

PUBLIC DISCLOSURE

May 18, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens State Bank
877154

3915 S. SW Loop 323
Tyler, Texas 75701

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.

TABLE OF CONTENTS

| | |
|--|----|
| I. Institution's CRA Rating | 1 |
| II. Scope of Examination | 1 |
| III. Description of Institution | 2 |
| IV. Description of Assessment Areas | 4 |
| a. Tyler MSA Assessment Area..... | 4 |
| b. Henderson/Van Zandt Assessment Area | 6 |
| c. Kaufman Assessment Area..... | 8 |
| V. Conclusions with Respect to Performance Tests | 10 |
| a. Tyler MSA Assessment Area..... | 13 |
| b. Henderson/Van Zandt Assessment Area | 21 |
| c. Kaufman Assessment Area..... | 29 |
| VI. Glossary | 35 |

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

Citizens State Bank's (bank) performance demonstrates 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 Home Mortgage Disclosure Act (HMDA) and commercial loans, 83.0% of the number and 71.2% of the dollar volume, originated within the bank's assessment areas.
- A reasonable net loan-to-deposit ratio (LTD) of 122.7% as of March 31, 2015 with a quarterly average of 92.8% 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.

SCOPE OF EXAMINATION

The evaluation was conducted using the CRA Small Bank performance standards. The CRA performance standards evaluate the following lending criteria:

- Average loan-to-deposit ratio since the last CRA evaluation.
- The overall level of lending within the assessment area.
- The bank's lending to borrowers of different income levels and businesses of different sizes.
- The bank's geographic distribution of loans within its assessment area.

Each standard is viewed as part of an overall picture of the bank's performance in meeting the credit needs of its delineated assessment area. No complaints have been received regarding the bank's CRA performance; therefore, this criterion did not factor into the lending test rating.

According to the examination procedures, HMDA data reported by the bank for 2012 to 2013 were reviewed. The bank originated 396 HMDA loans totaling \$64.1 million during the sample period. The HMDA loans consisted of 222 for home purchase, 139 for refinanced, 28 for home improvement, and 7 for multifamily purposes. Home improvement and multifamily loans were not evaluated because of the small volume of originations. In addition, a sample of 57 commercial loans, totaling \$3.7 million originated by the bank between July 1, 2014 and December 31, 2014 was reviewed. Greater weight was given to the bank's performance in the Tyler MSA assessment area as it is the bank's primary market, containing half of the bank's branches and over 45% of the bank's total deposits.

DESCRIPTION OF INSTITUTION

The bank is a full-service retail bank that provides a standard array of financial products and services including commercial, agricultural, home purchase, home improvement, automobile, and consumer loans. A full line of deposit services are available at all locations, while ATMs are available at most branches. The following tables depict the bank’s eight banking offices and three offsite ATMs.

| Retail Locations | | | | |
|---|--|---|---|---|
| NAME ADDRESS | TRACT INCOME LEVEL COUNTY | ATM (YES/NO)/ DEPOSIT- TAKING CAPABILITY | LOBBY HOURS | DRIVE-THRU HOURS |
| Full Service Branches | | | | |
| Main Office 3915 SSW Loop 323 Tyler, TX 75701 | 16.02 Middle Smith | Yes No Deposits | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Highway 110 13112 Hwy 110 South Tyler, TX 75707 | 20.07 Middle Smith | No | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Highway 64 11433 Hwy 64 West Tyler, TX 75704 | 16.04 Moderate Smith | Yes No Deposits | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Lindale/Hideaway 16920 Village Lake Dr Lindale, TX 75771 | 14.03 Middle Smith | Yes No Deposits | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Chandler 216 North Broad St Chandler, TX 75758 | 9501.00 Upper Henderson | No | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Athens 713 East Tyler St Athens, TX 75751 | 9513.00 Middle Henderson | Yes No Deposits | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Seven Points 220 East Cedar Creek Pkwy Kemp, TX 75143 | 9508.00 Middle Henderson | Yes No Deposits | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |
| Mabank 1381 South 3 rd St Mabank, TX 75147 | 513.00 Moderate Kaufman | Yes No Deposits | Mon.-Thur. 8:30 am – 4:30 pm Fri. 8:30 am – 5:30 pm | Mon.-Fri. 7:30 am – 6 pm Sat. 8 am – 12 pm |

| Off Site ATMs | | |
|--|--|--|
| LOCATION | TRACT INCOME LEVEL COUNTY | DEPOSIT TAKING (YES/NO) |
| 2200 East SE Loop 323 Tyler, TX 75710 | Moderate Smith | No |
| 200 Hwy 31 East Chandler, TX 75758 | Upper Henderson | No |
| 2110 FM 315 S Chandler, TX 75758 | Upper Henderson | No |

As of March 31, 2015 the bank reported total assets of approximately \$322 million, gross loans of \$270 million, total deposits of \$218 million, and a net loan-to-deposit ratio of 122.7%. The following table reflects the loan portfolio mix:

| PRODUCT | DATE \$(000'S) | % OF LOANS |
|---|---------------------------|-----------------------|
| <u>Real Estate</u> | | |
| 1-4 Family Res Construction Loans | 8,658 | 3.20% |
| Other Construction Loans & Land Development & Other | 6,116 | 2.26% |
| Farm Land | 6,086 | 2.25% |
| 1-4 Family Res Secured by First Liens | 44,817 | 16.59% |
| 1-4 Family Res Secured by Junior Liens | 826 | 0.31% |
| Multifamily | 14,101 | 5.22% |
| Loans Secured Owner Occupied Nonfarm Nonresidential | 49,527 | 18.33% |
| Loans Secured by Other Nonfarm Nonresidential | 100,045 | 37.03% |
| Total Real Estate | 230,176 | 85.20% |
| Agricultural | 4,694 | 1.74% |
| Commercial and Industrial | 26,027 | 9.63% |
| Consumer | 9,000 | 3.33% |
| State and Political Subdivisions | 260 | 0.10% |
| Gross Loans | 270,157 | 100.00 |

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 9, 2009, performed by the Federal Deposit Insurance Corporation.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

The bank's three assessment areas are shown below.

- Tyler Metropolitan Statistical Area (MSA)
- Henderson and Van Zandt Counties which are considered rural counties
- Kaufman County which is part of the Dallas-Plano-Irving MSA

Demographic and economic information impacting the bank's performance context are discussed for each assessment area. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, 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.

DESCRIPTION OF TYLER MSA ASSESSMENT AREA

The assessment area consists of Smith County, which is the only county in the Tyler MSA. The 2014 estimated population for the assessment area is approaching 220,000. The assessment area population grew 4.4% between 2010 and 2014. The city of Tyler, population 100,223, is the Smith County seat. Other municipalities include Arp and Hideaway.

As of the assessment date, the bank operated four retail branches in the assessment area. These branches held \$94.7 million in deposits at June 30, 2014. The bank ranks 11th in deposit market share out of 25 FDIC-insured financial institutions operating in the Tyler MSA banking market. The deposits in the bank's four branches represented 1.9% of the total deposits in FDIC-insured financial institutions. Southside Bank dominates the market, with 42.5% of total deposits, followed by Bank of America, N.A., Austin Bank, N.A., and Texas Bank and Trust Company.

