

PUBLIC DISCLOSURE

January 22, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TransPecos Banks SSB
RSSD # 908861

115 West Third Street
Pecos, Texas 79772

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

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

TransPecos Banks SSB's (TransPecos or bank) performance demonstrates a reasonable responsiveness to the credit needs of its assessment areas. The bank's performance under the Lending Test is Satisfactory based on the following criteria:

- A majority of consumer unsecured loans, 88.5% of the number and 75.7% of the dollar volume, originated inside the bank's assessment areas.
- A reasonable net loan-to-deposit ratio (LTD) of 62.1% as of September 30, 2017, with a quarterly average of 70.1% 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.
- A reasonable dispersion of loans throughout the institution's assessment areas.

INSTITUTION

Scope of Examination

The bank's lending performance with respect to CRA was assessed by sampling consumer unsecured loans originated by the bank between October 28, 2013 and December 31, 2017. Although consumer unsecured loans comprised approximately 4.0% of the bank's lending portfolio by dollar volume as of September 30, 2017, it constitutes the largest number of originations by product since the previous evaluation. It most closely demonstrates the bank's lending patterns and business strategy. As such, a sample of 122 consumer unsecured loans, derived from a universe of 303 consumer unsecured loans and totaling \$1.1 million was reviewed. Additional products were not selected for review because the volume of other loan products would not be meaningful or representative of the bank's lending and business strategy. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter.

The evaluation was conducted using the *Small Institution CRA Examination Procedures*, which evaluate 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.
- 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.

Description of Institution

The bank is a \$191.9 million bank as of September 30, 2017, with its main office located in Pecos, Texas. The bank is 100% owned by TransPecos Financial Corporation, San Antonio, Texas, a one-bank holding company; there are no affiliates included for CRA purposes. The bank is a full-service retail bank operating three banking offices in the rural area of west Texas between Midland and El Paso. The Marathon branch is the only location with limited hours of operation. The bank also has a loan production office (LPO) in San Antonio, Texas, which is outside the bank's assessment area. The bank offers an array of products consistent with its business plan, and includes commercial, agricultural, Small Business Administration (SBA), home mortgage, construction, home improvement, automobile, and consumer secured and unsecured loans. A full line of deposit services are offered along with three automated teller machines (ATMs), one located at each

branch. The bank offers no off-site ATMs. There have been no changes to the banking locations since the previous evaluation dated October 28, 2013. The following table lists the bank's retail banking locations, ATMs and LPO.

FULL SERVICE BRANCHES				
Name Address	Tract Income Level County	ATM (Yes/No)/ Deposit- taking capability	Lobby Hours	Drive-thru Hours
Main Branch Pecos Branch 115 W 3rd Pecos, TX 79772	9502 Middle Reeves	Yes No Deposits	Mon – Thurs 9am – 4pm Fri 9am – 5pm	Mon – Fri 8am – 5pm Sat 9am – 12pm
Marathon Branch 109 West Hwy 90 Marathon, TX 79842	9505 Middle Brewster	Yes No Deposits	Mon – Thurs 9am – 11am Fri 9am – 3pm	NA
Alpine Branch 102 West Ave E Alpine, TX 79830	9503 Middle Brewster	Yes No Deposits	Mon – Thurs 9am – 4pm Fri 9am – 5pm	Mon – Fri 8am – 5pm Sat 9am – 12pm

OTHER LOCATIONS/OFFICES				
Name Address	Tract Income Level County	ATM (Yes/No)/ Deposit- taking capability	Lobby Hours	Drive-thru Hours
Loan Production Office TransPecos Banks 112 E Pecan Street, Suite 300 San Antonio, TX 78205	1101 Middle Bexar	No No Deposits	NA	NA

As of September 30, 2017, the bank reported total assets of approximately \$191.9 million, gross loans of \$109.8 million, total deposits of \$173.3 million, and a net LTD ratio of 62.1%. The following table reflects the loan portfolio mix:

Product	9/30/2017 \$(000's)	% of Loans	12/31/2016 \$(000's)	% of Loans
<u>Real Estate</u>				
1-4 Family Residential Construction Loans	442	0.0%	3,223	3.0%
Other Const Lns & Land Dev & Other	10,132	9.0%	7,994	7.0%
Farm Land	6,420	6.0%	6,151	6.0%
1-4 Family Residential Secured by First Liens	20,066	18.0%	20,169	18.7%
1-4 Family – Revolving	0	0.0%	254	0.0%
1-4 Family Residential Secured by Junior Liens	630	1.0%	860	1.0%
Multifamily	3,999	4.0%	3,777	4.0%
<u>Nonfarm Nonresidential</u>				
Loans Secured Owner Occupied Nonfarm Nonresidential	8,741	8.0%	7,844	7.0%
Loans Secured by Other Nonfarm Nonresidential	35,407	32.0%	31,141	29.0%
Total Real Estate	85,837	78.0%	81,413	75.7%
Agricultural	4,851	4.0%	4540	4.2%
Commercial and Industrial	15,193	14.0%	17,526	16.3%
State and Political Subdivisions	106	0.0%	188	0.2%
Loans to Individuals	3,862	4.0%	3,891	3.6%
All Oth Lns-Incl Lns to Non Dep Inst(Strt 3/31/10)	8	0.0%	11	0.0%
Gross Loans	109,857	100.0	107,569	100.0

The bank's ability to meet various credit needs of the community has not been hampered by its capacity to lend, its financial condition and size, product offerings, prior performance, legal impediments or other factors. The bank received a Satisfactory rating on its previous CRA performance evaluation dated October 28, 2013, performed by the Federal Reserve Bank of Dallas.

