,000	17	63.0	292	29.7
\$25,001 - \$50,000	4	14.8	150	15.3
\$50,001 - \$250,000	5	18.5	531	54.0
Total	27	100.0	983	100.0

Geographic Distribution of Loans

The distribution of the institution’s loans among moderate-income geographies reflects a reasonable dispersion throughout the assessment area. Loans were generally made in close proximity to the bank’s branches and there were no conspicuous gaps or anomalies in the lending patterns. The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank’s performance considering its lending in moderate-income geographies. There are no low-income census tracts in the assessment area.

Residential Real Estate (HMDA) Lending:

The geographic distribution of HMDA loans reflects adequate penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Home Purchase Loans

In 2015, the bank originated six home purchase loans totaling \$423 thousand in moderate-income census tracts. The bank's performance exceeded that of the aggregate lenders by number and dollar volume. Both the bank's and aggregate's performance was below percentage of owner occupied units.

In 2016, the bank originated 11 home purchase loans, totaling \$893 thousand, in moderate-income census tracts. This performance materially exceeded both the performance of the aggregate lenders and the demographics.

Home Refinance/Home Improvement/Multifamily Loans

Home refinance, home improvement, and multifamily loans are not material products of the bank. As such, no meaningful analysis can be performed. In 2015, the bank made one home refinance and two home improvement loans. The refinance loan and one of the home improvement loans were in moderate-income census tracts. In 2016, the bank made one home improvement and one multifamily loan. Neither were in a moderate-income census tract.

The tables on the following pages illustrate the assessment area's demographics and HMDA lending for the bank and aggregate lenders for 2015 and 2016.

Distribution of 2015 HMDA Loans by Income Level of Geography Sherman Denison MSA							
Census Tract Income	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	6	423	18.2	17.4	15.8	13.1	23.0
Middle	25	1,926	75.8	79.0	57.5	56.2	57.3
Upper	2	88	6.1	3.6	26.7	30.7	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	33	2,437	100.0	100.0	100.0	100.0	100.0
Home Refinance Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	97	0.0	0.0	15.7	12.7	23.0
Middle	0	0	0.0	0.0	52.3	50.9	57.3
Upper	0	0	0.0	0.0	32.0	36.4	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	97	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	51	50.0	83.6	14.6	7.5	23.0
Middle	1	10	50.0	16.4	65.8	64.7	57.3
Upper	0	0	0.0	0.0	19.6	27.9	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	2	61	100.0	100.0	100.0	100.0	100.0
Multifamily Loans							% of MF Units²
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	75.0	56.0	17.5
Middle	0	0	0.0	0.0	0.0	0.0	77.4
Upper	0	0	0.0	0.0	25.0	44.0	5.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	8	571	22.2	22.0	15.7	13.0	23.0
Middle	26	1,936	72.2	74.6	56.4	54.7	57.3
Upper	2	88	5.6	3.4	27.8	32.3	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	36	2,595	100.0	100.0	100.0	100.0	100.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers.

² The percentage of owner-occupied housing units and multifamily structures by tract is based on 2010 ACS 5-year estimates and 2015 FFIEC census tract designations.

³ Only includes loans with unreported geocode information. Does not include loans in tracts where the income category is 'unknown', which is 0.0% for the bank and 0.0% for aggregate.

(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution of 2016 HMDA Loans by Income Level of Geography Sherman Denison MSA							
Census Tract Income	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	11	893	35.5	31.5	17.0	13.0	23.0
Middle	15	1,418	48.4	50.1	54.7	53.2	57.3
Upper	5	522	16.1	18.4	28.4	33.9	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	31	2,833	100.0	100.0	100.0	100.0	100.0
Home Refinance Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	14.9	10.8	23.0
Middle	0	0	0.0	0.0	56.2	54.7	57.3
Upper	0	0	0.0	0.0	28.9	34.5	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	21.8	15.8	23.0
Middle	1	15	0.0	0.0	54.1	55.4	57.3
Upper	0	0	0.0	0.0	24.1	28.8	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	15	0.0	0.0	100.0	100.0	100.0
Multifamily Loans							% of MF Units²
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	30.0	3.0	17.5
Middle	0	0	0.0	0.0	60.0	78.5	77.4
Upper	1	620	0.0	0.0	10.0	18.5	5.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	620	0.0	0.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	11	893	33.3	25.7	16.7	12.0	23.0
Middle	16	1,433	48.5	41.3	55.0	54.9	57.3
Upper	6	1,142	18.2	32.9	28.2	33.2	19.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	33	3,468	100.0	100.0	100.0	100.0	100.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers.