The table on the following page details selected characteristics of the assessment area.

| TYLER MSA 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 | 4.9 | 1,324 | 2.5 | 559 | 42.2 | 11,454 | 21.6 |
| Moderate-Income | 12 | 29.3 | 13,241 | 24.9 | 2,933 | 22.2 | 9,146 | 17.2 |
| Middle-Income | 14 | 34.1 | 21,340 | 40.2 | 1,670 | 7.8 | 10,377 | 19.5 |
| Upper-Income | 12 | 29.3 | 17,208 | 32.4 | 857 | 5.0 | 22,136 | 41.7 |
| Unknown-Income | 1 | 2.4 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 41 | 100 | 53,113 | 100 | 6,019 | 11.3 | 53,113 | 100 |
| | Housing Units By Tract | Housing Type By Tract | | | | | | |
| | | Owner-Occupied | | | Rental | | Vacant | |
| | | # | % By Tract | % By Unit | # | % By Unit | # | % By Unit |
| Low-Income | 2,833 | 636 | 1.2 | 22.4 | 1,713 | 60.5 | 484 | 17.1 |
| Moderate-Income | 20,924 | 11,534 | 21.7 | 55.1 | 6,967 | 33.3 | 2,423 | 11.6 |
| Middle-Income | 35,116 | 22,378 | 42.2 | 63.7 | 8,724 | 24.8 | 4,014 | 11.4 |
| Upper-Income | 26,150 | 18,484 | 34.9 | 70.7 | 5,991 | 22.9 | 1,675 | 6.4 |
| Unknown-Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 85,023 | 53,032 | 100 | 62.4 | 23,395 | 27.5 | 8,596 | 10.1 |
| | Total Businesses by Tract | Businesses By Tract & Revenue Size | | | | | | |
| | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | |
| Low-Income | 891 | 7.3 | 790 | 7.0 | 78 | 11.6 | 23 | 6.2 |
| Moderate-Income | 2,633 | 21.4 | 2,349 | 20.9 | 197 | 29.3 | 87 | 23.4 |
| Middle-Income | 4,379 | 35.7 | 4,069 | 36.2 | 193 | 28.7 | 117 | 31.5 |
| Upper-Income | 4,361 | 35.5 | 4,016 | 35.7 | 202 | 30.0 | 143 | 38.4 |
| Unknown-Income | 19 | 0.2 | 14 | 0.1 | 3 | 0.4 | 2 | 0.5 |
| Total AA | 12,283 | 100 | 11,238 | 100 | 673 | 100 | 372 | 100 |
| Percent of Total Businesses: | | | | 91.5 | | 5.5 | | 3 |

Based on 2010 American Community Survey 5-year estimate data, 2010 FFIEC census tract designations, and 2013 D&B data.
NOTE: Total percentages show n may vary by 0.1% due to automated rounding differences.)

Income Characteristics: As of the 2010 census the assessment area contained 41 census tracts comprised of two low-income (4.9%), 12 moderate-income (29.3%), 14 middle-income (34.1%), 12 upper-income (29.3%) census tracts, and 1 tract (2.4%) where the income is unknown. There were 53,113 families in the assessment area. Of the families living in the assessment area, 21.6% are considered low-income, 17.2% are moderate-income, 19.5% are middle-income, and 41.7% are upper-income. It is estimated that 11.3% of the families live below the poverty level. The poverty rate is slightly below the 12.9% statewide poverty level.

Housing: There are approximately 85,000 housing units in the assessment area. Of those units 62.4% are owner-occupied, 27.5% are rental units, and 10.1% are vacant. Only 1.2% of owner-occupied units are located in low-income tracts and 21.7% are located in moderate income tracts. The median home value in the assessment area is \$117,955, which is slightly below the statewide

value of \$123,500. The housing affordability ratio for the assessment area is 39.1%. 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 is 40.2%. Therefore, housing in the Tyler MSA is slightly less affordable compared to the state of Texas.

Labor, Employment, and Economic Characteristics: Health care, supermarket distribution, tourism, and agriculture are the major industries in the assessment area. The area is known for its rose industry and is nicknamed the ‘Rose Capital of the World.’ Major employers include Trinity Mother Frances Health System, East Texas Medical Center Regional Healthcare System, and Brookshire Grocery Company. The 2013 unemployment rate for Smith County was 6.5%, slightly above the state average of 6.2%. According to Dun & Bradstreet, there were 11,222 businesses operating in the assessment area, of those, 90.7% reported gross annual revenues under \$1 million.

Community Contacts and Credit Needs: Contact was made with community leaders working in economic development and affordable housing. These contacts stated that the credit needs in the community include loans to start-up businesses and increased access to home mortgage loans for low-income borrowers. The contacts also stated that there is an opportunity for local financial institutions to get involved in community development initiatives for affordable housing.

DESCRIPTION OF HENDERSON/VAN ZANDT COUNTY ASSESSMENT AREA

The assessment area consists of Henderson County and two tracts in Van Zandt County. Neither Henderson nor Van Zandt County is part of an MSA. The 2014 estimated population for Henderson County is just over 79,000. The county population grew 1.0% between 2010 and 2014. The 2014 estimated population for Van Zandt County is approaching 60,000. The county population grew 0.6% between 2010 and 2014. The city of Athens, population 12,803, is the Henderson County seat. Other municipalities include Brownsboro and Eustace. Van Zandt County includes the municipalities of Fruitvale and Wills Point, and the town of Canton is the Van Zandt County seat. According to the Federal Financial Institutions Examination Council (FFIEC), Henderson County and Van Zandt County contain no distressed or underserved nonmetropolitan middle-income geographies.

As of the assessment date, the bank operated three retail branches in the assessment area, though all are located in Henderson County. The assessment area branches contained \$81.8 million in deposits as of June 30, 2014. The bank ranks 9th in deposit market share out of 15 FDIC-insured financial institutions operating in the Henderson/Van Zandt banking market. The deposits in the bank’s three branches represented 5.68% of the total deposits in FDIC-insured financial institutions. No one bank dominates the market; First State Bank ranks first, with 18.8% of total deposits, followed by Prosperity Bank and Texas Bank and Trust Company.

The table on the following page details selected characteristics of the assessment area.

| HENDERSON/VAN ZANDT 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 | 4,723 | 18.8 |
| Moderate-Income | 3 | 15.8 | 2,735 | 10.9 | 569 | 20.8 | 4,731 | 18.9 |
| Middle-Income | 14 | 73.7 | 19,593 | 78.1 | 2,188 | 11.2 | 5,431 | 21.7 |
| Upper-Income | 2 | 10.5 | 2,756 | 11.0 | 212 | 7.7 | 10,199 | 40.7 |
| Unknown-Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 19 | 100 | 25,084 | 100 | 2,969 | 11.8 | 25,084 | 100 |
| | 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 | 5,317 | 2,680 | 9.5 | 50.4 | 1,636 | 30.8 | 1,001 | 18.8 |
| Middle-Income | 35,178 | 22,259 | 79.2 | 63.3 | 5,538 | 15.7 | 7,381 | 21.0 |
| Upper-Income | 4,724 | 3,158 | 11.2 | 66.9 | 463 | 9.8 | 1,103 | 23.3 |
| Unknown-Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 45,219 | 28,097 | 100 | 62.1 | 7,637 | 16.9 | 9,485 | 21 |
| | 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 | 475 | 10.5 | 436 | 10.3 | 17 | 12.1 | 22 | 13.2 |
| Middle-Income | 3,608 | 79.5 | 3,359 | 79.4 | 119 | 84.4 | 130 | 77.8 |
| Upper-Income | 457 | 10.1 | 437 | 10.3 | 5 | 3.5 | 15 | 9.0 |
| Unknown-Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 4,540 | 100 | 4,232 | 100 | 141 | 100 | 167 | 100 |
| Percent of Total Businesses: | | | | 93.2 | | 3.1 | | 3.7 |

Based on 2010 American Community Survey 5-year estimate data, 2010 FFIEC census tract designations, and 2013 D&B data.
NOTE: Total percentages show n may vary by 0.1% due to automated rounding differences.)

Income Characteristics: As of the 2010 census, the assessment area contained 19 census tracts comprised of three moderate-income (15.8%), 14 middle-income (73.7%), and two upper-income (10.5%) census tracts. There were 25,084 families in the assessment area. Of the families living in the assessment area, 18.8% are considered low-income, 18.9% are moderate-income, 21.7% are middle-income, and 40.7% are upper-income. It is estimated that 11.8% of the families live below the poverty level. The poverty rate is slightly below the 12.9% statewide poverty level.

Housing: There are approximately 45,219 housing units in the assessment area. Of those units 62.1% are owner-occupied, 16.9% are rental units, and 21.0% are vacant. Only 9.7% of the owner-occupied units are located in the moderate-income census tracts. The median home value in the assessment area is \$87,348, which is below the statewide value of \$123,500. The housing

affordability ratio for the assessment area is 46.1%. 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 is 40.2%. Therefore, housing in the Henderson/Van Zandt assessment area is more affordable compared to the state of Texas.