Description of Assessment Areas

The bank maintains two assessment areas. The first is the Reeves County Assessment Area, which is part of the nine counties that make up the Pecos Texas Nonmetropolitan Statistical Area. Reeves County, from January 2014 to December 2016, contained five census tracts comprised of one low-income, two moderate-income, and two middle-income census tracts. For 2017, the number census tracts remained the same; however, the composition of the tracts changed to one moderate-income, three middle-income, and one upper-income census tracts. The main branch is part of this assessment area, which holds approximately 68.6% of the bank's total deposits. This county is considered rural.

The second assessment area is Brewster County, also part of the nine counties that comprise the Pecos Texas Nonmetropolitan Statistical Area. Brewster County contained three census tracts comprised of one moderate-income and two middle-income census tracts. There are two branches in this assessment area, which hold 19.0% of the bank's total deposits. This county is also considered rural.

Both assessment areas were reviewed using full-scope procedures.

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

The bank's net LTD ratio is reasonable. A majority of loans were extended inside the assessment areas. The distribution of loans to low- and moderate-income (LMI) borrowers was reasonable. The geographic dispersion of the bank's lending was reasonable given the performance context. The bank does a reasonable job of meeting consumer credit needs in 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 LTD ratio is reviewed to assess the bank's willingness to meet the community's demand for credit.

The bank's net LTD ratio is considered reasonable, given the bank's size and financial condition, the credit needs of the assessment areas, and the competitive local banking environment. As of September 30, 2017, the net LTD ratio was 62.1%, and the quarterly average since the previous evaluation was 70.1%.

To better understand the bank's performance in relation to its assessment areas, a comparison of three similarly situated local banks was performed. These banks were chosen for analysis based on their proximity, similar size and structure. These similarly situated banks have net LTD ratios that range from 20.2% to 66.9% as of September 30, 2017. Their quarterly average net LTD ratios ranged from 21.8% to 68.7%. 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 majority of the bank's loans were originated inside its assessment areas. As shown in the table below, the bank extended 108 or 88.5% by number inside its assessment areas.

Lending Inside and Outside the Bank's AA(s)								
Bank Loans	Inside AA				Outside AA			
	#	\$(000)	# %	\$ %	#	\$(000)	# %	\$ %
Other - Unsecured	108	1,147	88.5	75.7	14	368	11.5	24.3

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

Lending to Borrowers of Different Income Levels

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels. Detailed information concerning the bank's lending in the assessment areas can be found in the tables located on the following pages. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to low- and moderate-income borrowers.

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.

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.

NONMETROPOLITAN STATEWIDE AREAS (Full Scope Review)

Description of Institution’s Operations in Reeves County Assessment Area

Reeves County is located along Interstate Highway 20 in the Trans-Pecos region of West Texas. Pecos, the county seat, is seventy-four miles southwest of Odessa. The 2015 estimated population for the Reeves County assessment area was 14,732 with a growth of 6.9% since the 2010 census (13,783). Reeves County is home to a mix of businesses and lifestyles that include government (The GEO Group Inc., Reeves County and City of Pecos), oil, healthcare (American Home Health and Hospice), education (Pecos-Barstow-Toyah Independent School District), and services (Wal-Mart).

County	2015 Population Estimate	% Change Since 2010	Major Municipalities
Reeves	14,732	6.9%	Pecos

According to the Federal Financial Institutions Examination Council (FFIEC), Reeves County contains middle-income census tracts that are designated as distressed. These geographies have been designated as distressed due to poverty. A nonmetropolitan middle-income geography is designated as distressed if it is in a county that meets certain unemployment, poverty, or population loss triggers.

The following chart depicts the two of three middle-income census tracts in Reeves County assessment area that have been designated as underserved and/or distressed.

Underserved/Distressed Assessment Area Summary Report						
County	Census Tract	Year	Distressed Middle-Income Tracts			Underserved Tracts
			Poverty	Unemployment	Population Loss	Remote Rural
Reeves	9504	2014 2015 2016 2017	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reeves	9505	2017	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As of this evaluation date, the bank operated its main office in Reeves County. TransPecos operates no loan production offices (LPOs) or deposit production offices (DPOs) in the assessment area. The main office contained \$119 million in deposits as of June 30, 2017.

According to the June 30, 2017, FDIC-Insured Summary of Deposit Report, there are two financial institutions operating two offices in the Reeves County assessment area. The

bank is rated 2nd in deposit market with 37.7% of the market share; West Texas National Bank has a market share of 62.3%.

The following table details selected characteristics of the assessment area.

Reeves County 2014 AA Demographics								
Income Categories	Tract Distribution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	1	20.0	481	18.5	216	44.9	918	35.3
Moderate-Income	2	40.0	798	30.7	209	26.2	414	15.9
Middle-Income	2	40.0	1,322	50.8	321	24.3	408	15.7
Upper-Income	0	0.0	0	0.0	0	0.0	861	33.1
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5	100.0	2,601	100.0	746	28.7	2,601	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	980	521	19.3	53.2	198	20.2	261	26.6
Moderate-Income	1,496	838	31.1	56.0	301	20.1	357	23.9
Middle-Income	2,238	1,337	49.6	59.7	433	19.3	468	20.9
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	4,714	2,696	100.0	57.2	932	19.8	1,086	23.0
	Total Businesses by Tract	Businesses By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	107	27.5	98	28.6	1	5.0	8	30.8
Moderate-Income	101	26.0	84	24.5	6	30.0	11	42.3
Middle-Income	181	46.5	161	46.9	13	65.0	7	26.9
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	389	100.0	343	100.0	20	100.0	26	100.0
Percent of Total Businesses:			88.2		5.1		6.7	
	Total Farms by Tract	Farms By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	3	11.5	3	12.5	0	0.0	0	0.0
Moderate-Income	8	30.8	7	29.2	1	50.0	0	0.0
Middle-Income	15	57.7	14	58.3	1	50.0	0	0.0
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	26	100.0	24	100.0	2	100.0	0	0.0
Percent of Total Farms:			92.3		7.7		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2014 FFIEC Online Census Data System tract designations, and 2014 Dun & Bradstreet data.
(NOTE: Total percentages may vary due to automated rounding differences.)

