

# **PUBLIC DISCLOSURE**

January 8, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Commercial State Bank  
RSSD # 361653

200 South Main Street  
Andrews, Texas 79714

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 RATING

**This institution is rated Needs to Improve.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Needs to Improve**

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

- A substantial majority of HMDA and Small Business loans, 90.5% of the number and 91.2% of the dollar volume, originated inside the bank's assessment areas.
- A reasonable net loan-to-deposit ratio (LTD) of 79.8% as of September 30, 2017, with a quarterly average of 76.2% 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 Needs to Improve based on the following criteria:

- The institution's Community Development performance demonstrates poor responsiveness to community development needs in its assessment areas 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 areas.

## 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.

HMDA lending for the period January 1, 2014 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 April 1, 2017 and September 30, 2017 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 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 the conclusion of the previous CRA evaluation as of October 14, 2014. The lending test rating and community development test rating were combined to determine the overall CRA rating.

The bank's operations are concentrated in the nonmetropolitan Andrews and Gaines Counties assessment area and Midland and Ector counties assessment area; therefore, these two assessment areas were reviewed utilizing the Federal Financial Institutions Examination Council's (FFIEC) full scope procedures. The bank's Lubbock County assessment area was reviewed using the limited scope review procedures.

**Description of Institution**

Commercial State Bank operates seven full service branches, including its main office in Andrews, Texas. The branches are located in Andrews, Midland, Odessa, Seminole, and Lubbock. The bank's business strategy is oriented to provide for the banking needs of commercial customers with an emphasis on small and midsized companies in the oil and gas service and production fields. There is also an emphasis on agricultural, real estate, and general commercial lending. The institution is a wholly-owned subsidiary of Andrews Holding Company, Andrews, Texas (AHC).

<b>Retail Locations</b>				
<b>NAME ADDRESS</b>	<b>TRACT INCOME LEVEL COUNTY</b>	<b>ATM (Yes/No)/ DEPOSIT- TAKING CAPABILITY</b>	<b>LOBBY HOURS</b>	<b>DRIVE-THRU HOURS</b>
<b>Full Service Branches</b>				
<b>Main Branch</b> 200 South Main Andrews, Texas 79714	9503.00 Middle Andrews	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm
<b>Lubbock</b> 6533 82nd Lubbock, Texas 79424	0017.07 Upper Lubbock	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm
<b>Midland</b> 407 N Big Spring Midland, Texas 79701	0102.00 Moderate Midland	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm
<b>West Midland Branch</b> 4409 W Wadley Ave Midland, Texas 79707	0101.06 Middle Midland	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm
<b>Odessa Branch</b> 2525 North Grandview Odessa, Texas 79761	0016.00 Middle Ector	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm
<b>Kermit Hwy Branch</b> 3018 Kermit Hwy Odessa, Texas 79764	0007.00 Moderate Ector	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm
<b>Seminole Branch</b> 505 North Main Street Seminole, Texas 79360	9503.00 Middle Gaines	Yes No Deposits	Monday-Friday 9am-4pm	Mon-Fri 7:30 am-6pm Sat 9am-1pm

As of September 30, 2017, the bank reported total assets of approximately \$536.4 million, gross loans of \$383.3 million, total deposits of \$469.9 million, and a net loan-to-deposit ratio of 79.8%. The following table reflects the loan portfolio mix:

Product	9/30/2017 \$(000's)	% of Loans	9/30/2016 \$(000's)	% of Loans
<u>Real Estate</u>				
1-4 Family Residential Construction Loans	11,259	5.0	7,712	3.5
Other Construction Loans & Land Development & Other	29,075	13.1	32,158	14.8
Farm Land	17,233	7.7	23,849	10.9
1-4 Family Residential Secured by First Liens	18,044	8.1	19,282	8.8
1-4 Family Residential Secured by Junior Liens	35	0.0	87	0.0
Multifamily	4,538	2.0	3,869	1.8
<u>Nonfarm Nonresidential</u>				
Loans Secured Owner Occupied Nonfarm Nonresidential	82,085	37.1	81,701	37.6
Loans Secured by Other Nonfarm Nonresidential	58,773	26.5	48,361	22.3
Total Real Estate	221,042	57.7	217,019	58.4
Agricultural	18,830	4.9	17,387	4.7
Commercial and Industrial	137,617	35.9	130,941	35.3
Consumer	5,823	1.5	6,019	1.6
Other	25	0.0	27	0.0
<b>Gross Loans</b>	<b>383,337</b>	<b>100.0</b>	<b>371,393</b>	<b>100.0</b>

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 October 14, 2014 performed by the Federal Deposit Insurance Corporation.

### Description of Assessment Areas

The bank maintains three assessment areas. The first is comprised of non-metropolitan Andrews and Gaines counties. In this assessment area there are two branches, including the main office, which hold approximately 31.4% of the bank's total deposits. The second assessment area is comprised of Midland and Ector counties. Midland County is one of two counties in the Midland Metropolitan Statistical Area (MSA). Ector County is the only county in the Odessa MSA. The two MSAs comprise the Midland-Odessa, Texas Combined Statistical Area (CSA). Midland and Ector counties are combined as one assessment area for this analysis. In Midland and Ector counties, there are four branches which hold approximately 60.1% of the bank's total deposits. The third assessment area is comprised of Lubbock County. In the Lubbock County assessment area, there is one branch which holds approximately 8.5% of the bank's total deposits. Additional information can be seen in the separate assessment area discussions.

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 a Satisfactory. The bank's net loan-to-deposit (LTD) ratio is reasonable. A substantial majority of loans were extended inside the assessment areas. The distribution of loans to low- and moderate-income 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.

#### 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 79.8%

The bank's net LTD ratio is considered reasonable given the bank's size and financial condition, the credit needs of the assessment area, and the competitive local banking environment. As of September 30, 2017, the net LTD ratio was 79.8%, and the quarterly average since the previous evaluation was 76.2%.

To better understand the bank's performance in relation to its assessment area, a comparison of three 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 66.5% to 81.7%, as of September 30, 2017. Their quarterly average net LTD ratios ranged from 65.2% to 81.6%. As noted, the bank's LTD ratios are similar to the majority of its peers and reflect favorably upon the bank's efforts to meet the credit needs of its community.

#### Lending in Assessment Area

A substantial majority of the bank's loans were originated inside its assessment areas. As shown in the table below, the bank extended 181 or 90.5% by number inside its assessment areas.

Lending Inside and Outside the Bank's Assessment Area								
Bank Loans	Inside				Outside			
	#	\$(000s)	# %	\$ %	#	\$(000s)	# %	\$ %
Home Purchase - Conventional	78	10,560	88.6	87.8	10	1,461	11.4	12.2
Refinancing	8	3,712	100.0	100.0	0	0	0.0	0.0
Home Improvement	4	340	100.0	100.0	0	0	0.0	0.0
Multi-Family Housing	1	3,500	100.0	100.0	0	0	0.0	0.0
<b>Total HMDA-Related</b>	<b>91</b>	<b>18,112</b>	<b>90.1</b>	<b>92.5</b>	<b>10</b>	<b>1,461</b>	<b>9.9</b>	<b>7.5</b>
<b>Small Business</b>	90	8,143	90.9	88.3	9	1,082	9.1	11.7
<b>TOTAL LOANS</b>	<b>181</b>	<b>26,255</b>	<b>90.5</b>	<b>91.2</b>	<b>19</b>	<b>2,543</b>	<b>9.5</b>	<b>8.8</b>

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

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.