² The percentage of owner-occupied housing units and multifamily structures by tract is based on 2010 ACS 5-year estimates and 2016 FFIEC census tract designations.

³ Only includes loans with unreported geocode information. Does not include loans in tracts where the income category is 'unknown', which is 0.0% for the bank and 0.0% for aggregate.

(NOTE: Total percentages may vary due to automated rounding differences.)

Small Business Lending

The geographic distribution of small business loans is reasonable. The bank faces significant competition for small business loans from both larger traditional bank lenders and nontraditional lenders. As shown in the table below, based on number of originations, the bank's performance is below the percentage of businesses located in moderate- income census tracts.

Distribution by Income Level of Geography Sherman Denison MSA July 1 - December 31, 2016					
Census Tract Income Level	Small Business Loans				% of Businesses
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	3	141	11.1	14.3	25.0
Middle	13	599	48.1	60.9	59.1
Upper	11	243	40.7	24.7	15.9
Unknown	0	0	0.0	0.0	0.0
Total	27	983	100.0	100.0	100.0
The percentages of businesses by tract are based on 2016 Dun & Bradstreet Data and 2016 FFIEC census tract designations. (NOTE: Total percentages may vary due to automated rounding differences.)					

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is adequate considering its capacity, the need, and available opportunities. The bank has applied its community development resources strategically to meet the substance of community needs, through qualified loans, investments, donations, and social services targeted to LMI individuals in its community. The primary focus of the bank's community development initiatives have been in the areas of affordable housing and providing services to LMI individuals.

The table below depicts a summary of the bank's community development activities in the Sherman Denison MSA since the bank became an intermediate small bank under CRA guidelines.

Sherman Denison MSA Assessment Area									
Community Development Activities									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	Hours
Affordable Housing	73	\$4,994		-		-		-	-
Community Services		-		-	52	\$103	52	\$103	83
Economic Development	2	\$1,520		-		-		-	-
Revitalization and Stabilization		-		-		-		-	-
Totals	75	\$6,514			52	\$103	52	\$103	83

Description of Institution’s Operations in North Collin County

Collin County is located directly north of Dallas County and south of Grayson County. The bank’s assessment area consists of the northern portion of Collin County which includes the County seat, McKinney, population 162,691 as of 2015. Other municipalities in the assessment area include Anna (pop. 11,345), Celina (pop. 7,690), Melissa (pop. 8,423), Prosper (pop. 15,926), and Princeton (pop. 8,822). The population of the county was 834,642 for 2012 and increased 12.5% by 2015 with an estimated population of 939,585.

As of the evaluation date, the bank operated three retail branches in the assessment area. The assessment area branches contained \$143.3 million in deposits on June 30, 2016, which accounts for 45.5% of the bank’s deposits. The bank ranks 86th in deposit market share out of 159 FDIC-insured financial institutions operating in the Collin County banking market. The deposits in the bank’s three branches represented 0.1% of the total deposits in FDIC-insured financial institutions. Bank of America dominates the market, with 28.9% of total deposits, followed by JPMorgan Chase (21.6%); Wells Fargo Bank (8.0%); and Texas Capital Bank (5.32%).

The following table details selected characteristics of the assessment area.