Labor, Employment, and Economic Characteristics: Health care, education, and retail are the major industries in the assessment area. Major employers include East Texas Medical Center, Athens Independent School District, and Walmart. The 2013 unemployment rate for Henderson County was 7.0% and 6.4% for Van Zandt County, both above the state average of 6.2%. According to D&B, there were 4,060 businesses operating in the assessment area, of those, 92.5% reported gross annual revenues under \$1 million.

Community Contacts and Credit Needs: Contact was made with a community leader working in economic development. The contacts stated that the credit needs in the community include working capital loans for start-up businesses. The contact noted that credit remains tight and banks seem unwilling to lend to entrepreneurs.

DESCRIPTION OF KAUFMAN COUNTY ASSESSMENT AREA

The assessment area consists of three tracts of the 18 total tracts in Kaufman County, which is part of the Dallas-Plano-Irving MSA. The 2014 estimated population for the county is approaching 112,000. The county population grew 7.6% between 2000 and 2014. The city of Kaufman, population 6,922, is the county seat. Other municipalities include Mabank, Seagoville, and Seven Points. According to the Federal Financial Institutions Examination Council (FFIEC), Kaufman County contains no distressed or underserved nonmetropolitan middle-income geographies.

As of the assessment date, the bank operated one retail branch in the assessment area. The Kaufman County assessment area branch contained \$32.0 million in deposits as of June 30, 2014. The bank ranks ninth in deposit market share out of eleven FDIC-insured financial institutions operating in the Kaufman County banking market. The deposits in the bank's one branch represented 2.63% of the total deposits in FDIC-insured financial institutions. The American National Bank of Texas dominates the market, with 53.57% of total deposits, followed by City Bank, Wells Fargo Bank, N.A., and Texas Bank and Trust Company.

The table on the following page details selected characteristics of the assessment area.

| KAUFMAN COUNTY 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 | 1,398 | 29.3 |
| Moderate-Income | 1 | 33.3 | 2,561 | 53.6 | 319 | 12.5 | 1,022 | 21.4 |
| Middle-Income | 2 | 66.7 | 2,216 | 46.4 | 186 | 8.4 | 1,033 | 21.6 |
| Upper-Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1,324 | 27.7 |
| Unknown-Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 3 | 100 | 4,777 | 100 | 505 | 10.6 | 4,777 | 100 |
| | 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 | 3,914 | 2,456 | 50.5 | 62.7 | 1,026 | 26.2 | 432 | 11.0 |
| Middle-Income | 3,225 | 2,410 | 49.5 | 74.7 | 387 | 12.0 | 428 | 13.3 |
| Upper-Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown-Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 7,139 | 4,866 | 100 | 68.2 | 1,413 | 19.8 | 860 | 12 |
| | 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 | 443 | 56.9 | 402 | 56.1 | 22 | 62.9 | 19 | 70.4 |
| Middle-Income | 336 | 43.1 | 315 | 43.9 | 13 | 37.1 | 8 | 29.6 |
| Upper-Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown-Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 779 | 100 | 717 | 100 | 35 | 100 | 27 | 100 |
| Percent of Total Businesses: | | | | 92 | | 4.5 | | 3.5 |
| Based on 2010 American Community Survey 5-year estimate data, 2010 FFIEC census tract designations, and 2013 D&B data. NOTE: Total percentages show n may vary by 0.1% due to automated rounding differences.) | | | | | | | | |

Income Characteristics: As of the 2010 census the assessment area contained three census tracts comprised of one moderate-income and two middle-income census tracts. There were 4,777 families in the assessment area of which 29.3% are low-income, 21.4% are moderate-income, 21.6% are middle income, and 27.7% are upper-income. It is estimated that 10.6% of the families live below the poverty level. The poverty rate is below the 12.9% statewide poverty level.

Housing: There are approximately 7,139 housing units in the assessment area. Of those units 68.2% are owner-occupied, 19.8% are rental units, and 12.0% are vacant. Owner-occupied units are split equally between the moderate- and middle-income tracts. The median home value in the assessment area is \$113,633, which is below the statewide value of \$123,500. The housing affordability ratio for the assessment area is 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 is 40.2%. Therefore, housing in the Kaufman County assessment area MSA is slightly more affordable compared to the state of Texas.

Labor, Employment, and Economic Characteristics: Manufacturing, education, and healthcare are the major industries in the assessment area. Major employers include Numo Manufacturing, Kaufman Independent School District, Presbyterian Hospital of Kaufman and Brookshire Grocery Company. The 2013 unemployment rate for Kaufman County was 6.3%, slightly above the state average of 6.2%. According to Dun & Bradstreet, there were 703 businesses operating in the assessment area, of those, 90.9% reported gross annual revenues under \$1 million.

Community Contacts and Credit Needs: Contact was made with community leaders working in economic development. These contacts stated that the credit needs in the community include working capital loans and small dollar business loans. The contacts noted that credit standards in the area remain tight and that collateral requirements are particularly burdensome.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall performance under the lending test is rated Satisfactory. In the context of the CRA, the bank's LTD ratio is reasonable. A substantial 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 in 2012 and 2013, as well as a sample of the small business loans originated by the bank between July 1, 2014 and December 31, 2014. This lending activity totaled 453 loans for a dollar volume of \$67.8 million. The table on the following page provides a breakdown by loan type.

| SUMMARY OF LENDING ACTIVITY | | | | |
|------------------------------------|----------|---------------|-----------|------------|
| Loan Type | # | \$000s | #% | \$% |
| Home Purchase | 222 | 26,982 | 56.1 | 42.1 |
| Refinance | 139 | 25,333 | 35.1 | 39.5 |
| Home Improvement | 28 | 2,837 | 7.1 | 4.4 |
| MultiFamily | 7 | 8,937 | 1.8 | 13.9 |
| Total HMDA - Related | 396 | 64,089 | 87.4 | 94.6 |
| Total Commercial | 57 | 3,674 | 12.6 | 5.4 |
| Total All Loans | 453 | 67,763 | 100.0 | 100.0 |

LOAN-TO-DEPOSIT RATIO

The general purpose of 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 LTD ratio is reviewed to approximate the credit demand of the assessment area and assess the bank's willingness to meet the community's demand for credit.

In the context of the CRA, the 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 March 31, 2015, the net LTD ratio was 122.7% and the quarterly average since the previous evaluation was 92.8%.

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 ranged from 51.4% to 66.3% as of March 31, 2015. Their quarterly average net LTD ratios ranged from 44.2% to 79.2%. As noted, the bank's LTD ratios are higher than the similarly situated banks and reflect favorably upon the bank's efforts to meet the credit needs of its community.

LENDING IN ASSESSMENT AREA

A majority of the bank's loans were originated inside its assessment area. As shown in the table below, the bank extended 376 or 83.0% by number inside its assessment areas. These loans represent \$48.3 million or 71.2% by amount. The table on the following page details lending in the assessment areas.

| LENDING INSIDE AND OUTSIDE THE BANK'S ASSESSMENT AREAS | | | | | | | | |
|---|---------------|---------------|-------------|-------------|----------------|---------------|-------------|-------------|
| Bank Loans | Inside | | | | Outside | | | |
| | # | \$000s | #% | \$% | # | \$000s | #% | \$% |
| Home Purchase | 193 | 22,216 | 86.9 | 82.3 | 29 | 4,766 | 13.1 | 17.7 |
| Refinancings | 121 | 18,932 | 87.1 | 74.7 | 18 | 6,401 | 12.9 | 25.3 |
| Home Improvement | 23 | 2,126 | 82.1 | 74.9 | 5 | 711 | 17.9 | 25.1 |
| Multifamily | 3 | 2,779 | 42.9 | 74.9 | 4 | 6,158 | 57.1 | 68.9 |
| Total HMDA-related | 340 | 46,053 | 85.9 | 71.9 | 56 | 18,036 | 14.1 | 28.1 |
| Commercial | 44 | 2,987 | 77.2 | 81.3 | 13 | 686 | 22.8 | 18.7 |
| TOTAL LOANS | 384 | 49,040 | 84.8 | 72.4 | 69 | 18,722 | 15.2 | 27.6 |

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

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES 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 geographic distribution by the income level of geographies within the assessment area is reasonable. This conclusion is based on the bank's performance in each assessment area in comparison to demographic data and aggregate lender performance. Loans were 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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TYLER MSA ASSESSMENT AREA

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

An analysis of HMDA and small business lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to ascertain the extent of lending to borrowers of different income levels and to businesses 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 demonstrates its commitment to meeting the credit needs of the communities it serves by lending to borrowers of different income levels, including low- and moderate-income borrowers in its assessment area.

