

## **Public Disclosure**

October 2, 2000

# **Community Reinvestment Act Performance Evaluation**

**Extraco Banks, N.A.  
Charter Number: 13778**

**18 South Main  
Temple, Texas 76712**

**Office of the Comptroller of the Currency**

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**NOTE:** 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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## General Information

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the CRA performance of Extraco Banks, N.A. prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 2, 2000. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

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

**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.

**Full-Scope Review** - Performance under the Lending, Investment, and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope 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, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are:  
(1) secured by nonfarm nonresidential properties; or  
(2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are:  
(1) secured by farmland; or  
(2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## Overall CRA Rating

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

The following table indicates the performance level of **Extraco Banks, N.A.** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Extraco Banks, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
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:

- Extraco's volume of lending was adequate for all three types of home mortgage lending (home purchase, home improvement and refinances). Extraco has an excellent record of providing small loans to businesses with revenues less than \$100 thousand.
- Extraco's distribution of loans by income level of geography was adequate. The distribution of home mortgages (home purchase, home improvement, and refinances) was adequate. The distribution of consumer loans by income geography was adequate.
- Extraco's distribution of loans by income level of borrower was adequate. Extraco achieved a poor penetration of lending to low- and moderate-income borrowers for home purchase and refinances and a good distribution for home improvement loans. The distribution of consumer loans by income level of borrower is poor.
- Extraco originated an adequate level (\$3.7 million) of community development

loans.

- Extraco had an adequate level of qualified CD investments during the evaluation period. A significant volume of investments in the Killeen-Temple assessment area contributed to this conclusion. This assessment area was subject to a full-scope review.
- Adequate access to banking services is provided by the bank's branch network and other retail delivery mechanisms. CD services are provided to the bank's assessment areas.



## Description of Institution

Several merger activities impacted the scope of the bank's operations during the evaluation period. The name of two banks was changed and three banks merged to form a single charter under the name Extraco Banks, N.A. (Extraco). The banks involved were First National Bank of Temple (FNB), First Waco National Bank (FWNB) and Guaranty Bank & Trust, Gatesville, Texas (GB&T). On March 29 1999, FNB and FWNB names were changed to Extraco. All three banks continued operating under separate charters, in title only, until FNB and FWNB (both already named Extraco) merged under a single charter on May 21, 1999. Guaranty Bank & Trust continued operating under a separate charter until merging into Extraco on March 31, 2000. All of the banks were owned by the holding company, Extraco Corporation, prior to the changes.

The OCC last evaluated FNB Temple's, CRA performance on May 29, 1997. The bank received an overall rating of "Satisfactory." FNB Temple was the lead bank in forming Extraco.

Extraco is a wholly owned subsidiary of Extraco Corporation, a multibank holding company headquartered in Waco, Texas. Extraco also conducts lending activities through a wholly owned subsidiary, Extraco Mortgage, one of the largest privately held mortgage operations in the U.S. The mortgage company services in excess of \$2 billion in mortgages at its headquarters in Waco, Texas. Activities of the mortgage company, within the bank's assessment area, are included in this evaluation.

Extraco is an intrastate bank headquartered in Temple, Texas. As of June 30, 2000, Extraco had \$655 million in total assets and Tier 1 capital of \$51 million or approximately 8% of total assets. The loan to deposit ratio was 79% with gross loans representing 66% of total assets. The majority of funding is provided through core deposits. The loan portfolio comprises the following types of credits: 66% real estate of which 39% is residential real estate, 16% commercial loans, 14% consumer loans, and 3% agriculture. For the year ending 1999, Extraco had net income of \$3.7 million.

All of Extraco's offices and ATMs are located in the bank's assessment areas, which consist of 53 census tracts in Bell and Coryell Counties (Killeen-Temple MSA assessment area), 46 census tracts in McLennan County (Waco MSA assessment area) and 3 BNAs in Hamilton County (Hamilton non-metropolitan assessment area). The assessment areas are contiguous but exclude a moderate-income census tract in the Killeen-Temple assessment area. The bank faces a unique circumstance

lending here because this tract houses a military installation under an exclusive contract with another financial institution to provide loans to military personnel.

Public funds represent \$32.5 million as of June 30, 2000. This level of public funds requires Extraco to pledge some of its marketable securities, constraining the bank's liquidity. This should not limit the bank's ability to make direct investments in its communities given the bank's obligated pledging requirements are only 38% of their marketable securities. However, should additional pledging become necessary, this could place constraints on the bank's ability to lend because deposits must be invested in pledgable assets.

Local economic conditions are stable and the competition is strong. Extraco offers a full range of real estate, commercial, agricultural, and consumer credit products in six different markets. There are no legal or financial factors that would impede Extraco's ability to meet the credit needs of its communities. Extraco's primary business focus is to serve the credit needs of commercial and real estate customers in the assessment area. Each branch office is empowered with a market president responsible for lending and day-to-day operations. Lending decisions are made locally and each market president is involved in leading the development of their community.