North Collin County 2016 Assessment Area Demographics								
Income Categories	Tract Distribution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	7,908	13.5
Moderate-Income	5	10.4	5,381	9.2	1,127	20.9	7,864	13.4
Middle-Income	10	20.8	16,415	28.0	1,136	6.9	10,460	17.8
Upper-Income	33	68.8	36,875	62.9	1,063	2.9	32,439	55.3
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	48	100.0	58,671	100.0	3,326	5.7	58,671	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied		Rental		Vacant		
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-Income	9,626	3,596	6.1	37.4	5,050	52.5	980	10.2
Middle-Income	22,906	16,873	28.8	73.7	3,738	16.3	2,295	10.0
Upper-Income	46,942	38,169	65.1	81.3	6,232	13.3	2,541	5.4
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	79,474	58,638	100.0	73.8	15,020	18.9	5,816	7.3
	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	1,621	12.5	1,422	11.6	183	32.3	16	12.7
Middle-Income	2,685	20.8	2,552	20.8	109	19.2	24	19.0
Upper-Income	8,633	66.7	8,272	67.5	275	48.5	86	68.3
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	12,939	100.0	12,246	100.0	567	100.0	126	100.0
Percent of Total Businesses:			94.6		4.4		1.0	
	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	10	4.1	10	4.1	0	0.0	0	0.0
Middle-Income	98	39.8	97	40.2	1	20.0	0	0.0
Upper-Income	138	56.1	134	55.6	4	80.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	246	100.0	241	100.0	5	100.0	0	0.0
Percent of Total Farms:			98.0		2.0		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2016 FFIEC Online Census Data System tract designations, and 2016 Dun & Bradstreet data.

Income Characteristics: According to the 2010 ACS information, the North Collin County Assessment Area contains forty-eight census tracts: five moderate-income, ten middle-income, and thirty-three upper-income. There are 58,671 families in the assessment area. Approximately 13.5% of the families are low-income, 13.4% moderate-income, 17.8% middle-income, and 55.3% are upper-income families. Of the families in the North Collin County assessment area, 5.7% are living in poverty compared to the state's poverty level of 13.0%. The assessment area's median family income is \$86,217.

Housing: According to the 2010 ACS information, there are 79,474 housing units in the assessment area with a median age of 10 years. The median housing value is \$183,221. Owner-occupied housing units comprise 73.8% of the housing stock, which is higher than the state average of 57.0%. Of the remaining housing units, 18.9% are rental and 7.3% are vacant units. The median gross rent for the state of Texas is \$786. The median gross rent in North Collin County is \$971.

The housing affordability ratio for the assessment area was 42.9. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable, while a low ratio means the housing is considered less affordable. By comparison, the affordability ratio for the state of Texas was 40.2. Therefore, housing in the North Collin County assessment area was slightly more affordable compared to the state of Texas.

Labor, Employment, and Economic Characteristics: Collin County is the location of numerous business expansions and relocations during the past several years. State Farm has recently completed construction of a new campus in Collin County and added 8,000 workers. Also, Toyota is in the process of building a campus for their new North American headquarters that when finished will have more than 5,000 employees.

According to the 2016 Dun & Bradstreet, 12,939 businesses are located in the assessment area. Of those, 94.6% reported gross annual revenues less than or equal to \$1 million, of which 11.6% are in moderate-income, 20.8% in middle-income, 67.5% in upper-income census tracts.

The following table provides unemployment rates for the assessment area and the state of Texas.

ANNUAL AVERAGE UNEMPLOYMENT RATES		
AREA	2015	2016
Collin County	3.6%	3.7%
State of Texas	4.5%	4.6%
United States	5.3%	4.9%

Community Contacts and Credit Needs: Contact was made with an individual working in the economic development sector. The contact stated that it has been the experience of many small businesses in Collin County seeking financing that the underwriting guidelines of local institutions are very conservative. This makes it harder to obtain credit.

Conclusions with Respect to Performance Tests in North Collin County

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO SMALL BUSINESS OF DIFFERENT SIZES

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of revenue different sizes.