The income level of the borrowers was compared to the MSA median family income (MFI) for 2012 and 2013. The following table depicts the referenced income level ranges:

| INCOME LEVEL | 2012 TYLER MSA | 2013 TYLER MSA |
|---------------------|---------------------------|---------------------------|
| Median Income | \$58,700 | \$64,200 |
| Low-income | < \$29,350 | < \$32,100 |
| Moderate-income | \$29,350 - \$46,959 | \$32,100 - \$51,359 |
| Middle-income | \$46,960 - \$70,439 | \$51,360 - \$77,039 |
| Upper-income | ≥\$70,440 | ≥\$77,040 |

HMDA Lending

The HMDA LARs consisted of a similar volume of home purchase and refinance loans; therefore, equal weight was given to each product. The performance of aggregate lenders was weighed more heavily than the assessment area’s demographics for families in the assessment area because it is more indicative of the loan demand.

Home Purchase Lending

In 2012, the bank originated a larger percentage of home purchase loans to low-income and upper-income borrowers by number and dollar volume than aggregate lenders. For lending to moderate-income borrowers, originations were comparable by dollar volume and lower by number volume than aggregate lenders. The bank did not originate any loans to middle-income borrowers. The bank and aggregate lenders performed less favorably than the income demographics of families in the assessment area for all income categories except for upper.

In 2013, the bank originated a smaller percentage of home purchase loans to low-income borrowers by number volume but performed favorably by dollar volume compared to aggregate lenders. The bank originated a lower percentage of loans by number and dollar volume to

moderate- and middle-income borrowers than aggregate lenders. The bank exceeded the performance of aggregate lenders in lending to upper-income borrowers by number and dollar volume. The bank and aggregate lenders performed less favorably than the demographics of families in the assessment area for low-and moderate-income categories, the bank performed less favorably than the demographic for middle-income categories while aggregate lenders exceeded the demographic. Both the bank and aggregate lenders exceeded the demographic for upper-income.

Refinanced Lending

In 2012, the bank compared less favorably to aggregate lenders as it did not originate any refinance loans to low-income borrowers. The bank slightly exceeded aggregate performance by number volume but significantly underperformed by dollar volume to moderate-income borrowers. The bank compared favorably to aggregate lenders for middle income borrowers and exceeded aggregate performance for upper-income. The bank and aggregate lenders performed less favorably than the income demographics of families in the assessment area for all income categories except for upper.

In 2013, the bank originated a larger percentage of refinanced loans than aggregate lenders by dollar volume in all income categories except for moderate. The bank outperformed aggregate lenders by number volume for low-and upper-income borrowers. The bank also compared favorably to aggregate where the income level of the borrower was unknown. Limited weight was placed on the 2013 refinance lending performance as 33.3% by number and 68.4% by dollar volume of loans were reported with unknown borrower income. When a bank reports revenue unknown for HMDA purposes it generally indicates that the property was purchased for investment purposes such as a rental unit.

The tables on the following pages illustrate the assessment area's demographics and HMDA lending for the bank and aggregate lenders for 2012 and 2013.

| DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS TYLER MSA ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|----------------------------------|
| Borrower Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Families² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 2 | 140 | 4.0 | 2.0 | 4.4 | 2.1 | 21.6 |
| Moderate | 5 | 301 | 10.0 | 4.4 | 12.6 | 7.5 | 17.2 |
| Middle | 6 | 723 | 12.0 | 10.6 | 20.8 | 16.1 | 19.5 |
| Upper | 31 | 4,756 | 62.0 | 69.5 | 49.3 | 57.0 | 41.7 |
| Unknown | 6 | 927 | 12.0 | 13.5 | 12.8 | 17.3 | 0.0 |
| Home Purchase Loans | | | | | | | |
| Low | 2 | 140 | 8.7 | 5.4 | 5.1 | 2.5 | 21.6 |
| Moderate | 3 | 265 | 13.0 | 10.3 | 16.6 | 11.1 | 17.2 |
| Middle | 0 | 0 | 0.0 | 0.0 | 23.1 | 20.5 | 19.5 |
| Upper | 15 | 1,971 | 65.2 | 76.6 | 44.8 | 56.7 | 41.7 |
| Unknown | 3 | 198 | 13.0 | 7.7 | 10.4 | 9.3 | 0.0 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 3.6 | 1.9 | 21.6 |
| Moderate | 2 | 36 | 8.7 | 0.9 | 8.4 | 4.8 | 17.2 |
| Middle | 4 | 526 | 17.4 | 13.2 | 18.4 | 13.3 | 19.5 |
| Upper | 14 | 2,692 | 60.9 | 67.6 | 53.9 | 64.1 | 41.7 |
| Unknown | 3 | 729 | 13.0 | 18.3 | 15.7 | 15.8 | 0.0 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

| DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS TYLER MSA ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|----------------------------------|
| Borrower Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Families² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 6 | 405 | 6.3 | 2.3 | 7.0 | 1.9 | 21.6 |
| Moderate | 6 | 598 | 6.3 | 3.5 | 16.3 | 6.3 | 17.2 |
| Middle | 15 | 1,927 | 15.6 | 11.2 | 22.7 | 10.9 | 19.5 |
| Upper | 47 | 6,379 | 49.0 | 37.0 | 40.7 | 29.3 | 41.7 |
| Unknown | 22 | 7,939 | 22.9 | 46.0 | 13.4 | 51.6 | 0.0 |
| Home Purchase Loans | | | | | | | |
| Low | 3 | 239 | 5.3 | 3.4 | 7.4 | 3.6 | 21.6 |
| Moderate | 5 | 514 | 8.8 | 7.2 | 18.3 | 13.3 | 17.2 |
| Middle | 9 | 1,105 | 15.8 | 15.5 | 23.3 | 20.9 | 19.5 |
| Upper | 30 | 4,139 | 52.6 | 58.0 | 39.3 | 51.7 | 41.7 |
| Unknown | 10 | 1,135 | 17.5 | 15.9 | 11.8 | 10.5 | 0.0 |
| Refinanced Loans | | | | | | | |
| Low | 2 | 141 | 6.7 | 2.0 | 5.8 | 1.1 | 21.6 |
| Moderate | 1 | 84 | 3.3 | 1.2 | 13.7 | 3.0 | 17.2 |
| Middle | 4 | 462 | 13.3 | 6.4 | 22.2 | 6.1 | 19.5 |
| Upper | 13 | 1,586 | 43.3 | 22.1 | 41.7 | 17.9 | 41.7 |
| Unknown | 10 | 4,919 | 33.3 | 68.4 | 16.5 | 71.9 | 0.0 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

Small Business Lending

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. CRA defines a small business as a business with annual gross revenue of \$1 million or less. The bank is not required to report small business data due to its size. However, the bank's lending is compared to the performance of aggregate lenders that report small business loan data to obtain a sense of loan demand.

During the sample period, 21 commercial loans originated in this assessment area. Of these loans, 57.1% by number volume and 70.0% by dollar volume were originated to small businesses. The bank originated a higher percentage of loans to small businesses than the aggregate lenders, whose lending distributions were 44.8% by number volume and 38.1% by dollar volume. According to D&B, 90.7% of businesses in the assessment area were small businesses.

The table on the following page further details the bank's performance, aggregate lenders, and assessment area's demographics.

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY REVENUE SIZE TYLER MSA ASSESSMENT AREA | | | | | | | |
|--|-----------------------------|------------|------------|-------------|---------------------------------------|-------------|--|
| Business Revenue by Size¹ | Small Business Loans | | | | Aggregate CRA Data² | | % of Businesses³ |
| | # | \$0 | # % | \$ % | # % | \$ % | |
| \$1MM or less | 12 | 1,642 | 57.1 | 70.0 | 44.8 | 38.1 | 90.7 |
| Over \$1MM | 9 | 704 | 42.9 | 30.0 | Not Reported | | 6 |
| Not Known | 0 | 0 | 0.0 | 0.0 | | | 3.3 |

¹ CRA defines small businesses as businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
³ The percentage of businesses and farms in the AA is based on 2014 D&B Data.
(NOTE: Total percentages shown may vary by 0.1% 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. Of the bank's business loans, 71.4% are in amounts less than \$100,000. While this percentage is less than aggregate lenders, it is still an indicator of good performance.

