



## **PUBLIC DISCLOSURE**

July 24, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Financial Bank, National Association  
Charter Number 4166

400 Pine Street  
Abilene, TX 79601

Office of the Comptroller of the Currency

9003 Airport Freeway  
Suite 275  
North Richland Hills, TX 76180-9127

**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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **First Financial Bank, National Association** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First Financial Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- The bank originates a majority of loans inside its assessment areas (AAs).
- The bank's lending activity is excellent.
- The bank's overall geographic distribution of loans is adequate, as evidenced by good home mortgage performance and adequate performance in small loans to businesses and farms.
- The bank's overall borrower income distribution of loans is adequate, as evidenced by adequate distribution of home mortgage loans by income level of borrower. Performances for small loans to businesses and farms were poor.
- Community development (CD) lending had a significant positive impact on the Lending Test.
- The bank makes good use of innovative and flexible loan products to assist natural disaster victims, and small business owners and their customers including low- and moderate-income (LMI) individuals.
- The bank has an overall good level of qualified CD investments that are responsive to community needs.
- Overall, bank branches are accessible to people and geographies of different income

levels. Hours are generally good with no significant differences between branches located in different income levels. The bank offers a good level of services through alternate delivery systems. The record of opening or closing offices has generally not adversely impacted access to banking services to LMI individuals and geographies.

- The bank provided a good level of CD services that were responsive to identified community needs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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 Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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 the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and 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 a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state 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) 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.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (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.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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



## Description of Institution

First Financial Bank, National Association (FFB or the bank) is a full-service, intrastate bank headquartered in Abilene, Texas. As of June 30, 2017, the bank reported total assets of \$6.9 billion, total loans of \$3.5 billion, total deposits of \$5.6 billion, and Tier One Capital of \$616 million. According to the FDIC Deposit Market Share Report, dated June 30, 2016, the bank was ranked 20<sup>th</sup> in the state of Texas with a deposit market share of 0.67 percent.

The bank is wholly owned by First Financial Bankshares, Inc. (FFIN) holding company. We did not consider the activities of affiliates in this evaluation. FFB is a full-service financial institution that generates deposits and originates a full range of credit products including consumer, commercial, small business, and real estate loans. As of June 30, 2017, FFB operated 67 full service branches across the State of Texas.

The bank operates in the following AAs that are composed of the detailed counties. The eight Non-MSA counties are geographically dispersed across the state.

- Abilene MSA – Callahan, Jones and Taylor Counties.
- Dallas MSA – Hood, Johnson, Parker, Somervell, Tarrant, Wise, Denton and Ellis Counties only.
- Non-MSA – Deaf Smith, Eastland, Erath, Fisher, Nolan, Palo Pinto, Shackelford and Walker Counties.
- Beaumont MSA – Jefferson, Newton and Orange Counties only.
- Odessa MSA – Ector County.
- San Angelo MSA – Tom Green County only.
- The Woodlands MSA – Montgomery County and census tracts 5553.01, 5553.02 and 5553.03 of Harris County only.

In 2015, FFB acquired First Bank Conroe, Conroe, Texas, resulting in the addition of The Woodlands MSA. Also in 2015, FFB acquired 4Trust mortgage company in Fort Worth, Texas. This purchase doubled the bank's mortgage lending capacity to \$400 million annually. The 4Trust offices in Fort Worth and Southlake have been merged into nearby FFB offices.

FFB's Odessa office was previously a trust location that accepted deposits but only offered limited loan access. In August 2016 it converted to a full-service branch.

FFB offers a wide range of banking services and loan and deposit products to businesses and consumers. Full-service ATMs are situated on the main office and branch premises. Most of the branches and all of the AAs have at least one employee who can speak Spanish. During this evaluation period, FFB expanded SBA lending as well as introduced a new retail lending product, the Retail Finance Program, to assist its business customers. 1-4 family lending capacity has also been expanded during this evaluation period with the acquisition of 4Trust.

As reported for June 30, 2017, the bank's commercial real estate and commercial loans comprised 34.76 percent of the total loan portfolio. Residential real estate loans (including multi-family, home equity and 1-4 construction) accounted for 35.08 percent of loans. The remaining loan portfolio consisted of other construction loans (6.28 percent), consumer loans (12.23 percent), agriculture loans (6.45 percent) and other loans (5.20 percent). Credit cards are provided in the bank's name by a third party.

The bank received a Satisfactory rating in its most recent CRA evaluation dated July 7, 2014. Our review of the OCC records and the bank's CRA Public File did not disclose any complaints relating to the bank's CRA performance since the last performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

For this evaluation, we analyzed home purchase, home improvement, and home refinance mortgage loans the bank reported under the Home Mortgage Disclosure Act (HMDA) and small loans made to businesses and farms the bank reported under the CRA for the period of January 1, 2014 through December 31, 2016. Performance Tables 1 through 12 in appendix C include the loan data covered by this analysis period.

In order to perform a quantitative analysis within an AA, a minimum of 20 loans was needed in each loan product during the analysis period. Although FFB did not originate a sufficient volume of multifamily loans in any of its AAs to perform an analysis, we considered multifamily loans that met the CD definition as part of the evaluation of CD lending.

The evaluation period for CD loans, the Investment Test, and the Service Test was July 1, 2014 through July 24, 2017 (the current PE date).

Refer to appendix A: Scope of Examination for details regarding the time periods and products reviewed.

### Data Integrity

As part of our ongoing supervision of the bank, we tested the accuracy of the bank's HMDA and CRA lending data. Our testing indicated no substantive inaccuracies in the data. Therefore, we concluded that the home mortgage loans, small loans to businesses and small loans to farms could be relied upon for this CRA evaluation.

We reviewed non-public data that FFB management submitted for CD loans, qualified investments, and CD services to ensure that they met the regulatory definition for community development. Our review ensured that the CD loans, investments, and services used in this CRA evaluation qualify as community development, as defined in the CRA regulation.

### Selection of Areas for Full-Scope Review

We completed full-scope reviews of the Abilene MSA, the Dallas MSA and the Non-MSA. We completed limited-scope reviews of the Beaumont MSA, the Odessa MSA, the San Angelo MSA and The Woodlands MSA. Full-scope reviews consider quantitative and qualitative factors, as well as performance context factors. Limited-scope procedures consider quantitative factors only.

The Abilene MSA, Dallas MSA and Non-MSA each received a full-scope review due to the bank's high percentage of deposits in those AAs - 23.75 percent, 26.85 percent and 22.66 percent, respectively. The three full-scope AAs also had the largest volume of reportable loans. By number of loans the figures were: 21.64 percent for Abilene MSA, 34.11 percent for Dallas MSA and 24.97 percent for Non-MSA. Finally, each of the three full-scope AAs had a significant branch distribution: Abilene MSA held 19.40 percent of the bank's total branches, Dallas MSA had 35.82 percent and Non-MSA with 19.40 percent.

Refer to appendix A: Scope of Examination for details regarding the composition of the AAs.

## **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. The Dallas MSA received the most weight on final ratings because this AA had the largest percent of the bank's deposits, loans, and branches.

When evaluating the bank's performance under the Lending Test, we weighted the distribution of home mortgage loans, small loans to businesses and small loans to farms by the level of lending activity in the AAs. Consideration was given to the number of loans and dollar volume of loans originated in each category. Home mortgage loans received a marginally higher weighting than small loans to business. Small loans to farms trailed each significantly. In our conclusions regarding the bank's home mortgage loan origination performance, home purchase loans received the greatest weight followed by home improvement then home refinance loans.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Abilene MSA is excellent and FFB's performances in the Dallas MSA and the Non-MSA are both good. The level of community development lending had a significant positive impact on lending performance when considering the impact of responsiveness.

#### Lending Activity

The bank's overall lending activity is excellent, considering the strong competition for all types of loans and FFB's business strategy.

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's lending activity.

#### Abilene MSA

The bank's overall lending activity in the Abilene MSA is excellent considering the strong competition and FFB's business strategy. Home purchase, home improvement, home refinance, and small farm lending activity is excellent, and small business lending activity is good.

FDIC Deposit Market Share data as of June 30, 2015 shows FFB achieved a 47.41 percent share of the market for bank deposits, ranking first among 17 financial institutions in the AA. Based upon 2015 Peer Mortgage Data, FFB achieved a 15.75 percent share of the market for home purchase loans, ranking first among 159 reporting lenders, or the top 0.63<sup>rd</sup> percentile. In addition, the bank achieved a 51.50 percent share of the market for home improvement loans, ranking first out of 33 reporting lenders, or the top 3.03<sup>rd</sup> percentile. The bank also achieved a 17.11 percent share of the market for home refinance loans, ranking first out of 120 reporting lenders, or the top 0.83<sup>rd</sup> percentile. The market ranks/shares for home purchase, home improvement, and home refinance lending are excellent given the elevated level of competition for mortgage lending in the AA relative to the level of competition for bank deposits.

FFB achieved a 17.74 percent share of the market for small business lending, ranking first out of 50 reporting lenders, or the top 2.00<sup>nd</sup> percentile. The bank achieved a 55.56 percent share of the market for small farm lending, ranking first out of 16 reporting lenders, or the top 6.25<sup>th</sup> percentile. The market rank/share for small business lending is good given the elevated level of competition for small business lending in the AA relative to the level of competition for bank deposits, and the market rank/share for small farm lending is excellent.

Dallas MSA

The bank's overall lending activity in the Dallas MSA is good considering the strong competition and FFB's business strategy. Home purchase, home improvement, and small farm lending activity is excellent, and home refinance and small business lending activity is good.

FDIC Deposit Market Share data as of June 30, 2015 shows FFB achieved a 2.56 percent share of the market for bank deposits, ranking sixth among 88 financial institutions in the AA, or the top 6.82nd percentile. Based upon 2015 Peer Mortgage Data, FFB achieved a 0.89 percent share of the market for home purchase loans, ranking 29<sup>th</sup> among 716 reporting lenders, or the top 4.05<sup>th</sup> percentile. In addition, the bank achieved a 7.82 percent share of the market for home improvement loans, ranking second out of 208 reporting lenders, or the top 0.96<sup>th</sup> percentile. The bank also achieved a 0.64 percent share of the market for home refinance loans, ranking 33<sup>rd</sup> out of 565 reporting lenders, or the top 5.84<sup>th</sup> percentile. The market ranks/shares for home purchase and home improvement lending are excellent given the strong competition for mortgage lending in the AA relative to the level of competition for bank deposits, and the market rank/share for home refinance lending is good.

FFB achieved a 1.90 percent share of the market for small business lending, ranking 13<sup>th</sup> out of 171 reporting lenders, or the top 7.60<sup>th</sup> percentile. The bank achieved a 28.09 percent share of the market for small farm lending, ranking first out of 44 reporting lenders, or the top 2.27<sup>th</sup> percentile. The market rank/share for small business lending is good given the comparable competition for small business lending in the AA relative to the level of competition for bank deposits, and the market rank/share for small farm lending is excellent.

Non-MSA

The bank's overall lending activity in the Non-MSA is excellent considering the strong competition and FFB's business strategy. Home mortgage, small business, and small farm lending activity are all excellent.