Refer to Appendix B: Market Profile of Full Scope Areas, to review the demographic data for the bank's assessment areas.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Extraco's CRA performance was evaluated using the Federal Financial Institution Examination Council (FFIEC) Interagency Large Bank CRA Examination Procedures, pursuant to the revised CRA regulation. The evaluation included analyses of the bank's lending, investment, and service activities. Our lending evaluation included home mortgage loans, small loans to businesses, and small loans to farms. At management's request, we also reviewed consumer loans. Below is a list of items used in our analysis:

- Data for small loans to business and small farm collected by the bank for calendar year 1999. Only data from calendar year 1999 was used in our analysis given this was the first complete year of information collected for the merged Extraco banks. Prior to 1999, FWNB and GB&T were considered small banks and did not collect or report this information.
- Home mortgage data:
  - ⇒ Calendar years 1998, 1999, and January 1, 2000 through October 2, 2000 for FNB Temple.
  - ⇒ Calendar year 1999 and January 1, 2000 through October 2, 2000 for FWNB, Waco.
  - ⇒ January 1, 2000 through October 2, 2000 for GB&T.
  - ⇒ Calendar years 1998, 1999 and January 1, 2000 through October 2, 2000 for Extraco Mortgage, a bank affiliate. Only those loans made in the bank's assessment area were included.
- Data for consumer loans collected by the bank for calendar year 1999.
- We compared Extraco to other lenders in the bank's assessment area by reviewing 1998 market share loan data for home mortgages, loans to small businesses, and loans to small farms. Because the banks and mortgage corporation operated independently of one another in 1998 before merging, the market share loan data displayed was combined for our evaluation.

- We used demographic data from the 1990 U.S. Census to compare the bank's lending performance to the potential opportunities in its assessment areas. Refer to the Market Profile in Appendix B for details on demographic data.
- We analyzed Extraco's CD investments and service activities using the same dates outlined earlier for home mortgage data. Also, we analyzed CD lending from May 29, 1997 through October 2, 2000. Consideration was given to the number and types of qualified investments, branch locations and accessibility, alternative service delivery systems, and CD services.
- We used deposit information reported annually to the Federal Deposit Insurance Corporation (FDIC) to determine Extraco's deposit market share and market presence relative to other financial institutions in its assessment area. The most recent deposit share information available was June 30, 1999.

### **Data Integrity**

In February 2000, we tested HMDA accuracy for Extraco and Extraco Mortgage reported in 1998 and collected in 1999. We also tested loan data accuracy reported by Extraco in 1998 and collected in 1999 for loans to small businesses and farms. Material errors were noted in the collection and reporting of small business and small farm loan data. Our review found a lack of gross revenue information and incorrect coding of gross revenues on the Loan Application Register. The bank corrected the 1998 and 1999 data prior to this evaluation. However, the 1999 data was the only year used since it represents the first complete year of information for Extraco following the merger activities. Prior to 1999, FWNB and GB&T were considered small banks and did not collect or report this data.

At the request of bank management, we also reviewed consumer loan data for accuracy. We tested consumer loan data collected for 1999. We identified minor errors, which management corrected during our data integrity review. All data was provided in a usable format and is included in this evaluation.

### **Selection of Areas for Full-Scope Review**

We performed a full-scope review of the Killeen-Temple assessment area since this area represented 74% of the bank's deposits and 52% of lending activity during the evaluation period. A full-scope review was also performed for the Waco assessment

area given this area represented 41% of the bank's lending activity during the evaluation period.

Only a limited-scope review of the bank's Hamilton non-metropolitan assessment area was conducted since this area only represented 5% of the bank's deposits and 7% of lending activity during the evaluation period. Please refer to the table in Appendix A for more information.

## **Ratings**

The overall rating assigned Extraco is based primarily on results of the full-scope review of the bank's performance in the Killeen-Temple and Waco assessment areas. We weighed the bank's performance in making home mortgage loans more heavily than their record of making small business, small farm and consumer loans given the greater number and dollar volume of mortgage loans extended during the evaluation period.

No weight was given to Extraco's record of making small loans to farms since the bank had only fifty such loans during the evaluation period. Our analysis of the bank's consumer loan portfolio shows a negative impact on the bank's overall lending test. However, little weight was given to Extraco's record of making consumer loans when determining the bank's overall lending performance because this product does not constitute a substantial majority of the bank's business or major product line for the bank.

## **Community Contacts**

A total of five community organizations were contacted in the assessment areas to discuss community development and credit needs. The organizations contacted included City government offices, social service organizations, affordable housing groups, and small business development groups.

Results of the community contacts were mixed with two in the city of Temple and three in the city of Waco. The needs most often noted were similar in each community: partnership with local financial organizations, affordable housing, and small business loans. One of our contacts revealed that some affordable housing programs were available in the city of Waco with virtually no participation from local banks. One of the contacts revealed a need for a lower fee check cashing service. Refer to the Market Profile in Appendix B for additional information regarding

community development needs and opportunities.

## **Fair Lending Review**

An analysis of the 1998, 1999, and year-to-date 2000 HMDA, 1999 Small Business, Farm and Consumer lending data, public comments, and consumer complaint information was performed according to the OCC risk based fair lending approach.

The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed May 17, 1997.

### **Conclusions with Respect to Performance Tests**

#### **LENDING TEST**

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

Extraco's performance under the Lending Test is rated "Low Satisfactory." Based on a full-scope review, the bank's lending performance in the Killeen-Temple assessment area is good and poor in the Waco assessment area.

##### **Lending Activity**

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

Mortgage lending includes 679 loans totaling \$50 million under loan programs targeted to local markets by Extraco and 1,392 loans totaling \$141 million offered under regional or national programs by Extraco Mortgage. In the Killeen-Temple and Waco assessment areas, approximately 83% of the loans originated during the evaluation period were home mortgage loans. Small loans to businesses comprised 14% of the loans originated during the evaluation period. The volume of small farm loan originated in the Killeen-Temple and Waco assessment area, at 2%, was not material. Among HMDA-reportable loans, approximately 61% were home purchase, 29% refinances and 10% home improvement.

Competition for home mortgage loans is significant in the assessment areas. Over 280 lenders reported one or more HMDA loans. Many of the reporters were non-bank lenders. To analyze Extraco's lending activity we determined the bank's market share

of deposits and loan originations among depository financial institutions that have banking offices within the assessment areas. Based on FDIC deposit market share data as of June 30, 1999, Extraco was the largest deposit taking financial institution in the Killeen-Temple assessment area with a 21% market share. The next largest financial institution had a deposit market share of 18%. Extraco ranked ninth in the Waco assessment area with a 5% market share.