Reeves County 2015 AA Demographics								
Income Categories	Tract Distribution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	1	20.0	481	18.5	216	44.9	918	35.3
Moderate-Income	2	40.0	798	30.7	209	26.2	414	15.9
Middle-Income	2	40.0	1,322	50.8	321	24.3	408	15.7
Upper-Income	0	0.0	0	0.0	0	0.0	861	33.1
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5	100.0	2,601	100.0	746	28.7	2,601	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	980	521	19.3	53.2	198	20.2	261	26.6
Moderate-Income	1,496	838	31.1	56.0	301	20.1	357	23.9
Middle-Income	2,238	1,337	49.6	59.7	433	19.3	468	20.9
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	4,714	2,696	100.0	57.2	932	19.8	1,086	23.0
	Total Businesses by Tract		Businesses By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-Income	109	27.3	102	27.9	3	14.3	4	33.3
Moderate-Income	106	26.6	97	26.5	5	23.8	4	33.3
Middle-Income	184	46.1	167	45.6	13	61.9	4	33.3
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	399	100.0	366	100.0	21	100.0	12	100.0
Percent of Total Businesses:			91.7		5.3		3.0	
	Total Farms by Tract		Farms By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-Income	2	7.7	2	8.3	0	0.0	0	0.0
Moderate-Income	8	30.8	7	29.2	1	50.0	0	0.0
Middle-Income	16	61.5	15	62.5	1	50.0	0	0.0
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	26	100.0	24	100.0	2	100.0	0	0.0
Percent of Total Farms:			92.3		7.7		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.
(NOTE: Total percentages may vary due to automated rounding differences.)

Reeves County 2016 AA Demographics								
Income Categories	Tract Distribution		Families By Tract Income		Families < Poverty Level as a % of Families by Tract		Families By Family Income	
	#	%	#	%	#	%	#	%
Low-Income	1	20.0	481	18.5	216	44.9	918	35.3
Moderate-Income	2	40.0	798	30.7	209	26.2	414	15.9
Middle-Income	2	40.0	1,322	50.8	321	24.3	408	15.7
Upper-Income	0	0.0	0	0.0	0	0.0	861	33.1
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5	100.0	2,601	100.0	746	28.7	2,601	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	980	521	19.3	53.2	198	20.2	261	26.6
Moderate-Income	1,496	838	31.1	56.0	301	20.1	357	23.9
Middle-Income	2,238	1,337	49.6	59.7	433	19.3	468	20.9
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	4,714	2,696	100.0	57.2	932	19.8	1,086	23.0
	Total Businesses by Tract		Businesses By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-Income	101	28.1	93	28.7	4	16.7	4	33.3
Moderate-Income	98	27.2	88	27.2	6	25.0	4	33.3
Middle-Income	161	44.7	143	44.1	14	58.3	4	33.3
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	360	100.0	324	100.0	24	100.0	12	100.0
Percent of Total Businesses:			90.0		6.7		3.3	
	Total Farms by Tract		Farms By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-Income	1	4.5	1	5.0	0	0.0	0	0.0
Moderate-Income	7	31.8	6	30.0	1	50.0	0	0.0
Middle-Income	14	63.6	13	65.0	1	50.0	0	0.0
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	22	100.0	20	100.0	2	100.0	0	0.0
Percent of Total Farms:			90.9		9.1		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.
(NOTE: Total percentages may vary due to automated rounding differences.)

Reeves County 2017 AA 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	538	22.1
Moderate-Income	1	20.0	371	15.2	133	35.8	423	17.4
Middle-Income	3	60.0	1,196	49.1	148	12.4	399	16.4
Upper-Income	1	20.0	867	35.6	44	5.1	1,074	44.1
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5	100.0	2,434	100.0	325	13.4	2,434	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied		Rental		Vacant		
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-Income	772	399	14.4	51.7	141	18.3	232	30.1
Middle-Income	2,368	1,352	48.9	57.1	468	19.8	548	23.1
Upper-Income	1,491	1,012	36.6	67.9	344	23.1	135	9.1
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	4,631	2,763	100.0	59.7	953	20.6	915	19.8
	Total Businesses by Tract		Businesses By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-Income	38	10.6	31	9.6	4	16.7	3	25.0
Middle-Income	183	50.8	168	51.9	8	33.3	7	58.3
Upper-Income	139	38.6	125	38.6	12	50.0	2	16.7
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	360	100.0	324	100.0	24	100.0	12	100.0
Percent of Total Businesses:			90.0		6.7		3.3	
	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	5	22.7	4	20.0	1	50.0	0	0.0
Middle-Income	10	45.5	10	50.0	0	0.0	0	0.0
Upper-Income	7	31.8	6	30.0	1	50.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	22	100.0	20	100.0	2	100.0	0	0.0
Percent of Total Farms:			90.9		9.1		0.0	

Data based on 2015 American Community Survey 5-year estimates, 2017 FFIEC Online Census Data System tract designations, and 2017 Dun & Bradstreet data.
(NOTE: Total percentages may vary due to automated rounding differences.)