The following table depicts the referenced income level ranges:

Income Level	2015 MSA	2016 MSA
Median Income	\$70,500	\$71,700
Low-income	< \$35,250	< \$35,850
Moderate-income	\$35,250 ≥ \$56,400	\$35,850 ≥ \$ 57,360
Middle-income	\$56,400 ≥ \$84,600	\$57,360 ≥ \$86,040
Upper-income	≥ \$ 84,600	≥ \$ 86,040

Residential Real Estate (HMDA) Lending:

The majority of the HMDA lending was for rental property and the income of the borrowers was not available. In addition, mortgage lending is not a material product in this assessment area. As such, a meaningful analysis could not be performed. In 2015, the bank originated nine mortgage loans totaling \$1.4 million. In 2016, seven mortgage loans were originated totaling \$755 thousand. The tables on the following pages detail the bank's mortgage lending.

Distribution of 2015 HMDA Loans by Borrower Income Levels North Collin County Assessment Area							
Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	0.9	0.4	13.5
Moderate	0	0	0.0	0.0	7.0	4.4	13.4
Middle	2	410	25.0	31.3	15.6	12.4	17.8
Upper	3	344	37.5	26.2	61.8	68.6	55.3
Unknown	3	557	37.5	42.5	14.7	14.1	0.0
Total	8	1,311	100.0	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0	0.0	0.0	1.3	0.7	13.5
Moderate	0	0	0.0	0.0	6.0	3.5	13.4
Middle	0	0	0.0	0.0	13.9	10.5	17.8
Upper	0	0	0.0	0.0	57.6	64.6	55.3
Unknown	0	0	0.0	0.0	21.2	20.7	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	1.7	0.9	13.5
Moderate	0	0	0.0	0.0	2.7	1.3	13.4
Middle	0	0	0.0	0.0	11.0	8.1	17.8
Upper	1	65	100.0	100.0	81.3	84.8	55.3
Unknown	0	0	0.0	0.0	3.2	4.9	0.0
Total	1	65	100.0	100.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	1.1	0.5	13.5
Moderate	0	0	0.0	0.0	6.5	4.0	13.4
Middle	2	410	22.2	29.8	14.9	11.4	17.8
Upper	4	409	44.4	29.7	61.1	65.4	55.3
Unknown	3	557	33.3	40.5	16.4	18.8	0.0
Total	9	1,376	100.0	100.0	100.0	100.0	100.0
¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. ² The percentage of families is based on 2010 ACS 5-year estimates. ³ Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages may vary due to automated rounding differences.)							

Distribution of 2016 HMDA Loans by Borrower Income Levels North Collin County Assessment Area							
Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	0.8	0.4	13.5
Moderate	1	25	14.3	3.3	6.4	4.1	13.4
Middle	1	73	14.3	9.7	16.1	13.4	17.8
Upper	2	265	28.6	35.1	64.5	70.7	55.3
Unknown	3	392	42.9	51.9	12.2	11.4	0.0
Total	7	755	100.0	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0	0.0	0.0	1.4	0.8	13.5
Moderate	0	0	0.0	0.0	5.7	3.3	13.4
Middle	0	0	0.0	0.0	13.2	9.9	17.8
Upper	0	0	0.0	0.0	60.9	67.2	55.3
Unknown	0	0	0.0	0.0	18.8	18.7	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	1.9	1.8	13.5
Moderate	0	0	0.0	0.0	5.2	2.9	13.4
Middle	0	0	0.0	0.0	13.6	11.9	17.8
Upper	0	0	0.0	0.0	76.3	80.5	55.3
Unknown	0	0	0.0	0.0	3.1	2.9	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	1.0	0.5	13.5
Moderate	1	25	14.3	3.3	6.1	3.7	13.4
Middle	1	73	14.3	9.7	15.0	12.0	17.8
Upper	2	265	28.6	35.1	63.7	68.7	55.3
Unknown	3	392	42.9	51.9	14.2	15.1	0.0
Total	7	755	100.0	100.0	100.0	100.0	100.0
¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. ² The percentage of families is based on 2010 ACS 5-year estimates. ³ Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages may vary due to automated rounding differences.)							

