

PUBLIC DISCLOSURE

January 6, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LegacyTexas Bank
RSSD Number: 913267

5000 Legacy Drive
Plano, Texas 75024

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’S COMMUNITY REINVESTMENT ACT RATING

OVERALL RATING

LegacyTexas Bank’s performance with respect to the Community Reinvestment Act (CRA) is rated “Satisfactory” based on its responsiveness to the credit and community development needs of its assessment areas, consistent with its resources and operating strategy. The following performance test ratings table summarizes the performance level of LegacyTexas Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	LEGACYTEXAS BANK		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service test when arriving at an overall rating.

SUMMARY OF MAJOR FACTORS SUPPORTING RATING

LegacyTexas Bank’s performance demonstrates reasonable responsiveness to both the credit needs and the community development needs of its assessment areas. The following factors contributed to the overall conclusions:

- Overall lending volume consists of 3,203 Home Mortgage Disclosure Act (HMDA) reportable, small business, and small farm loans for a total of approximately \$727 million during the 2011 and 2012 review period.
- A substantial majority of loans were made within the assessment areas, 91.3% by number and 89.7% by dollar.
- Small business lending distribution in the assessment areas was good, with approximately 42.3% of loans being made to small businesses with revenues of \$1 million or less.
- LegacyTexas Bank is a leader in community development lending its assessment areas with 342 community development loans totaling approximately \$179 million.
- A relatively high level of qualified community development investments totaling approximately \$4.7 million.
- LegacyTexas Bank is a leader in providing community development services, especially in the Collin-Dallas-Denton assessment area.

INSTITUTION

DESCRIPTION OF INSTITUTION

LegacyTexas Bank (the bank) is a commercial bank headquartered in Plano, Texas with its primary market in Collin County and branches in Dallas, Tarrant, and Parker Counties. The bank is wholly owned by top-tier holding company LegacyTexas Group, Inc.

As of September 30, 2013, the bank reported total assets of approximately \$1.7 billion, gross loans of \$1.2 billion, total deposits of \$1.5 billion, and net loan-to-deposit ratio of 82.2%. The following table reflects the loan portfolio mix:

PRODUCT	9/30/2013 \$(000's)	% OF LOANS
<u>Real Estate</u>		
1-4 Family Res Construction Lns	44,057	3.6
Other Construction Loans & Land Development & Other	98,264	8.1
Farm Land	12,454	1.0
1-4 Family – Revolving	958	0.1
1-4 Family Res Secured by First Liens	248,329	20.4
1-4 Family Res Secured by Junior Liens	3,812	0.3
Multifamily	2,308	0.2
Nonfarm Nonresidential	248,938	20.4
Loans Secured Owner Occupied Nonfarm Nonresidential		
Loans Secured by Other Nonfarm Nonresidential	253,023	20.8
Total Real Estate	912,143	74.9
Agricultural	20	0.1
Commercial and Industrial	249,496	20.5
Consumer	16,242	1.3
Other	9,837	0.8
Lease Financing	29,666	2.4
Gross Loans	1,217,404	100.0

The bank's primary lending products are commercial and industrial, commercial real estate, and single family residential real estate. The lending strategy has remained consistent over the years, with the focus on commercial lending and limited consumer lending. Consumer loans consist of both direct auto leases and loans, motor homes, unsecured loans, land/lots, boats and recreational vehicles, stock loans, cash secured loans, home equity loans, mortgage loans (fixed and adjustable rate mortgages), and investment properties. Open-end product offerings include overdraft protection and personal lines of credit such as Gold Line of Credit and Premium Gold Line of Credit.

There are no legal or financial impediments that would inhibit the bank's ability to meet credit needs of its communities consistent with its business strategy, size, resources, and local economic climate. The bank received a Satisfactory rating at the previous CRA evaluation conducted by this Reserve Bank as of October 31, 2011.

SCOPE OF EXAMINATION

The bank was evaluated using the Interagency Examination Procedures for Large Retail Institutions developed by the Federal Financial Institutions Examination Council. In accordance with these procedures, HMDA, small business, and small farm lending activities reported by the bank from 2011 through 2012 were reviewed and included all loans originated and purchased by the bank. Qualified community development loans, investments, and services were also considered for activities since the last review period. This information applies throughout the remainder of the evaluation, unless specifically noted otherwise.

The bank's performance in the Collin-Dallas-Denton assessment area received the greatest weight as over half of the branches and an overwhelming majority of lending and deposit activity being in that area. Additionally, equal weight was given to HMDA and small business loans due to comparable lending volume. The bank originated 1,379 HMDA and 1,536 small business loans inside its assessment areas during the review period. Considering the small volume of small farm loans (nine) originated inside its assessment areas, this product was not evaluated.

In order to evaluate the geographic distribution of loans, geographies were classified on the basis of the U.S. Census Bureau's 2000 data for loans originated in 2011. Loans originated in 2012 were classified on the basis of the American Community Survey's (ACS) 2010 boundaries. The distribution of loans to borrowers of different income levels was determined based on 2011 and 2012 median family income data as estimated by the U.S. Department of Housing and Urban Development (HUD). Area demographic data, Dun & Bradstreet business data, Texas Workforce Commission, and market aggregate information are used as proxies for demand when evaluating the bank's performance. The assessment areas were reviewed using full scope review.

Examiners met with seven community contacts. The organizations specialized in economic development, affordable housing, and counseling for low- and moderate- income individuals. Contacts identified affordable housing, financial literacy, and banking products targeted to small business and low- and moderate-income individuals as community priorities and areas of opportunity for local financial institutions' participation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's performance under the lending test is rated High Satisfactory based on lending activity that reflects good responsiveness to the assessment areas' credit needs, good distribution of loans, good penetration among customers of different income levels and businesses of different sizes, and making and participating in a relatively high level of community development loans. Conclusions with respect to borrower and geographic distribution are listed below. Community development lending conclusions are included in the Community Development section of this report on pages 9 and 10.

LENDING ACTIVITY

The bank's lending levels reflect good responsiveness to credit needs of its assessment areas considering contextual factors such as the bank's capacity, structure, resources, strong competition, and current economic condition. As noted below, the bank originated 3,203 HMDA, small business, and small farm loans for a total of approximately \$727 million during the 2011 and 2012 review period. The number of reported loans has increased approximately 48.4% since the previous evaluation, with total dollar volume increasing 122.5%. Small farm lending will not be discussed separately in the remainder of the report due to the insignificance of this product line in the bank's urban market. Only nine (0.3%) of such loans were originated by the bank during the review period. In addition to its HMDA and small business lending, the bank is a leader in making community development loans, which exhibited an excellent responsiveness to the affordable housing needs and revitalization and stabilization of the assessment areas.

SUMMARY OF LENDING ACTIVITY JANUARY 1, 2011 – DECEMBER 31, 2012				
Loan Type	#	%	\$ ('000s)	%
HMDA home purchase	849	53.6	213,572	55.2
HMDA refinancing	629	39.7	159,584	41.3
HMDA home improvement	102	6.4	9,813	2.5
HMDA multifamily	4	0.3	3,823	1.0
Total HMDA-related	1,584	49.4	386,792	53.2
Total small business	1,610	50.3	338,447	46.6
Total small farm	9	0.3	1,589	0.2
TOTAL LOANS	3,203	100.0	726,828	100.0

ASSESSMENT AREA CONCENTRATION

A substantial majority of the bank's loans are made in its assessment areas. The following table shows the distribution of HMDA loans and small business loans that were originated from January 1, 2011 to December 31, 2012, inside and outside the bank's assessment areas, by number and dollar amount, according to loan type. The bank originated 2,915 or 91.3% by number inside its assessment areas. These loans represent approximately \$651 million or 89.7% by amount in the assessment areas. Almost 95.4% of the small business loans and 87.1% of the HMDA loans, both by number of loans made, were made inside the assessment areas. This level of lending indicates the bank is serving the credit needs of its assessment areas.

ASSESSMENT AREA CONCENTRATION								
LOAN TYPE	INSIDE ASSESSMENT AREA				OUTSIDE ASSESSMENT AREA			
	#	%	\$000's	% of \$	#	%	\$000's	% of \$
HOME PURCHASE	732	86.2	177,523	83.1	117	13.8	36,049	16.9
HOME IMPROVEMENT	92	90.2	8,223	83.8	10	9.8	1,590	16.2
REFINANCING	551	87.6	142,816	89.5	78	12.4	16,768	10.5
MULTIFAMILY	4	100.0	3,823	100.0	0	0.0	0	0.0
TOTAL HMDA-RELATED	1,379	87.1	332,385	85.9	205	12.9	54,407	14.1
TOTAL SMALL BUSINESS	1,536	95.4	318,466	94.1	74	4.6	19,981	5.9
TOTAL LOANS	2,915	91.3	650,851	89.7	279	8.7	74,388	10.3

The remaining lending analyses were conducted using loans originated inside the assessment areas.

GEOGRAPHIC AND BORROWER DISTRIBUTION

The CRA emphasizes the importance of banks serving the credit needs of all parts of their assessment areas, including low- and moderate-income geographies. Overall, the distribution of borrowers reflects good penetration among customers of different income levels and businesses of different sizes. The geographic distribution of loans reflects good penetration throughout the assessment areas. These overall conclusions are based on a variety of performance context issues that affect individual conclusions in the separate assessment areas. A detailed discussion of the facts and data supporting this overall conclusion are presented in the Conclusions with Respect to Performance Criteria section for each assessment area.

SERVICE TEST

The bank's performance in providing retail banking and community development services is rated High Satisfactory. The bank's retail delivery systems are reasonably accessible to the geographies and individuals of different income levels in its assessment areas. In addition, bank personnel are leaders in providing community development services in the bank's assessment areas. Conclusions with respect to retail banking services are below. Conclusions for community development services are included in the Community Development section of this report on page 10.

RETAIL BANKING SERVICES

The bank's delivery systems are accessible to the bank's geographies and to individuals of different income levels. The bank's branch network consists of 20 branches with deposit taking ATMs. Since the last evaluation, the bank closed one branch in a middle-income census tract and opened two locations in upper-income census tracts (Rosewood Court and Shops at Legacy branches). Its record of opening and closing branches has generally not adversely affected the

accessibility of its delivery systems particularly to low- or moderate-income (LMI) geographies and/or LMI individuals. None of the bank’s offices are located in low-income census tracts, 15.0% in moderate-income census tracts, 30.0% in middle-income census tracts, and 55.0% in upper-income census tracts. Business hours and services in the assessment areas do not vary in a way that inconveniences LMI geographies and/or LMI individuals.

In addition to ATMs located at the branches, Legacy operates deposit taking ATMs at the Parker/Custer Motor Bank and Presbyterian Hospital in Plano, both of which are in upper-income census tracts. Alternative delivery systems include banking by telephone, mail, and through the internet, which now includes online checking account opening and electronic transfers between financial institutions. Online banking and web bill pay are free for all personal, nonprofit, and small business customers. For most personal accounts, the bank will refund fees from non-proprietary ATMs if account requirements are met. This is particularly beneficial to LMI customers who may not be able to afford additional fees and charges. For business accounts, the bank offers remote deposit capture and cash management services. Non-profit organizations are also offered remote deposit capture, preferred interest rates, and reduced fees on account services.