The table below further details the bank's performance along with aggregate lenders.

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY LOAN AMOUNT TYLER MSA ASSESSMENT AREA | | | | | | |
|---|---|----------------|------------|-------------|---------------------------------------|-------------|
| Loan Amount | Small Business Loans¹ | | | | Aggregate CRA Data² | |
| | # | \$(000) | # % | \$ % | # % | \$ % |
| \$100,000 or less | 15 | 663 | 71.4% | 28.3% | 88.9% | 29.1% |
| \$100,001 - \$250,000 | 3 | 502 | 14.3% | 21.4% | 5.7% | 18.4% |
| \$250,001 - \$1,000,000 | 3 | 1,180 | 14.3% | 50.3% | 5.4% | 52.5% |
| Over \$1,000,000 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% |

¹ CRA defines small businesses as businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's assessment area reported by all CRA filers.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution by the income level of geographies within the assessment area is reasonable. For this analysis, the geographic distribution of the bank's lending was compared to available occupancy levels and the performance of other banks, which is weighted more heavily when assessing performance. Additionally, home purchase loans and refinance loans were given equal weight due to comparable volume. The bank's overall performance in HMDA lending was slightly below the performance of aggregate lenders in 2012, but in 2013 the bank significantly outperformed aggregate lenders in low- and moderate-income tracts. In the geographic distribution of small business lending, the bank outperformed the aggregate lenders performance in lending in moderate-income geographies by number and dollar volume. The bank's branch presence makes up 4.4% of all the branches in the market. 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 Tyler MSA contains only two low-income census tracts.

HMDA Lending

Home Purchase Lending

In 2012, the bank originated no home purchase loans in low-income tracts; however, only 2.5% of the assessment area families live in the low-income tracts. The bank's performance is only slightly below that of aggregate lenders. The bank underperformed by number and dollar to moderate-income tracts, while its performance was in line with aggregate for middle- and upper-income tracts. Aggregate lenders originated a lower percentage of home purchase loans than the percentage of owner occupied units in all geographies except for upper-income census tracts; whereas the bank exceeded the demographic in low- and upper-income tracts.

In 2013, the bank exceeded aggregate lender performance for home purchase loans by both number volume and dollar amount in low-, moderate- and middle-income tracts. The bank's performance was below aggregate lenders for upper-income tracts. The bank exceeded or compared favorably to the percentage of owner-occupied units in all geographies except moderate-income tracts.

Refinanced Lending

In 2012, the bank originated a higher percentage of refinanced loans by number in low-, moderate- and middle-income geographies than aggregate lenders. By dollar, the bank exceeded aggregate in only low- and middle-income geographies. The bank originated a similar or higher percentage, by number, of refinanced loans than the percentage of owner occupied units in all geographies except for moderate-income census tracts. By dollar, the bank exceeded the demographic for only middle- and upper-income tracts. Aggregate lenders were below the demographic by both number and dollar in low- and moderate-income tracts.

In 2013, the bank originated no refinanced loans to low-income geographies, though this performance is reasonable as loan demand in these geographies is low based on aggregate lender performance and the percentage of owner occupied units in low-income geographies. The bank significantly out-performed aggregate lenders by number and dollar in moderate-income tracts. In middle-income geographies, the bank compared favorably to the aggregate lenders' performance by number but was significantly below by dollar volume. Conversely, in upper-income geographies the bank underperformed when compared to aggregate lenders by number but significantly exceeded aggregate by dollar volume. The bank exceeded the demographic by number in only moderate-income tracts, while underperforming by dollar amount in all income categories except upper. Aggregate lenders underperformed when compared to the demographic by number in all income categories except for upper and by dollar in all categories except for middle.

The tables on the following pages illustrate the assessment area's demographics and HMDA lending for the bank and aggregate lenders for 2012 and 2013.

| DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY TYLER MSA ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|--|
| Census Tract Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Owner Occupied Units² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 1 | 32 | 2.0 | 0.5 | 0.5 | 0.5 | 1.2 |
| Moderate | 4 | 191 | 8.0 | 2.8 | 10.1 | 6.6 | 21.7 |
| Middle | 23 | 3,065 | 46.0 | 44.8 | 40.0 | 40.0 | 42.2 |
| Upper | 22 | 3,559 | 44.0 | 52.0 | 49.5 | 52.9 | 34.9 |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.6 | 0.3 | 1.2 |
| Moderate | 1 | 36 | 4.3 | 1.4 | 11.9 | 7.8 | 21.7 |
| Middle | 10 | 954 | 43.5 | 37.1 | 39.0 | 38.3 | 42.2 |
| Upper | 12 | 1,584 | 52.2 | 61.5 | 48.5 | 53.5 | 34.9 |
| Refinanced Loans | | | | | | | |
| Low | 1 | 32 | 4.3 | 0.8 | 0.2 | 0.1 | 1.2 |
| Moderate | 3 | 155 | 13.0 | 3.9 | 7.9 | 5.1 | 21.7 |
| Middle | 11 | 1,914 | 47.8 | 48.1 | 40.6 | 40.5 | 42.2 |
| Upper | 8 | 1,882 | 34.8 | 47.3 | 51.4 | 54.3 | 34.9 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data and 2010 FFIEC census tract designations.. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

| DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY TYLER MSA ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|--|
| Census Tract Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Owner Occupied Units² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 1 | 130 | 1.0 | 0.8 | 0.6 | 0.2 | 1.2 |
| Moderate | 22 | 4,330 | 22.9 | 25.1 | 11.7 | 11.6 | 21.7 |
| Middle | 37 | 6,403 | 38.5 | 37.1 | 40.5 | 54.8 | 42.2 |
| Upper | 36 | 6,385 | 37.5 | 37.0 | 47.2 | 33.5 | 34.9 |
| Home Purchase Loans | | | | | | | |
| Low | 1 | 130 | 1.8 | 1.8 | 0.4 | 0.3 | 1.2 |
| Moderate | 11 | 1,256 | 19.3 | 17.6 | 11.0 | 7.1 | 21.7 |
| Middle | 23 | 3,290 | 40.4 | 46.1 | 41.0 | 39.3 | 42.2 |
| Upper | 22 | 2,456 | 38.6 | 34.4 | 47.6 | 53.2 | 34.9 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.6 | 0.1 | 1.2 |
| Moderate | 9 | 1,249 | 30.0 | 17.4 | 10.4 | 13.2 | 21.7 |
| Middle | 12 | 2,617 | 40.0 | 36.4 | 40.2 | 63.0 | 42.2 |
| Upper | 9 | 3,326 | 30.0 | 46.2 | 48.9 | 23.7 | 34.9 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data and 2010 FFIEC census tract designations.. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

Small Business Lending

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. CRA defines a small business as a business with annual gross revenue of \$1 million or less. The bank is not required to report small business data due to its size. However, the bank's lending is compared to the performance of aggregate lenders that report small business loan data to obtain a sense of loan demand.

During the sample period, the bank did not originate any loans in low-income tracts, which does not compare favorably to aggregate lenders. However, the bank significantly outperformed aggregate lender performance in moderate-income geographies by both number and dollar volume. Furthermore, the bank compared favorably to aggregate lenders by number and dollar volume in middle- and upper-income tracts.