#### 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. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

#### Geographic Distribution of Loans

The distribution of the institution's loans among low- and moderate-income geographies reflects a reasonable dispersion throughout the assessment areas. 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. 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 poor considering the bank's capacity and the need and available opportunities. Data supporting this analysis can be seen in detail in the separate assessment area discussions.

The table below depicts a summary of the bank's community development activities since the last CRA evaluation for all the assessment areas.

<b>ALL ASSESSMENT AREAS</b>									
<b>COMMUNITY DEVELOPMENT ACTIVITIES</b>									
<b>Purpose</b>	<b>Community Development Loans</b>		<b>Qualified Investments</b>						<b>Community Development Services</b>
			<b>Investments</b>		<b>Donations</b>		<b>Total Investments</b>		
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>Hours</b>
Affordable Housing	4	310	-	-	-	-	-	-	-
Community Services	-	-	-	-	6	4	6	4	307
Economic Development	-	-	-	-	-	-	-	-	-
Revitalization and Stabilization	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>4</b>	<b>310</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>307</b>

## **METROPLITAN AREA (Full Scope Review)**

### **Description of Institution's Operations in Midland and Ector Counties**

The Midland and Ector counties assessment area is comprised of Midland and Ector counties. Midland and Ector counties are located between Fort Worth and El Paso, Texas, in the part of Texas known as the Permian Basin. The local economy is heavily dependent on petroleum industry. The area is among the fastest growing in the United States. The 2016 population of Midland is estimated at 162,565, up 18.8% since the 2010 census. The 2016 population of Ector County is estimated at 157,462, up 14.8% from the 2010 census. The City of Midland is the county seat of Midland County and Odessa is the county seat of Ector County.

According to the FDIC report for June 2017, there are 21 financial institutions in Midland and Ector counties. The bank ranks tenth in the market with four offices and 3.0% of the market share. Wells Fargo Bank, National Association holds the largest share of the market at 18.7%, followed by Frost Bank at 13.0%, and Bank of America, National Association with 11.4% of the market share in the area. In 2016 there were a total of 336 HMDA reporters in this market. The bank made four of the 9,330 HMDA reported loans. This represents 0.04% of the market share.

The following table details selected characteristics of the assessment area.

Midland and Ector Counties 2015 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	2	3.6	1,763	2.6	557	31.6	15,931	23.2
Moderate-Income	13	23.6	12,737	18.5	2,776	21.8	11,035	16.0
Middle-Income	23	41.8	32,871	47.8	3,697	11.2	13,517	19.7
Upper-Income	16	29.1	21,384	31.1	1,207	5.6	28,272	41.1
Unknown-Income	1	1.8	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>55</b>	<b>100.0</b>	<b>68,755</b>	<b>100.0</b>	<b>8,237</b>	<b>12.0</b>	<b>68,755</b>	<b>100.0</b>
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	2,839	1,585	2.4	55.8	909	32.0	345	12.2
Moderate-Income	19,803	11,951	18.0	60.3	6,027	30.4	1,825	9.2
Middle-Income	49,434	32,419	48.8	65.6	13,009	26.3	4,006	8.1
Upper-Income	33,293	20,434	30.8	61.4	10,441	31.4	2,418	7.3
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>105,369</b>	<b>66,389</b>	<b>100.0</b>	<b>63.0</b>	<b>30,386</b>	<b>28.8</b>	<b>8,594</b>	<b>8.2</b>
	Total Businesses by Tract	Businesses By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	263	1.7	238	1.7	24	1.7	1	2.8
Moderate-Income	3,411	22.1	3,023	21.6	377	26.7	11	30.6
Middle-Income	6,548	42.4	5,873	42.0	661	46.8	14	38.9
Upper-Income	5,175	33.5	4,828	34.5	339	24.0	8	22.2
Unknown-Income	45	0.3	31	0.2	12	0.8	2	5.6
<b>Total AA</b>	<b>15,442</b>	<b>100.0</b>	<b>13,993</b>	<b>100.0</b>	<b>1,413</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>			90.6		9.2		0.2	
	Total Farms by Tract	Farms By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	1	0.4	1	0.4	0	0.0	0	0.0
Moderate-Income	36	13.5	35	13.2	1	100.0	0	0.0
Middle-Income	126	47.2	126	47.4	0	0.0	0	0.0
Upper-Income	104	39.0	104	39.1	0	0.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>267</b>	<b>100.0</b>	<b>266</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percent of Total Farms:</b>			99.6		0.4		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2015 FFIEC Online Census Data System tract designations, and 2015 Dun & Bradstreet data.

Midland and Ector Counties 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	2	3.6	1,763	2.6	557	31.6	15,931	23.2
Moderate-Income	13	23.6	12,737	18.5	2,776	21.8	11,035	16.0
Middle-Income	23	41.8	32,871	47.8	3,697	11.2	13,517	19.7
Upper-Income	16	29.1	21,384	31.1	1,207	5.6	28,272	41.1
Unknown-Income	1	1.8	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>55</b>	<b>100.0</b>	<b>68,755</b>	<b>100.0</b>	<b>8,237</b>	<b>12.0</b>	<b>68,755</b>	<b>100.0</b>
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	2,839	1,585	2.4	55.8	909	32.0	345	12.2
Moderate-Income	19,803	11,951	18.0	60.3	6,027	30.4	1,825	9.2
Middle-Income	49,434	32,419	48.8	65.6	13,009	26.3	4,006	8.1
Upper-Income	33,293	20,434	30.8	61.4	10,441	31.4	2,418	7.3
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>105,369</b>	<b>66,389</b>	<b>100.0</b>	<b>63.0</b>	<b>30,386</b>	<b>28.8</b>	<b>8,594</b>	<b>8.2</b>
	Total Businesses by Tract	Businesses By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	224	1.6	197	1.6	26	1.7	1	1.0
Moderate-Income	3,092	22.7	2,648	22.1	417	26.8	27	26.5
Middle-Income	5,668	41.6	4,910	41.0	730	46.9	28	27.5
Upper-Income	4,593	33.7	4,181	34.9	368	23.6	44	43.1
Unknown-Income	48	0.4	30	0.3	16	1.0	2	2.0
<b>Total AA</b>	<b>13,625</b>	<b>100.0</b>	<b>11,966</b>	<b>100.0</b>	<b>1,557</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>				<b>87.8</b>	<b>11.4</b>			
	Total Farms by Tract	Farms By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	1	0.5	1	0.5	0	0.0	0	0.0
Moderate-Income	27	13.3	26	12.9	1	100.0	0	0.0
Middle-Income	90	44.3	90	44.6	0	0.0	0	0.0
Upper-Income	85	41.9	85	42.1	0	0.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>203</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percent of Total Farms:</b>				<b>99.5</b>	<b>0.5</b>			

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:

The Midland and Ector Counties assessment area has 55 census tracts. Of these two or 3.6% are low-income, 13 or 23.6% are moderate-income, 23 or 41.8% are middle-income, 16 or 29.1% are upper-income, and one or 1.8% is unknown income. Of the families in the assessment area, 12.0% are living below the poverty level, as compared to 13.0% of

families in Texas. The median family income is \$59,719 for the assessment area, compared to the median family income of \$58,142 for the state of Texas.

