



## **PUBLIC DISCLOSURE**

March 23, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Legend Bank, National Association  
Charter Number 4265

101 West Tarrant Street, Bowie, TX 76230

Office of the Comptroller of the Currency

225 East John Carpenter Freeway, Suite 900, Irving, TX 75062

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors that support this Satisfactory rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are within the bank's assessment areas (AAs).
- The distribution of residential loans to borrowers of different income levels exhibits a reasonable penetration. The distribution of loans to businesses and farms of different sizes reflects an excellent penetration.
- The bank's geographic distribution of residential loans to low- and moderate-income (LMI) census tracts reflects reasonable dispersion. The distribution of loans to businesses and farms across LMI geographies is reasonable.
- The overall level and responsiveness of community development (CD) lending, investments, and services is adequate.

## **Scope of Examination**

This Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from August 24, 2011, the date of the prior PE, through March 23, 2015, the date of the current evaluation. However, the Lending Test concentrated on activity from January 1, 2013 to December 31, 2014. In evaluating the bank's lending performance, the bank's primary loan products include business, agriculture and residential lending with an emphasis on small business and agriculture lending.

Legend Bank, National Association (Legend or bank) is subject to the interagency Intermediate Small Bank (ISB) CRA evaluation procedures. In addition to the Lending Test, ISBs are evaluated under the Community Development Test. Our consideration of CD activity (loans, investments, and services) extended from the prior PE date of August 24, 2011 to our current evaluation date of March 23, 2015.

In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2013 and 2014.

This evaluation is based on accurate data. We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages and business and farm loan reports provided by the bank to verify the accuracy of sample data used for this evaluation. We also verified CD loans, investments, and services submitted by management to ensure they met the regulatory

definition for CD. We excluded any items that did not meet the definition or purpose of CD. We did not consider the activities of affiliates in this evaluation.

We conducted full-scope reviews of the Fort Worth AA that consists of Tarrant and Wise Counties that are located in the Fort Worth-Arlington Metropolitan Divisions (MD) and the Non-MSA (Metropolitan Statistical Area) AA that includes Montague and Cooke Counties that are not located in an MSA. A full-scope review considers complete performance context information, quantitative factors and qualitative factors. The Fort Worth AA received the full-scope review because 26 percent of the bank's deposits, 30 percent of its offices, and 62 percent of the HMDA reportable loans are in that geography. The Non-MSA AA accounted for 47 percent of deposits, 20 percent of offices, and 23 percent of HMDA loans. The bulk of the bank's business and agriculture loans originated and purchased during the evaluation period are in these two AAs.

We performed limited reviews of the other three AAs and found no conspicuous gaps. These AAs are:

- Wichita Falls AA (Clay and Wichita counties both located in the Wichita Falls MSA),
- Grayson AA (Grayson county located in the Sherman-Denison MSA), and
- Fannin AA (Fannin county that is not located in an MSA).

Limited-scope reviews consider primarily quantitative factors with performance context data limited to the comparable demographics. Wichita County was added to the Wichita Falls AA in June 2014 when the bank established a branch office in Wichita Falls.

## **Description of Institution**

Legend is an independent, intrastate bank that was granted a national bank charter in 1890. In addition to its main office in Bowie, the bank currently has nine branch offices located in Henrietta, Bonham (2), Whitesboro, Nocona, Fort Worth, Wichita Falls, Alvord and Decatur. The Wichita Falls branch is a de novo addition since the last CRA evaluation. The previous CRA evaluation, dated August 24, 2011, assigned a "Satisfactory" rating.

Legend Bancorp, Inc., a single bank holding company, owns 100 percent of the bank. There are no legal or financial impediments to Legend's ability to meet the credit needs of its AAs.

As of December 31, 2014, net loans were 62 percent of total assets of \$617 million. The following table reflects the bank's loan portfolio summary.

<b>Legend Bank, National Association Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (in thousands)</b>	<b>Percentage</b>
Commercial and Commercial Real Estate	161,400	42%
Agriculture	126,643	33%
Residential	63,067	16%
Construction, Consumer and Other	32,427	9%
Total Loans	383,537	100%

Source: December 31, 2014 Report of Condition.

The bank's lending strategy continues to be:

- the origination of commercial and commercial real estate loans to small and midsize businesses and business owners,
- the origination of farm and ranch production and real estate loans, and
- the origination of residential loans categorized by purchase, refinance, and improvement.