Income Characteristics: As shown in the tables above, from January 2014 through December 2016, Reeves County contained five census tracts; of the total number of tracts, one is designated as low-income, two are moderate-income, and two are middle-income. According to the 2016 demographic data approximately 35.3% of the families were low-income, 15.9% were moderate-income, 15.7% were middle-income, and 33.1% were upper-income. Of the families living in Reeves County in 2016, 28.7% lived in poverty. This is more than double the state's poverty rate of 13.5%.

For 2017, the number of census tracts remained the same; however, the composition of the tracts changed to one moderate-income, three middle-income, and one upper-income census tracts. For 2017, the demographics were 22.1% low-income families, 17.4% moderate-income, 16.4% middle-income, and 44.1% upper-income families. For the families living in Reeves County in 2017, 13.4% lived in poverty, comparable to the state's poverty rate of 13.5%.

From 2014 to 2016, Reeves County contained 3,628 households; of the total households, 32.75% were designated as low-income which is higher than the 24.10% of low-income households in the State of Texas. Moderate-income households were 15.13%, which is lower than the 16.32% of moderate-income households in the State of Texas.

For 2017, the number of households increased to 3,716 with 28.74% designated as low-income which is higher than the 24.46% of low-income households in the State of Texas. Moderate-income households were 14.42%, which is also lower than the 16.11% of moderate-income households in the State of Texas.

Housing: From January 2014 to December 2016, there were 4,714 housing units in the Reeves County assessment area. Of the total housing in the assessment area, 57.2% of the units were classified as owner-occupied while 19.8% are rental units and 23.0% classified as vacant. The distribution of owner-occupied housing units in the assessment area by census tract income was as follows: 19.3% low-income, 31.1% moderate-income, and 49.6% middle-income. The median housing value was \$44,600 compared to the state wide value of \$136,000.

For 2017, the housing units decreased to 4,631 with 59.7% being owner occupied. Of these, 14.4% were located in moderate-income census tracts, 48.9% in middle-income census tracts, and 36.6% in upper-income census tracts. The vacant units also decreased to 19.8%. The median housing value remained the same at \$44,600. The median gross monthly rent for Reeves County is \$708 while the median gross monthly rent for the state of Texas is \$882.

Labor, Employment, and Economic Characteristics: The largest industry sectors in the Reeves County assessment area are government, healthcare, education, and services. Six of the largest employers in Reeves County are The Geo Group, Inc., American Home Health & Hospice, Pecos-Barstow-Toyah Independent School District, Wal-Mart, and City of Pecos. Pecos (Reeves County) is emerging as a regional retail

and services cluster due to its strategic location in the center of the TransPecos Region. Pecos is located at the intersection of IH-20 and US-285. IH-20 connects the Dallas/Fort Worth corridor to El Paso and US-285 connects the TransPecos region to New Mexico. Other emerging economic clusters include education, oil/gas and regional entertainment venues. Reeves County had a 2016 unemployment rate of 5.6%, higher than the State of Texas and the national rate for 2016 of 4.6% and 4.9%, respectively. In 2017, the unemployment rate for Reeves County dropped to 3.4%, slightly less than the State of Texas and the national rates of 3.7% and 3.9%, respectively. Much of the decline in the unemployment rate for Reeves County can be attributed to the increase in jobs resulting from drilling, servicing and production increases in the oil and gas industry located in the TransPecos region.

The following table provides unemployment rates for Reeves County assessment area, the State of Texas, and the United States.

Annual Average Unemployment Rate		
Area	2016	2017
Reeves County	5.6%	3.4%
State of Texas	4.6%	3.7%
United States	4.9%	3.9%

Community Contacts and Credit Needs: Contact was made with two individuals in Reeves County. The first contact was made with a leader in the economic development sector. The contact described the local economy as very rural and growing. He indicated there is a need for financing residential housing, as well as financing start-up and small business loans.

The second contact was made with a community leader that promotes businesses within the area. The contact indicated there is a need for an increase in bank involvement in the community and a need for financing mortgage loans due to the housing shortage in the area.

Conclusions with Respect to Performance Tests in Reeves County Assessment Area

Lending to Borrowers of Different Incomes

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income). The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to low- and moderate-income borrowers.

The following table depicts the referenced median family income levels:

Income Level	2014 State Nonmetropolitan	2015 State Nonmetropolitan	2016 State Nonmetropolitan	2017 State Nonmetropolitan
Median Income	\$ 51,600	\$ 52,800	\$ 52,400	\$ 54,200
Low-income	< \$25,800	< \$26,400	< \$26,200	< \$27,100
Moderate-income	\$25,800 ≤ \$41,280	\$26,400 ≤ \$42,240	\$26,000 ≤ \$41,920	\$27,100 ≤ \$43,360
Middle-income	\$41,280 ≤ \$61,920	\$42,240 ≤ \$63,360	\$41,920 ≤ \$62,880	\$43,360 ≤ \$65,040
Upper-income	> \$61,921	> \$63,361	> \$62,881	> \$65,041

The bank's lending to borrowers of different income levels is reasonable given that the assessment area is considered distressed. These circumstances can make it more difficult for lenders to qualify a consumer for a loan.