**Housing:**

According to 2010 census data, there are approximately 105,369 housing units in the Midland and Ector Counties Assessment Area. Of the total housing in the area, 63.0% of the units are classified as owner-occupied units while 28.8% are rental units and 8.2% of the available housing is vacant. The distribution of owner-occupied housing units in the assessment area by census tract income is as follows: 2.4% low-income, 18.0% moderate-income, 48.8% middle-income, and 30.8% upper-income. The median housing value was \$94,063 in the assessment area compared to the statewide value of \$123,500. The median gross rent for the state of Texas is \$786. The median gross rent in the assessment area is approximately is \$705.

The housing affordability ratio for the assessment area was 63.5%. 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 assessment area was more affordable compared to the state of Texas.

**Labor, Employment, and Economic Characteristics:**

Unemployment rates for the assessment area were generally lower than those of the State of Texas and the national average. However, in 2016, unemployment in Ector County spiked higher. The national average unemployment rates for 2015 and 2016 were 5.3% and 4.9%, respectively. The following chart shows unemployment rates relevant to the assessment area from the 2010 census as well as rates provided by the U.S. Bureau of Labor Statistics for review years 2015 and 2016.

Area	Annual Average Unemployment Rate		
	2010	2015	2016
Midland County	5.0%	2.8%	4.4%
Ector County	7.0%	3.5%	6.4%
State of Texas	8.1%	4.5%	4.6%
United States	9.6%	5.3%	4.9%

The most common industry employment in Midland County according to the 2015 American Community Survey (ACS) are mining, quarrying, oil, gas extraction, retail trade, and healthcare and social assistance. From 2014 to 2015, employment in Midland County grew at a rate of 4.02% from 73,777 employees to 76,743 employees. According to ACS, mining, quarrying, oil, gas and extraction, retail trade, and healthcare and social assistance are the most common employment sectors in Ector County. According to 2016 Dun & Bradstreet (D&B) data, there are 13,625 businesses in the assessment area

and 203 farms. A vast majority, 87.8%, of businesses reported revenues of \$1.0 million or less. Additionally, 99.5% of farms reported revenues of \$1.0 million or less.

**Community Contacts and Credit Needs:**

A community contact in local economic development stated that housing levels are low and there is a need for affordable housing and down payment assistance.

**Conclusions with Respect to Performance Tests in Midland and Ector Counties**

**LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES 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 different size. The analysis is based on the bank’s small business lending. This is consistent with the bank’s business strategy and the limited mortgage lending in the assessment area.

The following table depicts the referenced income level ranges:

<b>Income Level</b>	<b>2016 Midland MSA</b>	<b>2016 Odessa MSA</b>
Median Income	\$87,300	\$61,000
Low-income	< \$43,650	< \$30,500
Moderate-income	\$43,650 < \$ 69,840	\$ 30,500 < \$ 48,800
Middle-income	\$69,840 < \$104,760	\$48,800 < \$73,200
Upper-income	≥ \$ 104,760	≥ \$ 73,200

**Residential Real Estate (HMDA) Lending:**

A meaningful analysis of residential real estate (HMDA) lending could not be conducted, due to the volume of lending. For 2015 and 2016, the bank made three and four loans respectively in the assessment area. The following is provided for informational purposes only. In 2015, aggregate lenders made 3.6% by number and 1.4% by dollar volume of loans to low-income borrowers. In 2016, they made 4.8% by number and 2.4% by dollar volume to low-income borrowers. The low level of lending may indicate limited demand. Lending to moderate-income borrowers by aggregate lenders in 2015 was 13.8% by number and 8.0% by dollar. For 2016, aggregate lenders reported 15.3% by number and 11.0% by dollar. Approximately 23.2% of the families in the assessment area are low-income and 16.0% are moderate-income.

The tables below detail the HMDA lending for the bank and aggregate lenders for 2015 and 2016.

Distribution of 2015 HMDA Loans by Borrower Income Level Midland and Ector Counties Assessment Area							
Borrow Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	3.7	1.6	23.2
Moderate	0	0	0.0	0.0	15.5	9.9	16.0
Middle	0	0	0.0	0.0	22.8	19.4	19.7
Upper	1	142	50.0	33.6	38.7	45.9	41.1
Unknown	1	280	50.0	66.4	19.3	23.2	0.0
Total	2	422	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	2.6	1.3	23.2
Moderate	0	0	0.0	0.0	8.4	5.0	16.0
Middle	0	0	0.0	0.0	16.0	11.7	19.7
Upper	0	0	0.0	0.0	42.0	48.5	41.1
Unknown	0	0	0.0	0.0	31.0	33.5	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	7.4	2.1	23.2
Moderate	0	0	0.0	0.0	15.6	9.2	16.0
Middle	0	0	0.0	0.0	23.6	20.6	19.7
Upper	1	200	100.0	100.0	50.4	64.8	41.1
Unknown	0	0	0.0	0.0	2.9	3.3	0.0
Total	1	200	100.0	100.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	3.6	1.4	23.2
Moderate	0	0	0.0	0.0	13.8	8.0	16.0
Middle	0	0	0.0	0.0	21.2	16.0	19.7
Upper	2	342	66.7	55.0	39.8	42.0	41.1
Unknown	1	280	33.3	45.0	21.5	32.7	0.0
Total	3	622	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. <sup>2</sup> The percentage of families is based on 2010 ACS 5-year estimates. (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)							

Distribution of 2016 HMDA Loans by Borrower Income Level Midland and Ector Counties Assessment Area							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	4.8	2.6	23.2
Moderate	0	0	0.0	0.0	17.2	12.8	16.0
Middle	1	237	33.3	34.8	25.1	23.6	19.7
Upper	1	230	33.3	33.7	33.4	43.6	41.1
Unknown	1	215	33.3	31.5	19.5	17.5	0.0
Total	3	682	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	4.1	2.0	23.2
Moderate	0	0	0.0	0.0	9.8	6.2	16.0
Middle	0	0	0.0	0.0	15.4	12.4	19.7
Upper	0	0	0.0	0.0	35.3	44.4	41.1
Unknown	1	1,632	100.0	100.0	35.4	34.9	0.0
Total	1	1,632	100.0	100.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	10.2	5.1	23.2
Moderate	0	0	0.0	0.0	17.8	13.2	16.0
Middle	0	0	0.0	0.0	21.9	16.4	19.7
Upper	0	0	0.0	0.0	46.2	59.3	41.1
Unknown	0	0	0.0	0.0	3.9	6.0	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	4.8	2.4	23.2
Moderate	0	0	0.0	0.0	15.3	11.0	16.0
Middle	1	237	25.0	10.2	22.4	20.4	19.7
Upper	1	230	25.0	9.9	34.4	43.7	41.1
Unknown	2	1,847	50.0	79.8	23.0	22.3	0.0
Total	4	2,314	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. <sup>2</sup> The percentage of families is based on 2010 ACS 5-year estimates. (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)							



### Small Business Loans

The distribution of small business loans to businesses of different size is reasonable. To determine the bank's performance, the small business lending is compared to the number of small businesses located in the assessment area. The CRA defines a small business as a business with annual gross revenue of \$1 million or less. Of the sampled loans, 41 originated in the assessment area. Of these, 30 or 73.2% by number and 45.6% by dollar volume were originated to small businesses. This is reasonable given the competition in the assessment area.

Distribution by Revenue Size of Business Midland and Ector Counties Assessment Area April 01 - September 30, 2017					
Business Revenue	Small Business Loans				% of Businesses by Revenue
	#	\$(000)	# %	\$ %	
\$1MM or less	30	2,202	73.2	45.6	87.8
Over \$1MM	7	1,673	17.1	34.7	11.4
Income Not Known	2	178	4.9	3.7	0.7
Total	41	4,828	95.1	83.9	100.0
Business and farm demographic figures based on 2017 Dun & Bradstreet Data. (NOTE: Total percentages may vary due to automated rounding differences.)					