Legend's branches are the primary delivery system for retail products and services, and are located in areas that make them accessible to bank customers. Seven of the nine branches are located in middle-income census tracts. The Wichita Falls middle-income branch facility borders a low-income tract. The Fort Worth branch is situated in an upper-income geography and the bank's Decatur branch office is located in a moderate-income census tract. Although the main office is in a middle-income geography, it is immediately adjacent to a moderate-income census tract. The bank's eight ATMs are located at seven of the branches as well as the main office and supplement the operation of these facilities.

Lobby hours and drive-up hours are set to meet customer needs. With the exception of the Wichita Falls branch, all offices are standalone facilities. Legend's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as startup and established small business owners, farmers and ranchers throughout the bank's AAs. *Master Card* credit cards are offered through the bank. In order to expand its reach into the AAs, the bank has employees who can communicate in Spanish. One employee is fluent in the use of American Sign Language.

The bank also emphasizes the use of alternative delivery systems to improve the accessibility of its products and services to its customer base regardless of physical location. In addition to banking by telephone and mail, Legend offers mobile and on-line banking to all individual and business customers. For qualified accounts, the bank provides free customer access to any ATM network in the U.S.

## Description of Assessment Areas

The bank has five assessment areas (AAs):

- Fort Worth AA (Wise and Tarrant counties both located in the Fort Worth-Arlington MSA),
- Non-MSA AA (Montague and Cooke counties that are not located in an MSA),
- Wichita Falls AA (Clay and Wichita counties both located in the Wichita Falls MSA),
- Grayson AA (Grayson county located in the Sherman-Denison MSA), and
- Fannin AA (Fannin county that is not located in an MSA).

The bank has reasonably delineated each AA relative to its branch network. None of the AAs excludes any LMI census tracts. Demographic and economic information for each of the five AAs is reflected in the following table:

Demographic and Economic Data for the AAs					
Assessment Area	Fort Worth	Non-MSA	Wichita Falls	Grayson	Fannin
<b>Population</b>					
Number of Families	455,381	16,081	35,330	31,768	8,360
Number of Households	652,230	22,525	53,052	45,545	11,676
<b>Geographies</b>					
Number of Census Tracts	368	14	40	26	9
% Low-Income Census Tracts	8.97	0.00	5.00	0.00	0.00
% Moderate-Income Census Tracts	28.26	7.14	27.50	30.77	11.11
% Middle-Income Census Tracts	36.14	64.29	37.50	57.69	66.67
% Upper-Income Census Tracts	26.36	28.57	27.50	11.54	22.22
% N/A Census Tracts*	0.27	0	2.50	0	0
<b>Median Family Income (MFI)</b>					
2010 MFI for AA	\$71,012	\$56,059	\$56,404	\$58,173	\$53,098
2010 HUD-Adjusted MFI	\$65,500	\$50,500	\$54,400	\$61,700	\$50,500
<b>Economic Indicators</b>					
Unemployment Rate					
				4.1%	4.4%
Tarrant County	4.1%				
Wise County	4.1%				
Montague County		3.9%			
Cooke County		3.3%			
Clay County			4.2%		
Wichita County			4.2%		
2010 Median Housing Value	\$146,557	\$105,874	\$91,015	\$101,895	\$79,911
% Households Below Poverty Level	11.92	14.53	14.64	13.26	14.56
% Households Receiving SS	19.59	34.31	29.30	33.00	37.01
% Households Retired	13.18	19.52	19.29	17.61	19.28

\*Geographies that have not been assigned an income classification.

Source: 2010 Census data; HUD.

Fort Worth AA

This AA includes all of Tarrant and Wise Counties that are both located in the Fort Worth- Arlington MD. According to the 2010 U.S. Census, Tarrant County has 357 census tracts and Wise County 11 tracts. The cities of Fort Worth and Decatur are the respective county seats. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Three of the bank's ten offices are in this AA. They are in Fort Worth, Alvord and Decatur. According to the June 30, 2014 FDIC Deposit Market Share Report, 70 banks operate 470 branches within the AA. Legend ranks 30th overall holding 0.43 percent of the total market share.