Extraco's lending levels reflect an adequate responsiveness to credit needs in the assessment area. The bank's loan to deposit ratio was 79% as of June 30, 2000, which is in line with peer banks. Excluding the public funds requiring pledging, the loan to deposit ratio exceeded 82% as of June 30, 2000. The bank's deposit market share ranking in the Killeen-Temple assessment area, as of June 30, 1999, is first (20.63% share) which is not consistent with the home purchase loan rank of third (5.23% share), home improvement loan rank of third (8.22% share) and home refinance rank of fourth (4.43%), based on 1998 HMDA market share data. The bank's deposit market rank in the Waco assessment area as of June 30 1999 is ninth (5.17% share) which is consistent with the home purchase loan rank of third (5.74%), home improvement rank of sixth (5.74%) and home refinance rank of second (8.14%), based on 1998 HMDA market share data.

Based on 1998 small business market share data, the bank's deposit market rank in the Killeen-Temple assessment area of first (20.63%) was consistent with loans to small business rank of third (18.99%). However, the deposit market rank in the Waco assessment area of ninth (5.17%) is not consistent with loans to small business rank of twelfth (1.09%). Market share data was not evaluated for small farm loans given the limited loans originated in the assessment areas.

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

### **Home Mortgage Loans**

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

#### Killeen-Temple Assessment Area

The bank's geographic distribution for home mortgage loans is adequate. The distribution of home purchase and refinance loans is below the comparative demographics in the moderate-income tracts. And, home improvement loans meet the comparative demographics in the moderate-income tracts. There is only one low-income census tract with less than 1% owner-occupied housing and only 86 families



of which 52% are low-income.

#### Waco Assessment Area

The bank's geographic distribution for home mortgage loans is adequate. The distribution of home purchase loans is near the comparative demographics in the low-income tract, but does not meet the comparative demographics in the moderate-income tracts. The distribution of home improvement loans is below the comparative demographic in both the low- and moderate-income tracts, while the home refinance loans are substantially less than the comparative demographics. The bank's market share for home purchase generally meets its overall market share, while the market share for home improvement and home refinance is substantially below its overall market share.

Of the 3,036 families (7% of total families) in the low-income tracts and 10,670 families (25% of total families) in the eleven moderate-income tracts, 58.58% are low-income. Twenty-one percent of the families live below the poverty level and median household income is only \$23 thousand versus the median housing cost of \$50 thousand. This may suggest that a significant number of low-income families cannot qualify for mortgage loans.

#### **Small Business Loans**

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

#### Killeen-Temple Assessment Area

The bank's geographic distribution for small business loans is good. The distribution of small business loans is near to the comparative demographic in both low-income and moderate-income tracts.

#### Waco Assessment Area

The geographic distribution for small business loans is adequate. The distribution is at or near the comparative demographic in both the low-income and moderate-income tracts. The distribution in moderate-income tracts, 17% of loans compared to 27% of businesses, is reasonable given the extremely competitive environment.

#### **Small Farm Loans**

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.

Minimal weight was given to the geographic distribution of small farm loans since farm lending does not represent a significant portion of the bank's portfolio and is not a major component of its lending strategy. The bank's geographic distribution for small farm loans is poor for both the Killeen-Temple and Waco assessment areas. The distribution of small farm loans does not meet the comparative demographics in the assessment areas.

### **Consumer Loans**

Overall, the bank's geographic distribution of consumer loans is adequate. However, consumer lending will have little to no impact on the overall lending test rating since consumer loans does not represent a significant portion of the bank's loan portfolio and is not a major component of its lending strategy. There is no market share information for consumer loans.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations.

#### Killeen-Temple Assessment Area

The geographic distribution for consumer loans is adequate. There is only one low-income tract and lending is near the comparative demographics. However, lending in the moderate-income census tracts is significantly below the comparative demographics.

#### Waco Assessment Area

The geographic distribution for consumer loans is poor. The distribution is significantly below comparative demographics in both the low- and moderate-income geographies.

### **Lending Gap Analysis**

We did not find any unexplained conspicuous gaps while analyzing home mortgage and small business loans in the Killeen-Temple and Waco assessment areas.

### **In/Out Ratio**

On a bank level, a substantial majority of home mortgages, small loans to businesses, consumer loans and CD loans over the evaluation period were made within the assessment areas. The bank's distribution of loans inside and outside its assessment areas is excellent. A substantial majority (88%) of the reported loans was made within its assessment areas. By loan type, 85% of home mortgage loans, 65% of

small farm loans, 93% of small business loans, 89% of the consumer loans and 100% of CD loans were within the assessment areas. This performance was positively factored into the overall analysis of the geographic distribution of lending.

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

### **Home Mortgage Loans**

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations. The bank's distribution of home mortgage loans to borrowers of different income levels is adequate in both the Killeen-Temple and Waco assessment areas. However, this performance is tempered by significantly low-income and high poverty levels, which may result in a significant number of low-income families being unable to qualify for mortgage loans. Refer to Appendix B for additional demographic information.

#### Killeen-Temple Assessment Area

The distribution of home mortgage loans to borrowers of different income levels is adequate. Home purchase, home improvement, and refinanced loans to low-income borrowers and home purchase and refinance loans to moderate-income borrowers are substantially less than the comparative demographics. Home improvement loans to moderate-income borrowers meet the comparative demographics.