### Geographic Distribution of Loans

The distribution of the institution's loans among low- and moderate-income geographies reflects a reasonable dispersion throughout the assessment area. The analysis is based on the bank's small business based on loan volume the bank's business strategy. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

### Residential Real Estate (HMDA) Lending:

A meaningful analysis could not be conducted, due to the volume of residential real estate (HMDA) lending. For 2015 and 2016, the bank made three and four loans respectively in the assessment area. The following is provided for informational purposes only. The bank made no loans in low- or moderate-income census tracts in 2015 or 2016. Aggregate lenders made few loans in low-or moderate-income census tracts. This may indicate that there is limited demand. Approximately 2.4% and 18.0% of the owner occupied housing units are in low- and moderate-income census tracts, respectively.

Distribution of 2015 HMDA by Income Level of Geography Midland and Ector Counties Assessment Area							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	1.5	1.1	2.4
Moderate	0	0	0.0	0.0	7.7	4.8	18.0
Middle	0	0	0.0	0.0	40.7	39.1	48.8
Upper	2	422	100.0	100.0	50.1	55.1	30.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	2	422	100.0	100.0	100.0	100.0	100.0
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	1.4	0.9	2.4
Moderate	0	0	0.0	0.0	6.7	4.3	18.0
Middle	0	0	0.0	0.0	43.0	38.6	48.8
Upper	0	0	0.0	0.0	48.9	56.2	30.8
Unknown <sup>3</sup>	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
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	2.4	0.7	2.4
Moderate	0	0	0.0	0.0	13.5	10.2	18.0
Middle	1	200	100.0	100.0	48.8	42.1	48.8
Upper	0	0	0.0	0.0	35.3	47.1	30.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	200	100.0	100.0	100.0	100.0	100.0
<b>Multifamily Loans</b>							<b>% of MF Units<sup>2</sup></b>
Low	0	0	0.0	0.0	9.1	42.2	0.6
Moderate	0	0	0.0	0.0	0.0	0.0	10.9
Middle	0	0	0.0	0.0	54.5	39.5	38.3
Upper	0	0	0.0	0.0	36.4	18.3	50.2
Unknown <sup>3</sup>	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
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	1.5	1.9	2.4
Moderate	0	0	0.0	0.0	7.7	4.4	18.0
Middle	1	200	33.3	32.2	41.5	41.1	48.8
Upper	2	422	66.7	67.8	49.2	52.6	30.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	3	622	100.0	100.0	100.0	100.0	100.0

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

<sup>2</sup> 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.

<sup>3</sup> 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 by Income Level of Geography Midland and Ector Counties Assessment Area							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	1.4	1.0	2.4
Moderate	0	0	0.0	0.0	8.2	5.2	18.0
Middle	0	0	0.0	0.0	37.8	33.4	48.8
Upper	3	682	100.0	100.0	52.5	60.3	30.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	3	682	100.0	100.0	100.0	100.0	100.0
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	0.9	0.5	2.4
Moderate	0	0	0.0	0.0	7.6	4.5	18.0
Middle	1	1,632	100.0	100.0	42.4	37.7	48.8
Upper	0	0	0.0	0.0	49.1	57.3	30.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	1,632	100.0	100.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	2.4	0.7	2.4
Moderate	0	0	0.0	0.0	11.4	7.1	18.0
Middle	0	0	0.0	0.0	50.9	50.6	48.8
Upper	0	0	0.0	0.0	35.3	41.6	30.8
Unknown <sup>3</sup>	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
<b>Multifamily Loans</b>							<b>% of MF Units<sup>2</sup></b>
Low	0	0	0.0	0.0	9.1	42.2	0.6
Moderate	0	0	0.0	0.0	0.0	0.0	10.9
Middle	0	0	0.0	0.0	54.5	39.5	38.3
Upper	0	0	0.0	0.0	36.4	18.3	50.2
Unknown <sup>3</sup>	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
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	1.3	1.2	2.4
Moderate	0	0	0.0	0.0	8.2	5.0	18.0
Middle	1	1,632	25.0	70.5	39.6	34.8	48.8
Upper	3	682	75.0	29.5	50.9	58.9	30.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	4	2,314	100.0	100.0	100.0	100.0	100.0

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

<sup>2</sup> 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.

<sup>3</sup> 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 Loans

The geographic distribution of small business loans is reasonable. There was no lending in low-income tracts which is acceptable given only 1.5% of businesses are located in these census tracts. Of the 41 sampled loans in the assessment area, the bank made 10 or 24.4% by number and 21.7% by dollar volume in moderate-income census tracts. Approximately 24.6% of the assessment area's businesses are located in moderate-income census tracts.

Distribution by Income Level of Geography Midland and Ector Counties April 1 - September 30, 2017					
Census Tract Income Level	Small Business Loans				% of Businesses
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	1.5
Moderate	10	1,049	24.4	21.7	24.6
Middle	15	1,053	36.6	21.8	36.0
Upper	16	2,724	39.0	56.4	37.5
Unknown	0	0	0.0	0.0	0.4
Total	41	4,826	100.0	100.0	100.0

The percentages of businesses are based on 2017 Dun & Bradstreet Data and 2017 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 poor considering the bank's capacity and the need and available opportunities. Community development activity was limited to four loans, totaling \$310 thousand, for affordable housing and 125 hours of services targeting low- and moderate-income families.

The table below depicts a summary of the bank's community development activities since the last CRA evaluation the assessment area.

<b>MIDLAND AND ECTOR COUNTIES ASSESSMENT AREA</b>									
<b>COMMUNITY DEVELOPMENT ACTIVITIES</b>									
<b>Purpose</b>	<b>Community Development Loans</b>		<b>Qualified Investments</b>						<b>Community Development Services</b>
			<b>Investments</b>		<b>Donations</b>		<b>Total Investments</b>		
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>Hours</b>
Affordable Housing	4	310	-	-	-	-	-	-	-
Community Services	-	-	-	-	4	3	-	-	125
Economic Development	-	-	-	-	-	-	-	-	-
Revitalization and Stabilization	-	-	-	-	1	-	-	-	-
<b>Totals</b>	<b>4</b>	<b>310</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>125</b>

**METROPLITAN AREA (Limited Scope Procedures)**

**Description of Institution’s Operations in Lubbock County**

The assessment area consists of Lubbock County, one of three counties in the Lubbock MSA. The city of Lubbock is the county seat. According to the FDIC, as of June 30, 2017, the bank operated one branch in the assessment area, representing 21.9% of its branches which held 8.5% of total deposits. The bank ranks 21<sup>st</sup> out of 25 banks in the market, holding 0.5% of the deposit market share. PlainsCapital Bank and City Bank dominate the market, holding 18.7% and 17.3%, respectively, of the deposit market share. In 2016, there were 322 financial institutions reporting HMDA data. The bank made 22 or 0.2% of the 9,613 HMDA loans reported by all lenders.

**Conclusions with Respect to Performance Tests**

Through the use of available facts and data, including performance and demographic information, each assessment area’s performance was evaluated and compared with the bank’s performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix A for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and Small Business lending for the limited scope assessment areas can be found in Appendix A.