Small Business Lending

The distribution of lending based on revenue levels of the businesses reflects an adequate penetration among businesses of different sizes. The bank faces significant competition from larger traditional banks and nontraditional lenders. This makes it harder for the bank to originate small business loans in the assessment area. During the review period, 21 loans were sampled in this assessment area. There were 12 loans (57.1%) totaling \$419,000 made to small businesses.

Distribution of 2016 Business Loans By Revenue Size North Collin County Assessment Area					
Business Revenue	Small Business Loans				% of Businesses by Revenue
	#	\$(000)	# %	\$ %	
\$1MM or less	12	419	57.1	37.5	94.6
Over \$1MM	3	87	14.3	7.8	4.4
Income Not Known	0	0	0.0	0.0	1.0
Total	21	1,117	71.4	45.3	100.0
Business and farm demographic figures based on 2016 Dun & Bradstreet Data. (NOTE: Total percentages may vary due to automated rounding differences.)					

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that 66.6% of the bank's commercial loans were made in loan amounts of \$50,000 or less.

DISTRIBUTION OF 2016 BUSINESS LOANS BY LOAN AMOUNT NORTH COLLIN COUNTY ASSESSMENT AREA				
Loan Amount	#	# %	\$(000)	\$ %
\$10,000 or less	2	9.6	13	1.2
\$10,001 - \$25,000	5	23.8	90	8.0
\$25,001 - \$50,000	7	33.3	260	23.0
Over \$50,000	7	33.3	765	67.8
Total	21	100.0	1117	100.00

Geographic Distribution of Loans

The distribution of the institution's loans among moderate-income geographies reflects a reasonable dispersion throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns. The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in low- and moderate-income geographies.

Residential Real Estate (HMDA) Lending:

Mortgage lending is not a material product in this assessment area. As such, a meaningful analysis could not be performed.

Home Purchase Loans

In 2015, the bank originated eight home purchase loans totaling \$1.3 million dollars. One loan, totaling \$112 thousand was located in a moderate-income census tract. In 2016, the bank originated seven home purchase loan totaling \$755 thousand. One loan, totaling \$73 thousand, was located in a moderate-income census tract.

Home Refinance/Home Improvement/Multifamily Loans

These are not significant products for the bank. In 2015, one home improvement loan, totaling \$65 thousand was originated. In 2016, no loans of these types were originated by the bank.

The tables on the following pages illustrate the assessment area's demographics and HMDA lending for the bank and aggregate lenders for 2015 and 2016.

Distribution of 2015 HMDA Loans by Income Level of Geography North Collin County Assessment Area							
Census Tract Income	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	112	12.5	8.5	3.3	2.6	6.1
Middle	3	542	37.5	41.3	23.4	17.5	28.8
Upper	4	657	50.0	50.1	73.3	79.9	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	8	1,311	100.0	100.0	100.0	100.0	100.0
Home Refinance Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	3.8	3.2	6.1
Middle	0	0	0.0	0.0	17.7	13.1	28.8
Upper	0	0	0.0	0.0	78.5	83.8	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	4.0	4.1	6.1
Middle	0	0	0.0	0.0	15.7	9.8	28.8
Upper	1	65	100.0	100.0	80.3	86.1	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	65	100.0	100.0	100.0	100.0	100.0
Multifamily Loans							% of MF Units²
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	41.7	6.2	43.7
Middle	0	0	0.0	0.0	16.7	2.2	17.6
Upper	0	0	0.0	0.0	41.7	91.6	38.7
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	112	11.1	8.1	3.5	2.9	6.1
Middle	3	542	33.3	39.4	21.3	15.6	28.8
Upper	5	722	55.6	52.5	75.2	81.5	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	9	1,376	100.0	100.0	100.0	100.0	100.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers.

² The percentage of owner-occupied housing units and multifamily structures by tract is based on 2010 ACS 5-year estimates and 2015 FFIEC census tract designations.

³ Only includes loans with unreported geocode information. Does not include loans in tracts where the income category is 'unknown', which is 0.0% for the bank and 0.0% for aggregate.