The following tables detail the distribution of the bank’s retail branch delivery system and offsite ATMs:

BRANCH NAME/ BRANCH ADDRESS	COUNTY AND CENSUS TRACT INCOME LEVEL	DEPOSIT TAKING ATM	LOBBY HOURS	MOTOR BANK HOURS
Corporate 5000 Legacy Drive Plano, TX 75024	Collin Middle	Yes	Mon.-Thur.: 8:30am-4pm Fri.: 8:30 am-5pm Sat.: Closed	Mon.-Fri.: 8:00 am - 6pm Sat: Closed
14th Street 1201 E. 14 th Street Plano, TX 75074	Collin Moderate	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: 9am-12pm	Mon.-Fri.: 7:30 am - 6pm Sat: 9 am – 12 pm
15th Street 1105 W. 15 th Street Plano, TX 75075	Collin Middle	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6 pm Sat.: 9am-1 pm	Mon.-Fri.: 7:30 am-6 pm Sat.: 9 am-1 pm
Preston Road 3512 Preston Road Plano, TX 75093	Collin Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6 pm Sat.: 9am-12 pm	Mon.-Fri.: 7:30 am-6 pm Sat.: 9 am-12 pm
Shops at Legacy 7300 Dallas Parkway Plano, TX 75024	Collin Upper	Yes	Mon.- Fri.: 9 am-4 pm Sat.: Closed	N/A
Allen East 406 W. McDermott Drive Allen, TX 75013	Collin Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6 pm Sat.: 9am-12 pm	Mon.-Fri.: 8 am-6 pm Sat.: 9 am-12 pm

BRANCH NAME/ BRANCH ADDRESS	COUNTY AND CENSUS TRACT INCOME LEVEL	DEPOSIT TAKING ATM	LOBBY HOURS	MOTOR BANK HOURS
Frisco 8910 Preston Road Frisco, TX 75034	Collin Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6 pm Sat.: 9am-12 pm	Mon.-Fri.: 8 am-6 pm Sat.: 9 am-12 pm
Eldorado 2976 Eldorado Parkway McKinney, TX 75070	Collin Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6 pm Sat.: 9am-12 pm	Mon.-Fri.: 8 am-6 pm Sat.: 9 am-12 pm
McKinney 380 1800 Redbud Blvd. McKinney, TX 75069	Collin Moderate	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: 9am-12pm	Mon.-Fri.: 7:30 am-6pm Sat.: 9 am-12 pm
Trinity Mills 17617 Dallas Parkway Dallas, TX 75287	Collin Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: 9am-12pm	Mon.-Fri.: 8 am-6pm Sat.: 9 am-12 pm
Park Cities 7031 Snider Plaza Dallas, TX 75205	Dallas Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: 9am-12pm	Mon.-Fri.: 8 am-6pm Sat.: 9 am-12 pm
Rosewood Court 2101 Cedar Springs Road Dallas, TX 75201	Dallas Upper	Yes	Mon.-Fri.: 8:30-5 pm Sat.: 9 am (By Appointment)	N/A
Midway 13333 Midway Road Dallas, TX 75244	Dallas Upper	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: Closed	Mon.-Fri.: 9 am-6 pm Sat.: Closed
Richardson 707 E. Arapaho Road Richardson, TX 75081	Dallas Upper	Yes	Mon.-Fri.: 9 am-4 pm Sat.: Closed	Mon.-Fri.: 8 am- 6pm Sat.: 9 am-12 pm
Downtown Grapevine 900 S. Main Street Grapevine, TX 76051	Tarrant Middle	Yes	Mon.-Fri.: 9 am-4 pm Sat.: Closed	N/A
Grapevine – Motor Bank 750 W. Dallas Road Grapevine, TX 76051	Tarrant Middle	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: 9am-12pm	Mon.-Fri.: 8 am-6 pm Sat.: 9 am-12 pm

BRANCH NAME/ BRANCH ADDRESS	COUNTY AND CENSUS TRACT INCOME LEVEL	DEPOSIT TAKING ATM	LOBBY HOURS	MOTOR BANK HOURS
Museum Place 3100 W. 7 th Street, Suite 120 Fort Worth, TX 76107	Tarrant Middle	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: 9am-12pm	Mon.-Fri.: 8 am-6 pm Sat.: 9 am-12 pm
Two City Place 100 Throckmorton Street Fort Worth, TX 76102	Tarrant Upper	Yes	Mon.-Thur.: 8 am-4 pm Fri.: 8 am-5pm Sat.: Closed	N/A
Hulen @ I 30 4601 W Freeway, Suite 210 Fort Worth, TX 76107	Tarrant Moderate	Yes	Mon.-Thur.: 8 am-4 pm Fri.: 8 am-6pm Sat.: 9am-12pm	N/A
Weatherford 1111 Santa Fe Drive Weatherford, TX 76086	Parker Middle	Yes	Mon.-Thur.: 9 am-4 pm Fri.: 9 am-6pm Sat.: Closed	Mon.-Fri.: 8 am-6pm Sat.: 9 am-12 pm

COMMUNITY DEVELOPMENT

COMMUNITY DEVELOPMENT LENDING

The bank is a leader in making community development loans. A total of 342 community development loans, totaling approximately \$179 million, were originated in its assessment areas during the review period. The majority of these loans were for affordable housing and economic development. As noted by community contacts, there is a need for affordable housing in the bank's assessment areas. The bank shows excellent responsiveness to the community's needs by providing a large volume of loans for affordable housing. The bank made loans to organizations that provide services targeted to LMI individuals. Additionally, the bank made loans to revitalize and stabilize LMI census tracts and eligible census tracts for community development block grant programs.

INVESTMENT TEST

The bank's performance under the investment test is rated High Satisfactory. The bank provides a significant level of qualified community development investments and donations. The bank made approximately \$4.4 million qualified investments during the review period. The bank invested in three mortgage backed securities (one benefiting Dallas County, one benefiting Tarrant County, and one benefiting Dallas and Tarrant Counties). Additionally, the bank

invested \$1.5 million in a Certified Development Entity, Lone Star New Markets Fund that provides capital for businesses located in underserved communities in Texas. The bank received credit for these investments at the last evaluation. These investments exhibit significant responsiveness to credit and community development needs.

COMMUNITY DEVELOPMENT SERVICES

The bank is a leader in providing community development services that benefit its assessment areas. Officers and employees provided financial expertise to organizations with the community development purpose to provide affordable housing to low- and moderate- income individuals, economic development, and services targeted to low- and moderate- income individuals. In most cases, bank staff served in leadership roles sometimes as board members or finance committee members. In some cases, employees assisted with fundraising activities and provided financial literacy education. As noted by community contacts, the community has a need for financial literacy programs. The bank is helping to fulfill this need by volunteering for organizations such as Junior Achievement. Details of these services are noted in the descriptions of each assessment area.

The following table illustrates the bank’s qualified community development activities during the review period.

ALL ASSESSMENT AREAS									
COMMUNITY DEVELOPMENT (CD) ACTIVITIES									
Purpose	CD Loans		Qualified Investments						CD Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	
Affordable Housing	290	38,878	3	2,913	2	2	5	2,915	7
Community Services	5	7,700	0	0	154	254	154	254	15
Economic Development	43	122,022	1	1,500	1	1	2	1,501	127
Revitalization and Stabilization	4	10,169	0	0	0	0	0	0	6
Totals	342	178,769	4	4,413	157	257	161	4,670	155

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.

FULL SCOPE REVIEW ASSESSMENT AREA CONCLUSION

COLLIN-DALLAS-DENTON ASSESSMENT AREA

The bank's assessment area consists of Collin, Dallas, and Denton Counties in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA) (19100). These counties are part of the Dallas-Plano-Irving Metropolitan Division (MD) (19124). The assessment area is part of the region commonly known as the Metroplex.

The following table provides further information by county.

County	2012 Population Estimate	% Increase Since 2010	Major Cities
Collin	834,642	6.7	Allen, Frisco, McKinney, Plano
Dallas	2,453,843	3.6	Dallas, Irving, Richardson
Denton	707,304	6.7	Denton, Flower Mound, Lewisville

The bank maintains its most significant branch presence in this market, where it operates 14 of its 20 full-service branches. The assessment area is a competitive banking market due to the significant number of banks in the vicinity. According to the June 30, 2013 FDIC-Insured Summary of Deposits Report, there were 125 financial institutions operating 1,064 banking offices in the assessment area. The bank ranked 13th in deposit market share with approximately 0.8% of total deposits. Bank of America dominates the market with approximately 33.1% of total deposits, followed by JPMorgan Chase Bank with approximately 23.7% of total deposits, and Wells Fargo Bank with approximately 7.2% of total deposits.

In 2011, there were 170 lenders reporting 72,899 small business and small farm loans pursuant to the reporting requirements of the CRA and 740 lenders reporting 132,342 home mortgage loans pursuant to the HMDA. In 2012, there were 168 lenders reporting 76,637 small business and small farm loans pursuant to the reporting requirements of the CRA and 802 lenders reporting 167,909 home mortgage loans pursuant to the HMDA. Most of these were large regional and national institutions; however, reporting institutions represent only a portion of the small business and home mortgage lending market in the assessment area. Accordingly, competition for small business and home mortgage loans is significant.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census, 2000; ACS's 2010 boundaries; the U.S. Department of Labor; and HUD; Dun & Bradstreet, and the Texas Workforce Commission.

The following table details selected characteristics of the assessment area.

2011 COLLIN-DALLAS-DENTON 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	62	9.9	55,349	7.1	16,815	30.4	165,266	21.1
Moderate-Income	183	29.1	193,656	24.7	28,904	14.9	138,728	17.7
Middle-Income	189	30.1	255,920	32.7	14,233	5.6	156,030	19.9
Upper-Income	190	30.3	278,595	35.5	5,858	2.1	323,496	41.3
Unknown-Income	4	0.6	0	0.0	0	0.0	0	0.0
Total AA	628	100.0	783,520	100.0	65,810	8.4	783,520	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	93,880	18,234	2.8	19.4	66,925	71.3	8,721	9.3
Moderate-Income	307,497	129,558	19.9	42.1	160,606	52.2	17,333	5.7
Middle-Income	412,543	220,763	33.8	53.5	170,496	41.3	21,284	5.2
Upper-Income	403,144	283,637	43.5	70.4	98,265	24.4	21,242	5.2
Unknown-Income	16	0	0.0	0.0	10	62.5	6	37.5
Total AA	1,217,080	652,192	100.0	53.6	496,302	40.8	68,586	5.6
	Total Businesses by Tract		Businesses By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-Income	10,894	3.9	9,670	3.8	696	4.7	528	5.3
Moderate-Income	55,505	19.9	48,602	19.1	4,534	30.7	2,369	23.7
Middle-Income	87,015	31.2	79,116	31.1	4,679	31.7	3,220	32.2
Upper-Income	123,629	44.2	115,323	45.3	4,486	30.3	3,820	38.0
Unknown-Income	2,187	0.8	1,730	0.7	380	2.6	77	0.8
Total AA	279,230	100.0	254,441	100.0	14,775	100.0	10,014	100.0
Percent of Total Businesses:				91.1		5.3		3.6

2012 COLLIN-DALLAS-DENTON 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	110	13.4	94,974	10.6	30,761	32.4	211,150	23.5
Moderate-Income	204	24.9	206,932	23.0	36,283	17.5	148,987	16.6
Middle-Income	205	25.1	244,600	27.2	18,570	7.6	160,681	17.9
Upper-Income	296	36.2	352,216	39.2	9,687	2.8	377,913	42.0
Unknown-Income	3	0.4	9	0.0	0	0.0	0	0.0
Total AA	818	100.0	898,731	100.0	95,301	10.6	898,731	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	187,299	43,499	5.5	23.2	114,128	60.9	29,672	15.9
Moderate-Income	350,619	153,631	19.4	43.8	157,087	44.8	39,901	11.4
Middle-Income	403,173	221,363	27.9	54.9	147,360	36.6	34,450	8.5
Upper-Income	520,867	374,937	47.2	72.0	113,219	21.7	32,711	6.3
Unknown-Income	18	18	0.0	100.0	0	0.0	0	0.0
Total AA	1,461,976	793,448	100.0	54.3	531,794	36.4	136,734	9.3
	Total Businesses by Tract		Businesses By Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-Income	23,869	8.7	20,606	8.3	2,130	14.6	1,133	11.0
Moderate-Income	52,221	19.1	46,335	18.7	3,641	25.0	2,245	21.8
Middle-Income	70,631	25.9	64,437	26.0	3,386	23.2	2,808	27.3
Upper-Income	125,619	46.1	116,218	46.8	5,311	36.5	4,090	39.7
Unknown-Income	579	0.2	465	0.2	97	0.7	17	0.2
Total AA	272,919	100.0	248,061	100.0	14,565	100.0	10,293	100.0
Percent of Total Businesses:				90.9		5.3		3.8

INCOME CHARACTERISTICS

According to the 2000 Census data, the assessment area contained 628 census tracts comprised of 62 low-income (9.9%), 183 moderate-income (29.1%), 189 middle-income (30.1%), 190 upper-income (30.3%), and four unknown-income census tracts (0.6%). There were 783,520 families in the assessment area. Approximately 21.1% of the families are low-income, 17.7% are moderate-income, 19.9% are middle-income, and 41.3% are upper-income. It is estimated that 8.4% of the families live below the poverty level. The poverty rate is below the 12.0% statewide poverty level.