Assessment Area	Lending Test	Community Development Test
Lubbock	Consistent	Below

The performance in the limited-scope assessment areas did not change the bank's overall rating.

### **NONMETROPOLITAN AREA (Full Scope Review)**

#### **Description of Institution's Operations in Andrews and Gaines Counties**

The Andrews and Gaines counties assessment area is comprised of Andrews and Gaines Counties. Andrews and Gaines counties are located between Fort Worth and El Paso, Texas, in the part of Texas known as the Permian Basin. The local economy is heavily dependent on the petroleum industry. The area is among the fastest growing in the United States. The 2016 population of Andrews County was estimated at 17,760, up 20.1% since the 2010 census. The 2016 population of Gaines County was estimated at 20,478, up 16.8% from the 2010 census. The City of Andrews is the county seat of Andrews County and Seminole is the county seat of Gaines County.

According to the FDIC report for June 2017, there are four financial institutions in Andrews and Gaines counties. The bank ranks third in the market with two offices and 24.54% of the deposit market share. First United Bank holds 30.6% of the market, The National Bank of Andrews holds 25.5%, and West Texas National Bank with 19.3% of the market share are the other three banks in the area. In 2016, there were a total of 115 HMDA reporters in this market. The bank made five of the 703 HMDA reported loans. This represents 0.7% of the market share.

The following table details selected characteristics of the assessment area.

Andrews and Gaines Counties 2015 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	1,437	18.2
Moderate-Income	0	0.0	0	0.0	0	0.0	923	11.7
Middle-Income	5	71.4	6,751	85.6	1,018	15.1	1,709	21.7
Upper-Income	2	28.6	1,138	14.4	89	7.8	3,820	48.4
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>7</b>	<b>100.0</b>	<b>7,889</b>	<b>100.0</b>	<b>1,107</b>	<b>14.0</b>	<b>7,889</b>	<b>100.0</b>
	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle-Income	10,209	6,695	83.1	65.6	2,432	23.8	1,082	10.6
Upper-Income	1,651	1,366	16.9	82.7	60	3.6	225	13.6
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>11,860</b>	<b>8,061</b>	<b>100.0</b>	<b>68.0</b>	<b>2,492</b>	<b>21.0</b>	<b>1,307</b>	<b>11.0</b>
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-Income	1,096	84.2	1,016	84.5	69	78.4	11	100.0
Upper-Income	206	15.8	187	15.5	19	21.6	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1,302</b>	<b>100.0</b>	<b>1,203</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>			92.4		6.8		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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-Income	154	96.3	149	96.1	5	100.0	0	0.0
Upper-Income	6	3.8	6	3.9	0	0.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>160</b>	<b>100.0</b>	<b>155</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percent of Total Farms:</b>			96.9		3.1		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2015 FFIEC Online Census Data System tract designations, and 2015 Dun & Bradstreet data.

Andrews and Gaines Counties 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	1,437	18.2
Moderate-Income	0	0.0	0	0.0	0	0.0	923	11.7
Middle-Income	5	71.4	6,751	85.6	1,018	15.1	1,709	21.7
Upper-Income	2	28.6	1,138	14.4	89	7.8	3,820	48.4
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>7</b>	<b>100.0</b>	<b>7,889</b>	<b>100.0</b>	<b>1,107</b>	<b>14.0</b>	<b>7,889</b>	<b>100.0</b>
	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle-Income	10,209	6,695	83.1	65.6	2,432	23.8	1,082	10.6
Upper-Income	1,651	1,366	16.9	82.7	60	3.6	225	13.6
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>11,860</b>	<b>8,061</b>	<b>100.0</b>	<b>68.0</b>	<b>2,492</b>	<b>21.0</b>	<b>1,307</b>	<b>11.0</b>
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-Income	996	84.2	903	84.5	81	80.2	12	92.3
Upper-Income	187	15.8	166	15.5	20	19.8	1	7.7
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1,183</b>	<b>100.0</b>	<b>1,069</b>	<b>100.0</b>	<b>101</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>			<b>90.4</b>		<b>8.5</b>		<b>1.1</b>	
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-Income	127	97.7	122	97.6	5	100.0	0	0.0
Upper-Income	3	2.3	3	2.4	0	0.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>130</b>	<b>100.0</b>	<b>125</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percent of Total Farms:</b>			<b>96.2</b>		<b>3.8</b>		<b>0.0</b>	

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:

The Andrews-Gaines Counties assessment area (AA) has seven census tracts. Of these, none are low- or-moderate income, five or 71.4% are middle income, two or 28.6% are upper income. Of the families in the assessment area, 14.0% are living below the poverty level, as compared to 13.0% of the families in Texas. The median family income is



\$55,230 for the assessment area, compared to the median family income of \$58,142 for the state of Texas.

### Housing:

According to 2010 census data, there are approximately 11,860 housing units in the Andrews and Gaines Counties Assessment Area. Of the total housing in the area, 68.0% of the units are classified as owner-occupied units while 21.0% are rental units and 11.0% of the available housing is vacant. The distribution of owner-occupied housing units in the assessment area by census tract income is 83.1% middle-income, and 16.9% upper-income. The median housing value was \$81,429 in the assessment area compared to the statewide value of \$123,500. The median gross rent for the state of Texas is \$786. The median gross rent in the assessment area is approximately is \$500.

The housing affordability ratio for the assessment area was 67.8%. 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 assessment area was more affordable compared to the state of Texas.

### Labor, Employment, and Economic Characteristics:

Unemployment rates for the assessment area were lower than those of the State of Texas and the national average. The national average unemployment rates for 2015 and 2016 were 5.3% and 4.9%, respectively. The following chart shows unemployment rates relevant to the assessment area from the 2010 census as well as rates provided by the U.S. Bureau of Labor Statistics for review years 2015 and 2016.

Area	Annual Average Unemployment Rate		
	2010	2015	2016
Andrews County	5.3%	3.8%	4.2%
Gaines County	5.9%	3.2%	2.7%
State of Texas	8.1%	4.5%	4.6%
United States	9.6%	5.3%	4.9%

The most common industry employment in Andrews County according to the 2015 American Community Survey (ACS) are mining, quarrying, oil, gas extraction, healthcare and social assistance, and construction. From 2014 to 2015, employment in Andrews County grew at a rate of 4.29% from 7,597 employees to 7,923 employees. According to ACS, the most common employment sectors in Gaines County include construction, mining, quarrying, oil, gas extraction, and educational services. According to 2016 Dun & Bradstreet (D&B) data, there are 1,183 businesses in Andrews and Gaines Counties

and 130 farms. A majority, 90.4%, of businesses reported revenues of \$1.0 million or less. Additionally, 96.2% of farms reported revenues of \$1.0 million or less.

**Community Contacts and Credit Needs:**

Contact was made with community leaders working in local government. These contacts stated that there is a need for down payment assistance and financial literacy for affordable housing applicants.

**Conclusions with Respect to Performance Tests in Andrews and Gaines Counties**

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

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. Small business received greater weight based on volume and distribution of lending as well as the bank’s business strategy.