Market share is good. The market share of home purchase, home improvement, and refinanced loans is near the bank's overall market share for low-income borrowers, while the market share to moderate-income borrowers for home improvement and refinances exceeds the bank's overall market share. The market share of home purchase loans to moderate-income borrowers is slightly below the bank's overall market share.

#### Waco Assessment Area

The distribution of home mortgage loans to borrowers of different income levels is adequate. Home purchase and refinanced loans to low-income borrowers and refinanced loans to moderate-income borrowers is substantially below the comparative demographics. Home improvement loans to low-income borrowers are near the comparative demographics. Home purchase and home improvement loans to moderate-income borrowers are below the comparative demographics while refinanced loans to moderate-income borrowers are substantially below the comparative demographics.

Market share is adequate. The market share of home improvement loans to low-income and moderate-income borrowers and home purchase loans to moderate-income borrowers exceed the bank's overall market share. The market share of home purchased loans to low-income borrowers and refinanced loans to low-income

and moderate-income borrowers are substantially below the bank's overall market share.

### **Small Business Loans**

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

The bank's distribution of small business loans to businesses of different sizes is adequate in both assessment areas. The distribution of small business loans to businesses with revenues less than \$1 million is below the comparative demographics in the Killeen-Temple assessment area, but substantially near comparative demographics in the Waco assessment area. A substantial majority (84% in the Killeen-Temple assessment area and 79% in the Waco assessment area) of the bank's small business loans were for amounts less than \$100 thousand.

### **Small Farm Loans**

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

The bank's distribution of small farm loans to farms of different sizes is adequate in both assessment areas. The distribution of small farm loans to farms with revenues less than \$1 million in the Killeen-Temple assessment area is near to the comparative demographics while the distribution in the Waco assessment area exceeds the comparative demographics.

More weight was given to the distribution of loans to small businesses since farm lending does not represent a significant portion of the bank's portfolio and is not a major component of its lending strategy. A substantial majority (74% in the Killeen-Temple assessment area and 93% in the Waco assessment area) was for amounts less than \$100 thousand.

### **Consumer Loans**

Overall, the bank's geographic distribution of consumer loans is poor. However, consumer lending will have a minimal impact on the overall lending test rating since consumer loans does not represent a significant portion of the bank's loan portfolio and is not a major component of its lending strategy. There is no market share information for consumer loans.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

#### Killeen-Temple Assessment Area

The borrower distribution for consumer loans is poor. The bank did not make any (0%) consumer loans to low-income borrowers. This is significantly below the comparative demographics of 21% of low-income borrowers residing in the low-income area. Also, lending to moderate-income borrowers is below the comparative demographics.

#### Waco Assessment Area

The borrower distribution of consumer loans is poor. The distribution is significantly below comparative borrowers' demographics in both low- and moderate-income areas.

### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of CD lending. The bank's level of CD lending is adequate. Several loans originated by the bank with CD purposes are not counted below because they fall under the definition of a small business loan and are included in the assessment of the bank's small business lending.

#### Killeen / Temple Assessment Area

The bank has a limited number but significant dollar volume of CD loans in the Killeen-Temple assessment area. During the review period, Extraco extended two CD loans to a non-profit organization in the assessment area totaling \$3.7 million.

The largest loan, at \$3.2 million, provided financing for the construction of facilities to be leased to a new company locating in Temple resulting in over 200 permanent jobs to low- and moderate-income individuals. The second loan, a \$500 thousand cash secured line of credit, was used to purchase land for a new facility and purchase land for an additional company locating in Temple. It is estimated that the second company will provide approximately 750 new jobs in the next two years. Both loans promote stabilization and revitalization of the primarily low- and moderate-income area of East Temple through job creation. This area has been targeted by the City of Temple for revitalization and redevelopment.

#### Waco Assessment Area

During the review period, no community loans were originated in this assessment

area. Despite the merger into Extraco in 1999, equal weight is still given to this area because ownership of the bank remains unchanged. In addition, during our community contacts, we identified some innovative and flexible housing products designed to benefit low- and moderate-income individuals. Only one financial institution in the Waco assessment area has recently responded. Some of the housing products have been available for at least 2 years.

### **Product Innovation and Flexibility**

Extraco has made limited use of a lending product considered innovative and flexible. Extraco has a first-time homebuyer program related to affordable housing available through their wholly owned mortgage company.

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

Based on a limited-scope review, the bank's performance under the Lending Test in the Hamilton non-metropolitan assessment area meets the bank's overall Low Satisfactory performance under the Lending Test.

Geographic distribution of home purchase, home improvement, and refinanced loans was good. However, the geographic distribution of loans to small businesses was poor. Borrower distribution for home purchase loans was adequate and poor for home improvement, refinances, and loans to small businesses.

## **INVESTMENT TEST**

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the Investment Test is rated "Low Satisfactory." Based on full scope reviews, the bank's performance in the Killeen-Temple assessment area is adequate and poor in the Waco assessment area.

During the investment evaluation period from May 29, 1997 through October 2, 2000, the bank purchased a limited number and dollar volume of investments. Total qualified investments and grants during the rating period equate to \$1.1 million as of September 30, 2000. During the rating period, the bank did not make use of any innovative and/or complex investments to support community credit needs.

### **Killeen-Temple Assessment Area**

During the third quarter of 2000, the bank purchased \$1 million of a \$2.4 million bond offering from FNMA. The investment purchased is a FNMA pool identified by FNMA as "Targeted Affordable Housing" with qualification criteria governed by the Federal Low-Income Housing Tax Credit Program. The project funded through this issue is an

apartment complex, which provides rental housing for low- and moderate-income families in the city of Killeen and addresses affordable housing needs in the Killeen-Temple assessment area.

The bank also made donations totaling \$2,650 to local non-profit organizations in the assessment area providing community services targeting low- and moderate-income individuals.