FDIC Deposit Market Share data as of June 30, 2015 shows FFB achieved a 35.93 percent share of the market for bank deposits, ranking first among 25 financial institutions in the AA, or the top 4.00<sup>th</sup> percentile. Based upon 2015 Peer Mortgage Data, FFB achieved an 11.43 percent share of the market for home purchase loans, ranking first among 239 reporting lenders, or the top 0.42<sup>nd</sup> percentile. In addition, the bank achieved a 66.57 percent share of the market for home improvement loans, ranking first out of 38 reporting lenders, or the top 2.63<sup>rd</sup> percentile. The bank also achieved a 12.66 percent share of the market for home refinance loans, ranking first out of 179 reporting lenders, or the top 0.56<sup>th</sup> percentile. The market ranks/shares for home purchase, home improvement, and home refinance lending are excellent given the strong level of competition for mortgage lending in the AA relative to the level of competition for bank deposits.

FFB achieved a 24.83 percent share of the market for small business lending, ranking first out of 67 reporting lenders, or the top 1.49<sup>th</sup> percentile. The bank achieved a 59.54 percent share of the market for small farm lending, ranking first out of 26 reporting lenders, or the top 3.85<sup>th</sup> percentile. The market rank/share for small business lending is excellent given the elevated level of competition for small business lending in the AA relative to the level of competition for bank deposits, and the rank/share for small farm lending is excellent given the comparable level of competition between that market and the market for bank deposits.

## **Distribution of Loans by Income Level of the Geography**

Overall, the geographic distribution of the bank's lending is adequate. Although overall good performance was evidenced in home mortgage loans, this was offset by adequate performance in small loans to businesses and farms.

### ***Home Mortgage Loans***

Overall, the geographic distribution of home mortgage loans is good.

Refer to Tables 2, 3, 4, and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

#### Abilene MSA

Overall, the geographic distribution of home mortgage loans is good. In evaluating the geographic distribution of home loans in the AA, it is important to note that, according to the 2010 U.S. Census data, of the 47 census tracts in the AA two are low-income (4.26 percent) and 11 (23.40 percent) are moderate-income. Only 1.68 percent of the AA's owner-occupied housing units are in the low-income tracts. Of the total housing units in the low-income geographies, rental and vacant units account for a total of 58.95 percent. The moderate-income census tracts hold 18.26 percent of the AA's owner-occupied housing units. The rental and vacant units in those geographies account for 58.21 percent of the total housing units. Please see the housing discussion in the Market Profile for Abilene MSA in appendix B.

The geographic distribution of home purchase loans is good. The bank's lending in the low-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the low-income census tracts was well below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts was near to the 2015 HMDA aggregate lending levels. This represented good performance. The percentage of loans made in the moderate-income geographies was below the percentage of owner-occupied units in those census tracts. This did not impact the overall home purchase conclusion.

The overall geographic distribution of home improvement loans is good. The bank's lending in the low-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the low-income census tracts substantially met the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts was near to the 2015 HMDA aggregate lending levels. This represented good performance. The percentage of loans made in the moderate-income geographies was below the percentage of owner-occupied units in those census tracts. This did not impact the overall home improvement conclusion.

The overall geographic distribution of home refinance loans is good. The bank's lending in the low-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the low-income census tracts was below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts exceeded 2015 HMDA aggregate lending levels. This

represented excellent performance. The percentage of loans made in the moderate-income census tracts was well below the percentage of owner-occupied units in those geographies. This did not impact the overall home refinance conclusion.

#### Dallas MSA

Overall, the geographic distribution of home mortgage loans is good. In evaluating the geographic distribution of home loans in the AA, it is important to note that, according to the 2010 U.S. Census data, of the 595 census tracts in the AA, 41 are low-income (6.89 percent) and 137 (23.03 percent) are moderate-income. Only 2.82 percent of the owner-occupied housing units are in the low-income tracts. Of the total housing units in the low-income geographies, rental and vacant units account for a total of 68.29 percent. The rental and vacant units in the moderate-income geographies account for 57.10 percent of the total housing units.

The geographic distribution of home purchase loans is good. The bank's lending in the low-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the low-income census tracts was significantly below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the moderate-income census tracts was well below the percentage of owner-occupied units in those geographies. This did not impact the overall home purchase conclusion.

The overall geographic distribution of home improvement loans is adequate. The bank's lending in the low-income census tracts was well below 2015 HMDA aggregate lending levels. This represented poor performance. The percentage of loans made in the low-income census tracts was significantly below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the moderate-income census tracts was below the percentage of owner-occupied units in those geographies. This did not impact the overall home improvement conclusion.

The overall geographic distribution of home refinance loans is adequate. The bank's lending in the low-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the low-income census tracts was significantly below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts was near to the 2015 HMDA aggregate lending levels. This represented good performance. The percentage of loans made in the moderate-income census tracts was significantly below the percentage of owner-occupied units in those geographies. This did not impact the overall home refinance conclusion.

#### Non-MSA

Overall, the geographic distribution of home mortgage loans is adequate. This AA consists of eight rural counties located across Texas. In evaluating the geographic distribution of home loans in the AA, it is important to note that, according to the 2010 U.S. Census data, of the 44 census tracts in the AA, one is low-income (2.27 percent) and eight (18.18 percent) are moderate-income. The sole low-income census tract is located in Walker County. The eight



moderate-income tracts are located in Deaf Smith (one), Eastland (one), Nolan (one), Palo Pinto (three), and Walker (two). Only 1.50 percent, or 645, of the AA's 42,871 owner-occupied housing units are in the low-income tract. Of the total housing units in that census tract, rental and vacant units account for 80.66 percent of total housing. Out of the AA's total owner-occupied housing units, 9.99 percent, or 4,282, are located in the eight moderate-income census tracts. The rental and vacant units in the moderate-income geographies account for 62.13 percent of the housing units.

The geographic distribution of home purchase loans is adequate. The bank's lending in the low-income census tracts was significantly below 2015 HMDA aggregate lending levels. This represented very poor performance. The percentage of loans made in the low-income census tracts was below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts exceeded 2015 HMDA aggregate lending levels. This represented excellent performance. The percentage of loans made in the moderate-income census tracts was below the percentage of owner-occupied units in those geographies. This did not impact the overall home purchase conclusion.

The overall geographic distribution of home improvement loans is adequate. The bank's lending in the low-income census tracts was well below 2015 HMDA aggregate lending levels. This represented poor performance. The percentage of loans made in the low-income census tracts was significantly below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts was near to the 2015 HMDA aggregate lending levels. This represented good performance. The percentage of loans made in the moderate-income census tracts exceeded the percentage of owner-occupied units in those geographies.

The overall geographic distribution of home refinance loans is poor. The bank's lending in the low-income census tracts was significantly below 2015 HMDA aggregate lending levels. This represented very poor performance. The percentage of loans made in the low-income census tracts was significantly below the percentage of owner-occupied units in those geographies. The bank's lending in the moderate-income census tracts was well below 2015 HMDA aggregate lending levels. This represented poor performance. The percentage of loans made in the moderate-income census tracts was significantly below the percentage of owner-occupied units in those geographies. This did not impact the overall home refinance conclusion.

### ***Small Loans to Businesses***

Overall, the geographic distribution of small loans to businesses is adequate.

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

#### Abilene MSA

The geographic distribution of small loans to businesses is good. FFB's lending in the low-income census tracts exceeded the 2015 aggregate lending level. The percentage of loans made in the low-income census tracts exceeded the percentage of businesses in those

geographies. This represented excellent performance. The bank's lending in the moderate-income census tracts was below the 2015 aggregate lending level. The percentage of loans made in the moderate-income census tracts was below the percentage of businesses in those geographies, and is considered adequate.

#### Dallas MSA

The geographic distribution of small loans to businesses is poor. FFB's lending in the low-income census tracts was significantly below the 2015 aggregate lending level and significantly below the percentage of businesses in those geographies. This represented very poor performance. The bank's lending in the moderate-income census tracts was both well below the 2015 aggregate lending level and the percentage of businesses in those geographies. This is considered poor performance.

#### Non-MSA

The geographic distribution of small loans to businesses is adequate. FFB's lending in the low-income census tracts was significantly below the 2015 aggregate lending level and significantly below the percentage of businesses in those geographies. This represented very poor performance. The bank's lending in the moderate-income census tracts substantially met the 2015 aggregate lending level. The percentage of loans made in the moderate-income census tracts was below the percentage of businesses in those geographies, and is considered adequate.

#### ***Small Loans to Farms***

Overall, the geographic distribution of small loans to farms is adequate.

Refer to Table 7 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The bank's performance is mitigated by the limited number of farms located in LMI census tracts.

#### Abilene MSA

The geographic distribution of small loans to farms is adequate. FFB did not make any farm loans in the low-income CTs, however, very few farms are located in the low income CTs within the AA and no other lenders made farm loans in these geographies. As a result, the bank's performance is considered adequate. The bank's lending in the moderate-income census tracts was significantly below the 2015 aggregate lending level. This represented adequate performance. FFB's lending in both the LMI census tracts was well below the percentage of farms in those respective geographies. This represented an overall adequate performance.

#### Dallas MSA

The geographic distribution of small loans to farms is adequate. FFB's lending in the low-income census tracts exceeded the 2015 aggregate lending level. The bank's lending in the moderate-income census tracts was well below the 2015 aggregate lending level. This

represented adequate performance. FFB's lending in both the LMI census tracts was well below the percentage of farms in those respective geographies. This represented an overall adequate performance.

### Non-MSA

The geographic distribution of small loans to farms is good. FFB's lending in both the low-and moderate-income census tracts exceeded 2015 aggregate lending levels. This represented excellent performance. Although the bank's lending in the LMI census tracts are significantly below and below the percentage of farms in their respective geographies, performance is good due to the small number of farms and the level of lender competition. Of the 1,038 farms in the Non-MSA, only four are in the one low-income census tract and 57 farms are in the moderate-income geographies.

### ***Lending Gap Analysis***

We reviewed summary reports and maps and analyzed FFB's home mortgage, small business, and small farm lending activity over the evaluation period to identify any gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps.

### ***Inside/Outside Ratio***

The ratio is a bank-wide calculation and not calculated by individual rating areas or AA(s). Analysis is limited to bank originations and purchases and does not include affiliate data. For the period dating from January 1, 2014 through December 31, 2016, FFB originated a majority (87.18 percent) of all loan products inside the bank's AAs. The percentage in number of loans made inside the AAs by loan type are as follows: home refinance loans (88.44 percent), home purchase loans (85.80 percent), home improvement loans (92.43 percent), small loans to businesses (87.33 percent), and small loans to farms (83.67 percent).

### **Distribution of Loans by Income Level of the Borrower**

The overall borrower income distribution of the bank's lending is adequate. Adequate performance was evidenced in home mortgage loans. Performances in small loans to businesses and farms were poor.

### ***Home Mortgage Loans***

The overall borrower distribution of home mortgage loans is adequate. In performing our analysis, we considered the level of families living below the poverty level as well as the general affordability of housing to LMI borrowers.