The following table depicts the referenced income level ranges:

Income Level	2015	2016
	State Nonmetropolitan	State Nonmetropolitan
Median Income	\$57,625	\$55,230
Low-income	< \$28,812	< \$27,615
Moderate-income	\$28,812 < \$ 46,100	\$27,615 < \$ 44,184
Middle-income	\$46,100 < \$69,150	\$ 44,184 < \$66,276
Upper-income	≥ \$ 69,150	≥ \$ 66,276

**Residential Real Estate (HMDA) Lending:**

A meaningful residential real estate (HMDA) lending analysis could not be conducted, due to the volume of lending. For 2015 and 2016, the bank made five loans each year in the assessment area. The following is provided for informational purposes only. In 2015, aggregate lenders made 2.2% by number and 0.8% by dollar volume of loans to low-income borrowers. In 2016, they made 1.1% by number and 0.4% by dollar volume to low-income borrowers. The low level of lending may indicate limited demand. Lending to moderate-income borrowers by aggregate lenders in 2015 was 9.9% by number and 5.5% by dollar. For 2016, it was 9.5% by number and 5.5% by dollar. Approximately 18.2% of the families in the assessment area are low-income and 11.7% are moderate-income.

The following tables detail the bank's HMDA lending for the bank and aggregate lenders for 2015 and 2016.

Distribution of 2015 HMDA Loans by Borrower Income Level Andrews and Gaines Counties Assessment Area							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	1	118	20.0	21.7	2.2	0.8	18.2
Moderate	0	0	0.0	0.0	9.9	5.5	11.7
Middle	1	38	20.0	7.0	20.4	16.6	21.7
Upper	3	388	60.0	71.3	50.1	59.2	48.4
Unknown	0	0	0.0	0.0	17.4	17.9	0.0
Total	5	544	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	1.1	0.4	18.2
Moderate	0	0	0.0	0.0	4.2	2.5	11.7
Middle	0	0	0.0	0.0	12.1	9.9	21.7
Upper	0	0	0.0	0.0	50.5	50.8	48.4
Unknown	0	0	0.0	0.0	32.1	36.3	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	18.2
Moderate	0	0	0.0	0.0	15.0	15.2	11.7
Middle	0	0	0.0	0.0	20.0	9.7	21.7
Upper	0	0	0.0	0.0	65.0	75.1	48.4
Unknown	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
<b>Total Home Mortgage Loans</b>							
Low	1	118	20.0	21.7	1.9	0.7	18.2
Moderate	0	0	0.0	0.0	8.6	4.8	11.7
Middle	1	38	20.0	7.0	18.4	14.7	21.7
Upper	3	388	60.0	71.3	50.4	56.3	48.4
Unknown	0	0	0.0	0.0	20.7	23.5	0.0
Total	5	544	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. <sup>2</sup> The percentage of families is based on 2010 ACS 5-year estimates. (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)							

Distribution of 2016 HMDA Loans by Borrower Income Level Andrews and Gaines Counties Assessment Area							
Borrower Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	1.1	0.4	18.2
Moderate	0	0	0.0	0.0	9.5	5.5	11.7
Middle	1	104	25.0	21.9	17.6	15.6	21.7
Upper	2	155	50.0	32.6	49.0	57.5	48.4
Unknown	1	216	25.0	45.5	22.8	20.9	0.0
Total	4	475	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	0.5	0.4	18.2
Moderate	0	0	0.0	0.0	3.3	1.6	11.7
Middle	0	0	0.0	0.0	13.5	9.5	21.7
Upper	0	0	0.0	0.0	48.4	55.8	48.4
Unknown	0	0	0.0	0.0	34.4	32.7	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	11.1	9.0	18.2
Moderate	0	0	0.0	0.0	11.1	7.7	11.7
Middle	0	0	0.0	0.0	18.5	15.7	21.7
Upper	1	15	100.0	100.0	51.9	49.8	48.4
Unknown	0	0	0.0	0.0	7.4	17.8	0.0
Total	1	15	100.0	100.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	1.3	0.5	18.2
Moderate	0	0	0.0	0.0	7.7	4.2	11.7
Middle	1	104	20.0	21.2	16.4	13.6	21.7
Upper	3	170	60.0	34.7	48.9	56.8	48.4
Unknown	1	216	20.0	44.1	25.7	24.9	0.0
Total	5	490	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. <sup>2</sup> The percentage of families is based on 2010 ACS 5-year estimates. (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)							

## Small Business Loans

The distribution of small business loans to businesses of different size is reasonable. To determine the bank's performance, the bank's small business lending is compared to the number of small businesses located in the assessment area. Small businesses typically require smaller dollar credits. CRA defines a small business as a business with annual gross revenue of \$1 million or less. During the sample period, 37 loans were originated in the assessment area. Of these, 75.7% by number and 37.1% by dollar volume were originated to small businesses.

Distribution by Revenue Size of Business Andrews and Gaines Counties Assessment Area April 01 - September 30, 2017					
Business Revenue	Small Business Loans				% of Businesses by Revenue
	#	\$(000)	# %	\$ %	
\$1MM or less	28	1,017	75.7	37.1	90.4
Over \$1MM	7	1,673	18.9	61.1	8.5
Income Not Known	2	178	5.4	6.5	1.1
Total	37	2,739	100.0	104.7	100.0
Business and farm demographic figures based on 2017 Dun & Bradstreet Data. (NOTE: Total percentages may vary due to automated rounding differences.)					

## Geographic Distribution of Loans

The geographic distribution of loans was reasonable. 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. There are no low or moderate-income census tracts in this assessment area.

## Residential Real Estate (HMDA) Lending:

A meaningful analysis of residential real estate (HMDA) lending could not be conducted due to the volume of lending. For 2015 and 2016, the bank made five loans each year in the assessment area. There are no low- or moderate-income census tracts in the assessment area.

Distribution of 2015 HMDA by Income Level of Geography Andrews and Gaines Counties Assessment Area							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	4	416	80.0	76.5	81.4	76.5	83.1
Upper	1	128	20.0	23.5	18.2	23.3	16.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.3	0.2	0.0
Total	5	544	100.0	100.0	100.0	100.0	100.0
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	0	0	0.0	0.0	77.4	68.7	83.1
Upper	0	0	0.0	0.0	22.1	31.0	16.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.5	0.3	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	0	0	0.0	0.0	85.0	61.1	83.1
Upper	0	0	0.0	0.0	15.0	38.9	16.9
Unknown <sup>3</sup>	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
<b>Multifamily Loans</b>							<b>% of MF Units<sup>2</sup></b>
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	0	0	0.0	0.0	50.0	46.8	80.2
Upper	0	0	0.0	0.0	50.0	53.2	19.8
Unknown <sup>3</sup>	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
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	4	416	80.0	76.5	80.5	74.1	83.1
Upper	1	128	20.0	23.5	19.1	25.7	16.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.4	0.2	0.0
Total	5	544	100.0	100.0	100.0	100.0	100.0

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

<sup>2</sup> 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.

<sup>3</sup> 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 by Income Level of Geography Andrews and Gaines Counties Assessment Area							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	2	165	50.0	34.7	81.3	76.4	83.1
Upper	2	310	50.0	65.3	17.8	23.3	16.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.9	0.3	0.0
Total	4	475	100.0	100.0	100.0	100.0	100.0
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	0	0	0.0	0.0	76.7	63.6	83.1
Upper	0	0	0.0	0.0	23.3	36.4	16.9
Unknown <sup>3</sup>	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
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	1	15	100.0	100.0	81.5	84.8	83.1
Upper	0	0	0.0	0.0	18.5	15.2	16.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	15	100.0	100.0	100.0	100.0	100.0
<b>Multifamily Loans</b>							<b>% of MF Units<sup>2</sup></b>
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	0	0	0.0	0.0	0.0	0.0	80.2
Upper	0	0	0.0	0.0	0.0	0.0	19.8
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	0.0	0.0	0.0	0.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	0.0
Middle	3	180	60.0	36.7	79.9	72.1	83.1
Upper	2	310	40.0	63.3	19.5	27.7	16.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.6	0.2	0.0
Total	5	490	100.0	100.0	100.0	100.0	100.0

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

<sup>2</sup> 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.