The bank's consumer lending to low-income borrowers is reasonable. While no loans were originated in 2017, in 2014, the bank originated 46.2% (22.1% by dollar volume) of its total consumer loans to low-income borrowers, which exceeds the percentage of low-income households in the assessment area at 32.7%. In 2015, the bank's level of originations to low-income borrowers fell to 28.0% (13.1% by dollar), while demographics remained at 32.7% of households classified as low-income. In 2016, the bank's level of originations to low-income borrowers was 31.0% (15.6% by dollar), similar to demographics at 32.7% of households.

Similarly, the bank's consumer lending to moderate-income borrowers is reasonable. In 2014, 2015, and 2016, respectively, the bank originated 19.2%, 24.0%, and 24.1% of its loans to moderate-income borrowers, exceeding the level of moderate-income households in the assessment area of 15.1%. In 2017, the origination of loans to moderate-income borrowers was 0.0%, and the demographics fell to 14.4% of households classified as moderate-income.

Distribution by Income Level of Borrower Reeves County 2014 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	12	30	46.2	22.1	32.7
Moderate	5	16	19.2	11.8	15.1
Middle	3	19	11.5	14.0	17.0
Upper	6	71	23.1	52.2	35.1
Unknown	0	0	0.0	0.0	0.0
Total	26	136	100.0	100.0	100.0

Household demographic figures based on 2010 ACS 5-year estimates.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Borrower Reeves County 2015 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	7	13	28.0	13.1	32.7
Moderate	6	20	24.0	20.2	15.1
Middle	2	7	8.0	7.1	17.0
Upper	10	59	40.0	59.6	35.1
Unknown	0	0	0.0	0.0	0.0
Total	25	99	100.0	100.0	100.0

Household demographic figures based on 2010 ACS 5-year estimates.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Borrower Reeves County 2016 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	9	33	31.0	15.6	32.7
Moderate	7	27	24.1	12.7	15.1
Middle	5	28	17.2	13.2	17.0
Upper	8	124	27.6	58.5	35.1
Unknown	0	0	0.0	0.0	0.0
Total	29	212	100.0	100.0	100.0

Household demographic figures based on 2010 ACS 5-year estimates.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Borrower Reeves County 2017 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	28.7
Moderate	0	0	0.0	0.0	14.4
Middle	2	11	28.6	10.9	12.3
Upper	5	90	71.4	89.1	44.5
Unknown	0	0	0.0	0.0	0.0
Total	7	101	100.0	100.0	100.0

Household demographic figures based on 2015 ACS 5-year estimates.
(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. 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.

Consumer Lending

The bank’s consumer lending to low-income borrowers is reasonable. In 2014, the bank originated 19.2% (5.9% by dollar volume) of its total consumer loans to low-income borrowers, which is below the percentage of low-income households in the assessment area at 19.8%. In 2015, the bank’s level of originations to low-income borrowers increased to 20.0% (16.0% by dollar), while demographics remained at 19.8% of households classified as low-income. In 2016, the bank’s level of originations to low-income borrowers further increased to 27.6% (16.9% by dollar), while demographics remained at 19.8% of households classified as low-income. In 2017, the bank’s assessment area contained no low-income census tracts; therefore, no meaningful analysis could be conducted for this category.

TransPecos’ consumer lending to moderate-income borrowers is reasonable. In 2014, 2015, and 2016, respectively, the bank originated 38.5%, 36.0%, and 48.3% of its loans to moderate-income borrowers, exceeding the level of moderate-income households in the area at 31.4%. In 2017, the bank originated 28.6% (46.0% by dollar) of loans to moderate-income borrowers, while demographics fell to 14.5% of households classified as moderate-income.

Distribution by Income Level of Geography Reeves County 2014 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	5	8	19.2	5.9	19.8
Moderate	10	42	38.5	30.9	31.4
Middle	11	86	42.3	63.2	48.8
Upper	0	0	0.0	0.0	0.0
Unknown	0	0	0.0	0.0	0.0
Total	26	136	100.0	100.0	100.0
The percentages of households by tract are based on 2010 ACS 5-year estimates and 2014 FFIEC census tract designations. (NOTE: Total percentages may vary due to automated rounding differences.)					

Distribution by Income Level of Geography Reeves County 2015 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	5	16	20.0	16.0	19.8
Moderate	9	42	36.0	42.0	31.4
Middle	11	42	44.0	42.0	48.8
Upper	0	0	0.0	0.0	0.0
Unknown	0	0	0.0	0.0	0.0
Total	25	100	100.0	100.0	100.0

The percentages of households by tract are based on 2010 ACS 5-year estimates and 2015 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Geography Reeves County 2016 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	8	36	27.6	16.9	19.8
Moderate	14	141	48.3	66.2	31.4
Middle	7	36	24.1	16.9	48.8
Upper	0	0	0.0	0.0	0.0
Unknown	0	0	0.0	0.0	0.0
Total	29	213	100.0	100.0	100.0

The percentages of households by tract are based on 2010 ACS 5-year estimates and 2016 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Geography Reeves County 2017 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	2	46	28.6	46.0	14.5
Middle	2	22	28.6	22.0	49.0
Upper	3	32	42.9	32.0	36.5
Unknown	0	0	0.0	0.0	0.0
Total	7	100	100.0	100.0	100.0

The percentages of owner-occupied housing units and households by tract are based on 2015 ACS 5-year estimates and 2017 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Description of Institution’s Operations in Brewster County Assessment Area

Brewster County, the largest county in Texas by land area, is located in the Trans-Pecos region of West Texas, and is the site of Big Bend National Park, the largest park in the state. Alpine, the county seat and largest town, is 220 miles southeast of El Paso in northwest Brewster County. The 2015 estimated population for the assessment area was 9,145 with a decrease in population of 0.9% since the 2010 census (9,232). The most common employment sectors for those who live in Brewster County are educational services, public administration, and retail trade.