Tarrant County is an urban county located in north central Texas with a population of over 1.8 million people. It is the most populated county in the western half of the Dallas-Fort Worth metroplex. Tarrant County is one of the fastest growing areas in the U.S. and is home to a diverse spectrum of businesses ranging from cattle and agriculture to aerospace companies and defense contractors. The county's 4.1 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

Wise County is immediately northwest of Tarrant County with a population of 62,000 people. Over 6,000 people reside in Decatur, its largest city, which is 35 miles northwest of Fort Worth on U.S. highways 81/287 and 380. From 2010 to 2014, Wise County's population grew by over four percent. Of its eleven census tracts, two are moderate-income, eight middle-income and one upper-income. The economy in Wise County is reasonably diversified. In addition to cattle and agriculture, major employers include the *Wise Regional Health System, Decatur Independent School District, Wal-Mart, Lowes, car dealerships, Poco Graphite*, and several industrial companies. The county's 4.1 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

A community contact conducted at a recent examination of a commercial bank operating in Fort Worth identified the need for the construction and financing of affordable housing in this AA, specifically future multi-family developments and the rehab of older existing units.

Non-MSA AA

This AA includes all of Montague and Cooke Counties neither of which is located in an MSA. According to the 2010 U.S. Census, Montague County has six census tracts and Cooke County has eight tracts. The cities of Montague and Gainesville are the respective county seats. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Two of the bank's ten offices are in this AA - the main office in Bowie and a branch in Nocona. According to the June 30, 2014 FDIC Deposit Market Share Report, 12 banks operate 22 branches within the AA. Legend ranks second holding 18.16 percent of the total market share.

Montague County is in north central Texas on the Oklahoma border and is adjacent to and north of Wise County. Its largest cities include Bowie (population 5,200) and Nocona (3,200 people). Bowie is an agribusiness and an oil and gas center. Nocona is home to the *Nocona Boot* brand of the *Justin Boot Company*. Of Montague County's six census tracts, five are

middle-income and one is upper income. The county's 3.9 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

Cooke County is adjacent to and east of Montague County. It is also on the Oklahoma border. Agriculture and oil and gas are the county's dominant industries. Its largest city, Gainesville, has a population of over 16,000. Major employers include *Complete Energy* (1,400 employees), *Weber Aircraft* (850), *North Central Texas College* (600), *Gainesville ISD* (440), *Wal-Mart Super Center* (420), and *North Texas Medical Center* (350). Of Cooke County's eight census tracts, one is moderate-income, four are middle-income and three are upper-income geographies. The county's 3.3 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

A community contact conducted at this examination identified the following credit needs of the community that can be met by local financial institutions: financing start-up businesses and entrepreneurs, and financing existing small businesses for working capital and expansion.

#### Wichita Falls AA

This AA includes all of Clay and Wichita Counties that are both located in the Wichita Falls MSA. According to the 2010 U.S. Census, Clay County has three census tracts and Wichita County has 37 tracts. The cities of Henrietta and Wichita Falls are the respective county seats. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Two of the bank's ten offices are in this AA – a branch office in Henrietta and one in Wichita Falls that was established in June 2014. According to the June 30, 2014 FDIC Deposit Market Share Report, 15 banks operate 45 branches within the AA. Legend ranks ninth overall holding 1.59 percent of the total market share.

Clay County is adjacent to and west of Montague County. It is also on the Oklahoma border and has a population of over 10,000. From 2010 to 2014, Clay County experienced a population decline of 3.6 percent. Over 3,000 people reside in Henrietta, its largest city, located at US Highways 287 and 82, 18 miles east of Wichita Falls. Many residents commute to jobs in Wichita Falls. Clay County has three census tracts, two of which are middle-income and one that is upper-income. The county's 4.2 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

Wichita County is adjacent to the northwestern portion of Clay County and is on the Oklahoma border. Its population exceeds 132,000 reflecting a one percent growth from 2010 to 2014. Wichita Falls is home to *Sheppard Air Force Base* that is the area's leading employer. Almost 11,000 of the county's 55,000 person workforce, or 20 percent, are employed by city, state or federal governments. Of Wichita County's 37 census tracts, two are low-income, 11 are moderate-income, 13 are middle-income, 10 are upper-income, and one is not designated. The county's 4.2 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

#### Grayson AA

This AA includes Grayson County that is part of the Sherman-Denison MSA. Grayson County (population 121,000) is located adjacent to and east of Cooke County. It is also on the

Oklahoma border. Its county seat is Sherman. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

One of the bank's ten offices is in this AA – a branch office in Whitesboro. According to the June 30, 2014 FDIC Deposit Market Share Report, 14 banks operate 46 branches within the AA. Legend ranks tenth overall holding 1.10 percent of the total market share.