Refer to Tables 8, 9 and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### Abilene MSA

The borrower distribution of home purchase loans is poor. The bank's lending to low-income borrowers was adequate and below 2015 HMDA aggregate lending levels. FFB's lending to moderate-income borrowers was poor and well below the 2015 HMDA aggregate lending

levels. The percentage of loans to low-income borrowers was significantly below the percentage of low-income families and is considered very poor. The percentage of loans to moderate-income borrowers was below the percentage of moderate-income families and is considered adequate.

The borrower distribution of home improvement loans is good. The bank's lending to both low- and moderate-income borrowers was good and near to 2015 HMDA aggregate lending levels. The percentage of loans to low-income borrowers was well below the percentage of low-income families and is considered poor. The percentage of loans to moderate-income borrowers was near to the percentage of moderate-income families and is considered good.

The borrower distribution of home refinance loans is poor. The bank's lending to both LMI borrowers was poor and well below the 2015 HMDA aggregate lending levels. The percentage of loans to both LMI borrowers was significantly below the percentage of low- and moderate-income families, respectively, and is considered very poor.

#### Dallas MSA

The borrower distribution of home purchase loans is adequate. The bank's lending to both LMI borrowers was adequate and below the 2015 HMDA aggregate lending levels. The percentage of loans to low-income borrowers was well below the percentage of low-income families and is considered poor. The percentage of loans to moderate-income borrowers was below the percentage of moderate-income families and is considered adequate.

The borrower distribution of home improvement loans is good. The bank's lending to low-income borrowers was good and near to 2015 HMDA aggregate lending levels. FFB's lending to moderate-income borrowers was excellent and exceeded the 2015 HMDA aggregate lending levels. The percentage of loans to both LMI borrowers was below the percentage of low- and moderate-income families, respectively, and is considered adequate.

The borrower distribution of home refinance loans is adequate. The bank's lending to low-income borrowers was poor and well below 2015 HMDA aggregate lending levels. FFB's lending to moderate-income borrowers was adequate and below the 2015 HMDA aggregate lending levels. The percentage of loans to both LMI borrowers was well below the percentage of low- and moderate-income families, respectively, and is considered poor.

#### Non-MSA

The borrower distribution of home purchase loans is adequate. The bank's lending to low-income borrowers was excellent and exceeded 2015 HMDA aggregate lending levels. FFB's lending to moderate-income borrowers was adequate and below the 2015 HMDA aggregate lending levels. The percentage of loans to both LMI borrowers was well below the percentage of low- and moderate-income families, respectively, and is considered poor.

The borrower distribution of home improvement loans is excellent. The bank's lending to both low- and moderate-income borrowers was excellent and exceeded the 2015 HMDA aggregate lending levels. The percentage of loans to low-income borrowers was below the percentage of low-income families and is considered adequate. The percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families and is considered excellent.

The borrower distribution of home refinance loans is adequate. The bank's lending to low-income borrowers was adequate and below 2015 HMDA aggregate lending levels. FFB's lending to moderate-income borrowers was good and near to the 2015 HMDA aggregate lending levels. The percentage of loans to low-income borrowers was significantly below the percentage of low-income families and is considered very poor. The percentage of loans to moderate-income borrowers was well below the percentage of moderate-income families and is considered poor.

### ***Small Loans to Businesses***

The borrower distribution of small loans to businesses is poor.

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

#### Abilene MSA

The borrower distribution of small loans to businesses (businesses with gross annual revenues of \$1 million or less) is adequate. FFB's distribution of small loans to businesses was below the 2015 aggregate lending levels and is considered adequate performance. The percentage of loans to small businesses was well below the percentage of small businesses and reflected poor performance.

#### Dallas MSA

The borrower distribution of small loans to businesses is poor. FFB's distribution of small loans to businesses was well below the 2015 aggregate lending levels and is considered poor performance. The percentage of loans to small businesses was significantly below the percentage of small businesses and reflected very poor performance.

#### Non-MSA

The borrower distribution of small loans to businesses is poor. FFB's distribution of small loans to businesses was well below the 2015 aggregate lending levels and is considered poor performance. The percentage of loans to small businesses was well below the percentage of small businesses and reflected poor performance.

### ***Small Loans to Farms***

The borrower distribution of small loans to farms is poor.

Refer to Table 12 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to farms.

#### Abilene MSA

The borrower distribution of small loans to farms (farms with gross annual revenues of \$1 million or less) is poor. FFB's distribution of small loans to farms was well below the 2015

aggregate lending levels and is considered poor performance. The percentage of loans to small farms was well below the percentage of small farms and reflected poor performance.

#### Dallas MSA

The borrower distribution of small loans to farms is poor. FFB's distribution of small loans to farms was well below the 2015 aggregate lending levels and is considered poor performance. The percentage of loans to small farms was significantly below the percentage of small farms and reflected very poor performance. FFB's performance is mitigated by the high level of competition for lending to small farms in the AA.

#### Non-MSA

The borrower distribution of small loans to farms is poor. FFB's distribution of small loans to farms was well below the 2015 aggregate lending levels and is considered poor performance. The percentage of loans to small farms was significantly below the percentage of small farms and reflected very poor performance.

### **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans, but it does not separately list CD loans.

#### Abilene MSA

CD lending had a significant positive impact on lending performance in the Abilene MSA when considering the impact of responsiveness and initiatives. During the evaluation period, FFB originated 16 CD loans totaling \$32.8 million, or 22.43 percent of Tier One capital allocated to the AA. These loans represent excellent responsiveness to identified needs in the area.

The CD loans are categorized by the three CD criteria, as follows. Proceeds of these loans all positively impact LMI individuals, families and/or geographies in the AA. Following, are examples by category with some of the borrowers noted:

- Eight loans amounting to \$26.3 million facilitated economic development. Two loans totaling \$6.9 million were to an organization that provides permanent jobs to area LMI residents. Further, this employer helps stabilize a moderate-income census tract and supports a medical facility that provides essential healthcare services to area LMI residents.
- Seven loans totaling \$5.6 million provided community service. One \$5 million loan was to construct a family care complex that will provide residence for up to 72 single-parent LMI families and "at-risk" children rent free. Residents will receive temporary housing, job training, daycare, meals, financial literacy, parent education and counseling.
- Refinanced a \$946,000 line of credit that revitalized an LMI geography.

Dallas MSA

CD lending had a positive impact on lending performance in the Dallas MSA when considering the impact of responsiveness and initiatives. During the evaluation period, FFB originated 20 CD loans totaling \$23.5 million, or 14.25 percent of Tier One capital allocated to the AA. These loans represent good responsiveness to identified needs in the area.

- Two loans totaling \$413,000 refinanced multi-family apartment complexes in Waxahachie and Cleburne that provide affordable housing for LMI tenants.
- Four loans amounting to \$9.7 million provided economic development.
- Ten loans totaling \$7.8 million facilitated community services. A \$4.5 million loan allowed a local medical facility to purchase medical billing and records software for the Authority's six affiliates, enabling the hospital to meet new government billing guidelines. This will ultimately result in cost savings, reduced medical errors and improved quality of care. This entity's services are targeted to individuals who receive or are eligible to receive Medicaid who are predominately LMI.
- Four loans amounting to \$5.6 million allowed for revitalization of LMI geographies.

Non-MSA

CD lending had a significant positive impact on lending performance in the Non-MSA when considering the impact of responsiveness and initiatives. During the evaluation period, FFB originated 29 CD loans totaling \$52.5 million, or 37.64 percent of Tier One capital allocated to the AA. These loans represent excellent responsiveness to identified needs in the area.

- Two loans totaling \$1.1 million for affordable housing.
- Four loans amounting to \$7.6 million providing economic development. A \$1 million line of credit with a hospital in Sweetwater. The hospital is located in a moderate-income census tract. Nolan County's two middle-income census tracts are designated distressed based on their high poverty levels. In addition to employing area workers, this hospital serves patients from surrounding small communities and rural areas including LMI residents.
- Eleven loans totaling \$21.6 million facilitating community service.
- Twelve loans totaling \$22.2 million providing revitalization. In 2016 severe storms forced the evacuation of residents in and around Lake Cisco in Eastland County. In addition, the city of Cisco's water treatment plant was completely flooded. FEMA declared this a major disaster (DR-4272). FFB extended a \$16 million loan to completely reconstruct the devastated facility. See the Product Innovation and Flexibility section below for a discussion of the Eastland Flood Relief loan program offered to residents who were impacted by the flooding.

**Community Development Loans – TX Statewide**

In addition to qualified loans made within the bank's AAs, FFB originated CD loans in the broader statewide area. The bank originated 45 loans totaling \$25.4 million in the broader statewide area with no purpose, mandate or function (P/M/F) to benefit one or more of the bank's AAs in the state.

### **Product Innovation and Flexibility**

During the review period, FFB made good use of innovative and flexible loan products to assist natural disaster victims, and small business owners and their customers including LMI individuals.

In 2016 severe storms forced the evacuation of residents in and around Lake Cisco in Eastland County. In addition, the city of Cisco's water treatment plant was completely flooded. FEMA declared this a major disaster (DR-4272). In an effort to assist residents who had experienced financial loss due to this event, FFB initiated the Eastland Flood Relief loan program. The maximum loan amount was \$5,000 with 0 percent interest and a maximum term of 27 months with three months of no payments. Loans could be either secured or unsecured. FFB funded three loans totaling \$15,000 in June of 2016 under this program.

During the evaluation period, FFB started a special Retail Finance Program (RFP) to assist its business customers. This program has four segments to provide businesses an opportunity to offer financing for goods and services at no- or low-interest installment contracts. The maximum loan under each of the four segments is \$30,000. (1) The Retail segment has a maximum term of 60 months. (2) The indoor/outdoor segment has a maximum term of 60 months. (3) The specialty vehicle segment has a maximum term of 84 months. (4) The health and wellness segment has a maximum term of 36 months. The RFP's flexible terms address the credit needs of LMI individuals.

As detailed in the below table, there were significant originations under this program.



### RFP Loans

Assessment Area	# of Loans	2014-2017 Total Originations (000)
<b>Abilene MSA</b>	641	\$2,943
<b>Dallas MSA</b>	1,554	\$7,824
<b>Non-MSA</b>	193	\$851
Beaumont MSA	600	\$2,025
Odessa MSA	48	\$193
San Angelo MSA	120	\$474
The Woodlands MSA	169	\$783
Outside AAs	1,925	\$8,665
<b>Total</b>	<b>5,250</b>	<b>\$23,758</b>

Also during the review period, the bank began participating in SBA lending as a direct lender. The following table shows the volume of loans originated in the various AAs, including the number of businesses impacted and the number of permanent jobs that resulted from the lending.