#### Waco Assessment Area

The bank received credit for a prior period investment of \$95 thousand held as an equity investment in the Extraco Community Development Corporation (CDC), a for-profit CDC wholly owned by the bank. All projects of the CDC benefited the Waco assessment area and occurred prior to the current evaluation period. The primary purpose of the CDC is to establish reserve funds for the Micro-loan Program administered by the Business Resource Center, a non-profit CDC in Waco, and to provide equity, non-bankable loans or lines of credit to small businesses. The activities of the CDC promote job creation and retention by financing small businesses that would otherwise be unable to obtain financing to operate or expand.

The bank also made donations totaling \$7,396 to local non-profit organizations in the assessment area providing community services targeting low and moderate income individuals.

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

Based on a limited-scope review, the bank's performance under the Investment Test in the Hamilton non-metropolitan assessment area is weaker than the bank's overall Low Satisfactory performance under the Investment Test. The lack of investments is not considered negatively given the limited opportunities.

The bank's qualified investments in this assessment area are limited to community service loans and grants. In addition, the dollar amounts are nominal even considering the limited opportunities available for investments and the relative size of the bank's operations in these assessment areas.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "Low Satisfactory." Based



on full-scope reviews, the bank's performance in the Killeen-Temple assessment area is adequate and poor in the Waco assessment area. This will not significantly impact the service test given there are numerous locally-owned banks, credit unions and branches of larger financial institutions that already exist in the low- and moderate-income areas, particularly in the Waco assessment area.

## **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and opening and closing of those branches.

Extraco operates 12 banking offices and one mortgage center. No branches have been closed since the previous CRA examination. Each branch offers drive-up banking services. To augment the branch system, Extraco operates 20 proprietary ATMs with no transaction cost to their customers. One ATM is located in a low-income census tract and three are in moderate-income census tracts. Only four of the ATMs accept deposits, one of which is in a moderate-income census tract. In addition, services are accessible through telephone banking and bank-by-mail.

A wide range of financial services is provided at each branch and is consistent throughout the bank's branch network. Each branch offers full commercial and consumer loans and deposit services and products. The bank also offers long-term fixed rate mortgages through its wholly owned subsidiary Extraco Mortgage.

Bilingual employees are available in each market area to provide assistance.

### Killeen-Temple Assessment Area

The distribution of branches by income level of census tract is below the percentage of the population living in the low- and moderate-income areas of the Killeen-Temple assessment area. There are 7 banking locations in this assessment area. Two are located in the moderate-income census tracts (including Extraco's home office), and 3 each in the middle- and upper-income census tracts. There is one low-income census tract in which Extraco has no presence. Extraco also operates a mobile branch, which visits two nursing homes in the city of Temple once a week to accept deposits and cash checks. Sixteen ATMs are located in this area. One is located in the only low-income census tract, 3 in moderate-income census tracts, 8 in middle-income census tracts and 4 in upper-income census tracts.

### Waco Assessment Area

The distribution in this assessment area is significantly below the percentage of population living in low- and moderate-income areas. There are 4 branch locations in this area with two each in middle and upper-income census tracts. Ten percent (10%) and 26% of the population resides in the low- and moderate-income census tracts, respectively. Extraco does not have a presence in any low- and moderate-income census tract. One new branch that opened since our previous examination (McGregor), is located in a middle-income census tract. Four ATMs are located in this area. All are situated in either middle- or upper-income census tracts.

### **Community Development Services**

In addition to retail banking services, the bank provides an adequate level of community services. These services include providing assistance to local non-profit organizations that serve low- and moderate-income areas, individuals, and families.

### Killeen-Temple Assessment Area

- Economic Development Activities - Senior members of the bank's staff serve as board members or participate in a number of organizations and committees that serve to promote small business, economic development, and job creation and retention. These activities include: Central Texas Certified Development Corporation, Temple Economic Development Corporation, Small Business Development Center, Temple and Killeen Industrial Foundations, Temple and Killeen Chambers of Commerce - Small Business Development Committees.
- Temple Housing Authorities - Two senior officers are active with this program, which is supported with funds from the City of Temple CDBG. The organization provides funds for reconstruction of buildings, multifamily and single family residences in low-income neighborhoods in order to provide affordable housing, revitalization, and stabilization of the area. A bank staff member also serves on the Board of the Belton/Temple Habitat for Humanity.
- Temple Business Resource Center - A bank officer works with the committee to provide financial assistance and guidance to start up small businesses.

### Waco Assessment Area

- Quinn Campus Project - Two officers serve as board members on a committee to restore the Paul Quinn Campus, which is located in a low- and moderate-income area. The campus was deserted in 1990 when Paul Quinn College relocated to Dallas. The committee is working on projects to revitalize the surrounding neighborhood and rehabilitate the campus grounds and buildings for use in adult

education and business incubation.

- Neighborhood Housing Services of Waco, Inc. - An officer of the bank serves as vice president and member of the board of this non-profit organization created to promote home ownership among low- and moderate-income individuals.
- Boys and Girls Club of Waco - The organization operates centers in low-income neighborhoods and specifically targets at risk children from low-income families. A senior officer serves on the board and as treasurer providing financial expertise to the organization.
- Still Well Retirement Center - The center provides affordable housing for retired teachers, the majority of which are low-income. An officer of the bank serves on the center's board and heads the investment committee.
- Waco Business Resource Center - A loan officer works with the committee to provide financial assistance and guidance to start up and small businesses.
- Public Seminars and Outreach Events Promoting Credit Availability - Extraco banks initiated a program to conduct public seminars, outreach events, and credit symposiums targeted to low- and moderate-income individuals and geographies, minorities, and small businesses. These events are designed to promote the awareness of the availability of mortgage, consumer, and small business credit. The activities also provided assistance and information concerning credit and the application process. Bilingual personnel from Extraco Banks provide special additional assistance to Spanish-speaking persons. The events are ongoing and are periodically scheduled throughout Extraco's assessment areas. Recent Outreach Programs conducted include:

City of Waco - Texas Star Mortgage - This nonprofit organization extends low interest rate (3%) home improvement loans to low- and moderate-income individuals. Personnel from the bank's lending department assisted the organization by helping 150 individuals complete applications. An interpreter was provided to help Spanish speaking applicants. The bank also provided personnel to assist the City with its pre-qualification and credit decision processes.