County	2015 Population Estimate	% Change Since 2010	Major Municipalities
Brewster	9,145	-0.9%	Alpine

According to the FFIEC, Brewster County contains middle-income census tracts that are designated as underserved. A nonmetropolitan middle-income geography is designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area’s population is sufficiently small, thin, and distant from a population center and that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

The following chart depicts underserved middle-income tracts in the assessment area.

Underserved/Distressed Assessment Area Summary Report						
County	Census Tract	Year	Distressed Middle-Income Tracts			Underserved Tracts
			Poverty	Unemployment	Population Loss	Remote Rural
Brewster	9503	2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Brewster	9504	2014 2015 2016 2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Brewster	9505	2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

As of the evaluation date, the bank operated two full service branches in this assessment area. The assessment area branches contained \$32.9 million in deposits as of June 30, 2017. TransPecos operates no LPOs or DPOs in the assessment area.

According to the June 30, 2017, FDIC-Insured Summary of Deposit Report, there are three financial institutions operating five offices in this assessment area. The bank is

rated 2nd in deposit market with 20.5% of the market share. West Texas National Bank and Fort Davis State Bank round out the market share with 70.7% and 8.8%, respectively.

The following table details selected characteristics of the assessment area.

Brewster County 2014 AA 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	445	19.6
Moderate-Income	0	0.0	0	0.0	0	0.0	251	11.1
Middle-Income	1	33.3	509	22.5	121	23.8	449	19.8
Upper-Income	2	66.7	1,756	77.5	117	6.7	1,120	49.4
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3	100.0	2,265	100.0	238	10.5	2,265	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-Income	907	534	21.2	58.9	257	28.3	116	12.8
Upper-Income	4,349	1,983	78.8	45.6	1,377	31.7	989	22.7
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	5,256	2,517	100.0	47.9	1,634	31.1	1,105	21.0
	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	105	19.2	99	19.4	1	5.9	5	25.0
Upper-Income	442	80.8	411	80.6	16	94.1	15	75.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	547	100.0	510	100.0	17	100.0	20	100.0
Percent of Total Businesses:			93.2		3.1		3.7	
	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	2	5.0	2	5.0	0	0.0	0	0.0
Upper-Income	38	95.0	38	95.0	0	0.0	0	0.0
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	40	100.0	40	100.0	0	0.0	0	0.0
Percent of Total Farms:			100.0		0.0		0.0	

Data based on 2010 American Community Survey 5-year estimates, 2014 FFIEC Online Census Data System tract designations, and 2014 Dun & Bradstreet data.
(NOTE: Total percentages may vary due to automated rounding differences.)

Brewster County 2015 AA 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	445	19.6	
Moderate-Income	0	0.0	0	0.0	0	0.0	251	11.1	
Middle-Income	1	33.3	509	22.5	121	23.8	449	19.8	
Upper-Income	2	66.7	1,756	77.5	117	6.7	1,120	49.4	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	3	100.0	2,265	100.0	238	10.5	2,265	100.0	
	Housing Units By Tract	Housing Type By Tract							
		Owner-Occupied		Rental		Vacant			
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit	
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-Income	907	534	21.2	58.9	257	28.3	116	12.8	
Upper-Income	4,349	1,983	78.8	45.6	1,377	31.7	989	22.7	
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Total AA	5,256	2,517	100.0	47.9	1,634	31.1	1,105	21.0	
	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	102	18.3	100	19.1	1	4.3	1	11.1	
Upper-Income	454	81.7	424	80.9	22	95.7	8	88.9	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	556	100.0	524	100.0	23	100.0	9	100.0	
Percent of Total Businesses:			94.2		4.1		1.6		
	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	3	6.8	3	6.8	0	0.0	0	0.0	
Upper-Income	41	93.2	41	93.2	0	0.0	0	0.0	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	44	100.0	44	100.0	0	0.0	0	0.0	
Percent of Total Farms:			100.0		0.0		0.0		

Data based on 2010 American Community Survey 5-year estimates, 2015 FFIEC Online Census Data System tract designations, and 2015 Dun & Bradstreet data.
(NOTE: Total percentages may vary due to automated rounding differences.)

Brewster County 2016 AA 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	445	19.6	
Moderate-Income	0	0.0	0	0.0	0	0.0	251	11.1	
Middle-Income	1	33.3	509	22.5	121	23.8	449	19.8	
Upper-Income	2	66.7	1,756	77.5	117	6.7	1,120	49.4	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	3	100.0	2,265	100.0	238	10.5	2,265	100.0	
	Housing Units By Tract	Housing Type By Tract							
		Owner-Occupied		Rental		Vacant			
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit	
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-Income	907	534	21.2	58.9	257	28.3	116	12.8	
Upper-Income	4,349	1,983	78.8	45.6	1,377	31.7	989	22.7	
Unknown-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Total AA	5,256	2,517	100.0	47.9	1,634	31.1	1,105	21.0	
	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	88	17.3	86	18.2	1	3.8	1	10.0	
Upper-Income	420	82.7	386	81.8	25	96.2	9	90.0	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	508	100.0	472	100.0	26	100.0	10	100.0	
Percent of Total Businesses:			92.9		5.1		2.0		
	Total Farms by Tract	Farms By Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-Income	3	7.5	3	7.5	0	0.0	0	0.0	
Upper-Income	37	92.5	37	92.5	0	0.0	0	0.0	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	40	100.0	40	100.0	0	0.0	0	0.0	
Percent of Total Farms:			100.0		0.0		0.0		

Data based on 2010 American Community Survey 5-year estimates, 2016 FFIEC Online Census Data System tract designations, and 2016 Dun & Bradstreet data.
(NOTE: Total percentages may vary due to automated rounding differences.)