### SBA Loans

Assessment Areas	# of Loans	# of New Bus	# of Exist Bus	# of Perm Jobs	504 Loans (000)	7(a) Loans (000)	2014-2017 \$ Total Orig (000)
<b>Abilene MSA</b>	21	8	5	113	\$1,744	\$1,710	\$3,454
<b>Dallas MSA</b>	22	8	11	121	\$1,598	\$4,828	\$6,426
<b>Non-MSA</b>	3	2	1	5	\$0	\$275	\$275
Beaumont MSA	2	0	2	0	\$0	\$889	\$889
Odessa MSA	0	0	0	0	\$0	\$0	\$0
San Angelo MSA	3	0	3	9	\$0	\$435	\$435
The Woodlands MSA	2	1	1	0	\$0	\$560	\$560
Outside AAs	5	3	0	16	\$2,272	\$1,380	\$3,652
<b>Total</b>	<b>58</b>	<b>22</b>	<b>23</b>	<b>264</b>	<b>\$5,614</b>	<b>\$10,077</b>	<b>\$15,691</b>

### Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited-scope review, FFB's performance under the Lending Test in The Woodlands MSA is not inconsistent with the bank's overall "High Satisfactory" performance. Performance in the San Angelo MSA is stronger than the bank's overall "High Satisfactory" performance under the Lending Test, and is considered excellent. This was due to CD lending performance that had a significant, positive impact on lending performance in the AA. In the Beaumont MSA, FFB's performance is weaker than the bank's overall "High Satisfactory" performance under the Lending Test, and is considered adequate. This was due to poor

geographic and borrower income distributions offset by excellent CD lending performance. In the Odessa MSA, FFB's performance is weaker than the bank's overall "High Satisfactory" performance under the Lending Test, and is considered poor. As the Odessa MSA did not begin operating as a full-service branch until August 2016, its volume of lending was insufficient in all categories to conduct a meaningful analysis. Although no CD loans were originated, this is considered to have a neutral impact considering the very low level of deposits the bank has gathered in this AA.

Refer to Tables 1 through 12 in appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in both the Abilene MSA and Dallas MSA is excellent. Performance within the Non-MSA is poor.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

#### Abilene MSA

During the evaluation period, FFB made 97 investments in the AA totaling \$16.5 million. This includes \$3.2 million representing three prior period revitalization and community service investments that continue to benefit the AA. During the evaluation period, FFB made 94 current period qualified investments in bonds and grants within the Abilene MSA totaling \$13.3 million. This is an excellent level of investments and represents 11.26 percent of Tier One capital allocated to the Abilene MSA. The bank's responsiveness to CD needs in the AA is excellent.

The bank's CD investment activities primarily focused on supporting the on-going revitalization and stabilization efforts within the Abilene MSA. FFB purchased six bonds totaling \$10.4 million which were related to supporting revitalization initiatives within the City of Abilene. In addition, FFB also made an affordable housing investment in the amount of \$2.5 million. Grants and donations amounting to \$406,000 primarily supported community services and revitalization efforts.

#### Dallas MSA

During the evaluation period, FFB made 111 investments in the AA totaling \$58.3 million. This includes \$2.1 million representing six prior period investments all of which support community services that continue to benefit the AA. During the evaluation period, FFB made 105 qualified investments in bonds and grants within the Dallas MSA totaling \$56.2 million. This is an excellent level of investments and represents 35.25 percent of Tier One capital allocated to the Dallas MSA. The bank's responsiveness to CD needs in the AA is excellent.

In summary, the qualified bonds and grants are disbursed in the AA as follows:

- Donations and bonds totaling \$9.7 million provide affordable housing for LMI families and individuals particularly within the Dallas and Fort Worth communities.
- Donations and bonds totaling \$23.5 million facilitated revitalization projects within several communities in the Dallas MSA.
- Investment securities, donations and grants totaling \$23 million support community services.

### Non-MSA

During the evaluation period, FFB made 110 investments in the AA totaling \$727,000. This includes \$608,000 representing two prior period investments that continue to benefit the AA. During the evaluation period, FFB made 108 grants to the various communities within the Non-MSA totaling \$119,000. This is a very poor level of investments and represents 0.52 percent of Tier One capital allocated to the Non-MSA. However, when considering the lack of CD investment opportunities available in the rural communities that dominate this AA, FFB's performance improves to poor. A lack of CD investment opportunities is evidenced by a minimal number of LMI census tracts and low number of organizations or programs whose mission is to benefit LMI individuals or geographies.

Grants made during the evaluation period supported revitalization projects and various community services benefiting LMI individuals and families.

### **Investments – TX Statewide**

FFB made 13 qualifying CD investments totaling \$38.2 million in the broader statewide area that had no P/M/F to benefit one or more of the bank's AAs in the state.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on the limited-scope review, the bank's performance under the Investment Test in the Woodlands MSA is stronger than FFB's "High Satisfactory" investment test rating, and is considered excellent. This is due to the higher level of investments. In the Odessa MSA, the bank's performance is weaker than FFB's overall performance due to the overall lower level of investments, and is considered adequate. Consideration was given to the very low level of deposits gathered in this AA. In the Beaumont and San Angelo MSAs, the bank's performance is weaker than FFB's overall performance due to the overall lower level of investments, and is considered poor. Consideration was given to the more rural nature of these AAs and the limited opportunities for available CD investments.

Refer to Table 14 in appendix C for the facts and data that support these conclusions.

### **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

FFB's performance under the Service Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performances in the Abilene MSA, the Dallas MSA, and the Non-MSA are all good.

## **Retail Banking Services**

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

### Abilene MSA

FFB's branch distribution in the Abilene MSA is good, when considering branches in middle-income geographies that are near-to LMI geographies. Branches are accessible to essentially all geographies and individuals of different income levels. There were no branches located in low-income census tracts and one branch located in a moderate-income census tract. However, three branches are located in middle-income geographies that were each near-to a low-income census tract and a moderate-income tract. There was an additional branch located in a middle-income geography that was near-to a moderate-income tract. Near-to branches are those branches that are proximate to a low- or moderate-income geography that are reasonably likely to serve the low- or moderate-income area. When considering these near-to branches, branch distribution in both low-income and moderate-income geographies was good and near to the percentage of population in the LMI census tracts, respectively.

Branch openings and closings have generally not adversely affected the accessibility of the bank's delivery systems to LMI geographies or individuals. The bank opened one branch located in an upper-income tract in the Abilene MSA. The bank did not close any branches in the Abilene MSA during the evaluation period.

FFB's hours and services offered throughout the Abilene MSA do not vary in a way that inconveniences portions of the AA, particularly LMI geographies or individuals. Services offered and hours of operation are comparable among locations regardless of the income level of the geography.

Management complements its traditional service delivery methods with certain alternative delivery processes, including online banking, mobile banking, ATMs, and telephone banking. These delivery methods provide increased access to banking services throughout all areas in the AA. During the period from July 1, 2014 through December 31, 2016, management of the bank determined that 7,972 of its personal DDA account holders use either mobile or online banking. Of these account holders, 1,727, or 21.66 percent, are customers of the bank's branches located in the LMI geographies. Similar performance was noted during the first six months of 2017.

### Dallas MSA

FFB's branch distribution in the Dallas MSA is good when considering branches in middle-income geographies that are near-to moderate-income geographies. Branches are accessible to essentially all geographies and individuals of different income levels. There is one branch located in a low-income census tract, and three branches located in moderate-income tracts. In addition, there are two branches located in a middle-income geography that are near-to moderate-income tracts. Near-to branches are those branches that are proximate to a low- or

moderate-income geography that are reasonably likely to serve the low- or moderate income area. When considering these near-to branches, branch distribution in both low-income and moderate-income geographies was good and is near to the percentage of population in the LMI census tracts, respectively.

Branch openings and closings have not adversely affected the accessibility of the bank's delivery systems to LMI geographies or individuals. The bank closed two branch locations located in middle-income census tracts, and opened two locations in upper-income tracts.

FFB's hours and services offered throughout the Dallas MSA do not vary in a way that inconveniences portions of the AA, particularly LMI geographies or individuals. Services offered and hours of operation are comparable among locations regardless of the income level of the geography.

Management complements its traditional service delivery methods with certain alternative delivery processes, including online banking, mobile banking, ATMs, and telephone banking. These delivery methods provide increased access to banking services throughout all areas in the AA. During the period from July 1, 2014 through December 31, 2016, management of the bank determined that 9,534 of its personal DDA account holders use either mobile or online banking. Of these account holders, 1,797, or 18.85 percent, are customers of the bank's branches located in the LMI geographies. Similar performance was noted during the first six months of 2017.

#### Non-MSA

FFB's branch distribution in the Non-MSA is excellent, when considering branches in middle-income geographies that are near-to LMI geographies. Branches are readily accessible to geographies and individuals of different income levels. There were no branches located in low-income census tracts. However, one branch is located in a middle-income geographies that is near-to a low-income census tract and two moderate-income tracts. There was an additional branch located in a middle-income geography that was near-to a moderate-income tract. Near-to branches are those branches that are proximate to a low- or moderate-income geography that are reasonably likely to serve the low- or moderate income area. When considering these near-to branches, branch distribution in both low-income and moderate-income geographies was excellent and exceeded the percentage of population in the LMI census tracts, respectively. Of the bank's 13 branches located in middle-income census tracts, six are in underserved or distressed areas.

Branch openings and closings have not adversely affected the accessibility of the bank's delivery systems to LMI geographies or individuals. The bank closed two branch locations located in middle-income census tracts, and opened two locations in middle-income tracts.

FFB's hours and services offered throughout the Non-MSA do not vary in a way that inconveniences portions of the AA, particularly LMI geographies or individuals. Services offered and hours of operation are comparable among locations regardless of the income level of the geography.

Management complements its traditional service delivery methods with certain alternative delivery processes, including online banking, mobile banking, ATMs, and telephone banking.

These delivery methods provide increased access to banking services throughout all areas in the AA. During the period from July 1, 2014 through December 31, 2016, management of the bank determined that 7,297 of its personal DDA account holders use either mobile or online banking. Of these account holders, 1,085 are customers of the bank's branches located in the LMI geographies. There are an additional 2,395 account holders located in underserved or distressed areas. When combined with the customers located in the LMI geographies, there is a total of 3,480, or 47.69 percent, of all account holders in the Non-MSA located in a low, moderate, underserved, or distressed areas. Similar performance was noted during the first six months of 2017.

## **Community Development Services**

### Abilene MSA

FFB's performance in providing CD services is good. There is a relatively high level of CD services which provide technical assistance on financial and banking related matters to community groups, LMI persons and families, and small businesses. A significant effort also focused on economic development, affordable housing, and community revitalization/stabilization. In the Abilene MSA, 58 employees provided their expertise to 30 CD organizations for a total of 2,145 hours. Of those 58 employees, 27 served either as directors and/or committee members. This equates to 46.55 percent of engaged employees serving in leadership positions.