According to the 2010 ACS data, the assessment area contained 818 census tracts comprised of 110 low-income (13.4%), 204 moderate-income (24.9%), 205 middle-income (25.1%), 296 upper-income (36.2%), and three unknown-income census tracts (0.4%). There were 898,731 families in the assessment area. Approximately 23.5% of the families are low-income, 16.6% are moderate-income, 17.9% are middle-income, and 42.0% are upper-income. It is estimated that 10.6% of the families live below the poverty level. The poverty rate is below the 13.0% statewide poverty level.

The HUD estimated median family incomes for the Dallas-Plano-Irving MD are listed below:

AREA	2011	2012
Dallas-Plano-Irving MD	\$69,600	\$70,600

HOUSING CHARACTERISTICS

According to the 2000 census, there were 1,217,080 housing units in the assessment area; approximately 2.8% of owner-occupied housing units are located in low-income census tracts, 19.9% in moderate-income census tracts, 33.8% in middle-income census tracts, and 43.5% in upper-income census tracts. The homeownership rate in the assessment area is below the state average of approximately 57.8%, with 53.6% of housing units being owner-occupied, 40.8% rental, and 5.6% vacant. Approximately 60.9% of housing units are single-family homes, 5.7% are 2-4 family units, 30.6% have five or more family units, and 2.7% are mobile homes. The median age of the housing in the assessment area is 22 years compared to the state of Texas average at 23 years. Housing in 2011 for the major cities (Dallas 2.65, Denton 3.25, and Irving 3.13) in the assessment area was less affordable than the state average (2.43) based on the Texas Housing Affordability Index (THAI).

According to the 2010 ACS data, there were 1,461,976 housing units in the assessment area; approximately 5.5% of owner-occupied housing units are located in low-income census tracts, 19.4% in moderate-income census tracts, 27.9% in middle-income census tracts, and 47.2% in upper-income census tracts. The homeownership rate in the assessment area is below the state average of approximately 57.0%, with 54.3% of housing units being owner-occupied, 36.4% rental, and 9.3% vacant. Approximately 63.7% of housing units are single-family homes, 4.4% are 2-4 family units, 29.5% have five or more family units, and 2.4% are mobile homes. The median age of the housing in the assessment area is 27 years, which is the same as the state of

Texas' average. Housing in 2012 for the major cities (Dallas 2.3, Denton 3.0, and Irving 2.6) in the assessment area was less affordable than the state average (2.1) based on the THAI.

LABOR, EMPLOYMENT, AND ECONOMIC CHARACTERISTICS

The Dallas-Fort Worth (DFW) Metroplex is a major trade center and transportation hub. Such industries include aviation, electronics manufacturing, data processing, retail trade, conventions and trade shows, education, and healthcare. Major employers include Dallas Independent School District, Texas Instruments, JC Penney Co., Frito-Lay, Parkland Memorial Hospital, University of Texas Southwestern Medical Center, and University of North Texas.

According to 2011 Dun & Bradstreet data, 279,230 businesses are located in this assessment area. Approximately 91.1% reported gross annual revenues less than or equal to \$1 million with 3.8% in low-income census tracts, 19.1% in moderate-income, 31.1% in middle-income, 45.3% in upper-income, and 0.7% unknown-income census tracts.

According to 2012 Dun & Bradstreet data, 272,919 businesses are located in this assessment area. Approximately 90.9% reported gross annual revenues less than or equal to \$1 million with 8.3% in low-income census tracts, 18.7% in moderate-income, 26.0% in middle-income, 46.8% in upper-income, and 0.2% unknown-income census tracts.

According to the Texas Workforce Commission, unemployment rates in the assessment area have decreased slightly in recent years and generally have been lower than United States averages.

ANNUAL AVERAGE UNEMPLOYMENT RATES		
AREA	2011	2012
Collin County	7.0	6.1
Dallas County	8.4	7.2
Denton County	6.9	6.0
State of Texas	7.9	6.8
United States	8.9	8.1

COMMUNITY CONTACTS AND CREDIT NEEDS

Contact was made with community leaders working in economic development and credit counseling. These contacts identified the credit needs in the community as small dollar unsecured consumer loans. In addition, there are opportunities for financial institutions to educate about financial literacy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLLIN-DENTON-DALLAS ASSESSMENT AREA

LENDING TEST

The bank's performance under the lending test for this assessment area is good. Noted strengths include HMDA lending performance that is comparable to the performance of aggregate lenders to low- and moderate- income borrowers for home purchase, home refinance, home improvement, and small business loans. The bank made an adequate percentage of small business loans for less than \$100,000 meeting the demand for smaller dollar credits, which has historically been identified as a credit need. The bank is a leader in making community development loans, which went to a variety of projects for affordable housing and revitalizing and stabilizing low- and moderate- income areas of the assessment area.

LENDING ACTIVITY

The bank originated 2,291 small business and HMDA loans, which resulted in 0.5% of the loans reported in this assessment area. Given the highly competitive market, this level of lending reflects good responsiveness to assessment area credit needs. The bank ranked 15th out of 170 lenders reporting small business loans in the assessment area in 2011, which represents 0.8% of the market share. The top three reporters accounted for 55.7% of the market share. In 2012, the bank ranked 15th out of 168 lenders reporting small business loans in the assessment area, which represents 0.8% of the market share. The top three reporters accounted for 51.1% of the market share.

Lending was extremely competitive among financial institutions. In 2011, the market consisted of 740 HMDA reporters who originated and/or purchased mortgage loans in this area. The top three reporters accounted for 36.3% of the market share. The bank was ranked 53rd, which accounts for 0.3% of the market share. In 2012, 802 HMDA reporters originating and/or purchasing mortgage loans in this area, and the top three reporters accounted for 35.7% of the market share. The bank was ranked 41st, which accounts for 0.4% of the market share.

GEOGRAPHIC DISTRIBUTION

Overall, geographic distribution of the bank's loans reflects good penetration throughout the assessment area, with no conspicuous lending gaps. For this analysis, the geographic distribution of the bank's lending was compared to available demographic information. Performance context issues such as poverty level, population trends, occupancy levels, and performance of other banks were reviewed when assessing performance.

SMALL BUSINESS LENDING

The geographic distribution of the bank's lending reflects good penetration throughout the assessment area, including low- and moderate-income geographies. For this analysis, the geographic distribution of the bank's small business lending originations was compared to available demographic information and aggregate data.

2011 SMALL BUSINESS LENDING

The bank originated 565 small business loans, of which 0.7% by number and 0.8% by dollar were in low-income census tracts and 19.3% by number and 22.1% by dollar were moderate-income census tracts. Performance was slightly below the number and dollar of loans made by aggregate lenders and number of businesses operating in low-income census tracts. Performance in moderate-income census tracts was slightly above the number and below dollar of loans made by aggregate lenders and in line with the number of businesses operating in this geography. The bank performed slightly below the aggregate lenders and demographic figures in middle-income tracts. Both the bank and aggregate lenders exceeded the demographic figures for lending in upper-income census tracts.

The information used to evaluate the geographic distribution of the bank's small business lending is detailed in the table below.

DISTRIBUTION OF 2011 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Census Tract Income Level	Small Business Loans¹				Aggregate CRA Data²		% of Businesses³
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	4	919	0.7	0.8	2.9	3.4	3.9
Moderate	109	24,108	19.3	22.1	17.6	25.4	19.9
Middle	154	30,929	27.3	28.4	28.3	28.5	31.2
Upper	294	52,058	52.0	47.8	49.1	40.8	44.2
Unknown ⁴	4	954	0.7	0.9	0.8	1.5	0.8

¹CRA defines small businesses loans as loans in the amount 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 2010 Dun & Bradstreet Data.
⁴ Does not include tracts where the income level is unknown, which is 1.3% by number and 0.5% by dollar for aggregate lenders. Only includes tract locations not reported.

2012 SMALL BUSINESS LENDING

The bank originated 632 small business loans, of which 4.1% by number and 7.6% by dollar were in low-income census tracts and 22.5% by number and 23.9% by dollar were in moderate-income census tracts. Performance was below the number and dollar of loans made by aggregate lenders and number of businesses operating within low-income census tracts. Performance in moderate-income census tracts exceeded the number and dollar of loans made by aggregate lenders and the number of businesses operating in this geography. The bank's performance was slightly below the aggregate lenders and demographic figures in middle-income tracts. Both the bank and aggregate lenders exceeded the demographic figures for lending in upper-income census tracts.

The information used to evaluate the geographic distribution of the bank’s small business lending is detailed in the table below.

DISTRIBUTION OF 2012 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Census Tract Income Level	Small Business Loans ¹				Aggregate CRA Data ²		% of Businesses ³
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	26	9,707	4.1	7.6	8.3	12.0	8.7
Moderate	142	30,555	22.5	23.9	16.8	19.7	19.1
Middle	124	25,089	19.6	19.6	22.5	21.2	25.9
Upper	340	62,392	53.8	48.8	49.8	45.6	46.1
Unknown ⁴	0	0	0.0	0.0	0.1	0.3	0.2

¹CRA defines small businesses loans as loans in the amount 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 2010 Dun & Bradstreet Data.
⁴ Does not include tracts where the income level is unknown, which is 2.6% by number and 1.1% by dollar for aggregate lenders. Only includes tract locations not reported.

HOME MORTGAGE LENDING

The geographic distribution of the bank’s lending reflects good penetration throughout the assessment area, including low- and moderate-income geographies. For this analysis, the geographic distribution of the bank’s HMDA reportable lending was compared to available demographic information of owner occupied units and data of aggregate lenders. The home purchase loan distribution was given the greatest weight since it constitutes the majority of the bank’s HMDA lending. Overall, the geographic distribution of the bank’s HMDA loans is good in spite of the high level of competition by large banks in the assessment area. Additionally, more weight was given to performance of the bank compared to aggregate lenders, which is more indicative of the loan demand in the area than assessment area demographics.

During the review period, the bank reported a total of 1,094 HMDA reportable loans in this assessment area: 569 home purchase, 443 refinance, 79 home improvement, and three multi-family loans. Since the bank made very few multifamily loans, a separate analysis was not performed.

2011 HOME PURCHASE LENDING

The bank’s home purchase lending represented approximately 54.1% of the HMDA reportable loans. The bank’s home purchase performance in low- and moderate-income tracts was excellent when compared to aggregate lenders. Performance in low-income census tracts was comparable to the aggregate lenders and exceeded the aggregate lenders in moderate-income census tracts by number and was comparable by dollar. Both the bank and aggregate lenders

performed below the area demographic figures in low- and moderate-income census tracts. The bank performed less favorably than the demographic figures and aggregate lenders in middle-income tracts. Both the bank and aggregate lenders exceeded the demographic figures for lending in upper-income census tracts.

2011 HOME REFINANCE LENDING

The bank's home refinance lending represented approximately 36.2% of the HMDA reportable loans. The bank's refinance lending performance in low- and moderate- income tracts was good. Due to the small percentage of owner-occupied units and limited lending need in low-income census tracts, the bank did not make any refinanced loans in those areas. The bank's lending performance was similar to aggregate lenders in moderate-income tracts by number but exceeded the aggregate lenders by dollar. Both the bank and aggregate lender performed less favorably than demographic figures. The bank performed less favorably than demographic figures and aggregate lenders in middle-income tracts. The bank exceeded the aggregate lenders' performance and demographic figures for lending in upper-income census tracts.