<sup>3</sup> 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 Loans

Distribution by Income Level of Geography Andrews and Gaines Counties Assessment Area April 1 - September 30, 2017					
Census Tract Income Level	Small Business Loans				% of Businesses
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	11	842	29.7	30.7	46.5
Upper	26	1,897	70.3	69.3	53.5
Unknown	0	0	0.0	0.0	0.0
Total	37	2,739	100.0	100.0	100.0

The percentages of businesses are based on 2017 Dun & Bradstreet Data and 2017 FFIEC census tract designations.  
(NOTE: Total percentages may vary due to automated rounding differences.)

The geographic distribution of small business loans is reasonable. There are no low- or moderate-income census tracts in the assessment area. Performance in the other income level census tracts was similar to the percentage of businesses in the assessment area. The bank's lending is reasonable due the level of competition within the assessment area.

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development needs is poor considering the bank's capacity and the need and available opportunities. As shown in the table below community development activities to 100 hours of community services.

ANDREWS AND GAINES COUNTIES ASSESSMENT AREA									
COMMUNITY DEVELOPMENT ACTIVITIES									
Purpose	Community Development Loans		Qualified Investments						Community Development Services Hours
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	
Affordable Housing	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	100
Economic Development	-	-	-	-	-	-	-	-	-
Revitalization and Stabilization	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	100



## **APPENDICES**

**Appendix A – Metropolitan Limited Scope Assessment Area Demographic, Loan and Community Development Tables**

Lubbock County								
2015 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	8	11.8	3,680	5.7	1,331	36.2	13,655	21.0
Moderate-Income	13	19.1	13,700	21.1	2,968	21.7	11,548	17.8
Middle-Income	25	36.8	24,591	37.9	2,853	11.6	12,384	19.1
Upper-Income	21	30.9	22,970	35.4	858	3.7	27,354	42.1
Unknown-Income	1	1.5	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>68</b>	<b>100.0</b>	<b>64,941</b>	<b>100.0</b>	<b>8,010</b>	<b>12.3</b>	<b>64,941</b>	<b>100.0</b>
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	8,601	2,597	4.3	30.2	4,734	55.0	1,270	14.8
Moderate-Income	24,821	10,815	17.7	43.6	11,107	44.7	2,899	11.7
Middle-Income	42,353	22,380	36.7	52.8	15,707	37.1	4,266	10.1
Upper-Income	37,884	25,208	41.3	66.5	9,622	25.4	3,054	8.1
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>113,659</b>	<b>61,000</b>	<b>100.0</b>	<b>53.7</b>	<b>41,170</b>	<b>36.2</b>	<b>11,489</b>	<b>10.1</b>
	Total Businesses by Tract	Businesses By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	726	4.9	658	4.7	67	6.8	1	2.4
Moderate-Income	2,234	14.9	2,060	14.8	168	17.1	6	14.6
Middle-Income	5,710	38.2	5,234	37.6	456	46.5	20	48.8
Upper-Income	6,280	42.0	5,978	42.9	288	29.4	14	34.1
Unknown-Income	9	0.1	7	0.1	2	0.2	0	0.0
<b>Total AA</b>	<b>14,959</b>	<b>100.0</b>	<b>13,937</b>	<b>100.0</b>	<b>981</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>			93.2		6.6		0.3	
	Total Farms by Tract	Farms By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	7	1.1	7	1.1	0	0.0	0	0.0
Moderate-Income	52	8.0	52	8.2	0	0.0	0	0.0
Middle-Income	273	42.1	265	41.9	8	50.0	0	0.0
Upper-Income	317	48.8	309	48.8	8	50.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>649</b>	<b>100.0</b>	<b>633</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percent of Total Farms:</b>			97.5		2.5		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2015 FFIEC Online Census Data System tract designations, and 2015 Dun & Bradstreet data.

Lubbock 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	8	11.8	3,680	5.7	1,331	36.2	13,655	21.0
Moderate-Income	13	19.1	13,700	21.1	2,968	21.7	11,548	17.8
Middle-Income	25	36.8	24,591	37.9	2,853	11.6	12,384	19.1
Upper-Income	21	30.9	22,970	35.4	858	3.7	27,354	42.1
Unknown-Income	1	1.5	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>68</b>	<b>100.0</b>	<b>64,941</b>	<b>100.0</b>	<b>8,010</b>	<b>12.3</b>	<b>64,941</b>	<b>100.0</b>
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	8,601	2,597	4.3	30.2	4,734	55.0	1,270	14.8
Moderate-Income	24,821	10,815	17.7	43.6	11,107	44.7	2,899	11.7
Middle-Income	42,353	22,380	36.7	52.8	15,707	37.1	4,266	10.1
Upper-Income	37,884	25,208	41.3	66.5	9,622	25.4	3,054	8.1
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>113,659</b>	<b>61,000</b>	<b>100.0</b>	<b>53.7</b>	<b>41,170</b>	<b>36.2</b>	<b>11,489</b>	<b>10.1</b>
	Total Businesses by Tract	Businesses By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	652	4.7	586	4.6	64	6.2	2	2.1
Moderate-Income	2,058	14.9	1,878	14.8	171	16.7	9	9.4
Middle-Income	5,289	38.3	4,764	37.6	490	47.8	35	36.5
Upper-Income	5,797	42.0	5,449	43.0	298	29.1	50	52.1
Unknown-Income	8	0.1	6	0.0	2	0.2	0	0.0
<b>Total AA</b>	<b>13,804</b>	<b>100.0</b>	<b>12,683</b>	<b>100.0</b>	<b>1,025</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>			91.9		7.4		0.7	
	Total Farms by Tract	Farms By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	6	1.1	6	1.1	0	0.0	0	0.0
Moderate-Income	47	8.3	47	8.5	0	0.0	0	0.0
Middle-Income	235	41.4	228	41.3	7	46.7	0	0.0
Upper-Income	279	49.2	271	49.1	8	53.3	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>567</b>	<b>100.0</b>	<b>552</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percent of Total Farms:</b>			97.4		2.6		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.

Distribution of 2015 HMDA by Income Level of Geography Lubbock County Assessment Area							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	1	73	5.3	3.6	1.4	0.9	4.3
Moderate	4	301	21.1	14.8	9.0	5.4	17.7
Middle	8	775	42.1	38.2	36.7	33.1	36.7
Upper	6	882	31.6	43.4	52.9	60.6	41.3
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	19	2,031	100.0	100.0	100.0	100.0	100.0
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	1.4	0.9	4.3
Moderate	0	0	0.0	0.0	8.3	4.0	17.7
Middle	1	38	33.3	33.3	33.8	28.6	36.7
Upper	2	404	66.7	66.7	56.4	66.5	41.3
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	3	442	100.0	100.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	1.6	1.8	4.3
Moderate	0	0	0.0	0.0	18.5	10.8	17.7
Middle	0	0	0.0	0.0	36.4	31.8	36.7
Upper	0	0	0.0	0.0	43.5	55.5	41.3
Unknown <sup>3</sup>	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
<b>Multifamily Loans</b>							<b>% of MF Units<sup>2</sup></b>
Low	0	0	0.0	0.0	9.1	42.2	15.9
Moderate	0	0	0.0	0.0	0.0	0.0	23.3
Middle	0	0	0.0	0.0	54.5	39.5	32.8
Upper	0	0	0.0	0.0	36.4	18.3	27.9
Unknown <sup>3</sup>	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
<b>Total Home Mortgage Loans</b>							
Low	1	73	4.5	3.0	1.5	1.4	4.3
Moderate	4	301	18.2	12.2	9.2	7.3	17.7
Middle	9	813	40.9	32.9	36.1	33.0	36.7
Upper	8	1,286	36.4	52.0	53.2	58.4	41.3
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	22	2,473	100.0	100.0	100.0	100.0	100.0

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

<sup>2</sup> 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.