The table on the following page further details the bank's performance, aggregate lenders, and assessment area's demographics.

| DISTRIBUTION OF 2014 SMALL BUSINESS BY INCOME LEVEL OF GEOGRAPHY TYLER MSA ASSESSMENT AREA | | | | | | | |
|---|---|---------------|------------|-------------|---------------------------------------|-------------|--|
| Census Tract Income Level | Small Business Loans¹ | | | | Aggregate CRA Data² | | % of Businesses³ |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Low | 0 | 0 | 0.0 | 0.0 | 7.7 | 9.8 | 7.5 |
| Moderate | 7 | 814 | 33.3 | 34.7 | 18.8 | 15.9 | 20.9 |
| Middle | 6 | 1,107 | 28.6 | 47.2 | 32.9 | 31.9 | 35.2 |
| Upper | 8 | 425 | 38.1 | 18.1 | 38.8 | 41.4 | 36.3 |
| Unknown ⁴ | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

¹ CRA defines small businesses as businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
³ The percentage of businesses in the AA is based on 2014 D&B data and 2010 FFIEC census tract designations.
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

HENDERSON/VAN ZANDT ASSESSMENT AREA

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

An analysis of HMDA and small business lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to ascertain the extent of lending to borrowers of different income levels and to businesses 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 demonstrates its commitment to meeting the credit needs of the communities it serves by lending to borrowers of different income levels, including low- and moderate-income borrowers in its assessment area.

The income level of the borrowers was compared to the Texas non-MSA MFI for 2012 and 2013. The following table depicts the referenced income level ranges:

| INCOME LEVEL | 2012 TEXAS NON-MSA MFI | 2013 TEXAS NON-MSA MFI |
|---------------------|-----------------------------------|-----------------------------------|
| Median Income | \$49,300 | \$50,500 |
| Low-income | ≤ \$24,650 | ≤ \$25,250 |
| Moderate-income | \$24,650 - \$39,439 | \$25,250 - \$40,399 |
| Middle-income | \$39,440 - \$59,159 | \$40,400 - \$60,599 |
| Upper-income | ≥ \$59,160 | ≥ \$60,600 |

HMDA Lending

The HMDA LARs contained roughly the same percentage of home purchase and refinance loans; therefore, equal weight was given to each product. The performance of aggregate lenders

was weighed more heavily than the assessment area's demographics for families in the assessment area because it is more indicative of the loan demand.

Home Purchase Lending

In 2012, the bank originated a larger percentage of home purchase loans to low-income and upper-income borrowers by number and dollar volume than aggregate lenders. For lending to moderate- and middle-income borrowers, originations were below aggregate lenders by number and dollar volume. The only income category that the bank and aggregate lenders exceeded the percentage of families was upper-income.

In 2013, the bank underperformed aggregate lenders by number and dollar volume in all income categories with the exception of upper-income borrowers. Similarly, the bank and aggregate lenders exceeded the demographic only for upper-income borrowers. Home purchase loan volume to low-income borrowers was negligible across all lenders; the bank's performance did not materially fall short of aggregate lenders in this income category. Further, the bank controls just over 5% of deposits in the assessment area and has only three branches there, none of which are in Van Zandt County.

Refinanced Lending

In 2012, the bank exceeded aggregate lender performance in all income categories with the exception of upper-income. While the bank outperformed aggregate lenders, neither the bank nor aggregate lenders exceeded the demographics for low-, moderate-, or middle-income.

In 2013, the bank exceeded aggregate lender performance for all income categories, except low-income. Refinance lending to low-income borrowers was negligible across all lenders in the assessment area, as aggregate lenders made only 2.2% by number and 0.3% by dollar volume of their refinance loans to low-income borrowers.

The tables on the following pages illustrate the assessment area's demographics and HMDA lending for the bank and aggregate lenders for 2012 and 2013.

| DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|----------------------------------|
| Borrower Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Families² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 4 | 136 | 6.8 | 1.9 | 3.3 | 1.0 | 18.8 |
| Moderate | 6 | 292 | 10.2 | 4.1 | 10.7 | 5.3 | 18.9 |
| Middle | 7 | 698 | 11.9 | 9.9 | 13.2 | 9.1 | 21.7 |
| Upper | 35 | 4,411 | 59.3 | 62.6 | 60.0 | 72.7 | 40.7 |
| Unknown | 7 | 1,509 | 11.9 | 21.4 | 12.7 | 12.0 | 0.0 |
| Home Purchase Loans | | | | | | | |
| Low | 3 | 118 | 9.1 | 3.6 | 2.8 | 1.1 | 18.8 |
| Moderate | 2 | 60 | 6.1 | 1.8 | 13.8 | 7.8 | 18.9 |
| Middle | 5 | 402 | 15.2 | 12.2 | 18.7 | 14.1 | 21.7 |
| Upper | 20 | 2,482 | 60.6 | 75.5 | 54.6 | 68.1 | 40.7 |
| Unknown | 3 | 225 | 9.1 | 6.8 | 10.1 | 8.9 | 0.0 |
| Refinanced Loans | | | | | | | |
| Low | 1 | 18 | 4.8 | 0.7 | 2.4 | 0.9 | 18.8 |
| Moderate | 3 | 94 | 14.3 | 3.7 | 6.8 | 3.6 | 18.9 |
| Middle | 2 | 296 | 9.5 | 11.7 | 8.9 | 5.7 | 21.7 |
| Upper | 13 | 1,813 | 61.9 | 71.8 | 66.3 | 76.6 | 40.7 |
| Unknown | 2 | 305 | 9.5 | 12.1 | 15.6 | 13.2 | 0.0 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

| DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|----------------------------------|
| Borrower Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Families² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 1 | 42 | 1.0 | 0.4 | 3.5 | 0.5 | 18.8 |
| Moderate | 11 | 492 | 11.5 | 4.7 | 10.2 | 2.4 | 18.9 |
| Middle | 8 | 634 | 8.3 | 6.0 | 18.5 | 6.4 | 21.7 |
| Upper | 71 | 8,945 | 74.0 | 84.6 | 54.7 | 32.8 | 40.7 |
| Unknown | 5 | 462 | 5.2 | 4.4 | 13.0 | 57.9 | 0.0 |
| Home Purchase Loans | | | | | | | |
| Low | 1 | 42 | 1.7 | 0.6 | 3.3 | 1.1 | 18.8 |
| Moderate | 6 | 211 | 10.2 | 3.2 | 12.3 | 6.1 | 18.9 |
| Middle | 2 | 192 | 3.4 | 3.0 | 21.6 | 16.1 | 21.7 |
| Upper | 50 | 6,061 | 84.7 | 93.2 | 52.0 | 64.9 | 40.7 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 10.8 | 11.8 | 0.0 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 2.2 | 0.3 | 18.8 |
| Moderate | 4 | 237 | 12.5 | 6.2 | 6.8 | 1.1 | 18.9 |
| Middle | 5 | 425 | 15.6 | 11.1 | 14.9 | 3.0 | 21.7 |
| Upper | 19 | 2,779 | 59.4 | 72.7 | 59.3 | 21.2 | 40.7 |
| Unknown | 4 | 382 | 12.5 | 10.0 | 16.8 | 74.5 | 0.0 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

Small Business Lending

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. CRA defines a small business as a business with annual gross revenue of \$1 million or less. The bank is not required to report small business data due to its size. However, the bank's lending is compared to the performance of aggregate lenders that report small business loan data to obtain a sense of loan demand.

During the sample period, 19 commercial loans were originated in the assessment area. Of these loans, 89.5% by number volume and 63.8% by dollar volume were originated to small businesses. The bank originated a higher percentage of loans to small businesses than the aggregate lenders, whose lending distributions were 54.0% by number volume and 51.4% by dollar volume. According to D&B, 92.5% of businesses in the assessment area were small businesses.

The table on the following page further details the bank's performance, aggregate lenders, and assessment area's demographics.

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY REVENUE SIZE HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | | |
|--|-----------------------------|-------------|------------|-------------|---------------------------------------|-------------|--|
| Business Revenue by Size¹ | Small Business Loans | | | | Aggregate CRA Data² | | % of Businesses³ |
| | # | 000s | # % | \$ % | # % | \$ % | |
| \$1MM or less | 17 | 379 | 89.5 | 63.8 | 54.0 | 51.4 | 92.5 |
| Over \$1MM | 2 | 215 | 10.5 | 36.2 | Not Reported | | 3.5 |
| Not Known | 0 | 0 | 0.0 | 0.0 | | | 4 |

¹ CRA defines small businesses loans as businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
³ The percentage of businesses in the AA is based on 2014 D&B Data.
(NOTE: Total percentages shown may vary by 0.1% 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 89.5% of the bank's small business loans were made in loan amounts under \$100,000. Though aggregate lenders made a slightly larger percentage of loans by number, the bank outperformed those lenders by dollar volume.