2011 HOME IMPROVEMENT LENDING

The bank's home improvement lending represented approximately 9.7% of the HMDA reportable loans. The bank's home improvement lending performance in low- and moderate-income tracts was good. Due to the small percentage of owner-occupied units and limited lending need in low-income census tracts, the bank did not make any home improvement loans. The bank's lending performance was similar to aggregate lenders in moderate-income tracts, and both the bank and aggregate lender performed less favorably than the demographic figures. The bank performed less favorably than demographic figures and aggregate lenders in middle-income tracts. The bank exceeded the aggregate lenders' performance and demographic figures for lending in upper-income census tracts.

The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in the table below.

DISTRIBUTION OF 2011 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data¹		% of Owner Occupied Units²
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans							
Low	2	184	0.5	0.2	0.7	0.6	2.8
Moderate	44	3,777	11.3	3.9	6.5	5.0	19.9
Middle	88	13,628	22.6	14.2	29.7	23.7	33.8
Upper	256	78,114	65.6	81.6	63.1	70.6	43.5
Unknown	0	0	0.0	0.0	0.0	0.1	0.0
Home Purchase Loans							
Low	2	184	0.9	0.4	0.8	0.6	2.8
Moderate	36	2,125	17.1	4.0	8.3	4.6	19.9
Middle	55	9,072	26.1	17.3	34.6	27.8	33.8
Upper	118	41,091	55.9	78.3	56.3	67.0	43.5
Unknown	0	0	0.0	0.0	0.0	0.1	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	0.5	0.4	2.8
Moderate	5	1,639	3.5	4.0	4.7	2.9	19.9
Middle	24	4,250	17.0	10.4	25.2	19.5	33.8
Upper	112	34,851	79.4	85.5	69.6	77.2	43.5
Unknown	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	1.1	0.5	2.8
Moderate	3	13	7.9	0.5	7.3	3.8	19.9
Middle	9	306	23.7	12.3	28.9	18.8	33.8
Upper	26	2,172	68.4	87.2	62.7	76.9	43.5
Unknown	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 2000 census data.

2012 HOME PURCHASE LENDING

The bank's home purchase lending represented approximately 50.9% of the HMDA reportable loans. The bank's home purchase performance in low- and moderate-income tracts was excellent when compared to aggregate lenders. The bank performance exceeded aggregate lenders in low- and moderate-income census tracts. Both the bank and aggregate lenders performed slightly below the area demographic figures. The bank performed less favorably than the demographic figures and aggregate lenders in middle-income tracts. The bank exceeded the aggregate lenders' performance and demographic figures for lending in upper-income census tracts.

2012 HOME REFINANCE LENDING

The bank's home refinance lending represented approximately 42.9% of the HMDA reportable loans. The bank's refinance lending performance in low- and moderate-income tracts was good. The bank's lending performance was similar to aggregate lenders in low- and moderate-income tracts, and both the bank and aggregate lender performed less favorably than the demographic figures. The bank performed less favorably than the demographic figures and aggregate lenders in middle-income tracts. The bank exceeded the aggregate lenders' performance and demographic figures for lending in upper-income census tracts.

2012 HOME IMPROVEMENT LENDING

The bank's home improvement lending represented approximately 5.8% of the HMDA reportable loans. The bank's home improvement lending performance in low- and moderate-income tracts was excellent. Due to the small percentage of owner occupied units and limited lending need in low-income census tracts, the bank did not make any home improvement loans. The bank's performance exceeded the aggregate lenders and demographic figures in moderate-income tracts. The bank performed less favorably than the demographic figures and aggregate lenders in middle-income tracts. Both the bank and aggregate lenders exceeded the demographic figures for lending in upper-income census tracts.

The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in the table below.

DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data¹		% of Owner Occupied Units²
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans							
Low	14	3,635	2.0	2.1	1.7	1.7	5.5
Moderate	86	10,186	12.2	6.0	7.9	5.3	19.4
Middle	122	17,619	17.3	10.3	23.6	17.7	27.9
Upper	481	138,278	68.3	81.2	66.9	75.3	47.3
Unknown	1	518	0.1	0.3	0.0	0.0	0.0
Home Purchase Loans							
Low	11	1,149	3.1	1.4	2.0	1.1	5.5
Moderate	60	5,823	16.8	6.9	9.7	5.9	19.4
Middle	73	11,108	20.4	13.2	27.5	20.3	27.9
Upper	213	65,732	59.5	77.9	60.8	72.6	47.3
Unknown	1	518	0.3	0.6	0.0	0.0	0.0
Refinanced Loans							
Low	1	66	0.3	0.1	1.3	0.8	5.5
Moderate	16	2,776	5.3	3.6	6.5	3.9	19.4
Middle	42	6,151	13.9	8.0	20.6	14.5	27.9
Upper	243	67,802	80.5	88.3	71.5	80.8	47.3
Unknown	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	1.6	1.0	5.5
Moderate	9	199	22.0	3.8	8.1	3.8	19.4
Middle	7	360	17.1	6.8	21.4	13.7	27.9
Upper	25	4,744	61.0	89.5	68.9	81.6	47.3
Unknown	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multi-Family Units²
Low	2	2,420	66.7	63.6	33.2	18.9	24.6
Moderate	1	1,388	33.3	36.4	27.0	18.0	27.4
Middle	0	0	0.0	0.0	23.0	34.2	25.9
Upper	0	0	0.0	0.0	16.8	28.9	22.1
Unknown ³	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 data.

DISTRIBUTION BY BORROWER INCOME AND REVENUE SIZE OF THE BUSINESS

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 bank's lending performance reflects good penetration among individuals of different income levels and businesses of different sizes.

2011 SMALL BUSINESS LENDING

The bank's performance in lending to businesses with gross annual revenues of \$1 million or less is good. Of the 565 loans originated in 2011, 40.9% by number and 28.0% by dollar were originated to businesses with gross annual revenues of \$1 million or less. This performance was slightly below that of aggregate lenders whose lending distribution was 42.1% by number and 34.9% by dollar. According to Dun & Bradstreet, 91.1% of the businesses in the assessment area are small businesses with gross annual revenues of \$1 million or less. The bank's small business loans in amounts of \$100,000 or less totaled 69.7% by number and 23.2% by dollar, compared to 94.3% by number and 35.2% by dollar for aggregate lenders. However, it should be noted the bank's competition comes mainly from statewide, multi-regional, or nationwide banks.

The information used to evaluate the distribution of the bank's lending to small businesses is detailed in the tables below.

DISTRIBUTION OF 2011 SMALL BUSINESS LOANS BY REVENUE SIZE COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Business Revenue by Size¹	Small Business Loans				Aggregate CRA Data²		% of Businesses³
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	231	30,552	40.9	28.0	42.1	34.9	91.1
Over \$1MM	253	69,119	44.8	63.4	Not Reported		5.3
Not Known	81	9,297	14.3	8.5			3.6

¹CRA defines small businesses loans as loans in the amount 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 2011 Dun & Bradstreet Data.

DISTRIBUTION OF 2011 SMALL BUSINESS LOANS BY LOAN AMOUNT COLLIN-DALLAS-DENTON ASSESSMENT AREA								
Loan Amounts to Small Businesses ¹	Small Business Loans				Aggregate CRA Data ²			
	#	\$(000)	# %	\$ %	#	\$(000)	# %	\$ %
\$100,000 or Less	161	7,097	69.7	23.2	67,991	849,711	94.3	35.2
\$100,001-\$250,000	39	7,232	16.9	23.7	1,883	335,458	2.6	13.9
\$250,001-\$1MM	31	16,223	13.4	53.1	2,238	1,229,397	3.1	50.9
Over \$1 MM	0	0	0.0	0.0	0	0	0.0	0.0
Total	231	30,552	100.0	100.0	72,112	2,414,566	100.0	100.0

¹CRA defines small businesses loans as loans in the amount of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

2012 SMALL BUSINESS LENDING

The bank's performance in lending to businesses with gross annual revenues of \$1 million or less is good. Of the 632 loans originated in 2012, approximately 42.4% by number and 29.2% by dollar were originated to businesses with gross annual revenues of \$1 million or less. This performance exceeded that of aggregate lenders whose lending distribution was approximately 41.7% by number and 34.7% by dollar. According to Dun & Bradstreet, approximately 90.9% of the businesses in the assessment area are small businesses with gross annual revenues of \$1 million or less. The bank's small business loans in amounts of \$100,000 or less totaled approximately 63.8% by number and 21.8% by dollar, compared to approximately 94.5% by number and 35.6% by dollar for the aggregate lenders. However, it should be noted the bank's competition comes mainly from statewide, multi-regional, or nationwide banks.

The information used to evaluate the distribution of the bank's lending to small businesses is detailed in the tables below.

DISTRIBUTION OF 2012 SMALL BUSINESS LOANS BY REVENUE SIZE COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Business Revenue by Size ¹	Small Business Loans				Aggregate CRA Data ²		% of Businesses ³
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	268	37,305	42.4	29.2	41.7	34.7	90.9
Over \$1MM	289	80,501	45.7	63.0	Not Reported		5.3
Not Known	75	9,937	11.9	7.8			3.8

¹CRA defines small businesses loans as loans in the amount 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 2012 Dun & Bradstreet Data.

DISTRIBUTION OF 2012 SMALL BUSINESS LOANS BY LOAN AMOUNT COLLIN-DALLAS-DENTON ASSESSMENT AREA								
Loan Amounts to Small Businesses¹	Small Business Loans				Aggregate CRA Data²			
	#	\$(000)	# %	\$ %	#	\$(000)	# %	\$ %
\$100,000 or Less	171	8,117	63.8	21.8	71,566	878,328	94.5	35.6
\$100,001-\$250,000	61	11,557	22.8	31.0	1,871	335,418	2.5	13.6
\$250,001-\$1MM	36	17,631	13.4	47.3	2,318	1,125,679	3.1	50.9
Over \$1 MM	0	0	0.0	0.0	0	0	0.0	0.0
Total	268	37,305	100.0	100.0	75,755	2,470,536	100.0	100.0

¹CRA defines small businesses loans as loans in the amount of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

HOME MORTGAGE LENDING

The bank's distribution of HMDA loans reflects good penetration among borrowers of different income levels. In 2011, 10.0% of the bank's HMDA loans by number and 3.8% by dollar for the review period were made to low- and moderate-income borrowers, compared to 16.8% by number and 9.1% by dollar for aggregate lenders. Although the bank compared less favorably to aggregate lenders, the bank only makes up 0.3% of the HMDA lending in the market. Additionally, the bank reported 17.9% of HMDA loans with unknown incomes. Neither the bank nor aggregate lenders compared favorably to the demographic figures.

In 2012, 11.8% of the bank's HMDA loans by number and 5.4% by dollar for the review period were made to low- and moderate-income borrowers, compared to 16.3% by number and 9.1% by dollar for aggregate lenders. Although the bank compared less favorably to aggregate lenders, the bank only makes up 0.4% HMDA lenders in the market. Additionally, the bank reported 18.6% of HMDA loans with unknown incomes. Neither the bank nor aggregate lenders compared favorably to the demographic figures.

2011 HOME PURCHASE LOANS

The bank's home purchase lending performance to low- and moderate-income borrowers was adequate. The bank's lending performance to low- and moderate-income borrowers compared less favorably than aggregate lenders. It should be noted 28.9% of loans by number and 8.7% by dollar were reported with unknown incomes. The aggregate lenders reported 11.8% by number and 9.9% by dollar amount with unknown incomes. The bank performed less favorably than aggregate lenders and demographic figures for lending to middle-income borrowers. The bank exceeded the performance of aggregate lenders and demographic figures for upper-income borrowers.

2011 HOME REFINANCE LENDING

The bank's home refinance lending performance to low- and moderate-income borrowers was good. The bank's lending performance to low-, moderate-, and middle-income borrowers compared similarly to aggregate lenders. Both the bank and aggregate lenders performed less favorably than the demographic figures for low-, moderate-, and middle-income borrowers. The bank and the aggregate lenders exceeded the demographic figures for upper-income borrowers.