Brewster County 2017 Assessment Area									
2017 AA 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	395	18.5	
Moderate-Income	1	33.3	435	20.3	40	9.2	356	16.6	
Middle-Income	2	66.7	1,704	79.7	102	6.0	489	22.9	
Upper-Income	0	0.0	0	0.0	0	0.0	899	42.0	
Unknown-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	3	100.0	2,139	100.0	142	6.6	2,139	100.0	
	Housing Units By Tract	Housing Type By Tract							
		Owner-Occupied		Rental		Vacant			
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit	
Low-Income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-Income	979	447	19.2	45.7	351	35.9	181	18.5	
Middle-Income	4,440	1,880	80.8	42.3	1,347	30.3	1,213	27.3	
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	5,419	2,327	100.0	42.9	1,698	31.3	1,394	25.7	
	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	88	17.3	86	18.2	1	3.8	1	10.0	
Middle-Income	420	82.7	386	81.8	25	96.2	9	90.0	
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	508	100.0	472	100.0	26	100.0	10	100.0	
Percent of Total Businesses:			92.9		5.1		2.0		
	Total Farms by Tract	Farms By Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-Income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-Income	3	7.5	3	7.5	0	0.0	0	0.0	
Middle-Income	37	92.5	37	92.5	0	0.0	0	0.0	
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	40	100.0	40	100.0	0	0.0	0	0.0	
Percent of Total Farms:			100.0		0.0		0.0		

Data based on 2015 American Community Survey 5-year estimates, 2017 FFIEC Online Census Data System tract designations, and 2017 Dun & Bradstreet data.
(NOTE: Total percentages may vary due to automated rounding differences.)

Income Characteristics: As shown in the tables above, from January 2014 through December 2016, Brewster County contained three census tracts comprised of one middle-income and two upper-income census tracts. Approximately 19.6% of the families were low-income, 11.1% were moderate-income, 19.8% were middle-income, and 49.4% were upper-income. Of the families living in Brewster County during this time, 10.5% were living in poverty. This is lower than the state's poverty rate of 13.5%.

For 2017, the census tracts remained the same; however, the composition of the tracts changed to one moderate-income and two middle-income census tracts. Of the families living in Brewster County, approximately 18.5% were low-income families, 16.6% moderate-income, 22.9% middle-income, and 42.0% upper-income. During this time, 6.6% of families lived in poverty, lower than the state's poverty rate of 13.5%.

From 2014 to 2016, Brewster County contained 3,628 households; of the total households, 32.75% were designated as low-income which is higher than the 24.10% of low-income households in the State of Texas. Moderate-income households were 15.13%, slightly lower than the 16.32% of moderate-income households in the State of Texas.

For 2017, the number of households increased to 3,716 with 28.74% designated as low-income which is higher than the 24.46% of low-income households in the State of Texas. Moderate-income households were 14.42%, slightly lower than the 16.11% of moderate-income households in the State of Texas.

Housing: From January 2014 to December 2016, there were approximately 5,256 housing units in the Brewster County assessment area. Of the total housing in the area, 47.9% of the units were classified as owner-occupied while 31.1% were rental units and 21.0% of the available housing was vacant. The distribution of owner-occupied housing units in the assessment area by census tract income was as follows: 58.9% middle-income and 45.6% upper-income. The median housing value was \$112,700 compared to the state-wide value of \$136,000.

For 2017, the housing units increased to 5,419 with 42.9% being owner occupied. Of these, 45.7% were located in moderate-income census tracts and 42.3% in middle-income census tracts. There were 25.7% of housing units reported as vacant. The median housing value remained the same. The median gross monthly rent for Brewster County is \$617 while the median gross monthly rate for the state of Texas is \$882.

Labor, Employment, and Economic Characteristics: Brewster County is the largest county in Texas, based on land area, and is the site of Big Bend National Park. The largest industries in Brewster County are educational services, public administration, and retail trade. The economy of Brewster specializes in educational services, agricultural forestry, fishing, hunting, mining and quarrying, and oil and gas extraction. Alpine is the largest city in Brewster County, located on U.S. route 90 about 26 miles east of Marfa

and 31 miles west of Marathon. Brewster County has an unemployment rate of 3.2% which is slightly less than the State of Texas and the nation for 2017.

The following table provides unemployment rates for Brewster County assessment area, the State of Texas, and the United States.

Annual Average Unemployment Rate		
Area	2016	2017
Brewster County	3.9%	3.2%
State of Texas	4.6%	3.7%
United States	4.9%	3.9%

Community Contacts and Credit Needs: Contact was made with a leader in the small business development sector. The organization’s primary purpose is to foster small business success and assist in providing information and guidance to small business owners. The contact indicated that there is a need for financing programs, incentives, and / or financial outreach for small businesses in the area.

Conclusions with Respect to Performance Tests in Brewster County Assessment Area

LENDING TO BORROWERS OF DIFFERENT INCOMES

The bank’s distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income). Detailed information concerning the bank’s lending in the assessment area can be found in the tables located on the following pages. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank’s performance considering its lending to low- and moderate-income borrowers.