- United Way of Abilene Foundation – A member of senior management served as the chairman of the foundation. An officer of the bank serves as the committee chair, and there are three other employees that are loaned executives. This entity targets clients of non-profits that have a defined mission of serving LMI persons.
- Big Brothers and Big Sisters Lone Star Abilene – A member of executive management served as the Chairman of the Board and Audit Committees. This entity provides services for students or their families in which a majority are eligible for free or reduced lunches.
- Abilene Improvement Corporation – a bank director served as a board member of the organization. Government organization with the purpose of revitalizing/developing Abilene subject to a bona fide government plan.
- Abilene Partners – two members of senior management served as directors of the organization. This organization assists with the entities built in the area designated by the City of Abilene for revitalization under the Pine Street Corridor overlay.
- Abilene Regional Council on Alcohol and Drug Abuse – a member of executive management served as the Treasurer. The entity promotes community development by providing community services for LMI individuals such as youth programs and alcohol and drug recovery centers.
- Alliance for Women and Children – a member of executive management served as a board member. This entity provides services for LMI individuals. The programs assists in the empowerment of women and children through the use of job training and after school care.

- Connecting Caring Communities – an officer of the bank served as a board member. This entity has the purpose of revitalizing or stabilizing neighborhoods subject to a bona fide government revitalization plan.

### Dallas MSA

FFB's performance in providing CD services is good. There is a relatively high level of CD services which provide technical assistance on financial and banking related matters to community groups, LMI persons and families, and small businesses. A significant effort also focused on economic development, affordable housing, and community revitalization/stabilization. In the Dallas MSA, 48 employees provided their expertise to 39 CD organizations for a total of 1,067 hours. Of those 48 employees, 18 served either as directors and/or committee members. This equates to 37.50 percent of engaged employees serving in leadership positions.

- Tarrant County Housing Partnership – a member of senior management served as the Chairman of the Board and is on the Finance Committee. This entity serves LMI individuals by counseling for credit, homeownership, home maintenance, and other financial literacy programs.
- United Way of Wise County – a member of senior management served as a board member. The entity targets clients of non-profits that have a defined mission of serving low- to moderate-income individuals. The community services provided are clearly defined programs that benefit primarily low- or moderate-income individuals.
- Cleburne Economic Development Foundation (CEDF) – a director served as a board member of this organization. This is a government organization with the purpose of revitalizing/developing Cleburne subject to a bona fide government plan.
- ENACTUS/Cleburne Thrive – a bank employee served as the Community Advisor. This entity promotes economic development by providing services for small businesses or farms. Services include shared space, technology, or administrative assistance.
- Junior Achievement of the Chisolm Trail – a member of senior management served as a board member and is on the executive committee. This organization provides financial literacy programs to schools across Tarrant County, where a majority of the students in the combined districts are eligible for free or reduced lunch program.
- Strive to Drive Program – A bank employee served as an advisory director. This community service is conducted in a low-income area and targeted to the local residents. Provides free cars to students with perfect attendance.

### Non-MSA

FFB's performance in providing CD services is excellent. There is a relatively high level of CD services which provide technical assistance on financial and banking related matters to community groups, LMI persons and families, and small businesses. A significant effort also focused on economic development, affordable housing, and community revitalization/stabilization. In the Non-MSA, 44 employees provided their expertise to 42 CD organizations for a total of 925 hours. Of those 44 employees, 11 served either as directors and/or committee members. This equates to 25.00 percent of engaged employees serving in leadership positions.

- Erath County United Way – a bank employee served as the Campaign Chair and Board President. The entity targets clients of non-profits that have a defined mission of serving low- to moderate-income individuals. The community services provided are clearly defined programs that benefit primarily low- or moderate-income individuals.
- Hereford Economic Development Corporation – a bank employee served as a board member. This entity is a government organization with the purpose of revitalizing/developing Hereford subject to a bona fide government plan.
- Eastland County Child Welfare Board – a member of executive management served as a board member. Organization provides community services for children using clearly defined programs that are benefiting primarily low- to moderate-income persons.
- Eastland County Crisis Center – a member of executive management served as the president. This entity promotes community development by providing services to LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers.
- Ranger College – Erath County Campus – a bank employee served as a committee chair. This entity revitalizes and stabilizes a distressed geography. It helps to attract new, or retain existing, businesses or residents. Activities are consistent with bona fide government revitalization or stabilization plans.
- Albany Community Chest – a bank employee served as the board chair. This entity supports community groups that provide education, public services and health services in an underserved geography, meeting the community needs for LMI individuals.

In addition to CD services, FFB offers some consumer banking products to help the unbanked, and works with LMI individuals to obtain credit and save for housing. FFB recently partnered with Connecting Caring Communities (CCC) to offer Money Smart/Financial Literacy training for prospective homeowners. There were a total of seven people who attended the courses, which led to three new account openings in the form of Individual Development Accounts (IDA). These accounts assist LMI individuals in acquiring assets such as home ownership, assistive technology, college education or starting a business. Additionally during the evaluation period, all FFB branches offered “Free with eStatement” accounts which have no service charges and no minimum balance requirements. These accounts also include a free debit card and access to online banking, mobile banking, and bill pay. Lastly, the bank also offers “Bounceback Checking” to give customers a second chance to establish a checking account. Any client that has a paid charge-off checking account, with any financial institution, can open this account. It allows for access to online and mobile banking, an imaged statement, and an ATM card with a small monthly maintenance fee.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank’s performance under the Service Test in the San Angelo MSA is not inconsistent with the bank’s overall “High Satisfactory” performance under the Service Test. The bank’s performance in the Beaumont MSA, Odessa MSA, and The Woodlands MSA was weaker than the bank’s overall “High Satisfactory” performance under the Service Test. The weaker performance was due to branch distribution. Performance in the limited-scope areas did not have an impact on the Service Test rating.



Refer to Table 15 in appendix D for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/2014 to 12/31/2016 Investment and Service Tests and CD Loans: 07/01/2014 to 07/24/2017	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First Financial Bank, National Association (FFB or bank) 400 Pine Street Abilene, TX 79601	Home Purchase Loans Home Refinance Loans Home Improvement Loans Small Loans to Businesses Small Loans to Farms Community Development Loans Qualified Investments Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information (Reflects counties)</b>
<b>State of Texas</b> Abilene MSA Dallas MSA  Non-MSA  Beaumont MSA Odessa MSA San Angelo MSA The Woodlands MSA	Full-Scope Full-Scope  Full-Scope  Limited-Scope Limited-Scope Limited-Scope Limited-Scope	Callahan, Jones and Taylor Hood, Johnson, Parker, Somervell, Tarrant, Wise, Denton and Ellis only Deaf Smith, Eastland, Erath, Fisher, Nolan, Palo Pinto, Shackelford and Walker Jefferson, Newton and Orange only Ector Tom Green only Montgomery and three adjoining census tracts in Harris only

## Appendix B: Market Profiles for Full-Scope Areas

### Abilene MSA

Demographic Information for Full Scope Area: Abilene MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	47	4.26	23.40	48.94	14.89	8.51
Population by Geography	165,252	2.47	23.75	48.64	21.82	3.32
Owner-Occupied Housing by Geography	39,809	1.68	18.26	51.33	28.73	0.00
Business by Geography	10,576	1.63	21.83	50.76	24.92	0.86
Farms by Geography	618	0.32	14.72	54.37	30.58	0.00
Family Distribution by Income Level	40,747	21.18	17.40	21.18	40.25	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	15,719	3.33	36.45	49.69	10.53	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		52,886 58,000 15%	Median Housing Value Unemployment Rate (2010 US Census)		85,262 2.56%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated MFI

The Abilene MSA includes the three counties of Callahan, Jones, and Taylor. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies. According to the 2010 U.S. Census, of the 47 census tracts in the AA, two are low-income and 11 are moderate-income.

FFB has the main office and 12 branches in the AA. Full-service ATMs are situated on the main office and branch premises.

Strong competition exists within the AA. The June 30, 2016 FDIC Deposit Market Share Report details 18 FDIC-insured financial institutions with branch operations within the AA. FFB ranks first in the market with a 45.98 percent deposit market share. As of June 30, 2016, FFB's total deposits in the AA totaled \$1.2 billion. The top five banks in terms of market share include FFB, Prosperity Bank, First Bank Texas, SSB, Bank of America, N.A., and Compass Bank. These banks account for 80.00 percent of the deposits in the AA.

#### Employment and Economic Factors

The economic condition of the AA remained stable during the evaluation period. According to the U.S. Bureau of Labor Statistics, between June 30, 2014 and June 30, 2017, the unemployment rates for Callahan and Taylor Counties improved slightly to 4.0% and 4.1%, respectively, while Jones County, at 5.1 percent remained flat. During the same period, the state of Texas unemployment rate also declined from 5.5 percent to 4.7 percent as did the U.S. rate from 6.1 percent to 4.4 percent.

Government and education and healthcare services lead as the top employment sectors accounting for 18.6 percent and 20.2 percent of Abilene's total employment. Top employers in

the AA include Dyess Air Force Base (AFB), Hendrick Health System, Abilene State Supported Living Center, Texas Department of Criminal Justice, and Blue Cross/Blue Shield. However, continuous weakness in the energy sector has resulted in detrimental impacts to the labor market. Many of the high paying jobs have disappeared as a result of collapsing energy prices during the last two years. Abilene's moderate industrial diversity, including healthcare and military, has helped mitigate job losses in the energy sector. Although employment has remained steady in the AA during the last two years, the healthcare industry, which is accompanied by two large hospitals and the Texas Tech campus that offers degrees in nursing and pharmacology, is anticipating accelerated job growth. Moody's also anticipates a boost in personnel as Dyess AFB has been designated as the command for the new B-21 bomber.

### Housing

There continues to be limited opportunities for residential home mortgage lending in low-income geographies. According to the 2010 U.S. Census data, total housing units in the AA totaled 69,156. Owner occupied housing units totaled 39,809 or 57.56 percent of total housing units. Only 1.68 percent of the owner-occupied units (669 units) are in the two low-income tracts. Additionally, vacant units in low-income tracts account for 17.85 percent of housing units. By contrast, there are more residential lending opportunities in the 11 moderate-income geographies, where that figure climbs to 18.26 percent (7,270 units) of owner-occupied housing units.

In performing our analysis, we considered the level of households living below the poverty level, as well as the general affordability of housing to LMI borrowers. Based on 2010 U.S. Census data, 14.99 percent of households in the AA were living below the poverty level. According to the 2010 U.S. Census, the median age of housing stock is higher in the low-income geographies than the middle-income geographies. This has helped contribute to the lower median housing values in low-income geographies. The 2010 U.S. Census data reports that the median age of housing in low-income and moderate-income tracts was 61 years and 51 years, respectively. We note that older housing often has higher maintenance costs compared to new housing stock. These additional factors and costs may negatively affect the ability of LMI individuals to qualify for mortgage loans.

### Community Contact

As part of this performance evaluation, we conducted an interview with a management official of a local economic development organization. This organization is an affiliate of the Abilene Chamber of Commerce working under contract to the Development Corporation of Abilene. This organization is dedicated to active marketing to businesses, recruitment of new businesses, and the retention of existing business in the city of Abilene. The contact did not identify any specific credit needs or opportunities. The contact indicated that there is an abundant amount of financial institutions, including credit unions and banks, that provide diverse deposit and lending services to individuals and businesses within the AA. The contact further stated that although the AA has felt the impact of the deteriorating energy sector, the amount of economic diversity has insulated the AA from increased unemployment.