2011 HOME IMPROVEMENT

The bank's home improvement lending performance to low- and moderate-income borrowers was excellent. The bank's lending performance to low-income borrowers compared similarly to aggregate lenders. Both the bank and aggregate lenders compared less favorably to the demographic figures for low-income borrowers. The bank's performance exceeded the aggregate lenders by number but not dollar. The bank compared favorably to demographic figures for moderate-income borrowers. The bank performed less favorably than the demographic figures and aggregate lenders for middle-income borrowers. The bank exceeded the aggregate lenders' performance by dollar but not number. Both the bank and the aggregate lenders performed more favorably than the demographic figures for upper-income borrowers.

The information used to evaluate the distribution of the bank's lending by borrower income is detailed in the table below.

DISTRIBUTION OF 2011 HMDA LOANS BY BORROWER INCOME LEVELS COLLIN-DALLAS-DENTON ASSESSMENT AREA							
Borrower Income Level	Bank Loans				Aggregate HMDA Data¹		% of Families²
	#	\$000s)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans³							
Low	9	745	2.3	0.8	4.4	1.9	21.1
Moderate	30	2,876	7.7	3.0	12.3	7.2	17.7
Middle	47	7,707	12.1	8.1	16.9	12.7	19.9
Upper	234	78,589	60.0	82.1	51.1	61.2	41.3
Unknown	70	5,786	17.9	6.0	15.3	17.0	0.0
Home Purchase Loans							
Low	6	651	2.8	1.2	6.4	2.9	21.1
Moderate	11	1,663	5.2	3.2	17.1	11.0	17.7
Middle	22	4,258	10.4	8.1	19.2	16.2	19.9
Upper	111	41,358	52.6	78.8	45.4	60.0	41.3
Unknown	61	4,542	28.9	8.7	11.8	9.9	0.0
Refinanced Loans							
Low	2	91	1.4	0.2	2.5	1.2	21.1
Moderate	11	1,174	7.8	2.9	8.0	4.6	17.7
Middle	22	3,413	15.6	8.4	14.9	10.8	19.9
Upper	101	34,872	71.6	85.6	56.0	68.0	41.3
Unknown	5	1,190	3.5	2.9	18.6	15.4	0.0
Home Improvement Loans							
Low	1	3	2.6	0.1	5.5	1.5	21.1
Moderate	8	39	21.1	1.6	10.9	5.2	17.7
Middle	3	36	7.9	1.4	15.7	9.0	19.9
Upper	22	2,359	57.9	94.7	63.0	76.5	41.3
Unknown	4	54	10.5	2.2	4.9	7.8	0.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² The percentage of families and households are based on 2000 census data.
³ Multi-family loans are not considered in the borrower analysis. The bank did not make any multi-family loans in 2011.

2012 HOME PURCHASE LOANS

The bank's home purchase lending performance to low- and moderate-income borrowers was adequate. The bank's lending performance to low- and moderate-income borrowers compared less favorably than aggregate lenders. It should be noted 25.1% of loans by number and 11.9% by dollar were reported with unknown incomes. The aggregate lenders reported 11.8% by number and 9.6% by dollar amount with unknown incomes. The bank performed less favorably to the aggregate lenders and demographic figures for low-, moderate-, and middle-income borrowers. Both the bank and aggregate lenders performed less favorably than the demographic figures for low- and moderate-income borrowers. The bank and the aggregate lenders exceeded the demographic figures for upper-income borrowers.

2012 HOME REFINANCE LENDING

The bank's home refinance lending performance to low- and moderate-income borrowers was good. The bank's lending performance to low-income borrowers compared similarly to aggregate lenders. The bank's performance was slightly less favorably to aggregate lenders to moderate- and middle-income borrowers. Both the bank and aggregate lenders performed less favorably than the demographic figures for low-, moderate-, and middle- income borrowers. The bank exceeded the aggregate lenders and demographic figures for upper-income borrowers.

2012 HOME IMPROVEMENT

The bank's home improvement lending performance to low- and moderate-income borrowers was excellent. The bank's performance exceeded the aggregate lenders to low- income borrowers by number and dollar. The bank's performance exceeded the aggregate lenders to moderate- income borrowers by number but not dollar. The bank's lending performance exceeded the aggregate lenders by number but not dollar to middle-income borrowers. The bank performed less favorably than the demographic figures for low-, moderate-, and middle- income borrowers. The bank performed slightly better than the demographic figures but less favorably than aggregate lenders to upper-income borrowers by number. The bank exceeded the aggregate lender's performance by dollar to upper-income borrowers.

The information used to evaluate the distribution of the bank's lending by borrower income is detailed in the table below.

**DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS
COLLIN-DALLAS-DENTON ASSESSMENT AREA**

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$000s)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans³							
Low	20	1,559	2.8	0.9	4.6	2.1	23.5
Moderate	63	7,557	8.9	4.4	11.7	7.0	16.6
Middle	89	13,321	12.6	7.8	16.6	12.5	17.9
Upper	401	126,372	57.0	74.2	52.5	62.4	42.0
Unknown	131	21,427	18.6	12.6	14.6	16.0	0.0
Home Purchase Loans							
Low	6	669	1.7	0.8	6.6	3.1	23.5
Moderate	38	5,264	10.6	6.2	16.4	10.6	16.6
Middle	44	7,655	12.3	9.1	19.0	16.2	17.9
Upper	180	60,708	50.3	72.0	46.2	60.4	42.0
Unknown	90	10,034	25.1	11.9	11.8	9.6	0.0
Refinanced Loans							
Low	8	768	2.6	1.0	3.1	1.5	23.5
Moderate	19	2,236	6.3	2.9	8.3	4.8	16.6
Middle	38	5,577	12.6	7.3	14.9	10.8	17.9
Upper	203	61,218	67.2	79.7	56.9	68.5	42.0
Unknown	34	6,996	11.3	9.1	16.8	14.5	0.0
Home Improvement Loans							
Low	6	122	14.6	2.3	3.3	1.4	23.5
Moderate	6	57	14.6	1.1	8.3	3.7	16.6
Middle	7	89	17.1	1.7	16.8	10.1	17.9
Upper	18	4,446	43.9	83.8	66.5	74.9	42.0
Unknown	4	589	9.8	11.1	5.1	9.8	0.0

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

² The percentage of families and households are based on 2010 ACS data.

³ Multi-family loans are not considered in the borrower analysis. The bank made three multi-family loans in 2012.

COMMUNITY DEVELOPMENT LENDING

During the evaluation period, the bank was a leader in making community development loans in this assessment area. The bank's community development qualified loans totaled approximately \$117.3 million during the review period. The bank's volume of community development loans increased since the last evaluation. The bank's commitment to making qualified community development loans shows a good responsiveness to meeting community needs. Some of the more significant loans are as follows:

- A majority of loans were used to purchase land and construct affordable single family housing throughout the assessment area, including areas in neighborhood stabilization programs and community development block grant census tracts.
- Many of the builders constructing affordable housing units also provide guidance and counseling to prospective homebuyers about various financing options and first time homebuyer programs.
- Loans made to businesses that met the eligibility standards of the Small Business Administration's Development Company for the purpose of creating or retaining permanent jobs were the second largest community development loan type.
- Other loans were made to revitalize and stabilize community development block grant census tracts.

INVESTMENT TEST

The bank's performance for the Investment Test is High Satisfactory. The bank provided a significant level of qualified community development investments and donations. The bank's community development qualified investments totaled approximately \$2.4 million during the review period. Qualified donations for the review period totaled approximately \$195 thousand. Donations were made to various organizations that provide support services to low- and moderate-income people. Some of the more noteworthy investments include:

- Mortgage Backed Securities – The bank holds approximately \$875 thousand in these mortgage-back securities from prior periods. These investments benefitted the counties in the assessment area.

SERVICE TEST

The bank's performance for the Service Test is High Satisfactory. It provides a good level of retail services in the assessment area. Delivery systems are reasonably accessible to significant portions of the bank's geographies and individuals of different income levels in its assessment area. The bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/or low- and moderate-income individuals. Services do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies or individuals. Finally, the bank is a leader in providing community development services in the assessment area.

RETAIL SERVICES

The bank operates a total of 14 branches in this assessment area. None of the branches are located in low-income census tracts, two (14.3%) in moderate-income census tracts, two (14.3%) in middle-income census tracts, and ten (71.4%) in upper-income census tracts. Deposit taking ATMs are located at all the branches. Additionally, the bank operates deposit taking ATMs at the Parker/Custer Motor Bank and Presbyterian Hospital in Plano; both are in upper-income census tracts. The bank's products and services are available in all branches across its branch network, which is reasonably accessible to the bank's geographies and individuals of different income levels in its assessment areas. Refer to pages seven through nine for more branch information such as the branch address, hours, and services.

COMMUNITY DEVELOPMENT SERVICES

The bank is a leader in providing community development services in this assessment area. Bank management and staff serve as board members, directors, treasurers, and in other leadership roles, contributing their financial expertise to numerous organizations serving the economic, health, and social service needs of low- and moderate-income individuals and families in the area and small businesses. The following are examples of the bank's community development services in this assessment area.

- Completion of Federal Home Loan Bank Grant Application which resulted in approval of a 60-unit affordable housing project in Plano, Texas
- Teaching financial literacy through various outreach programs
- Providing financial expertise to organizations in the community that promote community development

The following table illustrates the bank's qualified community development activities during the review period in this assessment area.

COLLIN-DALLAS-DENTON ASSESSMENT AREA COMMUNITY DEVELOPMENT (CD) ACTIVITIES									
Purpose	CD Loans		Qualified Investments					CD Services	
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	72	9,362	1.5	875	1	1	2.5	876	7
Community Services	5	7,700	0	0	123	194	123	194	64
Economic Development	33	90,066	1	1,500	1	1	2	1,501	12
Revitalization and Stabilization	4	10,169	0	0	0	0	0	0	3
Totals	114	117,297	2.5	2,375	125	196	127.5	2,571	86

FULL SCOPE REVIEW ASSESSMENT AREA CONCLUSION

PARKER-TARRANT ASSESSMENT AREA

The bank’s assessment area consists of Parker and Tarrant Counties in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA) (19100). These counties are part of the Fort Worth-Arlington Metropolitan Division (MD) (23104). The assessment area is part of the region that is commonly known as the Metroplex.

The following table provides further information by county.

County	2012 Population Estimate	% Increase Since 2010	Major Cities
Parker	119,712	2.4	Aledo, Cool, Millsap, Weatherford
Tarrant	1,880,153	3.9	Arlington, Ft. Worth, Hurst

The bank maintains a limited branch presence in this market, where it operates six of its twenty full-service branches. The assessment area is a competitive banking market due to the significant number of banks in the vicinity. According to the June 30, 2013 FDIC-Insured Summary of Deposits Report, there were 69 financial institutions operating 484 banking offices in the assessment area. The bank ranked 20th in deposit market share with 0.8% of total deposits. JPMorgan Chase Bank dominates the market with approximately 19.2% of total deposits, followed by Wells Fargo Bank with approximately 15.5% of total deposits, and Bank of America with approximately 11.3% of total deposits.

In 2011, there were 132 lenders reporting 31,945 small business loans pursuant to the reporting requirements of the CRA and 619 lenders reporting 63,347 home mortgage loans pursuant to the HMDA. In 2012, there were 124 lenders reporting 32,756 small business loans pursuant to the reporting requirements of the CRA and 671 lenders reporting 78,674 home mortgage loans pursuant to HMDA. Most of these were large regional and national institutions; however, reporting institutions represent only a portion of the small business and home mortgage lending market in the assessment area. Accordingly, competition for small business and home mortgage loans is significant.

Demographics and economic information impacting the bank’s performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce’s Bureau of Census, 2000; ACS 2010 boundaries; the U.S. Department of Labor; and HUD; Dun & Bradstreet, and the Texas Workforce Commission. The following table details selected characteristics of the assessment area.