The two principal cities in Grayson County are Sherman (population 39,000) and Denison (23,000). The major employers in Sherman include *Tyson* (1,600 employees), *Texas Instruments* (1,200), *Sherman ISD* (945), and *Grayson County* (450). Leading Denison employers include *Wilson N. Jones Regional Health System* (1,200), *Texoma Health Care System* (1,163), *Connect General, a Cigna Company* (850), *Ruiz Foods* (700), *Denison ISD* (605), and *Trailblazer Health Enterprises* (484). The *WinStar World Casino* is located in Thackerville, Oklahoma, employing approximately 2,000 area residents. The casino is five miles north of the Texas state line. Of Grayson County's 26 census tracts, eight are moderate-income, 15 middle-income, and three upper-income. The county's 4.1 percent unemployment rate compares favorably to the 4.3 and 5.5 percent unemployment rates for the State of Texas and the United States, respectively.

### Fannin AA

This AA includes Fannin County that is not located in an MSA. Fannin County (population 34,000) is situated adjacent to and east of Grayson County. It is also on the Oklahoma border. The county seat is Bonham. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Two of the bank's ten offices are in this AA, both in Bonham. According to the June 30, 2014 FDIC Deposit Market Share Report, five banks operate ten branches within the AA. Legend ranks third overall holding 19.67 percent of the total market share.

Major employers in Bonham include *Texas Department of Criminal Justice* (498 employees), *McCraw Oil/Kwik Cheks* (464), *Sam Rayburn Memorial Veterans Center* (425), *Bonham ISD* (320), and *Wal-Mart* (288). Of Fannin County's nine census tracts, one is moderate-income, five are middle-income and three are upper-income. The county's 4.4 percent unemployment rate is comparable to the 4.3 percent rate for the State of Texas and compares favorably to the 5.5 percent unemployment rate for the United States.

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

### **LENDING TEST**

The bank's performance under the Lending Test is rated "Satisfactory".

### **Loan-to-Deposit Ratio (LTD)**

The bank's LTD ratio is reasonable given the bank's size, location, local competition, and credit needs of the AAs. This determination is based on the quarterly average LTD ratio of 64 percent from June 30, 2011 through December 31, 2014. During this evaluation period, the bank's LTD ratio ranged from a low of 56 percent to a high of 72 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSIs). With the exception of American Bank of Texas and Northstar Bank of Texas, all are community banks less than \$1 billion in assets. All of the SSIs offer similar loan products and have branch locations in the AAs.

The quarterly average LTD ratio for each SSI is listed in the following table. Please note that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Financial Institutions</b>	<b>Total Assets \$ (000's) (As of 12/31/2014)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>Legend Bank, National Association</b>	<b>\$617,102</b>	<b>64.21%</b>
Woodhaven National Bank	\$464,980	80.84%
First State Bank	\$802,438	43.73%
American Bank of Texas	\$2,196,869	71.50%
Ciera Bank	\$493,978	67.77%
Northstar Bank of Texas	\$1,745,262	63.30%

*Source: Institution Reports of Condition from June 30, 2011 to December 31, 2014.*

## Lending in Assessment Areas

A majority of the number and dollar amount of the bank's loans were originated or purchased inside its AAs. As depicted in Table 1 below (\$000s omitted), 85 percent of the number and 79 percent of the dollar amount of loans were originated or purchased inside the AAs. Of the number of the business loan originations or purchases, 100 percent occurred inside the AAs. Over 90 percent of the number of the agriculture loan originations or purchases occurred inside the AAs.

<b>Table 1 - Lending in Combined AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	164	80.39	40	19.61	204	24,492	75.63	7,893	24.37	32,385
Home Improvement	21	84.00	4	16.00	25	2,938	65.03	1,580	34.97	4,518
Home Refinance	59	88.06	8	11.94	67	15,893	86.97	2,381	13.03	18,274
Business	40	100.00	0	0.00	40	2,656	100.00	0	0.00	2,656
Agriculture	40	90.91	4	9.09	44	2,437	72.08	944	27.92	3,381
Total	324	85.26	56	14.74	380	48,416	79.09	12,798	20.91	61,214

*Source: Data reported under HMDA; Sample of loans.*

In our analysis, we included all 1-4 family real estate loans that Legend originated or purchased from January 1, 2013 through December 31, 2014 that are reported under the requirements of the HMDA. We sampled 40 business loans and 44 agriculture loans from the population of loans originated or purchased during the same period in the two full-scope AAs.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The borrower distribution of loans in the Fort Worth AA is reasonable. The distribution in the Non-MSA AA is excellent. The bank’s performance relative to the three limited-scope AAs (Wichita Falls, Grayson and Fannin) is generally consistent with the results of the Fort Worth AA.