## Dallas MSA

Demographic Information for Full Scope Area: Dallas MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	595	6.89	23.03	38.15	31.76	0.17
Population by Geography	3,007,918	5.58	21.23	39.46	33.73	0.00
Owner-Occupied Housing by Geography	691,671	2.82	15.94	40.99	40.25	0.00
Business by Geography	217,422	4.35	17.60	36.20	41.75	0.11
Farms by Geography	5,342	2.36	14.02	45.39	38.23	0.00
Family Distribution by Income Level	738,246	19.48	16.73	19.65	44.14	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	267,326	9.82	32.84	40.99	16.35	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		66,466 69,978 11%	Median Housing Value Unemployment Rate (2010 US Census)		152,265 3.56%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated MFI

The Dallas MSA includes the eight counties of Hood, Johnson, Parker, Somervell, Tarrant, Wise, Denton, and Ellis. According to the revised 2010 U.S. Census, of the 595 census tracts in the AA, 41 are low-income and 137 are moderate-income. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

This AA consists of all six counties from the Fort Worth-Arlington, TX MD in addition to two of the counties (Denton and Ellis) from the Dallas-Plano-Irving, TX MD. The two MDs comprise the U.S. Census's Dallas-Fort Worth MSA. FFB only included those counties in its AA that it can reasonably serve.

The Dallas MSA has 24 branches or 35.82 percent of FFB's 67 banking offices. Each branch has an ATM and offers the same products and services.

A strong level of competition exists within the AA. The June 30, 2016 FDIC Deposit Market Share Report notes 87 FDIC-insured financial institutions with branch operations in the Dallas MSA. FFB ranks sixth in the Dallas MSA market with a 2.57 percent deposit market share. FFB's total deposits in the Dallas MSA, as of June 30, 2016, totaled \$1.4 billion. The top five banks in terms of market share include JPMorgan Chase, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., Frost Bank and Compass Bank. These banks account for 62.35 percent of the deposit market share in the Dallas MSA.

### Employment and Economic Factors

The economic condition of the Dallas MSA has remained strong and unemployment rates showed improvement during the evaluation period. According to the U.S. Bureau of Labor

Statistics, the unemployment rate for each of the counties in the AA improved from June 30, 2014 to June 30, 2017 as follows:

- Hood County – 5.2 percent to 4.6 percent,
- Johnson County – 5.5 percent to 4.2 percent,
- Parker County – 4.9 percent to 3.8 percent,
- Somervell County – 5.7 percent to 5.3 percent,
- Tarrant County – 5.3 percent to 4.0 percent,
- Wise County – 5.3 percent to 4.6 percent,
- Denton County – 4.8 percent to 3.7 percent, and
- Ellis County – 5.4 percent to 3.9 percent.

During the same period, the state of Texas unemployment rate also declined from 5.5 percent to 4.7 percent as did the U.S. rate from 6.1 percent to 4.4 percent.

As of March 2017, *Moody's Analytics* reported that the Dallas MSA has accelerated and is advancing at a solid pace above the national average. Strengths noted for this area are its central location in the growing Southwest U.S., its proximity to Latin America that supports distribution channels, low costs of doing business in Texas, and housing affordability attracts companies to the Dallas MSA. Weaknesses noted for the Dallas MSA are its reliance on a large military base and military contractors such as, Lockheed Martin and Bell Helicopter make the area vulnerable to government cutbacks, and the area has notable exposure to the economic cycles of the energy industries. The Dallas MSA is projected to grow steadily over the coming year, as aircraft manufacturing expands (Lockheed's F-35 production) and motor vehicle production remains at a high level (GM's plant in Arlington).

Major employers (number of employees) in the area include American Airlines (25,000), Lockheed Martin (13,690), Fort Worth ISD (12,000), Texas Health Resources (12,000), and NAS-Fort Worth-JRB (10,000). In addition, we would note that Bell Helicopter (4,953) and GM (4,125) employs a large number of people.

Single-family homebuilding rose modestly over the course of 2016, though well below the pace seen from 1998 to 2006. New home prices are accelerating to a double-digit pace and the inventory of unsold homes is at a very low 1.5 months of sales. The higher affordability rates contributes to the growth of the Dallas MSA as many families are purchasing homes in the Dallas MSA and commuting to their jobs in Dallas and Collin counties. Population growth in the Dallas MSA is double the national average. In 2016, multifamily permits are at their highest point in 30 years.

### Housing

There are limited opportunities for home mortgage lending in the Dallas MSA's low-income geographies. According to the U.S. Census data, only 2.82 percent of the AA's owner-occupied housing units are in the low-income census tracts. In addition, only 5.39 percent of the AA's total housing units are in low-income census tracts. Of the total housing units in low-income geographies, rental and vacant units account for a total of 68.29 percent. The moderate-income geographies hold only 15.94 percent of the owner-occupied units. Of the

total housing units in moderate-income geographies, rental and vacant units account for a total of 57.10 percent of the total housing units.

According to the 2010 U.S. Census, the median housing value for the Dallas MSA was \$152,265. Median home prices may impact home ownership capacity especially for LMI individuals given the high median price compared with the high-end for low-income of \$34,989 and \$55,982 for moderate-income individuals. These income figures are based on the FFIEC updated MSA median family income of \$69,978. These income levels and the level of families living below poverty, 10.73 percent, impact the number of LMI individuals and families that can afford owner-occupied housing in this AA. Almost 20% of the households in the AA are on social security which indicates an older group of households living on a fixed income.

These income levels and the level of families living below poverty would make owner-occupied housing in this AA generally affordable for moderate-income individuals, but somewhat expensive for low-income individuals.

According to the 2010 U.S. Census, the median age of housing stock is higher in LMI geographies than middle- and upper-income geographies, contributing to the lower median housing values in LMI geographies. The 2010 U.S. Census data reports that the median age in low-income tracts was 49 years and moderate-income tracts was 42 years. In contrast, the median age of middle- and upper-income geographies was 30 years and 23 years, respectively. In general, older housing has a lower purchase price but higher maintenance costs. Due to the older age of housing stock in LMI geographies, we would expect higher average maintenance costs, making it even more difficult to afford owner-occupied housing in the AA for LMI individuals.

### Community Contact

As part of this performance evaluation, we conducted an interview with a management official of a non-profit community development organization. This organization focuses on improving the lives of individuals within Tarrant County by helping its residents through initiatives such as Volunteer Income Tax Assistance, job training, financial coaching, and assistance with GED courses for low income individuals. The contact indicated that there are many financial institutions, including credit unions and banks, that provide diverse deposit and lending services to individuals and businesses within this AA. The contact also indicated that low income communities in the AA have experienced a proliferation of pay day lending providers, check cashing institutions, and pawn shops that offer alternative forms of banking to low-income residents. The contact also said that although the AA has maintained a low unemployment level, many low-income individuals continue to rely on low paying service jobs. Although the contact's organization has partnered with many banks to deliver financial literacy to residents of Tarrant County, there is opportunity for more banks to join in this community initiative.

## Non-MSA

Demographic Information for Full Scope Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	44	2.27	18.18	56.82	22.73	0.00
Population by Geography	194,385	3.79	14.36	56.95	24.90	0.00
Owner-Occupied Housing by Geography	42,871	1.50	9.99	60.37	28.14	0.00
Business by Geography	10,702	1.78	15.20	57.65	25.37	0.00
Farms by Geography	1,038	0.39	5.49	65.61	28.52	0.00
Family Distribution by Income Level	42,820	20.82	18.37	19.34	41.47	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	16,780	4.55	17.79	59.31	18.34	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		47,817 52,400 20%	Median Housing Value Unemployment Rate (2010 US Census)	88,075 2.79%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2016 FFIEC updated MFI

The Non-MSA includes the following eight counties spread across the state of Texas: Deaf Smith, Eastland, Erath, Fisher, Nolan, Palo Pinto, Shackelford, and Walker. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies. According to the 2010 U.S. Census, of the 44 census tracts in this predominately rural AA, one is low-income and eight are moderate-income.

The Non-MSA has 13 branches or 19.40 percent of FFB's 67 banking offices. Each branch has an ATM and offers the same products and services.

Strong competition exists within the Non-MSA. The June 30, 2016 FDIC Deposit Market Share Report notes 25 FDIC-insured financial institutions with branch operations in the Non-MSA. FFB ranks first in the market with a 35.20 percent deposit market share. FFB's total deposits in the Non-MSA, as of June 30, 2016, totaled \$1.2 billion. The top five banks in terms of market share are FFB, The First National Bank of Albany, First National Bank of Huntsville, Prosperity Bank, and InterBank. These banks account for 61.50 percent of the deposit market share in the Non-MSA. Bank of America, National Association is the only nationwide bank reporting any branches in the Non-MSA. It is ranked sixth with a deposit market share of 3.76 percent. With only 25 banks reporting branch offices in these eight counties, the rural nature of the Non-MSA creates strong competition for banks to maintain enough of a deposit and loan base to warrant the branch offices.

### Employment and Economic Factors

From June 30, 2014 to June 30, 2017, the state of Texas unemployment rate declined from 5.5 percent to 4.7 percent as did the U.S. rate from 6.1 percent to 4.4 percent.

As of March 2017, *Moody's Analytics* reported that the Texas economy has been rebounding from the oil price collapse in early 2015. Oil prices have stabilized in the mid-\$40 to \$50 per barrel range. The unemployment rate has been flat at 4.6 percent for several months. Energy



will continue to recover over the coming year given the global growth particularly with increased energy demand in Asia. As the global demand for oil grows, this will lead to demand from the Texas oil fields.

*Deaf Smith County* – There are four census tracts in this county with no low-income census tracts and only one moderate-income census tract. Hereford is the county seat of Deaf Smith County. The main industry is cattle feeding, earning the city the nickname “Cattle Capital of the World.” With more than three million cattle fed within a 50-mile radius, there is a significant demand for grain-production. Deaf Smith County also ranked in the state’s top five milk-producing counties, making these three agribusinesses the economic base. Major employers include City of Hereford, Hereford ISD, Deaf Smith Electric Cooperative, Inc., and Deaf Smith County.

*Eastland County* – There are five census tracts in this county with no low-income census tracts and only one moderate-income census tract. In 2014 and 2015, the four middle-income census tracts were designated as distressed or underserved by the federal banking agencies. On June 11, 2016, Eastland County and neighboring counties were declared major disaster areas (DR-4272) due to some storm damage and flooding. The City of Eastland is the county seat. The county has a total population of 18,114 and the average age is 41. However, 28.23 percent of the county’s population is over 60 years old. Job growth has declined over the past two years. Due to the decline in jobs, the Eastland Economic Development Corporation has been involved with attracting new employers and enhancing the community. These enhancements include developing the Pogue Business Park, establishing the Eastland Supercomputer Corporation, and developing Eastland Airpark.

*Erath County* – There are eight census tracts in this county with no LMI geographies. However, all four of its middle-income census tracts are designated as distressed. The City of Stephenville is the county seat and has a population of 20,120. Major employers include Tarleton State University, Stephenville ISD, FMC Technologies – Fluid Control, Saint-Gobain Abrasives, and Schreiber Foods.