2011 PARKER-TARRANT 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	24	7.4	19,192	4.8	5,712	29.8	76,094	19.2
Moderate-Income	86	26.6	90,530	22.9	14,017	15.5	72,463	18.3
Middle-Income	118	36.5	152,740	38.6	8,545	5.6	85,074	21.5
Upper-Income	95	29.5	133,564	33.7	2,771	2.1	162,395	41.0
Total AA	323	100.0	396,026	100.0	31,045	7.8	396,026	100.0
	Housing Units By Tract	Housing Type By Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit
Low-Income	32,249	12,509	3.6	38.8	16,494	51.1	3,246	10.1
Moderate-Income	143,813	65,641	18.8	45.6	68,192	47.4	9,980	7.0
Middle-Income	242,909	136,504	39.0	56.2	92,892	38.2	13,513	5.6
Upper-Income	180,943	135,181	38.6	74.7	37,582	20.8	8,180	4.5
Total AA	599,914	349,835	100.0	58.3	215,160	35.9	34,919	5.8
	Total Businesses by Tract	Businesses By Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-Income	3,625	2.9	3,249	2.8	237	4.3	139	3.1
Moderate-Income	24,089	19.2	21,167	18.4	1,920	34.4	1,002	22.6
Middle-Income	46,847	37.4	43,222	37.5	1,926	34.5	1,699	38.3
Upper-Income	50,649	40.5	47,563	41.3	1,493	26.8	1,593	40.0
Total AA	125,210	100.0	115,201	100.0	5,576	100.0	4,433	100.0
Percent of Total Businesses:				92.0		4.5		3.5

2012 PARKER-TARRANT 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	33	8.8	26,745	5.7	9,558	35.7	102,220	21.7	
Moderate-Income	105	27.9	113,711	24.2	20,757	18.3	81,153	17.2	
Middle-Income	136	36.2	178,229	37.9	12,990	7.3	91,402	19.4	
Upper-Income	101	26.8	152,001	32.2	4,693	3.1	195,911	41.7	
Unknown-Income	1	0.3	0	0.0	0	0.0	0	0.0	
Total AA	376	100.0	470,686	100.0	47,998	10.2	470,686	100.0	
	Housing Units By Tract	Housing Type By Tract							
		Owner-Occupied		Rental		Vacant			
		#	% By Tract	% By Unit	#	% By Unit	#	% By Unit	
Low-Income	47,935	16,445	3.8	34.3	23,404	48.8	8,086	16.9	
Moderate-Income	197,940	86,578	20.0	43.7	87,148	44.0	24,214	12.3	
Middle-Income	290,845	169,465	39.1	58.3	96,755	33.3	24,625	8.4	
Upper-Income	204,160	160,725	37.1	78.7	32,487	15.9	10,948	5.4	
Total AA	740,880	433,213	100.0	58.5	239,794	32.4	67,873	9.1	
	Total Businesses by Tract	Businesses By Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-Income	5,929	4.8	5,206	4.6	470	8.5	253	6.0	
Moderate-Income	26,781	21.8	23,974	21.2	1,692	30.6	1,115	26.3	
Middle-Income	44,508	36.3	41,328	36.6	1,680	30.4	1,500	35.4	
Upper-Income	45,302	40.0	42,289	37.6	1,652	30.0	1,361	32.1	
Unknown-Income	93	0.1	54	0.0	30	0.5	9	0.2	
Total AA	122,613	100.0	112,851	100.0	5,524	100.0	4,238	100.0	
	Percent of Total Businesses:				92.0		4.5		3.5

INCOME CHARACTERISTICS

According to 2000 Census data, the assessment area contained 323 census tracts comprised of 24 low-income (7.4%), 86 moderate-income (26.6%), 118 middle-income (36.5%), and 95 upper-income (29.5%) census tracts. There were 396,026 families in the assessment area. Approximately 19.2% of the families are low-income, 18.3% are moderate-income, 21.5% are middle-income, and 41.0% are upper-income. It is estimated that 7.8% of the families live below the poverty level. The poverty rate is below the 12.0% statewide poverty level.

According to 2010 ACS data, the assessment area contained 376 census tracts comprised of 33 low-income (8.8%), 105 moderate-income (27.9%), 136 middle-income (36.2%), 101 upper-income (26.8%), and one unknown-income (0.3%) census tracts. There were 470,686 families in the assessment area. Approximately 21.7 % of the families are low-income, 17.2% are moderate-income, 19.4% are middle-income, and 41.7% are upper-income. It is estimated that 10.2% of the families live below the poverty level. The poverty rate is below the 13.0% statewide poverty level.

The HUD estimated median family incomes for the Fort Worth-Arlington MD are listed below:

AREA	2011	2012
Fort Worth-Arlington MD	\$68,200	\$69,200

HOUSING CHARACTERISTICS

According to 2000 census data, there were 599,914 housing units in the assessment area; approximately 3.6% of owner-occupied housing units are located in low-income census tracts, 18.8% in moderate-income census tracts, 39.0% in middle-income census tracts, and 38.6% in upper-income census tracts. The homeownership rate in the assessment area is slightly above the state average of approximately 57.8%, with 58.3% of housing units being owner-occupied, 35.9% rental, and 5.8% vacant. Approximately 67.5% of housing units are single-family homes, 6.4% are 2-4 family units, 22.2% have five or more family units, and 3.8% are mobile homes. The median age of the housing in the assessment area and state of Texas is 23 years. Housing in 2011 for the major cities (Arlington 3.3 and Fort Worth 3.8) in the assessment area was less affordable than the state average (2.4) based on the THAI.

According to 2010 ACS data, there were 740,880 housing units in the assessment area; approximately 3.8% of owner-occupied housing units are located in low-income census tracts, 20.0% in moderate-income census tracts, 39.1% in middle-income census tracts, and 37.1% in upper-income census tracts. The homeownership rate in the assessment area is slightly above the state average of approximately 57.0%, with 58.5% of housing units being owner-occupied, 32.4% rental, and 9.1% vacant. Approximately 70.3% of housing units are single-family homes, 5.7% are 2-4 family units, 20.8% have five or more family units, and 3.2% are mobile homes. The median age of the housing in the assessment area and state of Texas is 27 years. Housing in 2012 for the major cities (Arlington 3.0 and Fort Worth 3.3) in the assessment area was less affordable than the state average (2.1) based on the THAI.

LABOR, EMPLOYMENT, AND ECONOMIC CHARACTERISTICS

The Dallas-Fort Worth (DFW) Metroplex is a major trade center and transportation hub. Such industries include aviation, electronics manufacturing, data processing, retail trade, conventions and trade shows, education, and healthcare. Major employers include Fort Worth Independent School District, American Airlines, Texas Health Resources, Lockheed Martin, Radio Shack Corporation, and the University of Texas-Arlington.

According to 2011 Dun & Bradstreet data, 125,210 businesses are located in this assessment area. Approximately 92.0% reported gross annual revenues less than or equal to \$1 million with 2.8% in low-income census tracts, 18.4% in moderate-income, 37.5% in middle-income, and 41.3% in upper-income census tracts.

According to 2012 Dun & Bradstreet data, 122,613 businesses are located in this assessment area. Approximately 92.0% reported gross annual revenues less than or equal to \$1 million with 4.6% in low-income census tracts, 21.2% in moderate-income, 36.6% in middle-income, and 37.6% in upper-income census tracts.

According to the Texas Workforce Commission, unemployment rates in the assessment area have decreased slightly in recent years and generally have been lower than United States averages.

ANNUAL AVERAGE UNEMPLOYMENT RATES		
AREA	2011	2012
Parker County	7.1	6.1
Tarrant County	7.8	6.6
State of Texas	7.9	6.8
United States	8.9	8.1

COMMUNITY CONTACTS AND CREDIT NEEDS

Contact was made with community leaders working in economic development and affordable housing. These contacts identified the credit needs in the community as funds for small business and affordable housing. In addition, there are opportunities for financial institutions to partner with small business and affordable housing groups to become preferred lenders.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PARKER-TARRANT ASSESSMENT AREA

LENDING TEST

The bank's performance under the lending test for this assessment area is good. Noted strengths include HMDA lending performance that meets aggregate lending to low- and moderate-income borrowers for home purchase, home refinance and home improvement loans, and lending to small businesses. The bank made an adequate amount of small business loans for less than \$100,000 meeting the demand for smaller dollar credits, which has historically been identified as a credit need. The bank was a leader in making community development loans. A substantial majority of the community development loans were made for affordable housing in neighborhood stabilization programs, community development block grant eligible census tract, and low- and moderate-income areas of the assessment area.

LENDING ACTIVITY

The bank originated 624 small business and HMDA loans, which resulted in 0.3% of the loans reported in this assessment area. Given the highly competitive market, this level of lending reflects good responsiveness to assessment area credit needs. The bank ranked 20th out of 132 lenders reporting small business loans in the assessment area in 2011, which represents 0.5% of the market share. The top three reporters accounted for approximately 54.3% of the market share. In 2012, the bank ranked 21st out of 124 lenders reporting small business loans in the assessment area, which represents 0.6% of the market share. The top three reporters accounted for approximately 46.3% of the market share.

In 2011, 619 HMDA reporters originating and/or purchasing mortgage loans in this area, and the top three reporters accounted for approximately 37.2% of the market share. The bank was ranked 81st, which accounts for 0.2% of the market share. In 2012, 671 HMDA reporters originating and/or purchasing mortgage loans in this area, and the top three reporters accounted for approximately 36.62% of the market share. The bank was ranked 68th, which accounts for 0.24% of the market share.

GEOGRAPHIC DISTRIBUTION

Overall, geographic distribution of the bank's loans reflects good penetration throughout the assessment area, with no conspicuous lending gaps. For this analysis, the geographic distribution of the bank's lending was compared to available demographic information. Performance context issues such as poverty level, population trends, and occupancy levels, as well as the performance of other banks were reviewed when assessing performance.

SMALL BUSINESS LENDING

The geographic distribution of the bank's lending reflects good penetration throughout the assessment area, including low- and moderate-income geographies. For this analysis, the

geographic distribution of the bank’s small business lending originations was compared to available demographic information and aggregate data.

2011 SMALL BUSINESS LENDING

The bank originated 150 small business loans, of which 2.7% by number and 1.1% by dollar were in low-income census tracts and 8.7% by number and 11.1% by dollar in moderate-income census tracts. The bank’s performance was similar to aggregate lenders and number of businesses operating in low-income census tracts. The bank’s performance in moderate-income census tracts compared less favorably to aggregate lenders and number of businesses operating in this geography. The bank exceeded the aggregate lenders performance and demographic figures for middle- and upper-income census tracts.

The information used to evaluate the geographic distribution of the bank’s small business lending is detailed in the table below.

DISTRIBUTION OF 2011 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY PARKER AND TARRANT ASSESSMENT AREA							
Census Tract Income Level	Small Business Loans ¹				Aggregate CRA Data ²		% of Businesses ³
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	4	403	2.7	1.1	2.6	2.9	2.9
Moderate	13	4,170	8.7	11.1	18.5	28.6	19.2
Middle	60	15,081	40.0	40.2	34.2	31.2	37.4
Upper	73	17,856	48.7	47.6	42.7	36.7	40.5

¹CRA defines small businesses loans as loans in the amount 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 2011 Dun & Bradstreet Data.
⁴ Does not include tracts where the income level is unknown, which is 2.0% by number and 0.6% by dollar for aggregate lenders. Only includes tract locations not reported.

2012 SMALL BUSINESS LENDING

The bank originated 189 small business loans, of which 2.6% by number and 4.8% by dollar were in low-income census tracts and 17.5% by number and 22.0% by dollar in moderate-income census tracts. The bank’s performance was slightly below aggregate lenders and number of businesses operating in low- and moderate-income census tracts. The bank’s performance was below aggregate lenders and number of businesses operating in middle-income census tracts. The bank exceeded the aggregate lenders performance and demographic figures for upper-income census tracts.

The information used to evaluate the geographic distribution of the bank’s small business lending is detailed in the table below.