<sup>3</sup> 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 by Income Level of Geography Lubbock County Assessment Area							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	1	64	4.8	2.8	2.0	1.0	4.3
Moderate	7	502	33.3	22.1	11.2	5.7	17.7
Middle	7	918	33.3	40.5	35.4	34.4	36.7
Upper	6	785	28.6	34.6	51.4	58.8	41.3
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	21	2,269	100.0	100.0	100.0	100.0	100.0
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	1.6	0.7	4.3
Moderate	0	0	0.0	0.0	8.9	4.4	17.7
Middle	0	0	0.0	0.0	33.6	32.0	36.7
Upper	0	0	0.0	0.0	55.9	62.9	41.3
Unknown <sup>3</sup>	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
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	3.8	1.4	4.3
Moderate	0	0	0.0	0.0	12.9	4.6	17.7
Middle	0	0	100.0	100.0	32.6	29.2	36.7
Upper	0	0	0.0	0.0	50.8	64.8	41.3
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	0	0	100.0	100.0	100.0	100.0	100.0
<b>Multifamily Loans</b>							<b>% of MF Units<sup>2</sup></b>
Low	0	0	0.0	0.0	15.4	18.1	15.9
Moderate	0	0	0.0	0.0	15.4	3.0	23.3
Middle	1	3,500	100.0	100.0	30.8	38.1	32.8
Upper	0	0	0.0	0.0	38.5	40.9	27.9
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	1	3,500	100.0	100.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	1	64	4.5	1.1	2.0	1.8	4.3
Moderate	7	502	31.8	8.7	10.7	5.3	17.7
Middle	8	4,418	36.4	76.6	34.9	34.0	36.7
Upper	6	785	27.3	13.6	52.4	58.9	41.3
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.0
Total	22	5,769	100.0	100.0	100.0	100.0	100.0

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

<sup>2</sup> 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.

<sup>3</sup> 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.)

<b>Distribution by Income Level of Geography</b> <b>Lubbock County Assessment Area</b> <b>April 1 - September 30, 2017</b>					
<b>Census Tract Income Level</b>	<b>Small Business Loans</b>				<b>% of Businesses</b>
	<b>#</b>	<b>\$(000)</b>	<b># %</b>	<b>\$ %</b>	
Low	0	0	0.0	0.0	3.5
Moderate	0	0	0.0	0.0	17.2
Middle	4	225	33.3	39.0	36.6
Upper	8	352	66.7	61.0	42.7
Unknown	0	0	0.0	0.0	0.1
Total	12	577	100.0	100.0	100.0
The percentages of businesses are based on 2017 Dun & Bradstreet Data and 2017 FFIEC census tract designations. (NOTE: Total percentages may vary due to automated rounding differences.)					

Distribution of 2015 HMDA Loans by Borrower Income Level Lubbock County Assessment Area							
Borrow Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	2.9	1.5	21.0
Moderate	0	0	0.0	0.0	12.0	8.2	17.8
Middle	0	0	0.0	0.0	16.8	14.3	19.1
Upper	2	211	10.5	10.4	39.7	48.7	42.1
Unknown	17	1,820	89.5	89.6	28.7	27.3	0.0
Total	19	2,031	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	3.1	1.4	21.0
Moderate	0	0	0.0	0.0	7.9	4.2	17.8
Middle	0	0	0.0	0.0	14.3	10.0	19.1
Upper	3	442	100.0	100.0	43.3	52.4	42.1
Unknown	0	0	0.0	0.0	31.4	32.1	0.0
Total	3	442	100.0	100.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	6.5	2.4	21.0
Moderate	0	0	0.0	0.0	9.1	3.7	17.8
Middle	0	0	0.0	0.0	14.9	12.8	19.1
Upper	0	0	0.0	0.0	58.4	64.6	42.1
Unknown	0	0	0.0	0.0	11.0	16.5	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	3.0	1.3	21.0
Moderate	0	0	0.0	0.0	10.9	6.6	17.8
Middle	0	0	0.0	0.0	16.1	12.1	19.1
Upper	5	653	22.7	26.4	41.0	45.6	42.1
Unknown	17	1,820	77.3	73.6	28.9	34.3	0.0
Total	22	2,473	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. <sup>2</sup> The percentage of families is based on 2010 ACS 5-year estimates. (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)							

Distribution of 2016 HMDA Loans by Borrower Income Level Lubbock County							
Borrow Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000s)	# %	\$ %	# %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	3.1	1.6	21.0
Moderate	2	43	9.5	1.9	10.8	7.4	17.8
Middle	2	181	9.5	8.0	16.9	14.7	19.1
Upper	7	690	33.3	30.4	42.3	51.2	42.1
Unknown	10	1,355	47.6	59.7	26.9	25.1	0.0
Total	21	2,269	100.0	100.0	100.0	100.0	100.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	2.3	1.1	21.0
Moderate	0	0	0.0	0.0	7.2	3.8	17.8
Middle	0	0	0.0	0.0	12.6	8.8	19.1
Upper	0	0	0.0	0.0	43.1	50.6	42.1
Unknown	0	0	0.0	0.0	34.8	35.7	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	4.4	0.9	21.0
Moderate	0	0	0.0	0.0	9.1	3.8	17.8
Middle	0	0	0.0	0.0	17.6	16.1	19.1
Upper	0	0	0.0	0.0	57.1	69.7	42.1
Unknown	0	0	0.0	0.0	11.9	9.5	0.0
Total	0	0	0.0	0.0	100.0	100.0	100.0
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	2.9	1.4	21.0
Moderate	2	43	9.1	0.7	9.9	6.1	17.8
Middle	2	181	9.1	3.1	15.9	12.6	19.1
Upper	7	690	31.8	12.0	42.8	48.8	42.1
Unknown	11	4,855	50.0	84.2	28.5	31.1	0.0
Total	22	5,769	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers. <sup>2</sup> The percentage of families is based on 2010 ACS 5-year estimates. (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)							



Distribution by Revenue Size of Business Lubbock County Assessment Area April 01 - September 30, 2017					
Business Revenue	Small Business Loans				% of Businesses by Revenue
	#	\$(000)	# %	\$ %	
\$1MM or less	11	521	91.7	90.3	91.9
Over \$1MM	1	56	8.3	9.7	7.4
Income Not Known	0	0	0.0	0.0	0.7
Total	12	577	100.0	100.0	100.0
Business and farm demographic figures based on 2017 Dun & Bradstreet Data. (NOTE: Total percentages may vary due to automated rounding differences.)					

LUBBOCK 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	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	82
Economic Development	-	-	-	-	-	-	-	-	-
Revitalization and Stabilization	-	-	-	-	1	1	-	-	-
Totals	-	-	-	-	1	1	-	-	82

## **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, 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.