The following table depicts the referenced median family income levels:

Income Level	2014 State Nonmetropolitan	2015 State Nonmetropolitan	2016 State Nonmetropolitan	2017 State Nonmetropolitan
Median Income	\$ 51,600	\$ 52,800	\$ 52,400	\$ 54,200
Low-income	< \$25,800	< \$26,400	< \$26,200	< \$27,100
Moderate-income	\$25,800 ≤ \$41,280	\$26,400 ≤ \$42,240	\$26,000 ≤ \$41,920	\$27,100 ≤ \$43,360
Middle-income	\$41,280 ≤ \$61,920	\$42,240 ≤ \$63,360	\$41,920 ≤ \$62,880	\$43,360 ≤ \$65,040
Upper-income	> \$61,921	> \$63,361	> \$62,881	> \$65,041

The bank's consumer lending to low-income borrowers is reasonable. In 2014, the bank originated 20.0% (8.1% by dollar volume) of its total consumer loans to low-income borrowers, which is below the percentage of low-income households in the assessment area at 25.5%. In 2015, the bank's level of originations to low-income borrowers increased to 50.0% (35.3% by dollar), while demographics remained at 25.5% of households classified as low-income. In 2016, the bank's level of originations to low-income borrowers fell to 20.0% (13.6% by dollar), while demographics remained at 25.5% of households classified as low-income. In 2017, the bank's level of originations to low-income borrowers increased to 42.9% (1.9% by dollar), while demographics also increased to 26.8% of households classified as low-income.

Similarly, the bank's consumer lending to moderate-income borrowers is reasonable. In 2014, 2015, and 2016, respectively, the bank originated 20.0%, 50.0%, and 40.0% of its loans to moderate-income borrowers, exceeding the level of moderate-income households in the area at 17.5%. In 2017, the bank originated 14.3% (2.7% by dollar) of loans to moderate-income borrowers, while demographics increased to 18.0% of households classified as moderate-income.

Distribution by Income Level of Borrower Brewster County 2014 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	1	3	20.0	8.1	25.5
Moderate	1	5	20.0	13.5	17.5
Middle	1	3	20.0	8.1	18.3
Upper	2	26	40.0	70.3	38.7
Unknown	0	0	0.0	0.0	0.0
Total	5	37	100.0	100.0	100.0

Household demographic figures based on 2010 ACS 5-year estimates.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Borrower Brewster County 2015 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	2	6	50.0	35.3	25.5
Moderate	2	11	50.0	64.7	17.5
Middle	0	0	0.0	0.0	18.3
Upper	0	0	0.0	0.0	38.7
Unknown	0	0	0.0	0.0	0.0
Total	4	17	100.0	100.0	100.0

Household demographic figures based on 2010 ACS 5-year estimates.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Borrower Brewster County 2016 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	1	3	20.0	13.6	25.5
Moderate	2	5	40.0	22.7	17.5
Middle	0	0	0.0	0.0	18.3
Upper	2	14	40.0	63.6	38.7
Unknown	0	0	0.0	0.0	0.0
Total	5	22	100.0	100.0	100.0

Household demographic figures based on 2010 ACS 5-year estimates.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Borrower Brewster County 2017 Assessment Area					
Borrower Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	3	10	42.9	1.9	26.8
Moderate	1	14	14.3	2.7	18.0
Middle	0	0	0.0	0.0	17.9
Upper	3	500	42.9	95.4	37.3
Unknown	0	0	0.0	0.0	0.0
Total	7	524	100.0	100.0	100.0

Household demographic figures based on 2015 ACS 5-year estimates.
(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 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.

Consumer Lending

Because the bank's assessment area contains no low-income census tracts for 2014, 2015, 2016, and 2017, no meaningful analysis could be conducted for this income category.

The bank's assessment area contained no moderate-income census tracts for 2014, 2015, and 2016; however, in 2017, the bank originated 14.3% (2.7% by dollar) of loans

to moderate-income borrowers, compared to 19.8% of households classified as moderate-income.

The bank did not originate any loans in underserved middle-income census tracts in 2016. In 2014, 2015, and 2017, respectively, the bank originated 20.0% (8.1% by dollar), 50% (64.7% by dollar), and 85.7% (97.3% by dollar) to underserved middle-income census tracts.

Distribution by Income Level of Geography Brewster County 2014 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	1	3	20.0	8.1	19.1
Upper	4	34	80.0	91.9	80.9
Unknown	0	0	0.0	0.0	0.0
Total	5	37	100.0	100.0	100.0

The percentages of households by tract are based on 2010 ACS 5-year estimates and 2014 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Geography Brewster County 2015 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	2	11	50.0	64.7	19.1
Upper	2	6	50.0	35.3	80.9
Unknown	0	0	0.0	0.0	0.0
Total	4	17	100.0	100.0	100.0

The percentages of households by tract are based on 2010 ACS 5-year estimates and 2015 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Geography Brewster County 2016 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	0	0	0.0	0.0	19.1
Upper	5	21	100.0	100.0	80.9
Unknown	0	0	0.0	0.0	0.0
Total	5	21	100.0	100.0	100.0

The percentages of owner-occupied housing units and households by tract are based on 2010 ACS 5-year estimates and 2016 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Distribution by Income Level of Geography Brewster County 2017 Assessment Area					
Census Tract Income Level	Other Unsecured				% of Households
	#	\$(000)	# %	\$ %	
Low	0	0	0.0	0.0	0.0
Moderate	1	14	14.3	2.7	19.8
Middle	6	510	85.7	97.3	80.2
Upper	0	0	0.0	0.0	0.0
Unknown	0	0	0.0	0.0	0.0
Total	7	524	100.0	100.0	100.0

The percentages of households by tract are based on 2015 ACS 5-year estimates and 2017 FFIEC census tract designations.
(NOTE: Total percentages may vary due to automated rounding differences.)

Appendix - 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.