DISTRIBUTION OF 2012 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY PARKER-TARRANT ASSESSMENT AREA							
Census Tract Income Level	Small Business Loans ¹				Aggregate CRA Data ²		% of Businesses ³
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	5	2,106	2.6	4.8	4.4	6.6	4.8
Moderate	33	9,715	17.5	22.0	19.9	23.8	21.8
Middle	57	13,109	30.2	29.6	33.4	29.2	36.3
Upper	94	19,315	49.7	43.7	38.7	38.4	36.9
Unknown ⁴	0	0	0.0	0.0	0.1	0.0	0.0

¹CRA defines small businesses loans as loans in the amount 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 2012Dun & Bradstreet Data.
⁴ Does not include tracts where the income level is unknown, which is 3.6% by number and 1.9% by dollar for aggregate lenders. Only includes tract locations not reported.

HOME MORTGAGE LENDING

The geographic distribution of the bank's lending reflects good penetration throughout the assessment area, including low- and moderate-income geographies. For this analysis, the geographic distribution of the bank's HMDA reportable lending was compared to available demographic information and data of aggregate lenders. The home purchase loan distribution was given the greatest weight since it constitutes the majority of the bank's HMDA lending. Overall, the geographic distribution of the bank's HMDA loans is good in spite of the high level of competition by large banks in the assessment area. Additionally, more weight was given to the performance of the bank compared to aggregate lenders, which is more indicative of the loan demand in the area than the AA's demographics.

During the review period, the bank reported a total of 285 HMDA reportable loans in this assessment area: 163 home purchase, 108 refinance, and 13 home improvement loans. The bank made only made one multifamily loan, which results in the inability to conduct a meaningful analysis on multifamily loans.

2011 HOME PURCHASE LENDING

The bank's home purchase lending represented approximately 58.3% of the HMDA reportable loans. The bank's home purchase performance in low- and moderate-income tracts was adequate when compared to aggregate lenders. Although the bank did not make any loans in low-income census tracts, the aggregate lenders performance reflects a low loan demand. The bank's performance was less favorable than aggregate lenders in moderate-income census tracts. Both the bank and aggregate lenders performed below the area demographic figures. The bank

exceeded aggregate lenders and demographic figures for lending in middle- and upper-income census tracts.

2011 HOME REFINANCE LENDING

The bank's home refinance lending represented approximately 34.4% of the HMDA reportable loans. The bank's refinance lending performance in low- and moderate-income tracts was good when compared to aggregate lenders. Although the bank did not make any loans in low-income census tracts, the aggregate lenders performance reflects a low loan demand. The bank's performance was slightly less favorable than aggregate lenders in moderate-income census tracts. The bank performed less favorably than aggregate lenders in middle-income census tracts. Both the bank and aggregate lenders performed below the area demographic figures in low-, moderate, and middle-income tracts. The bank compared less favorably to the performance of aggregate lenders and demographic figures for lending in middle-income census tracts. The bank exceeded aggregate lenders and demographic figures for lending in upper-income census tracts.

2011 HOME IMPROVEMENT LENDING

The bank's home improvement lending represented approximately 6.3% of the HMDA reportable loans. None of these loans were located in a low- or moderate- income census tract. Therefore, a meaningful analysis could not be conducted. The aggregate lenders performance in low-income census tracts reflects a low loan demand. Aggregate lenders made 11.1% of loans by number and 5.8% by dollar amount in moderate-income tracts, while the bank did not make any loans in these geographies. The bank performed less favorably than the demographic figures and aggregate lenders in middle-income tracts and exceeded the aggregate lenders and demographic figures for upper-income census tracts.

The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in the table below.

DISTRIBUTION OF 2011 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY PARKER-TARRANT ASSESSMENT AREA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.5	0.4	3.6
Moderate	3	234	3.1	1.1	6.3	4.2	18.8
Middle	35	6,036	36.5	27.8	36.5	30.5	39.0
Upper	58	15,418	60.4	71.1	56.7	64.9	38.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	0.5	0.3	3.6
Moderate	1	122	1.8	0.9	7.5	4.7	18.8
Middle	25	4,515	44.6	34.5	39.5	33.0	39.0
Upper	30	8,450	53.6	64.6	52.5	62.1	38.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	0.4	0.2	3.6
Moderate	1	97	3.0	1.2	4.7	2.9	18.8
Middle	9	1,481	27.3	17.6	33.2	27.2	39.0
Upper	23	6,853	69.7	81.3	61.7	69.7	38.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	1.3	0.4	3.6
Moderate	0	0	0.0	0.0	11.1	5.8	18.8
Middle	1	40	16.7	25.8	37.4	29.3	39.0
Upper	5	115	83.3	74.2	50.2	64.5	38.6
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Multifamily Loans							% of Multi-Family Units²
Low	0	0	0.0	0.0	8.6	2.8	7.1
Moderate	1	15	100.0	100.0	25.7	12.6	28.4
Middle	0	0	0.0	0.0	48.6	39.6	45.5
Upper	0	0	0.0	0.0	17.1	45.0	19.0
Unknown ³	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 2000 census data.

2012 HOME PURCHASE LENDING

The bank's home purchase lending represented approximately 56.6% of the HMDA reportable loans. The bank's home purchase performance in low- and moderate-income tracts was adequate when compared to aggregate lenders. Although the bank did not make any loans in low-income census tracts, the aggregate lenders performance reflects a low loan demand. The bank's performance was less favorable than aggregate lenders in moderate- and middle-income census tracts. Both the bank and aggregate lenders performed less favorably to the area demographic figures for moderate- and middle income census tracts. The bank exceeded aggregate lenders and demographic figures for lending in upper-income census tracts.

2012 HOME REFINANCE LENDING

The bank's home refinance lending represented approximately 39.7% of the HMDA reportable loans. The bank's refinance lending performance in low- and moderate-income tracts was good when compared to aggregate lenders. Although the bank did not make any loans in low-income census tracts, the aggregate lenders performance reflects a low loan demand. The bank's performance was less favorable than aggregate lenders in moderate-income census tracts and demographic figures. The bank performed more favorably than aggregate lenders and in line with demographic figures in middle-income census tracts. The bank performed slightly less favorably than the performance of aggregate lenders in upper-income census tracts. Both the bank and aggregate lenders exceeded demographic figures for lending in upper-income census tracts.

2012 HOME IMPROVEMENT LENDING

The bank's home improvement lending represented approximately 3.7% of the HMDA reportable loans. The bank's home improvement lending performance in low- and moderate-income tracts was good. Although the bank did not make any loans in low-income census tracts, the aggregate lenders performance reflects a low loan demand. The bank performed more favorably than aggregate lenders and in line with demographic figures in moderate-income census tracts. The bank's performance was less favorable than aggregate lenders in middle-income census tracts. The bank exceeded aggregate lenders and demographic figures for lending in upper-income census tracts.

The information used to evaluate the geographic distribution of the bank's HMDA lending is detailed in the table below.

DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY TARRANT-PARKER AA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	0.6	0.4	3.8
Moderate	10	1,135	5.3	2.5	8.9	6.0	20.0
Middle	68	10,919	36.0	24.4	35.5	29.6	39.1
Upper	111	32,704	58.7	73.1	55.0	64.0	37.1
Home Purchase Loans							
Low	0	0	0.0	0.0	0.8	0.4	3.8
Moderate	5	584	4.7	2.1	10.5	6.3	20.0
Middle	37	6,522	34.6	23.6	37.7	31.7	39.1
Upper	65	20,528	60.7	74.3	51.1	61.7	37.1
Refinanced Loans							
Low	0	0	0.0	0.0	0.4	0.2	3.8
Moderate	4	529	5.3	3.1	7.3	4.5	20.0
Middle	29	4,386	38.7	26.0	33.6	27.5	39.1
Upper	42	11,935	56.0	70.8	58.7	67.8	37.1
Home Improvement Loans							
Low	0	0	0.0	0.0	1.3	0.6	3.8
Moderate	1	22	14.3	8.0	11.5	6.1	20.0
Middle	2	11	28.6	4.0	37.7	32.9	39.1
Upper	4	241	57.1	88.0	49.5	60.4	37.1

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² Based on 2010 ACS data.

DISTRIBUTION BY BORROWER INCOME AND REVENUE SIZE OF THE BUSINESS

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 bank's lending performance reflects good penetration among individuals of different income levels and businesses of different sizes.

2011 SMALL BUSINESS LENDING

The bank's performance in lending to businesses with gross annual revenues of \$1 million or less is good. Of the 150 loans originated in 2011, approximately 46.0% by number and 34.9% by dollar were originated to businesses with gross annual revenues of \$1 million or less. This performance was slightly above that of aggregate lenders whose lending distribution was approximately 45.1% by number and 37.9% by dollar. According to Dun & Bradstreet,

approximately 92.0% of the businesses in the assessment area are small businesses with gross annual revenues of \$1 million or less. The bank's small business loans in amounts of \$100,000 or less totaled 50.7% by number and 12.9% by dollar, compared to approximately 93.9% by number and 34.5% by dollar for the aggregate lenders. Although the bank's performance was less favorable than aggregate lenders, the bank's competition comes mainly from statewide, multi-regional, or nationwide banks.

The information used to evaluate the distribution of the bank's lending to small businesses is detailed in the tables below.

DISTRIBUTION OF 2011 SMALL BUSINESS LOANS BY REVENUE SIZE PARKER-TARRANT ASSESSMENT AREA							
Business Revenue by Size¹	Small Business Loans				Aggregate CRA Data²		% of Businesses³
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	69	13,076	46.0	34.9	45.1	37.8	92.0
Over \$1MM	71	23,059	47.3	61.5	Not Reported		4.5
Not Known	10	1,375	6.7	3.7			3.5

¹CRA defines small businesses loans as loans in the amount 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 2011 Dun & Bradstreet Data.

DISTRIBUTION OF 2011 SMALL BUSINESS LOANS BY LOAN AMOUNT PARKER AND TARRANT ASSESSMENT AREA								
Loan Amounts to Small Businesses¹	Small Business Loans				Aggregate CRA Data²			
	#	\$(000)	# %	\$ %	#	\$(000)	# %	\$ %
\$100,000 or Less	35	1,689	50.7	12.9	29,724	383,931	93.9	34.5
\$100,001-\$250,000	18	3,195	26.1	24.4	891	153,944	2.8	13.8
\$250,001-\$1MM	16	8,192	23.2	62.6	1,037	574,633	3.3	51.7
Over \$1 MM	0	0	0.0	0.0	0	0	0.0	0.0
Total	69	13,076	100.0	100.0	31,652	1,112,508	100.0	100.0

¹CRA defines small businesses loans as loans in the amount of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

2012 SMALL BUSINESS LENDING

The bank's performance in lending to businesses with gross annual revenues of \$1 million or less is good. Of the 189 loans originated in 2012, 43.4% by number and 32.8% by dollar were originated to businesses with gross annual revenues of \$1 million or less. This performance was slightly above that of aggregate lenders by number and slightly below by dollar. The aggregate lenders' lending distribution was approximately 42.5% by number and 35.9% by dollar. According to Dun & Bradstreet, approximately 92.0% of the businesses in the assessment area are small businesses with gross annual revenues of \$1 million or less. The bank's small business loans in amounts of \$100,000 or less totaled 56.1% by number and 16.9% by dollar, compared to approximately 93.7% by number and 32.0% by dollar for the aggregate lenders. Although the bank's performance was less favorable than aggregate lenders, the bank's competition comes mainly from statewide, multi-regional, or nationwide banks.

The information used to evaluate the distribution of the bank's lending to small businesses is detailed in the tables below.

DISTRIBUTION OF 2012 SMALL BUSINESS LOANS BY REVENUE SIZE PARKER-TARRANT ASSESSMENT AREA							
Business Revenue by Size ¹	Small Business Loans				Aggregate CRA Data ²		% of Businesses ³
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	82	14,522	43.4	32.8	42.5	35.9	92.0
Over \$1MM	94	28,215	49.7	63.8	Not Reported		4.5
Not Known	13	1,508	6.9	3.4			3.5

¹CRA defines small businesses loans as loans in the amount 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 2012 Dun & Bradstreet Data.