*Fisher County* – There are two census tracts in Fisher County - one middle-income tract and one upper-income tract. The middle-income geography has been designated as underserved. The City of Roby is the largest town and the county seat. The average age of Fisher County’s population is 45. However, 30.64 percent of the county’s population is over 60 years old. The major employers in Fisher County are the Roby school district and the City of Roby. Outside of the ISD and city, most of the jobs in the county are on farms and ranches. In addition, Fisher County’s economy is heavily reliant on the oil and gas industry.

*Nolan County* - There are five census tracts in Nolan County with no low-income tracts and only one moderate-income tract. Both of the middle-income census tracts have been designated as distressed. The City of Sweetwater is the largest town and the county seat with a population of 10,794. Four of the nation’s ten largest wind farms are located in Nolan County and employ approximately 1,000 people. Manufacturing jobs such as sheet rock and radiation detection equipment provide another 800 jobs. The poverty level exceeds 20 percent. The area remains heavily invested in agribusiness. The agricultural economy centers on cattle and livestock.

*Palo Pinto County* - There are nine census tracts in Palo Pinto County with no low-income census tracts and three moderate-income tracts. The City of Mineral Wells is the largest town in the county making up 58 percent of the county's population. Palo Pinto County is home to a variety of businesses that manufactures oil and gas equipment, autopilot equipment, and cable. Manufacturing employs 1,701 workers and retail trade employs 1,303. The top five largest employers in county are the Mineral Wells ISD, Palo Pinto General Hospital, PECOFacet, Baker Hughes, and City of Mineral Wells.

*Shackelford County* - There is only one census tract in Shackelford County. This middle-income tract is designated as underserved. The three largest cities in the county are Albany (the county seat), Moran, and Lueders. Primary industries in the county are natural resources and mining, construction, and manufacturing. Leading employers include the cities, county government, and local school districts. Top employers are Momentum Operating Company, Fox Tank Company, and Holland Dozers LLC.

*Walker County* - There are ten census tracts in this county including one low-income and two moderate-income tracts. All five of its middle-income census tracts are designated as distressed. The three largest cities in the county are Huntsville (the county seat), New Waverly, and Riverside. Huntsville's economy is largely dependent on employment from the public sector due to the community being home to Sam Houston State University and several Texas Department of Criminal Justice prison units. Almost half of the local employment is concentrated in the public sector. Leading employers include the Texas Department of Criminal Justice, Sam Houston State University, Huntsville ISD, Huntsville Memorial Hospital, and Wal-Mart.

### Housing

In evaluating the geographic distribution of home loans in the AA, it is important to note that, according to the 2010 U.S. Census data, of the 44 census tracts in the AA, one is low-income (2.27 percent) and eight (18.18 percent) are moderate-income. The sole low-income census tract is located in Walker County. The eight moderate-income tracts are located in Deaf Smith (one), Eastland (one), Nolan (one), Palo Pinto (three), and Walker (two). Only 1.50 percent, or 645, of the AA's 42,871 owner-occupied housing units are in the low-income tract. Of the total housing units in that geography, rental and vacant units account for 80.66 percent of total housing. Out of the AA's total owner-occupied housing units, 9.99 percent, or 4,282, are located in the eight moderate-income census tracts. The rental and vacant units in the moderate-income geographies account for 62.13 percent of the housing units. Based on these statistics, the bank had fewer opportunities for residential lending in the LMI geographies, particularly in low-income census tract. As noted in the preceding narrative for the counties, during the evaluation period all of the middle-income census tracts in the counties of Eastland (four), Erath (four), Fisher (one), Nolan (two), Shackelford (one) and Walker (five) have been designated as either distressed or underserved. The underserved geographies are in Eastland, Fisher and Shackelford counties. Underserved areas, in particular, typically experience difficulty in the construction of new housing or the maintenance of existing houses or neighborhoods.

### Community Contact

We contacted a local organization from Sweetwater, Nolan County, Texas to obtain a community profile and identify opportunities for community development participation by local

institutions. Economic conditions are stable. Technical manufacturing and wind power industry jobs require highly-skilled labor, some of which comes from Abilene. Although the contact stated there are generally limited community development opportunities in the county, he also indicated there are two specific needs at present: (1) additional labor force training in order to assist local residents in qualifying for the higher-skilled area jobs and (2) update affordable housing in Sweetwater and neighboring communities in order to ensure resident employees remain local and workers residing in Abilene consider relocating to the Sweetwater area. Area banks assist with volunteers and donations to community projects in addition to participating on development committees to attract and retain new or existing employers to the area.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and

purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: TEXAS				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016						
Assessment Area:	% of Rated Area Loans (#) in MA/AA <sup>*</sup>	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans <sup>**</sup>		Total Reported Loans		% of Rated Area Deposits in MA/AA <sup>***</sup>
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Abilene MSA	21.58	2,668	355,710	1,498	145,288	438	26,176	16	32,814	4,620	559,988	23.75
Dallas MSA	33.99	3,421	606,772	3,341	323,052	495	26,686	20	23,561	7,277	980,071	26.85
Non-MSA	24.95	1,563	150,991	2,304	141,744	1,445	82,320	29	52,519	5,341	427,574	22.66
<b>Limited Review:</b>												
Beaumont MSA	8.20	859	116,436	873	100,584	8	958	15	49,409	1,755	267,387	8.41
Odessa MSA	0.17	15	1,388	19	1,981	3	175	0	0	37	3,544	0.31
San Angelo MSA	7.49	838	126,796	606	63,935	154	19,593	5	14,311	1,603	224,635	11.70
The Woodlands MSA	3.41	319	66,809	382	41,290	24	2,355	4	9,898	729	120,352	6.32
TX Statewide with no P/M/F to serve the AAs	0.21							45	25,397	45	25,397	0.00

<sup>\*</sup> Loan Data as of December 31, 2016. Rated area refers to either state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is from July 01, 2014 to July 24, 2017.

<sup>\*\*\*</sup> Deposit Data as of June 30, 2016. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

LENDING VOLUME														
Geography: TEXAS														
Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016														
Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in MA/AA**
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
Abilene MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
Dallas MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
Non-MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
<b>Limited Review:</b>														
Beaumont MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
Odessa MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
San Angelo MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00
The Woodlands MSA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0.00

\* Loan Data as of December 31, 2016. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is from January 01, 2014 to December 31, 2016.

\*\*\* Deposit Data as of June 30, 2016. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.



**Table 1. Other Products**

LENDING VOLUME					
		Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016	
Assessment Area:	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
Abilene MSA	0	0	0	0	
Dallas MSA	0	0	0	0	
Non-MSA	0	0	0	0	
<b>Limited Review:</b>					
Beaumont MSA	0	0	0	0	
Odessa MSA	0	0	0	0	
San Angelo MSA	0	0	0	0	
The Woodlands MSA	0	0	0	0	

\* The evaluation period for Optional Product Line(s) is from January 01, 2014 to December 31, 2016.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE														Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016										
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*															
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp												
<b>Full Review:</b>																										
Abilene MSA	1,475	28.64	1.68	0.88	18.26	12.14	51.33	34.31	28.73	52.68	0.62	12.97	37.24	49.16												
Dallas MSA	1,886	36.62	2.82	1.17	15.94	10.13	40.99	50.00	40.25	38.71	0.74	8.66	38.43	52.17												
Non-MSA	735	14.27	1.50	1.22	9.99	8.16	60.37	58.50	28.14	32.11	2.49	4.72	55.38	37.41												
<b>Limited Review:</b>																										
Beaumont MSA	454	8.82	2.72	0.44	23.29	6.39	40.64	38.77	33.35	54.41	0.39	8.83	41.94	48.84												
Odessa MSA	7	0.14	0.00	0.00	21.89	0.00	48.01	28.57	30.09	71.43	0.00	8.78	37.94	53.28												
San Angelo MSA	424	8.23	1.33	0.71	26.20	14.62	45.29	39.39	27.17	45.28	0.46	17.87	49.10	32.58												
The Woodlands MSA	169	3.28	0.18	0.00	12.08	13.61	30.21	24.85	57.53	61.54	0.01	7.58	24.75	67.66												

\* Based on 2015 Peer Mortgage Data -- US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT		Geography: TEXAS					Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016							
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Abilene MSA	629	24.19	1.68	1.43	18.26	11.92	51.33	51.51	28.73	35.14	1.39	13.16	49.19	36.26
Dallas MSA	948	36.46	2.82	0.84	15.94	10.34	40.99	48.73	40.25	40.08	1.38	9.98	34.09	54.55
Non-MSA	556	21.38	1.50	0.18	9.99	13.49	60.37	58.27	28.14	28.06	0.30	14.67	57.49	27.54
<b>Limited Review:</b>														
Beaumont MSA	179	6.88	2.72	0.56	23.29	14.53	40.64	46.93	33.35	37.99	0.88	11.67	44.27	43.17
Odessa MSA	7	0.27	0.00	0.00	21.89	28.57	48.01	14.29	30.09	57.14	0.00	15.61	45.66	38.73
San Angelo MSA	221	8.50	1.33	0.90	26.20	27.60	45.29	43.89	27.17	27.60	0.68	20.00	48.81	30.51
The Woodlands MSA	60	2.31	0.18	0.00	12.08	13.33	30.21	41.67	57.53	45.00	0.00	6.87	25.20	67.93

\* Based on 2015 Peer Mortgage Data -- US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: TEXAS				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016							
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Abilene MSA	562	29.24	1.68	1.25	18.26	10.68	51.33	36.83	28.73	51.25	0.34	9.91	39.74	50.00
Dallas MSA	585	30.44	2.82	1.03	15.94	6.50	40.99	48.03	40.25	44.44	0.54	7.24	35.74	56.48
Non-MSA	269	14.00	1.50	0.37	9.99	3.35	60.37	65.06	28.14	31.23	1.62	5.24	53.62	39.53
<b>Limited Review:</b>														
Beaumont MSA	224	11.65	2.72	0.00	23.29	5.80	40.64	55.80	33.35	38.39	0.78	8.92	40.92	49.39
Odessa MSA	1	0.05	0.00	0.00	21.89	0.00	48.01	0.00	30.09	100.00	0.00	4.60	34.75	60.65
San Angelo MSA	192	9.99	1.33	0.00	26.20	11.98	45.29	37.50	27.17	50.52	0.42	15.55	41.81	42.23
The Woodlands MSA	89	4.63	0.18	0.00	12.08	13.48	30.21	29.21	57.53	57.30	0.00	6.34	23.55	70.11

\* Based on 2015 Peer Mortgage Data -- US and PR

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: TEXAS				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016								
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% of MF Units***	% BANK Loans***	% MF Units**	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Abilene MSA	1	11.11	1.31	0.00	42.44	100.00	47.38	0.00	8.86	0.00	0.00	37.50	37.50	25.00
Dallas MSA	2	22.22	8.60	50.00	35.21	50.00	43.37	0.00	12.82	0.00	14.11	28.22	42.74	14.94
Non-MSA	3	33.33	19.33	0.00	28.12	33.33	37.50	66.67	15.06	0.00	15.38	7.69	46.15	30.77
<b>Limited Review:</b>														
Beaumont MSA	1	11.11	9.17	0.00	28.42	0.00	31.44	100.00	30.97	0.00	5.26	31.58	31.58	31.58
Odessa MSA	0	0.00	0.00	0.00	15.08	0.00	35.41	0.00	49.51	0.00	0.00	0.00	69.23	30.77
San Angelo MSA	1	11.11	3.56	100.00	27.76	0.00	33.99	0.00	34.68	0.00	0.00	33.33	16.67	50.00
The Woodlands MSA	1	11.11	4.55	0.00	8.81	0.00	39.36	100.00	47.28	0.00	0.00	11.76	41.18	47.06