The table below further details the bank's performance along with aggregate lenders.

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY LOAN AMOUNT HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | |
|---|---|--------------|------------|-------------|---------------------------------------|-------------|
| Loan Amount | Small Business Loans¹ | | | | Aggregate CRA Data² | |
| | # | \$000 | # % | \$ % | # % | \$ % |
| \$100,000 or less | 17 | 293 | 89.5% | 49.4% | 92.4% | 38.0% |
| \$100,001 - \$250,000 | 2 | 300 | 10.5% | 50.6% | 4.8% | 22.8% |
| \$250,001 - \$1,000,000 | 0 | 0 | 0.0% | 0.0% | 2.8% | 39.2% |
| Over \$1,000,000 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% |

¹ CRA defines small businesses as businesses with gross annual revenues of under \$1 million.
² Aggregate loan data reflects all loan originations in the bank's assessment area reported by all CRA filers.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution by the income level of geographies within the assessment area is reasonable. For this analysis, the geographic distribution of the bank's lending was compared to available occupancy levels, other demographic information, and the performance of other banks, which is weighted more heavily when assessing performance. Additionally, home purchase loans and refinance loans were given equal weight due comparable volume. The bank's overall performance in HMDA lending was comparable to the performance of aggregate lenders in both 2012 and 2013. The bank's branch presence makes up 6.9% of all the branches in the market. 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 Henderson/Van Zandt assessment area contains no low-income census tracts.

HMDA Lending

Home Purchase Lending

In 2012, the bank exceeded aggregate lender performance by number and dollar amount in only the upper-income tracts. Similarly, the bank and aggregate lenders originations only exceeded the percentage of owner-occupied units in upper-income tracts.

In 2013, the bank exceeded aggregate lender performance and the demographic for home purchase loans by both number volume and dollar amount in moderate- and upper-income tracts.

Refinanced Lending

In 2012, the bank exceeded aggregate lender performance and the demographic for home purchase loans by both number volume and dollar amount in moderate- and upper-income tracts.

In 2013, the bank compared favorably to aggregate lenders by number in moderate- and middle-income tracts, but exceeded those lenders performance by dollar volume. In upper-income tracts the bank again compared favorably by number but not by dollar volume. The bank and aggregate lenders only exceeded the demographic in upper-income tracts.

The tables on the following pages illustrate the assessment area's demographics and HMDA lending for the bank and aggregate lenders for 2012 and 2013.

| DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | | |
|---|-------------------|---------------|------------|-------------|--|-------------|--|
| Census Tract Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Owner Occupied Units² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 4 | 365 | 6.8 | 5.2 | 6.8 | 4.8 | 9.5 |
| Middle | 38 | 5,086 | 64.4 | 72.2 | 76.5 | 75.7 | 79.2 |
| Upper | 17 | 1,595 | 28.8 | 22.6 | 16.7 | 19.5 | 11.2 |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 1 | 37 | 3.0 | 1.1 | 8.3 | 6.6 | 9.5 |
| Middle | 21 | 2,335 | 63.6 | 71.0 | 74.1 | 73.1 | 79.2 |
| Upper | 11 | 915 | 33.3 | 27.8 | 17.6 | 20.3 | 11.2 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 3 | 328 | 14.3 | 13.0 | 4.4 | 3.1 | 9.5 |
| Middle | 13 | 1,578 | 61.9 | 62.5 | 78.6 | 77.6 | 79.2 |
| Upper | 5 | 620 | 23.8 | 24.5 | 17.0 | 19.4 | 11.2 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data and 2010 FFIEC census tract designations. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

| DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | | |
|---|------------|--------|------|------|-------------------------------------|------|--|
| Census Tract Income Level | Bank Loans | | | | Aggregate HMDA Data ¹ | | % of Owner Occupied Units ² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 8 | 1,270 | 8.3 | 12.0 | 7.9 | 3.2 | 9.5 |
| Middle | 68 | 7,392 | 70.8 | 69.9 | 75.9 | 58.5 | 79.2 |
| Upper | 20 | 1,913 | 20.8 | 18.1 | 16.3 | 38.2 | 11.2 |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 6 | 1,025 | 10.2 | 15.8 | 8.6 | 8.3 | 9.5 |
| Middle | 40 | 4,446 | 67.8 | 68.3 | 75.0 | 76.2 | 79.2 |
| Upper | 13 | 1,035 | 22.0 | 15.9 | 16.4 | 15.4 | 11.2 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 2 | 245 | 6.3 | 6.4 | 6.2 | 1.4 | 9.5 |
| Middle | 25 | 2,824 | 78.1 | 73.9 | 76.8 | 52.1 | 79.2 |
| Upper | 5 | 754 | 15.6 | 19.7 | 17.0 | 46.5 | 11.2 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data and 2010 FFIEC census tract designations. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

Small Business Lending

The assessment area contains no low-income tracts. 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. CRA defines a small business as a business with annual gross revenue of \$1 million or less. The bank is not required to report small business data due to its size. However, the bank's lending is compared to the performance of aggregate lenders that report small business loan data to obtain a sense of loan demand.

The bank outperformed the aggregate lenders performance in lending in moderate- and upper-income geographies by both number and dollar volume. Notably the bank also exceeded the percentage of small businesses in those tracts. The bank was slightly below aggregate lender performance in middle-income tracts

The table on the following page further details the bank's performance, aggregate lenders, and assessment area's demographics.

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY HENDERSON/VAN ZANDT ASSESSMENT AREA | | | | | | | |
|---|---|---------------|------------|-------------|---------------------------------------|-------------|--|
| Census Tract Income Level | Small Business Loans¹ | | | | Aggregate CRA Data² | | % of Businesses³ |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 4 | 124 | 21.1 | 20.9 | 9.7 | 13.2 | 11.1 |
| Middle | 12 | 415 | 63.2 | 69.9 | 78.2 | 77.3 | 79.5 |
| Upper | 3 | 55 | 15.8 | 9.3 | 8.2 | 8.5 | 9.4 |

¹CRA defines small businesses loans businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
³ The percentage of businesses in the AA is based on 2014 D&B data and 2010 FFIEC census tract designations.
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

KAUFMAN ASSESSMENT AREA

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

An analysis of HMDA and small business lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to ascertain the extent of lending to borrowers of different income levels and to businesses 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 demonstrates its commitment to meeting the credit needs of the communities it serves by lending to borrowers of different income levels, including low- and moderate-income borrowers in its assessment area.

The income level of the borrowers was compared to the Dallas-Plano-Irving MSA MFI for 2012 and 2013. The following table depicts the referenced income level ranges:

| INCOME LEVEL | 2012 DALLAS-PLANO-IRVING MSA MFI | 2013 DALLAS-PLANO-IRVING MSA MFI |
|---------------------|---|---|
| Median Income | \$70,600 | \$69,000 |
| Low-income | < \$35,300 | < \$34,500 |
| Moderate-income | \$35,300 - \$56,479 | \$34,500 - \$55,199 |
| Middle-income | \$56,480 - \$84,719 | \$55,200 - \$82,799 |
| Upper-income | ≥ \$84,720 | ≥ \$82,800 |

HMDA Lending

As the bank includes only three tracts in Kaufman County for its assessment area and volume is limited, all HMDA reportable products were analyzed collectively. The performance of aggregate lenders was weighed more heavily than the assessment area’s demographics for families in the assessment area because it is more indicative of the loan demand.

Total Home Mortgage Loans

In 2012, the bank underperformed compared to aggregate lenders as it originated no HMDA loans to borrowers considered low-income. The bank slightly outperformed aggregate lenders to moderate-income borrowers by number, but slightly underperformed by dollar. To borrowers considered middle-income the bank lagged aggregate by number and dollar. For upper-income borrowers the bank outperformed aggregate lenders by number and dollar. Both the bank and aggregate lenders originated a lower percentage of loans to low- and moderate-income borrowers than the percentage of families residing in those geographies. Aggregate lenders slightly exceeded the demographic of middle-income families by number, but underperformed by dollar, while the bank underperformed by both number and dollar. The only income category where both the bank and aggregate lenders exceeded the demographic was upper-income.