Banking Services Seminar - A presentation held in the Waco area and attended largely by low- and moderate-income individuals. Speakers discussed mortgage lending, application assistance, and other banking services.

The bank also participated in a seminar attended by community leaders from low- to moderate-income neighborhoods. Attendees were given information on consumer and business loans, home loans, first time homebuyer loans and general banking.

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

Based on a limited-scope review, the bank's performance in the Hamilton non-metropolitan assessment area is weaker than the bank's overall Low Satisfactory performance under the Service Test. Refer to Table 13 in Appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

The following table identifies the time periods 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: January 1, 1998 to October 2, 2000 Investment Test: May 27 to October 2, 2000 Service Test: May 27 to October 2, 2000	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Extraco Banks, N.A.	Home Purchase, Home Improvement, and Home Refinance Loans originated in 1998, 1999, and January 1, 2000 to October 2, 2000  Small Business and Farm Loans for 1999  Consumer Loans for 1999  Community Development Loans, Investments, and Services  Retail products and services offered	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Extraco Mortgage</i>	Wholly owned by Extraco Banks, N.A.	Home Purchase, Home Improvement, and Home Refinance for 1998, 1999, and January 1, 2000 to October 2, 2000
List of Assessment Areas and Type of Examination		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Killeen-Temple MSA (Assessment Area)	Full-Scope	Includes MSA 3810 with the exception of 1 moderate-income tract
Waco MSA (Assessment Area)	Full-Scope	Includes MSA 8800 (except 6 tracts; none are low/moderate-income tracts)
Hamilton Non-Metropolitan	Limited Scope	Includes all 3 BNAs

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

### Market Profiles for Areas Receiving Full-Scope Reviews

#### Killeen-Temple MSA

Demographic Information for Full-Scope Area: Killeen-Temple MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	53	1.89	22.64	45.28	30.19	0.00
Population by Geography	236,298	0.14	22.38	50.35	27.13	0.00
Owner-Occupied Housing by Geography	43,665	0.04	11.01	53.39	35.56	0.00
Businesses by Geography	8,244	3.35	23.54	50.34	22.77	0.00
Farms by Geography	360	0.00	13.06	60.00	26.94	0.00
Family Distribution by Income Level	62,441	17.77	19.61	22.22	40.41	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	23,338	0.28	31.45	50.22	18.05	0.00
Median Family Income HUD Adjusted Median Family Income for 1999 Households Below the Poverty Level	= \$27,975 = \$39,000 = 14.26%	Median Housing Value Unemployment Rate				= \$54,544 = 3.46%

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

The bank has identified all of Bell and Coryelle counties as an assessment area, with the exception of one moderate-tract housing a military installation. These counties equal the Killeen-Temple MSA. The defined assessment area complies with the requirements of the CRA. The bank's activities in both counties received a full-scope review.

Extraco's main competitors are Compass Bank (\$6.5 billion in assets), First State Bank (\$192 million), Central National Bank (\$252 million) and numerous other smaller banks and non-banking financial entities. Several regional and multi-state banks also have branches in Bell and Coryelle counties, primarily in Temple. Extraco is ranked first in deposits with a 20.6% market share of deposits. The bank operates 7 full service branches (including the main bank) and 16 ATMs in Bell and Coryelle counties.

The economy is centered in medical services and manufacturing. The Bell and Coryelle counties are along Interstate 35, which is known as the "NAFTA" highway. Both counties are regarded as part of the retail center of Central Texas. Consistent employment growth has been posted for the area with an unemployment rate of 3.2% at June 30, 2000, only a slight improvement over the 3.4% unemployment rate provided by 1990 census information. This rate is favorable when compared to the State of Texas unemployment rate of 4.6%. Also, based on 1990 census information, more than 14% of households live below the poverty level yet there is only one low-income census tract. Agriculture has suffered in recent years from depressed prices.

There is a moderate level of CD opportunities in Bell and Coryelle counties. Needs identified through community contacts include affordable housing and small business loans. City and federally funded non-profit organizations in Temple are the primary vehicles for the provision of home ownership counseling, and construction and financing of affordable homes.

Extraco has an inactive CDC to serve all of the bank's assessment areas. Please refer to the Investment Test section for information.

**Waco MSA**

Demographic Information for Full-Scope Area: MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	46	8.70	23.91	36.96	28.26	2.17
Population by Geography	170,407	9.60	26.07	34.64	29.28	0.41
Owner-Occupied Housing by Geography	36,023	3.82	23.16	37.09	35.94	0.00
Businesses by Geography	7,453	4.63	26.98	40.80	27.34	0.00
Farms by Geography	303	0.66	16.17	42.90	40.26	0.00
Family Distribution by Income Level	43,158	22.14	17.05	21.80	39.01	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	16,916	13.65	37.91	34.99	13.45	0.00
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$29,511 = \$42,700 = 21.32%	Median Housing Value Unemployment Rate				= \$49,845 = 3.11%

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

The City of Waco is part of the Waco MSA in McLennan County. Extraco operates 4 branches in this MSA and has designated a certain 46 of the MSA's 53 census tracts as its assessment area. The defined Assessment area meets the requirements of the CRA. The census tracts included in the bank's Assessment area basically surround the branches and do not arbitrarily exclude any of the low- and moderate-income census tracts. The Waco MSA accounts for 21% of the bank's total deposits and 41% of the evaluation period's loan originations.