### Fort Worth AA

#### Home Mortgage Loans

As detailed in Table 2 below, in each loan category in the AA, the bank’s 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers lagged the percentage of families in those income levels. However, the percent of home refinance loans to moderate-income borrowers (16 percent) is comparable to the percent of families in that category (17 percent). Although the percentage of home purchase loans to moderate-income borrowers (nine percent) is below the demographic (17 percent), it is still adequate. Low-income applicants typically have difficulty qualifying for residential loans. The bank’s overall distribution of residential loans to LMI borrowers is comparatively low but still considered reasonable.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Fort Worth AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.89	2.70	17.41	9.46	19.43	12.16	41.27	75.68
Home Improvement	21.89	0.00	17.41	0.00	19.43	20.00	41.27	80.00
Home Refinance	21.89	0.00	17.41	15.63	19.43	9.38	41.27	75.00

Source: Data reported under HMDA; U.S. Census data.

#### Business Loans

As illustrated in Table 2A below, the percentage of loans by number to small businesses (65 percent) is comparable to the percentage of small businesses in the AA (71 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (57 percent) was below the demographic, we placed the most weight on the number of loans originated or purchased.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Fort Worth AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.52	3.04	26.44	100%
% of Bank Loans in AA by #	65.00	35.00	0.00	100%
% of Bank Loans in AA by \$	57.33	42.67	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

As detailed in Table 2C below, 85 percent of the number of loans to businesses originated by Legend was in amounts of \$100,000 or less. None of the loans exceeded \$250,000. Loan size often loosely correlates to the size of the business. This is indicative of a bank servicing the credit needs of small businesses.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Fort Worth AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	17	85.00%	632	52.91%
\$100,001 - \$250,000	3	15.00%	562	47.09%
\$250,001 - \$500,000	0	0.00%	0	0.00%
\$500,001 - \$1,000,000	0	0.00%	0	0.00%
Over \$1,000,000	0	0.00%	0	0.00%

Source: Loan sample.

### Agriculture Loans

The bank's distribution of loans to farms of different sizes exhibits an excellent penetration. As illustrated in Table 2Ai below for the AA, 100 percent of the number of loans made by the bank were to small farms.

<b>Table 2Ai - Borrower Distribution of Loans to Farms in Fort Worth AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.25	1.74	1.00	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

### Non-MSA AA

#### Home Mortgage Loans

As detailed in Table 2, home purchase loans to both low- and moderate-income borrowers lagged the percentage of families in those income levels. However, home improvement loans to both borrower income categories exceeded the demographic. The percent of home refinance loans to moderate-income borrowers also exceeded the percent of families in that category. The bank's overall distribution of residential loans to LMI borrowers is considered reasonable.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15.96	3.03	15.62	3.03	19.35	15.15	49.07	78.79
Home Improvement	15.96	16.67	15.62	16.67	19.35	16.67	49.07	50.00
Home Refinance	15.96	0.00	15.62	18.18	19.35	0.00	49.07	81.82

Source: Data reported under HMDA; U.S. Census data.

**Business Loans**

The distribution of loans to businesses of different sizes reflects an excellent penetration. As illustrated in Table 2A below, the percentage of the number of loans to small businesses (90 percent) exceeds the percentage of small businesses in the AA (75 percent). A small business is defined as a business with revenues of \$1 million or less. A similar positive comparison exists for the dollar volume of loans.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.26	3.27	21.47	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	84.13	15.87	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

As detailed in Table 2C below, 85 percent of the number of loans to businesses originated by Legend was in amounts of \$100,000 or less, and 95 percent of the loans did not exceed \$250,000. Loan size often loosely correlates to the size of the business. This is indicative of a bank servicing the credit needs of small businesses.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Non-MSA AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	17	85.00%	417	28.53%
\$100,001 - \$250,000	2	10.00%	380	26.00%
\$250,001 - \$500,000	0	0.00%	0	0.00%
\$500,001 - \$1,000,000	1	5.00%	665	45.48%
Over \$1,000,000	0	0.00%	0	0.00%

Source: Loan sample.