In 2013, the bank originated a smaller percentage of HMDA loans than aggregate lenders in all income categories except for upper-income. The bank also underperformed compared to the demographic in all income categories with the exception of upper-income. Similarly, aggregate lenders underperformed when compared to the demographic for all income levels other than upper-income, though aggregate lenders were only slight behind the demographic for moderate- and middle-income.

This performance is considered reasonable as the bank has only one branch in the extreme southeastern portion of the county and ranks 9th out of 11 depository intuitions in the county.

| DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS KAUFMAN ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|----------------------------------|
| Borrower Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Families² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 9.4 | 4.5 | 29.3 |
| Moderate | 2 | 151 | 14.3 | 8.7 | 13.5 | 9.8 | 21.4 |
| Middle | 3 | 186 | 21.4 | 10.7 | 24.0 | 18.8 | 21.6 |
| Upper | 8 | 1,376 | 57.1 | 78.9 | 34.5 | 40.7 | 27.7 |
| Unknown | 1 | 31 | 7.1 | 1.8 | 18.6 | 26.2 | 0.0 |

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² Based on 2010 ACS 5-year estimate data.
(NOTE: Total percentages show n may vary by 0.1% due to automated rounding differences.)

| DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS KAUFMAN ASSESSMENT AREA | | | | | | | |
|--|-------------------|---------------|------------|-------------|--|-------------|----------------------------------|
| Borrower Income Level | Bank Loans | | | | Aggregate HMDA Data¹ | | % of Families² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans³ | | | | | | | |
| Low | 1 | 40 | 5.3 | 2.2 | 8.3 | 3.5 | 29.3 |
| Moderate | 1 | 106 | 5.3 | 5.8 | 21.0 | 16.5 | 21.4 |
| Middle | 2 | 123 | 10.5 | 6.7 | 21.0 | 19.1 | 21.6 |
| Upper | 10 | 981 | 52.6 | 53.4 | 33.5 | 45.0 | 27.7 |
| Unknown | 5 | 587 | 26.3 | 32.0 | 16.1 | 15.9 | 0.0 |

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² Based on 2010 ACS 5-year estimate data.
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

Small Business Lending

A meaningful analysis could not be performed in regards to small business lending in this assessment area because of the low volume of originations. During the sample period, two loans were originated. Both were originated to small businesses in amounts under \$100,000. The aggregate lenders originated 43.3% by number volume and 23.9% by dollar volume to small businesses. According to D&B, 90.9% of businesses in the assessment area were small businesses.

The tables below further details the bank's performance, aggregate lenders, and assessment area's demographics.

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY REVENUE SIZE KAUFMAN ASSESSMENT AREA | | | | | | | |
|--|-----------------------------|---------------|------------|-------------|---------------------------------------|-------------|--|
| Business Revenue by Size¹ | Small Business Loans | | | | Aggregate CRA Data² | | % of Businesses³ |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| \$1MM or less | 2 | 15 | 100.0 | 100.0 | 43.4 | 23.9 | 90.9 |
| Over \$1MM | 0 | 0 | 0.0 | 0.0 | Not Reported | | 4.6 |
| Not Known | 0 | 0 | 0.0 | 0.0 | | | 4.6 |

¹ CRA defines small businesses loans as businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
³ The percentage of businesses in the AA is based on 2014 D&B Data.
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

| DISTRIBUTION OF 2014 SMALL BUSINESS LOANS BY LOAN AMOUNT KAUFMAN ASSESSMENT AREA | | | | | | |
|---|---|--------------|------------|-------------|---------------------------------------|-------------|
| Loan Amount | Small Business Loans¹ | | | | Aggregate CRA Data² | |
| | # | \$000 | # % | \$ % | # % | \$ % |
| \$100,000 or less | 2 | 14 | 100.0% | 100.0 | 100.0% | 100.0% |
| \$100,001 - \$250,000 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% |
| \$250,001 - \$1,000,000 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% |
| Over \$1,000,000 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0.0% |

¹CRA defines small businesses as businesses with gross annual revenues of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's assessment area reported by all CRA filers.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution by the income level of geographies within the assessment area is reasonable. For this analysis, the geographic distribution of the bank's lending was compared to available occupancy levels and the performance of other banks, which is weighted more heavily when assessing performance. As the bank includes only three tracts in Kaufman County for its assessment area and volume is limited, all HMDA reportable products were analyzed collectively. The bank's overall performance in HMDA lending was comparable to the performance of aggregate lenders. Loans were generally made in close proximity to the bank's branch and there were no conspicuous gaps or anomalies in the lending patterns.

HMDA Lending

Total Home Mortgage Loans

In 2012, the bank outperformed aggregate lenders in the moderate-income tract by number of loans made. However, the bank lagged aggregate lenders by dollar volume in that tract. Conversely, in the two middle-income tracts, the bank underperformed aggregate lenders by number, but outperformed by dollar volume. The bank exceeded the percentage of owner-occupied units by number but not by dollar volume in the moderate-income tract; in the two middle-income tracts the bank underperformed the demographics by number, but exceeded by dollar volume. Aggregate lenders compared favorably to the demographic by number in moderate- and middle-income tracts. By dollar volume, aggregate lenders exceeded the demographic in the moderate-income tract, but underperformed in the middle-income tracts.

In 2013, the bank significantly exceeded aggregate lenders and the demographic by both number and dollar volume in the moderate-income tract, as 18 of the bank's 19 originations in the assessment area were made in that tract. As a result, the bank performed significantly below aggregate lenders and the demographic in the two middle-income tracts by both number and dollar volume. Aggregate lenders compared favorably to the demographic by number and dollar volume in moderate- and middle-income tracts.

| DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY KAUFMAN ASSESSMENT AREA | | | | | | | |
|---|------------|--------|------|------|-------------------------------------|------|--|
| Census Tract Income Level | Bank Loans | | | | Aggregate HMDA Data ¹ | | % of Owner Occupied Units ² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 9 | 734 | 64.3 | 42.1 | 49.1 | 56.6 | 50.5 |
| Middle | 5 | 1,010 | 35.7 | 57.9 | 50.9 | 43.4 | 49.5 |
| Upper | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data and 2010 FFIEC census tract designations. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

| DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY KAUFMAN ASSESSMENT AREA | | | | | | | |
|---|------------|--------|------|------|-------------------------------------|------|--|
| Census Tract Income Level | Bank Loans | | | | Aggregate HMDA Data ¹ | | % of Owner Occupied Units ² |
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 18 | 1,801 | 94.7 | 98.0 | 52.7 | 52.6 | 50.5 |
| Middle | 1 | 36 | 5.3 | 2.0 | 47.3 | 47.4 | 49.5 |
| Upper | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. ² Based on 2010 ACS 5-year estimate data and 2010 FFIEC census tract designations. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.) | | | | | | | |

Small Business Loans

A meaningful analysis could not be performed in regards to small business lending in this assessment area because of the low volume of originations. During the sample period, two loans originated in this assessment area. Of these loans, both were originated to small businesses in the moderate-income tract. The aggregate lenders originated 55.0% by number volume and 28.3% by dollar volume in the moderate-income tract. According to D&B, 57.8% of businesses in the assessment area were in the moderate-income tract.

**DISTRIBUTION OF 2014 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
KAUFMAN AA**

| Census Tract Income Level | Small Business Loans ¹ | | | | Aggregate CRA Data ² | | % of Businesses ³ |
|------------------------------|-----------------------------------|--------|-------|-------|---------------------------------|------|---------------------------------|
| | # | \$000s | # % | \$ % | # % | \$ % | |
| Low | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Moderate | 2 | 15 | 100.0 | 100.0 | 55.0 | 28.3 | 57.8 |
| Middle | 0 | 0 | 0.0 | 0.0 | 45.0 | 71.7 | 42.2 |
| Upper | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

¹CRA defines small businesses as businesses with gross annual revenues of \$1 million or less.

² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

³ The percentage of businesses in the AA is based on 2014 D&B data and 2010 FFIEC census tract designations.

(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

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: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- i. Low-or moderate-income geographies;
- ii. Designated disaster areas; or
- iii. 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-
 - a) Rates of poverty, unemployment, and population loss; or
 - b) 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.

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