Extraco faces strong competition in the Waco market from multinational and regional banking companies, such as Guaranty Federal FSB, Bank of America, Compass and a host of other banking and non-banking financial entities. Guaranty Federal Bank F.S.B. is a \$10 billion bank headquartered in Dallas, Texas with a significant presence in Waco. Extraco ranks ninth in deposits with a 5.1% market share in Waco.



Waco's economic base includes services, trade, manufacturing and government. Low wages, defense conversion and the closing of a major tire manufacturer have significantly impacted the economic strength in this area. Waco and the surrounding counties have a lower population growth rate and a lower per capita income than the state. Agriculture has also suffered in recent seasons from drought and depressed market prices.

The state of Texas has approved three enterprise zones in the Waco area that offer State benefits to a new manufacturing employer when approved as a State of Texas Enterprise Project. New industries choosing to locate within the Enterprise Community Area of Waco will be provided development assistance through permitting and potential capital funding through the Enterprise Community Revolving Loan Fund.

The City of Waco has also committed to consider site development and facility improvement assistance for those employers using an existing facility, which would provide a new economic benefit to certain neighborhoods.

The high level of families below the poverty level (21%) coupled with low wages means many cannot qualify for home mortgage loans. Several community contacts were made in Waco, which revealed a number of CD opportunities. However, local financial institutions have not participated. These contacts mentioned the financial needs of affordable housing, small business loans, credit counseling, and low cost check cashing.

## 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: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; 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 MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- 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 rank and 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 Refinance Loans** - See Table 2.
- Table 5. 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 rank and market share information based on the most recent aggregate market data available.
- Table 6. 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 rank and market share information based on the most recent aggregate market data available.

**Table 7. 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 MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

**Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.

**Table 9. Borrower Distribution of Refinance Loans** - See Table 7.

**Table 10. 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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 have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.
- Table 13. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. 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 the population 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 MSA/assessment area.

**Table 1. Lending Volume**

LENDING VOLUME												
State: TEXAS												
Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000												
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans(# in MSA/AA
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
Killeen-Temple AA	74%	1,166	\$103,964	185	\$16,424	34	\$2,662	2	\$3,700	1,387	\$126,750	52%
Waco AA	21%	885	\$86,600	150	\$10,869	15	\$603	0	\$0	1,050	\$98,072	41%
Limited-Scope:												
Hamilton Non-Metropolitan	5%	20	\$838	0	\$0	1	\$63	0	\$0	21	901	7%

\* Deposit data as of June 30, 1999.

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

Geographic Distribution: HOME PURCHASE      State: TEXAS      Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Killeen-Temple AA	0%	0%	11%	7%	53%	27%	36%	66%	6	3.81	0.0 0	3.38	2.12	6.10	679	54%
Waco AA	4%	2%	23%	5%	37%	28%	36%	65%	3	6.47	5.4 8	1.56	6.16	8.38	565	45%
Limited-Scope:																
Hamilton Non-Metropolitan	0%	0%	0%	0%	100%	100%	0%	0%	2	22.22	0.0 0	0.00	22.2 2	0.00	14	1%

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

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

Geographic Distribution: HOME IMPROVEMENT																
State: TEXAS				Evaluation Period: JANUARY 1, 1998, TO OCTOBER 2, 2000												
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Killeen-Temple AA	0%	0%	11%	11%	53%	37%	36%	52%	3	8.22	0.00	12.20	2.69	11.89	142	70%
Waco AA	4%	2%	23%	17%	37%	29%	36%	52%	5	5.94	0.00	3.61	4.41	8.29	58	29%
Limited-Scope:																
Hamilton Non-Metropolitan	0%	0%	0%	0%	100%	100%	0%	0%	3	11.11	0.00	0.00	11.11	0.00	2	1%

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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



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

Geographic Distribution: HOME MORTGAGE REFINANCE      State: TEXAS      Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Killeen-Temple AA	0%	0%	11%	6%	53%	35%	36%	59%	4	4.43	0.0 0	4.13	3.38	5.99	340	56%
Waco AA	4%	0%	23%	6%	37%	27%	36%	67%	2	8.19	0.0 0	2.93	8.53	9.09	261	43%
Limited-Scope:																
Hamilton Non-Metropolitan	0%	0%	0%	0%	100%	100%	0%	0%	1	19.05	0.0 0	0.00	19.0 5	0.00	4	1%

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES      State: TEXAS      Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Killeen-Temple AA	3%	1%	24%	21%	50%	28%	23%	51%	3	19.23	8.3 3	21.4 6	13.1 7	26.2 9	185	55%
Waco MSA AA	5%	4%	27%	17%	41%	45%	27%	34%	12	1.11	0.0 0	0.39	2.41	0.27	150	45%
Limited-Scope:																
Hamilton Non-Metropolitan	0%	0%	0%	0%	100%	0%	0%	0%	NA	0.00	0.0 0	0.00	0.00	0.00	0	0%

(\*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

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

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

Geographic Distribution: SMALL LOANS TO FARMS																
State: TEXAS				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999												
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Killeen-Temple AA	0%	0%	13%	3%	60%	53%	27%	44%	1	48.72	0.0 0	37.5 0	52.6 3	50.0 0	34	68%
Waco AA	1%	0%	16%	0%	43%	73%	40%	27%	NA	0.00	0.0 0	0.00	0.00	0.00	15	30%
Limited-Scope:																
Hamilton Non-Metropolitan	0%	0%	0%	0%	100%	100%	0%	0%	NA	0.00	0.0 0	0.00	0.00	0.00	1	2%