**Agriculture Loans**

The bank's distribution of loans to farms of different sizes exhibits an excellent penetration. As illustrated in Table 2Ai below for the AA, 100 percent of the number of loans made by the bank were to small farms.

<b>Table 2Ai - Borrower Distribution of Loans to Farms in Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.13	0.52	0.35	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

*Source: Loan sample; Dun and Bradstreet data.*

**Limited-Scope AAs**

Based on limited-scope reviews, the bank's performance for borrower distribution in the Wichita Falls, Grayson and Fannin AAs is consistent with the performance in the Fort Worth AA relative to the 2013-2014 HMDA reportable loans.

**Geographic Distribution of Loans**

The geographic distribution of loans within the Fort Worth AA is reasonable. No meaningful conclusions can be drawn relative to the geographic distribution of loans in the Non-MSA AA due to the limited number of comparators. The bank's performance in the Wichita Falls, Grayson and Fannin AAs is generally consistent with the results of the Fort Worth AA review.

**Fort Worth AA**

The AA has 33 low-income census tracts and 104 moderate-income geographies that represent 9 percent and 28 percent, respectively, of its 368 total census tracts.

**Home Mortgage Loans**

The bank's geographic distribution of residential loans reflects reasonable dispersion. In Table 3 for the AA, the percentage of the home refinance loans originated in the moderate-income census tracts exceeds the percent of owner occupied housing. The level of the bank's home purchase loans in the same tract income category is comparable to the demographic. Legend did not originate any home improvement loans in either the low- or moderate-income geographies. Although Legend made no residential loans in the low-income census tracts, less than four percent of the AA's owner-occupied housing is located in those areas.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Fort Worth AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.95	0.00	20.56	19.23	39.15	62.50	36.35	18.27
Home Improvement	3.95	0.00	20.56	0.00	39.15	100.00	36.35	0.00
Home Refinance	3.95	0.00	20.56	33.33	39.15	50.00	36.35	16.67

Source: Data reported under HMDA; U.S. Census data.

### Business Loans

Business loans originated by the bank during the review period reflect a reasonable geographic dispersion. As detailed in Table 3A for the AA below, the percent of the bank’s loans to businesses in the moderate-income census tracts (30.0 percent) exceeds the percent of businesses located in those geographies (21.8 percent). However, Legend made no loans to businesses in the low-income census tracts.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Fort Worth AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	4.63	0.00	21.78	30.00	35.25	55.00	38.18	15.00

Source: Loan sample; D & B data.

### Agriculture Loans

Farm loans originated by the bank during the review period reflect a reasonable overall geographic dispersion. As depicted in Table 3Ai below, the percent of the bank’s farm loans in the moderate-income geographies (20.0 percent) matches the percent of farms in those census tracts (20.0 percent). Although Legend made no loans to farms in the low-income census tracts, less than four percent of the AA’s farms are located in those areas.

<b>Table 3Ai - Geographic Distribution of Loans to Farms in Fort Worth AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	3.72	0.00	20.02	20.00	41.34	80.00	34.89	0.00

Source: Loan sample; D & B data.

### **Non-MSA AA**

The AA has no low-income census tracts and only one moderate-income geography that represents seven percent of its 14 total census tracts. No meaningful conclusions can be drawn relative to the geographic distribution of loans in the Non-MSA AA due to the limited number of comparators.

### **Limited-Scope AAs**

Based on limited-scope reviews, the bank's performance for geographic distribution in the Wichita Falls, Grayson and Fannin AAs is consistent with the performance in the Fort Worth AA relative to the 2013-2014 HMDA reportable loans.

### **Responses to Complaints**

No CRA-related complaints were made against the bank during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

Legend's responsiveness to the community development needs of the assessment area through CD lending, investments, and services is adequate for the Fort Worth AA. Although the bank's CD lending and investments in the Non-MSA AA is comparatively lower, fewer CD opportunities exist. The bank focused much of its CD efforts in the Non-MSA AA on providing services to several non-profit organizations that range from benefiting LMI individuals to retaining and creating local jobs. This resulted in an adequate responsiveness to the community development needs of the Non-MSA AA. The bank's performance relative to the three limited-scope AAs (Wichita Falls, Grayson and Fannin) is generally consistent with the results of the full-scope reviews. To evaluate the bank's efforts, we reviewed the bank's CD activities since the most recent PE dated August 24, 2011.