(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution of 2016 HMDA Loans by Income Level of Geography North Collin County Assessment Area							
Census Tract Income	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000s)	# %	\$ %	# %	\$ %	
Home Purchase Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	73	14.3	9.7	3.1	2.6	6.1
Middle	4	457	57.1	60.5	26.9	20.8	28.8
Upper	2	225	28.6	29.8	69.9	76.6	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	7	755	100.0	100.0	100.0	100.0	100.0
Home Refinance Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	3.2	2.5	6.1
Middle	0	0	0.0	0.0	18.3	13.6	28.8
Upper	0	0	0.0	0.0	78.6	84.0	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	4.4	2.8	6.1
Middle	0	0	0.0	0.0	19.4	11.8	28.8
Upper	0	0	0.0	0.0	76.2	85.5	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Multifamily Loans							% of MF Units²
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	25.0	5.9	43.7
Middle	0	0	0.0	0.0	25.0	15.7	17.6
Upper	0	0	0.0	0.0	50.0	78.3	38.7
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	73	14.3	9.7	3.2	2.6	6.1
Middle	4	457	57.1	60.5	23.6	18.2	28.8
Upper	2	225	28.6	29.8	73.2	79.2	65.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	7	755	100.0	100.0	100.0	100.0	100.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers.

² The percentage of owner-occupied housing units and multifamily structures by tract is based on 2010 ACS 5-year estimates and 2016 FFIEC census tract designations.

³ Only includes loans with unreported geocode information. Does not include loans in tracts where the income category is 'unknown', which is 0.0% for the bank and 0.0% for aggregate.

(NOTE: Total percentages may vary due to automated rounding differences.)

Small Business Lending

The bank made five small business loans, totaling \$388 thousand, in moderate-income tracts. This performance materially exceeded the percentage of business in these tracts based on number and dollar amount of originations. The bank achieved this performance despite significant competition from larger traditional bank lenders and nontraditional creditors.

Distribution by Income Level of Geography North Collin County Assessment Area July 1 - December 31, 2016					
Census Tract Income Level	Small Business Loans				% of Businesses
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	5	388	23.8	34.7	12.5
Middle	9	441	42.9	39.5	20.8
Upper	7	288	33.3	25.8	66.7
Unknown	0	0	0.0	0.0	0.0
Total	21	1,117	100.0	100.0	100.0
The percentages of businesses by tract are based on 2016 Dun & Bradstreet Data and 2016 FFIEC census tract designations. (NOTE: Total percentages may vary due to automated rounding differences.)					

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is adequate considering its capacity and the need and available opportunities. The bank has applied its community development resources strategically to meet the substance of community needs, through qualified loans, investments, donations, and social services targeted to low- and moderate-income individuals in its community. The focus of the bank's community development initiatives have been in the areas of affordable housing and providing services to LMI individuals.

The table below depicts a summary of the bank's community development activities in North Collin County since the bank became an intermediate small bank under CRA guidelines.

NORTH COLLIN COUNTY ASSESSMENT AREA									
COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
	#	\$(000s)	Investments		Donations		Total Investments		Hours
			#	\$(000s)	#	\$(000s)	#	\$(000s)	
Affordable Housing	3	\$658		-		-		-	-
Community Services		-			7	\$10	7	\$10	142
Economic Development	1	\$300		-		-		-	-
Revitalization and Stabilization		-		-		-		-	-
Totals	4	\$958			7	\$10	7	\$10	142

APPENDICES

Appendix A - 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, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts average about 4,000 inhabitants, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to the population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language.

1. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals.
2. Community services targeted to low- or moderate-income individuals.
3. 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.
4. Activities that revitalize or stabilize –
 - a. Low- or moderate-income geographies.
 - b. Designated disaster areas.
 - c. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - i. Rates of poverty, unemployment, and population loss.
 - ii. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.
5. Loans, investments, and services by financial institutions that-
 - a. Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP).
 - b. Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees.
 - c. Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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).

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 income of the applicants; the amount of loan requested; and the disposition of the application (for example, approved, denied, or 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 refinancing 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.

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.

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.

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) and the Thrift Financial Reporting (TFR) 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 instructions for preparation of the 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.

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