DISTRIBUTION OF 2012 SMALL BUSINESS LOANS BY LOAN AMOUNT PARKER AND TARRANT ASSESSMENT AREA								
Loan Amounts to Small Businesses ¹	Small Business Loans				Aggregate CRA Data ²			
	#	\$(000)	# %	\$ %	#	\$(000)	# %	\$ %
\$100,000 or Less	46	2,459	56.1	16.9	30,309	373,527	93.7	32.0
\$100,001-\$250,000	18	2,990	22.0	20.6	910	161,620	2.8	13.8
\$250,001-\$1MM	18	9,073	22.0	62.5	1,140	631,805	3.5	54.1
Over \$1 MM	0	0	0.0	0.0	0	0	0.0	0.0
Total	82	14,522	100.0	100.0	32,359	1,166,952	100.0	100.0

¹CRA defines small businesses loans as loans in the amount of \$1 million or less.
² Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

HOME MORTGAGE LENDING

The bank's distribution of HMDA loans reflects good penetration among borrowers of different income levels. In 2011, 14.5% of the bank's HMDA loans by number and 6.8% by dollar for the review period were made to low- and moderate-income borrowers, compared to 20.6% by number and 12.0% by dollar for aggregate lenders. Although the bank compared less favorably to aggregate lenders, the bank only makes up 0.2% HMDA lenders in the market. Additionally, the bank reported 13.5% by number and dollar of HMDA loans with unknown incomes.

In 2012, 16.9% of the bank's HMDA loans by number and 7.6% by dollar for the review period were made to low- and moderate-income borrowers, compared to 20.0% by number and 12.1% by dollar for aggregate lenders. Although the bank compared less favorably to aggregate lenders, the bank only makes up 0.2% HMDA lenders in the market. Additionally, the bank reported 10.1% by number and 6.1% by dollar of HMDA loans with unknown incomes.

2011 HOME PURCHASE LOANS

The bank's home purchase lending performance to low- and moderate-income borrowers was good. The bank did not make any loans to low-income borrowers and performed less favorably than aggregate lenders in lending to moderate-income borrowers. This performance is considered good due to the highly competitive market. Additionally, 14.3% of loans by number and 16.1% by dollar were reported with unknown incomes. The aggregate lenders reported a similar volume of loans with incomes unknown with 13.3% by number and 11.1% by dollar amount. The bank performed less favorably than aggregate lenders' loan distribution to middle-income borrowers and exceeded both aggregate lenders and demographic figures in lending to upper-income borrowers.

2011 HOME REFINANCE LENDING

The bank's home refinance lending performance to low- and moderate-income borrowers was good. The bank's lending performance to low-income borrowers compared similarly to aggregate lenders and more favorable to moderate-income borrowers. Lending performance was below aggregate lender to middle-income borrowers. The bank exceeded both aggregate lenders and demographic figures for lending to upper-income borrowers. The bank and aggregate lenders performed less favorably than the demographic figures for all income levels except for upper-income. Both the bank and aggregate lenders exceeded the demographic figures in lending to upper-income borrowers.

2011 HOME IMPROVEMENT

The bank's home improvement lending performance to low- and moderate-income borrowers was good. Although the bank did not make any loans to low-income, the bank's lending performance to moderate-income borrowers exceeded the aggregate lenders by number but not dollar. The bank did not make any loans to middle-income borrowers and performed less favorably than aggregate lenders' loan distribution to upper-income individuals. However, the bank and aggregate lenders exceeded the demographic figures for upper-income borrowers.

The information used to evaluate the distribution of the bank's lending by borrower income is detailed in the table below.

DISTRIBUTION OF 2011 HMDA LOANS BY BORROWER INCOME LEVELS PARKER-TARRANT ASSESSMENT AREA							
Borrower Income Level	Bank Loans				Aggregate HMDA Data¹		% of Families²
	#	\$000s)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans³							
Low	1	77	1.0	0.4	5.9	2.8	19.2
Moderate	13	1,383	13.5	6.4	14.7	9.3	18.3
Middle	11	1,317	11.5	6.1	18.7	14.8	21.5
Upper	58	15,985	60.4	73.7	43.0	53.9	41.0
Unknown	13	2,926	13.5	13.5	17.7	19.3	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	8.5	4.3	19.2
Moderate	7	820	12.5	6.3	20.0	14.1	18.3
Middle	7	910	12.5	7.0	21.0	18.9	21.5
Upper	34	9,255	60.7	70.7	37.3	51.6	41.0
Unknown	8	2,102	14.3	16.1	13.3	11.1	0.0
Refinanced Loans							
Low	1	77	3.0	0.9	3.0	1.5	19.2
Moderate	5	558	15.2	6.6	9.1	5.5	18.3
Middle	4	407	12.1	4.8	16.4	12.1	21.5
Upper	21	6,645	63.6	78.8	48.5	61.1	41.0
Unknown	2	744	6.1	8.8	23.0	19.9	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	7.5	2.6	19.2
Moderate	1	5	16.7	3.2	12.5	6.1	18.3
Middle	0	0	0.0	0.0	18.6	12.3	21.5
Upper	3	85	50.0	54.8	57.3	72.8	41.0
Unknown	2	65	33.3	41.9	4.0	6.2	0.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² The percentage of families and households are based on 2000 census data.
³ Multi-family loans are not considered in the borrower analysis. The bank made one multi-family loan in 2011.

2012 HOME PURCHASE LOANS

The bank's home purchase lending performance to low- and moderate-income borrowers was good. The bank's lending performance to low- and moderate-income borrowers compared less favorably than aggregate lenders and demographic figures. However, the bank's performance is considered good due to the highly competitive market. The bank exceeded the demographic figures for lending to middle-income borrowers, while the aggregate lenders performed slightly below. Both the bank and aggregate lenders exceeded the demographic figures for lending to upper-income borrowers.

2012 HOME REFINANCE LENDING

The bank's home refinance lending performance to low- and moderate-income borrowers was good. The bank's lending performance to low-income borrowers compared similarly to aggregate lenders. The bank's performance was slightly less favorable to aggregate lenders for lending to moderate- and middle-income borrowers. Both the bank and aggregate lenders performed less favorably than the demographic figures for low-, moderate-, and middle- income borrowers. The bank exceeded the aggregate lenders and demographic figures for upper-income borrowers.

2012 HOME IMPROVEMENT

The bank's home improvement lending performance to low- and moderate-income borrowers was excellent. The bank exceeded the aggregate lenders' performance to low- income by number and but performed less favorably by dollar. The bank exceeded the aggregate lenders' performance by number but not dollar to moderate-income borrowers. The bank and aggregate lenders performed less favorably than the demographic figures for moderate-income families. The bank did not make any loans to middle-income borrowers but exceeded the aggregate and demographic figures for upper-income families.

The information used to evaluate the distribution of the bank's lending by borrower income is detailed in the table below.

DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS PARKER-TARRANT ASSESSMENT AREA							
Borrower Income Level	Bank Loans				Aggregate HMDA Data¹		% of Families²
	#	\$000s)	# %	\$ %	# %	\$ %	
Total Home Mortgage Loans³							
Low	8	582	4.2	1.3	5.4	2.7	21.7
Moderate	24	2,814	12.7	6.3	14.6	9.4	17.2
Middle	35	5,492	18.5	12.3	18.5	14.9	19.4
Upper	103	33,131	54.5	74.0	44.5	55.3	41.6
Unknown	19	2,739	10.1	6.1	17.0	17.8	0.0
Home Purchase Loans							
Low	4	347	3.7	1.3	7.7	4.0	21.7
Moderate	18	2,297	16.8	8.3	20.3	14.4	17.2
Middle	23	3,786	21.5	13.7	21.1	19.2	19.4
Upper	58	20,542	54.2	74.3	38.1	52.2	41.6
Unknown	4	662	3.7	2.4	12.8	10.2	0.0
Refinanced Loans							
Low	3	232	4.0	1.4	3.4	1.8	21.7
Moderate	5	509	6.7	3.0	9.9	6.0	17.2
Middle	12	1,706	16.0	10.1	16.3	12.3	19.4
Upper	40	12,326	53.3	73.2	49.4	61.0	41.6
Unknown	15	2,077	20.0	12.3	21.0	18.9	0.0
Home Improvement Loans							
Low	1	3	14.3	1.1	4.5	2.0	21.7
Moderate	1	8	14.3	2.9	12.7	6.5	17.2
Middle	0	0	0.0	0.0	20.6	12.5	19.4
Upper	5	263	71.4	96.0	58.0	69.9	41.6
Unknown	0	0	0.0	0.0	4.2	9.1	0.0

¹ Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
² The percentage of families and households are based on 2010 ACS data.
³ Multi-family loans are not considered in the borrower analysis. The bank did not make any multi-family loans in 2012.

COMMUNITY DEVELOPMENT LENDING

During the evaluation period, the bank was a leader in making community development loans in this assessment area. The bank's community development qualified loans totaled approximately \$61.5 million during the review period. The bank's volume of community development loans increased since the last evaluation. The bank's commitment to making qualified community development loans shows a good responsiveness to meeting community needs. Some of the more significant loans are as follows:

- A majority of the loans were used to purchase land and construct affordable single family housing throughout the assessment area, including areas in neighborhood stabilization programs and community development block grant census tracts.
- Many of the builders constructing affordable housing units also provide guidance and counseling to prospective homebuyers about various financing options and first time homebuyer programs.
- Loans made to businesses that met the eligibility standards of the Small Business Administration's Development Company for the purpose of creating or retaining permanent jobs were the second largest community development loan type.

INVESTMENT TEST

The bank's performance for the Investment Test is high satisfactory. The bank provided a significant level of qualified community development investments and donations. The bank's community development qualified investments totaled approximately \$2.3 million during the review period. Qualified donations for the review period totaled approximately \$61 thousand. Donations were made to various organizations that provide support services to low- and moderate-income people. Some of the more noteworthy investments include:

- Mortgage Backed Securities – The bank holds approximately \$2,038 thousand in these mortgage-back securities from prior periods. These investments benefitted the counties in the assessment area.

SERVICE TEST

The bank's performance for the Service Test is high satisfactory. It provides a good level of retail services in the assessment area. Delivery systems are reasonably accessible to significant portions of the bank's geographies and individuals of different income levels in its assessment area. No branches opened or closed in this assessment area since the last evaluation. Services do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies or individuals. Finally, the bank is a leader in providing community development services in the assessment area.

RETAIL SERVICES

The bank operates a total of six branches in this assessment area. None of the branches are located in low-income census tracts, one (16.7%) in moderate-income census tracts, four (66.6%) in middle-income census tracts, and one (16.7%) in an upper-income census tract. Deposit taking ATMs are located at all the branches. The bank's products and services are available in

all branches across its branch network, which is reasonably accessible to the bank’s geographies and individuals of different income levels in its assessment area. Refer to pages seven through nine for more branch information such as the branch address, hours, and services.

COMMUNITY DEVELOPMENT SERVICES

The bank is a leader in providing community development services in this assessment area. Bank management and staff serve as board members, directors, treasurers, and in other leadership roles, contributing their financial expertise to numerous organizations serving the economic, health, and social service needs of low- and moderate-income individuals and families in the area and small businesses. The following are examples of the bank’s community development services in this assessment area.

- Teaching financial literacy through various outreach programs
- Providing financial expertise to organizations in the community that promote community development

The following table illustrates the bank’s qualified community development activities during the review period in this assessment area.

PARKER-TARRANT ASSESSMENT AREA COMMUNITY DEVELOPMENT (CD) ACTIVITIES									
Purpose	CD Loans		Qualified Investments						CD Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	218	29,516	1.5	2,038	1	1	2.5	2,039	0
Community Services	0	0	0	0	31	60	31	60	63
Economic Development	10	31,956	0	0	0	0	0	0	3
Revitalization and Stabilization	0	0	0	0	0	0	0	0	3
Totals	228	61,472	1.5	2,038	32	61	33.5	2,099	69

APPENDIX A

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

Community development: All agencies have adopted the following language: 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 LMI 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and 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.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and other branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of 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.