### **Number and Amount of Community Development Loans**

The level of CD lending in the Fort Worth AA reflects an adequate responsiveness to CD needs. The level of CD lending in the Non-MSA AA is comparatively lower but still considered adequate. The level of CD lending in the Fannin and Wichita Falls AAs is consistent with the results of the Fort Worth AA. The level of CD lending in the Grayson AA is consistent with the results of the Non-MSA AA.

### **Fort Worth AA**

The level of CD lending in the Fort Worth AA reflects an adequate responsiveness to CD needs of the AA.

There were three CD loans in the Fort Worth AA totaling \$9.7 million. Each loan was made to a business that rehabilitates residential properties that are typically in poor or distressed condition. These customers purchase and renovate the properties then rent to individuals.

The AA has a need for affordable housing for LMI individuals and families. Working with these borrowers, the bank helps fill this need.

### **Non-MSA AA**

Although the bank originated or purchased no CD loans in the Non-MSA AA, fewer opportunities were available due to the rural nature of the AA combined with its demographic and economic conditions.

### **Limited-Scope AAs**

The level of CD lending in the Fannin and Wichita Falls AAs is consistent with the results of the Fort Worth AA. In the Fannin AA, the bank originated a \$3 million loan to a local community hospital to assist with the 1115 waiver program. This program helps community-owned hospitals with operational expenses for innovation and redesign, population-focused improvement, and clinical improvements in care. The hospital is a non-profit that meets the needs of the community. In the Wichita Falls AA, the bank originated three loans totaling \$2.3 million. A \$500,000 loan promoted economic development in the AA by creating over 30 permanent jobs for lower-wage workers. The other two loans totaling \$1.8 million were for the purchase of apartment buildings that provide affordable housing for LMI individuals and families. The level of CD lending in the Grayson AA is consistent with the results of the Non-MSA AA.

### **Number and Amount of Qualified Investments**

The level of qualified investments in the Fort Worth AA reflects an adequate responsiveness to CD needs. The level of qualified investments in the Non-MSA AA is comparatively lower but still considered adequate. The level of qualified investments in the Fannin and Grayson AAs is consistent with the results of the Fort Worth AA. The level of qualified investments in the Wichita Falls AA is consistent with the results of the Non-MSA AA.

### **Fort Worth AA**

The level of qualified investments in the Fort Worth AA reflects an adequate responsiveness to the CD needs of the AA.

In the prior period, Legend committed \$1 million to Valesco Commerce Street Capital, LP, a Small Business Investment Company. Valesco promotes economic development by financing small businesses in lower-middle market businesses across the country in exchange for subordinated debt and/or equity. Legend's investment has a geographic focus primarily in Texas including the bank's assessment areas. In the first quarter of 2014, Valesco invested in *allgoods, LLC*, Arlington, Texas. This LLC provides apparel oriented fundraising and spirit items to high schools across the U.S. During the prior period, the bank funded \$118,000 of its \$1 million commitment. During this review period, Legend funded \$300,000.

In the prior period, Legend purchased a \$1.8 million GNMA CRA mortgage-backed security collateralized by 16 home mortgage loans to LMI borrowers in Tarrant County. This security was sold in October 2013 at which time the bank invested \$1.9 million in a GNMA CRA mortgage-backed security backed by 19 loans that financed single-family residences also in Tarrant County. Of the 19 loans, 18 were granted to LMI borrowers. The property on the remaining loan is located in a moderate-income census tract.

### **Non-MSA AA**

Although the bank made no qualified donations or debt/equity investment purchases in the Non-MSA AA, fewer opportunities were available due to the rural nature of the AA combined with its demographic and economic conditions.

### **Limited-Scope AAs**

The level of qualified investments in the Fannin AA is consistent with the results of the Fort Worth AA. In the prior period, the bank purchased a \$1.25 million investment that provides \$12,500 per year to support community services targeted to local senior veterans in Bonham. During 2012 to 2014, this investment generated \$37,500 for this purpose. The bank donated \$800 to a local youth mentoring organization targeted to LMI families. The level of qualified investments in the Grayson AA is also consistent with the results of the Fort Worth AA. In the Grayson AA, Legend donated a three-acre tract of abandoned commercial property valued at \$100,000 to the City of Whitesboro to create a park that will revitalize that part of the city and be used by all residents including LMI families. The level of qualified investments in the Wichita Falls AA is consistent with the results of the Non-MSA AA, although the bank did not add Wichita County, which accounts for over 90 percent of the AA's population, to this assessment area until Legend opened its branch in Wichita Falls in June 2014.