(\*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

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

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE State: TEXAS Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
Full-Scope:																
Killeen-Temple AA	20%	2%	19%	9%	22%	20%	40%	69%	6	3.81	3.1 2	2.56	2.70	7.55	661	53%
Waco AA	22%	3%	17%	14%	21%	25%	39%	58%	3	6.47	1.8 0	6.51	7.46	10.1 3	552	44%
Limited-Scope:																
Hamilton Non-Metropolitan	24%	7%	18%	14%	21%	15%	36%	64%	2	22.22	0.0 0	0.00	27.2 7	25.9 3	14	1%

(\*) As a percentage of loans with borrower income information available. No information was available for 2% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

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



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

Borrower Distribution: HOME IMPROVEMENT State: TEXAS Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Killeen-Temple AA	20%	5%	19%	19%	22%	19%	40%	57%	3	8.22	7.32	10.78	8.61	8.46	128	63%
Waco AA	22%	17%	17%	11%	21%	15%	39%	57%	5	5.94	7.50	6.90	1.72	7.42	54	27%
Limited-Scope:																
Hamilton Non-Metropolitan	24%	0%	18%	0%	21%	50%	36%	50%	3	11.11	0.00	0.00	0.00	33.33	2	1%

(\*) As a percentage of loans with borrower income information available. No information was available for 9% of loans originated and purchased by the bank.  
 (\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
 (\*\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE State: TEXAS Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
Full-Scope:																
Killeen-Temple AA	20%	2%	19%	6%	22%	11%	40%	81%	4	4.43	5.26	5.50	5.59	9.81	316	57%
Waco AA	22%	1%	17%	4%	21%	12%	39%	83%	2	8.19	1.64	2.59	4.08	11.31	228	42%
Limited-Scope:																
Hamilton Non-Metropolitan	24%	0%	18%	0%	21%	0%	36%	100%	1	19.05	0.00	0.00	0.00	25.00	3	1%


(\*) As a percentage of loans with borrower income information available. No information was available for 11% of loans originated and purchased by the bank.  
(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.  
(\*\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES State: TEXAS Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999										
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Loans to Businesses	
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total****
Full-Scope:										
Killeen-Temple AA	76%	63%	60%	84%	8%	8%	19.23	22.88	185	55%
Waco AA	74%	72%	55%	79%	15%	6%	1.11	1.32	150	45%
Limited-Scope:										
Hamilton Non-Metropolitan	78%	0%	56%	0%	0%	0%	0.00	0.00	0	0%

(\*) Businesses with revenues of \$1 million or less as a percentage of all businesses.  
 (\*\*) 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% of small loans to businesses originated and purchased by the bank.  
 (\*\*\*) The market consists of all other Small Business reporters in the MSA/AA and is based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

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

Borrower Distribution: SMALL LOANS TO FARMS State: TEXAS Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 1999										
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans	
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total****
Full-Scope:										
Killeen-Temple AA	94%	88%	80%	74%	26%	0%	48.72	50.00	34	68%
Waco AA	94%	87%	97%	93%	7%	0%	0.00	0.00	15	30%
Limited-Scope:										
Hamilton Non-Metropolitan	95%	100%	0%	100%	0%	0%	0.00	0.00	1	2%

(\*) Farms with revenues of \$1 million or less as a percentage of all farms.  
 (\*\*) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms and purchased by the bank.  
 (\*\*\*) The market consists of all other Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.  
 (\*\*\*\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: TEXAS Evaluation Period: MAY 27, 1997 TO OCTOBER 2, 2000									
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
Full-Scope:									
Killeen-Temple AA	0	\$0	4	\$1,002,650	4	\$1,002,650	91%	0	\$0
Waco AA	1	\$95,436	4	\$7,396	5	\$102,832	9%	0	\$0
Limited-Scope:									
Hamilton Non-Metropolitan	0	\$0	0	\$0	0	\$0	0%	0	\$0

(\*) Prior Period Investments means investments made in a previous evaluation period that is outstanding as of the examination date.  
 (\*\*\*) Unfunded Commitments means legally binding investment commitments reported on the Report of Condition Schedule-L Off Balance Sheet Items.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																State: TEXAS		Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000			
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population							
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography							
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp				
Full-Scope:																					
Killeen-Temple AA	74%	7	58%	0%	14%	43%	43%	0	0	NA	NA	NA	NA	0%	23%	50%	27%				
Waco AA	21%	4	33%	0%	0%	50%	50%	0	1	0	0	+1	0	10%	26%	35%	29%				
Limited-Scope:																					
Hamilton Non-Metropolitan	5%	1	8%	0	0	100%	0	0	0	NA	NA	NA	NA	0%	0%	100%	0%				

**Table 14. Geographic and Borrower Distribution of Consumer Loans (Optional)**

Geographic and Borrower Distribution: CONSUMER LOANS																			State: TEXAS		Evaluation Period: JANUARY 1, 1998 TO OCTOBER 2, 2000	
MSA/Assessment Area:	Geographic Distribution								Borrower Distribution													
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Total Consumer Loans					
	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	#	% of Total**				
Full-Scope:																						
Killeen-Temple AA	0%	0%	23%	13%	50%	39%	27%	48%	21%	0%	18%	13%	21%	38%	40%	47%	2,189	70%				
Waco AA	10%	2%	26%	14%	35%	31%	29%	53%	27%	2%	15%	14%	16%	30%	42%	52%	946	30%				
Limited-Scope:																						
Hamilton Non-Metropolitan	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA				

(\*) The percentage of the population in the MSA/assessment area that resides in these geographies.

(\*\*) Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.