\* Based on 2015 Peer Mortgage Data -- US and PR

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multi family housing units in the area based on 2010 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES														Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016			
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*								
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp					
<b>Full Review:</b>																			
Abilene MSA	1,493	16.56	1.63	2.01	21.83	17.75	50.76	48.02	24.92	32.22	1.54	22.32	46.98	29.15					
Dallas MSA	3,341	37.06	4.35	2.01	17.60	11.16	36.20	54.89	41.75	31.94	4.12	16.80	34.94	44.15					
Non-MSA	2,304	25.55	1.78	0.56	15.20	10.63	57.65	69.36	25.37	19.44	1.53	12.34	60.04	26.08					
<b>Limited Review:</b>																			
Beaumont MSA	872	9.67	2.50	0.46	27.76	16.51	35.42	46.56	33.97	36.47	2.06	26.13	34.75	37.06					
Odessa MSA	19	0.21	0.00	0.00	17.33	21.05	45.42	10.53	37.26	68.42	0.00	16.69	44.52	38.79					
San Angelo MSA	605	6.71	11.89	13.72	15.42	15.21	44.91	47.11	27.42	23.97	8.53	14.95	45.30	31.22					
The Woodlands MSA	382	4.24	1.16	1.31	10.71	24.08	26.38	27.49	61.76	47.12	9.59	21.25	24.53	44.63					

\* Based on 2015 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2016).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS														Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016			
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*								
	#	% of Total**	% of Farms*	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Low	Mod	Mid	Upp					
<b>Full Review:</b>																			
Abilene MSA	437	17.03	0.32	0.00	14.72	0.92	54.37	74.60	30.58	24.49	0.00	2.10	75.52	22.38					
Dallas MSA	495	19.29	2.36	0.81	14.02	5.05	45.39	78.79	38.23	15.35	0.47	7.80	66.15	25.59					
Non-MSA	1,445	56.31	0.39	0.14	5.49	3.74	65.61	73.98	28.52	22.15	0.00	3.48	72.04	24.48					
<b>Limited Review:</b>																			
Beaumont MSA	8	0.31	1.95	0.00	17.35	37.50	37.43	25.00	43.27	37.50	0.00	7.14	22.86	70.00					
Odessa MSA	3	0.12	0.00	0.00	9.02	0.00	47.37	66.67	43.61	33.33	0.00	11.11	44.44	44.44					
San Angelo MSA	154	6.00	6.75	4.55	6.99	1.30	36.39	37.66	49.88	56.49	2.38	0.00	26.19	71.43					
The Woodlands MSA	24	0.94	0.63	0.00	13.88	4.17	35.18	62.50	50.31	33.33	2.87	10.66	34.43	52.05					

\* Based on 2015 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2016).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: TEXAS					Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016							
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>1</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Abilene MSA	1,476	28.65	21.18	2.89	17.40	11.92	21.18	21.61	40.25	63.58	4.10	18.63	27.12	50.15
Dallas MSA	1,886	36.61	19.48	3.37	16.73	12.83	19.65	21.81	44.14	61.99	4.45	17.02	23.99	54.54
Non-MSA	735	14.27	20.82	3.43	18.37	10.28	19.34	18.63	41.47	67.66	1.97	12.89	21.34	63.79
<b>Limited Review:</b>														
Beaumont MSA	455	8.83	24.54	0.92	16.60	8.78	17.93	16.86	40.92	73.44	3.89	15.28	28.71	52.12
Odessa MSA	7	0.14	24.43	0.00	15.69	0.00	19.16	25.00	40.72	75.00	4.90	25.78	30.87	38.45
San Angelo MSA	424	8.23	22.02	2.98	18.34	10.67	19.42	18.36	40.21	67.99	5.02	17.96	30.06	46.96
The Woodlands MSA	169	3.28	17.48	0.63	14.51	8.18	17.68	19.50	50.34	71.70	2.49	11.20	19.62	66.69

\* Based on 2015 Peer Mortgage Data -- US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 9.1% of loans originated and purchased by BANK.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)



**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT														Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016			
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data <sup>*</sup>								
	#	% of Total <sup>**</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>2</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	Low	Mod	Mid	Upp					
<b>Full Review:</b>																			
Abilene MSA	629	24.19	21.18	6.27	17.40	15.02	21.18	22.77	40.25	55.94	6.92	15.99	23.87	53.22					
Dallas MSA	948	36.46	19.48	7.87	16.73	12.08	19.65	18.34	44.14	61.70	8.00	11.39	16.73	63.88					
Non-MSA	556	21.38	20.82	10.89	18.37	19.37	19.34	22.32	41.47	47.42	9.29	17.03	21.05	52.63					
<b>Limited Review:</b>																			
Beaumont MSA	179	6.88	24.54	7.39	16.60	16.48	17.93	26.14	40.92	50.00	6.09	14.67	20.32	58.92					
Odessa MSA	7	0.27	24.43	0.00	15.69	28.57	19.16	42.86	40.72	28.57	7.60	18.71	28.65	45.03					
San Angelo MSA	221	8.50	22.02	10.19	18.34	20.37	19.42	20.37	40.21	49.07	7.99	18.06	23.61	50.35					
The Woodlands MSA	60	2.31	17.48	9.26	14.51	14.81	17.68	24.07	50.34	51.85	4.12	8.94	13.41	73.53					

<sup>\*</sup> Based on 2015 Peer Mortgage Data -- US and PR

<sup>\*\*</sup> Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of Families is based on the 2010 Census information.

<sup>\*\*\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 2.8% of loans originated and purchased by BANK.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: TEXAS				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016							
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families <sup>3</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
<b>Full Review:</b>														
Abilene MSA	562	29.24	21.18	3.05	17.40	8.02	21.18	17.75	40.25	71.18	5.63	13.55	20.33	60.49
Dallas MSA	585	30.44	19.48	2.93	16.73	10.24	19.65	19.56	44.14	67.28	4.47	12.94	22.32	60.27
Non-MSA	269	14.00	20.82	2.75	18.37	10.59	19.34	17.25	41.47	69.41	3.36	12.16	16.80	67.68
<b>Limited Review:</b>														
Beaumont MSA	224	11.65	24.54	1.89	16.60	7.08	17.93	16.04	40.92	75.00	3.69	9.85	19.95	66.50
Odessa MSA	1	0.05	24.43	0.00	15.69	0.00	19.16	0.00	40.72	100.00	3.72	13.59	24.58	58.10
San Angelo MSA	192	9.99	22.02	3.21	18.34	11.76	19.42	17.11	40.21	67.91	3.53	14.39	26.52	55.57
The Woodlands MSA	89	4.63	17.48	1.23	14.51	4.94	17.68	16.05	50.34	77.78	3.48	9.28	17.56	69.68

\* Based on 2015 Peer Mortgage Data -- US and PR

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 6.0% of loans originated and purchased by BANK.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: TEXAS			Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Abilene MSA	1,498	16.60	81.10	26.97	77.97	12.22	9.81	2,458	916
Dallas MSA	3,341	37.03	86.03	18.89	75.10	15.03	9.88	59,190	28,955
Non-MSA	2,304	25.53	81.90	23.70	86.37	8.90	4.73	3,101	1,169
<b>Limited Review:</b>									
Beaumont MSA	873	9.68	80.73	19.70	73.31	16.15	10.54	5,117	2,253
Odessa MSA	19	0.21	78.84	21.05	78.95	15.79	5.26	2,283	694
San Angelo MSA	606	6.72	81.58	31.35	75.41	14.69	9.90	1,544	624
The Woodlands MSA	382	4.23	87.12	20.94	75.13	15.18	9.69	103,302	47,788

\* Based on 2015 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2016).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 7.11% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: TEXAS			Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Aggregate Lending Data*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Abilene MSA	438	17.06	97.57	24.20	84.02	12.10	3.88	288	103
Dallas MSA	495	19.28	95.86	12.12	86.46	10.10	3.43	655	258
Non-MSA	1,445	56.29	95.38	20.69	87.06	8.93	4.01	865	267
<b>Limited Review:</b>									
Beaumont MSA	8	0.31	99.22	12.50	62.50	25.00	12.50	70	50
Odessa MSA	3	0.12	96.99	0.00	66.67	33.33	0.00	10	2
San Angelo MSA	154	6.00	96.87	35.06	66.88	16.23	16.88	85	16
The Woodlands MSA	24	0.93	96.14	29.17	70.83	16.67	12.50	249	106

\* Based on 2015 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&amp;B - 2016).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 12.65% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
Geography: TEXAS									
Evaluation Period: JULY 1, 2014 TO JULY 24, 2017									
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Abilene MSA	3	3,167	94	13,310	97	16,477	14.03	0	0
Dallas MSA	6	2,099	105	56,187	111	58,286	49.63	0	0
Non-MSA	2	608	108	119	110	727	0.63	0	0
<b>Limited Review:</b>									
Beaumont MSA	0	0	16	23	16	23	0.02	0	0
Odessa MSA	0	0	1	5	1	5	0.00	0	0
San Angelo MSA	0	0	22	87	22	87	0.07	0	0
The Woodlands MSA	0	0	16	3,614	16	3,614	3.08	0	0
TX Statewide with no P/M/F to serve the AAs	0	0	13	38,208	13	38,208	32.54	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																		Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO JULY 24, 2017			
Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population									
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography									
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp						
<b>Full Review:</b>																							
Abilene MSA	23.75	13	19.40	0.00	7.69	76.92	15.38	1	0	0	0	0	+1	2.47	23.75	48.64	21.82						
Dallas MSA	26.85	24	35.82	4.17	12.50	54.17	29.17	2	2	0	0	-2	+2	5.58	21.23	39.46	33.73						
Non-MSA	22.66	13	19.40	0.00	23.08	61.54	15.38	2	2	0	0	0	0	3.79	14.36	56.95	24.90						
<b>Limited Review:</b>																							
Beaumont MSA	8.41	6	8.96	0.00	33.33	50.00	16.67	1	0	0	0	0	+1	5.41	26.50	35.78	29.93						
Odessa MSA	0.31	1	1.49	0.00	0.00	0.00	100.00	1	1	0	0	0	0	0.00	23.50	46.83	29.68						
San Angelo MSA	11.70	3	4.48	33.33	0.00	33.33	33.33	1	0	+1	0	0	0	2.35	30.41	43.15	24.08						
The Woodlands MSA	6.32	7	10.45	0.00	14.29	14.29	71.43	1	0	0	0	0	+1	0.90	15.26	31.71	52.12						