### **Combined AAs**

The bank financially sponsors EverFi, Inc., an education technology company that serves Clay, Fannin, Grayson, Montague, Tarrant, Wichita and Wise counties. EverFi provides mandated financial literacy education to high school students across the combined AAs many of whom are economically disadvantaged. Each program is six hours long and covers seven financial literacy topics. Under its contract with EverFi, the bank pays \$20,250 annually. During the review period, Legend's donation of \$60,750 supported this community service for 2012 to 2014.

### **Extent to Which the Bank Provides Community Development Services**

The level of CD services in the Fort Worth and Non-MSA AAs reflects an adequate responsiveness to CD needs. The level of CD services in the Fannin and Wichita Falls AAs is consistent with the results of the full-scope AAs. The level of CD services in the Grayson AA is consistent with the results of the full-scope AAs.

### **Fort Worth AA**

The level of CD services in the Fort Worth AA reflects an adequate responsiveness to the CD needs of the AA.

In the Fort Worth AA, board members, officers and employees actively donate their financial and leadership skills to seven organizations all with a CD purpose. Examples include:

- Providing financial literacy classes at local schools where a majority of students are LMI and to CD service organizations such as the Womens Shelter and the Catholic Charities in which the majority of the attendees are LMI.
- An employee served as President of the Decatur Education Foundation that raises funds to support the education of primarily LMI students through grants, scholarships and purchasing books and supplies.

### **Non-MSA AA**

The level of CD services in the Non-MSA AA reflects an adequate responsiveness to the CD needs of the AA.

In the Non-MSA AA, officers and employees actively donate their financial and leadership skills to seven organizations all with a CD purpose. Examples include:

- Serving on the board of the Montague County Child Welfare Board that benefits primarily LMI children and their families.
- Serving as the President of the Nocona Economic Development Board that works to create jobs and revitalized local geographies.
- Several bank employees utilized their financial skills to assist Backpack Buddies, an organization that feeds economically disadvantaged students from the Bowie ISD.

### **Limited-Scope AAs**

The level of CD services in the Fannin and Wichita Falls AAs is consistent with the results of the full-scope AAs. In the Fannin AA, officers served on the Boards of two CD organizations that provide community services to LMI children and residents, and provided career counselling to predominately LMI students. In the Wichita Falls AA, a director and an officer of the bank served as a board member and treasurer, respectively, to two CD organizations that provide community services to LMI students and families. An officer also provided financial literacy training primarily to LMI seniors. The level of CD services in the Grayson AA is consistent with the results of the full-scope AAs.

## **Combined AAs**

During the review period, a director of the bank served as a board member of a non-profit service organization that operates across the combined AAs and a broader statewide area. Cal Farley's Alumni Foundation provides education, housing, social and medical services to children and heightens community awareness. Over 50 percent of the children are from families that live below the poverty level.

## **Responsiveness to Community Development Needs**

### **Fort Worth AA**

The bank demonstrated adequate responsiveness to meeting the CD needs of the community. This is evidenced by its level of CD lending, qualified investments and CD services. The bank's Decatur branch office is located in a moderate-income census tract which demonstrates a responsiveness to the banking needs of the AA.

### **Non-MSA AA**

Legend demonstrated adequate responsiveness to meeting the CD needs of the community. Although there are comparatively fewer opportunities for CD lending and qualified investments in this AA, officers and employees actively donated their financial and leadership skills to seven non-profit service organizations. Four bank officers served as directors, one served as a vice president, and a sixth officer provided financial literacy training to predominately LMI students. Several employees contributed their time to assist an organization that feeds economically disadvantaged students. Although the main office in Bowie is in a middle-income geography, it is immediately adjacent to a moderate-income census tract that enables the bank to be more responsive to AA banking needs.

### **Limited-Scope AAs**

The level of CD responsiveness in the Fannin, Wichita Falls and Grayson AAs is consistent with the performance in the full-scope areas.

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

Pursuant to 12 C.F.R. 25.28(c), in determining a 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.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.