



## **PUBLIC DISCLOSURE**

August 06, 2013

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

Texas Republic Bank, National Association  
Charter Number 12308

2595 Preston Road, Building 100  
Frisco, TX 75034

Office of the Comptroller of the Currency

Dallas Field Office  
225 East John Carpenter Freeway  
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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**

Texas Republic Bank, National Association (TRB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The loan-to-deposit ratio for TRB is more than reasonable and averaged 87.40 percent during the evaluation period, reflecting outstanding performance.
- When performance context issues are considered, TRB's efforts to meet the credit needs of its Assessment Areas (AAs) are adequate and meet the standards for satisfactory performance.
- The distribution of loans in the Dallas Metropolitan Statistical Area (MSA) AA and Hardeman County AA reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes and meets the standards for satisfactory performance.
- TRB's overall distribution of loans to low- and moderate-income (LMI) families is reasonable when considering performance context.
- TRB's geographic distribution of loans to low- and moderate- income geographies reflects excellent dispersion and meets the standards for outstanding performance.

**SCOPE OF EXAMINATION**

TRB qualifies as a Small Bank under the CRA regulation and is thus, subject to a Lending Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its AAs through its lending activities. The last CRA exam was conducted as of March 19, 2007 and covered the period from September 17, 2001 through December 31, 2006.

The bank faced a number of performance context issues since the previous examination in 2007. The bank was originally limited in lending performance based on overall asset size. In 2008, the bank was directly affected by the fall of the economy and subsequent mortgage value decline. Due to these issues, the bank was placed under a regulatory enforcement action in which the bank had severe capital restrictions that prevented lending for most of the review period. In April 2011, a new Holding Company, TXRB Holdings, Inc. purchased all of the bank stock. Entirely new bank management was hired, a new Board of Directors was sworn in and new capital was injected into the bank. Loan production started to rise in the last part of 2011 and into 2012, although lending volume remains low, especially for the branch in Quanah, TX.

At this CRA examination, and based on the performance context listed, the evaluation under the Lending Test covers loans originated from January 1, 2009 through December 31, 2012. We assessed performance under the lending test through a review of sampled residential and commercial loans for the Dallas MSA AA for both census periods; and a review of consumer loans for 2012 and agriculture loans for 2009 to 2011 for the Hardeman County AA. We used a random sample of mortgage loans for 2009, 2010, and 2011. We used Home Mortgage Disclosure Act (HMDA) data for loans in 2012 to review mortgage lending activities. Comparable reviews for all product types were limited and based on volume for the separate time periods and locations.

TRB has delineated Dallas MSA AA and Hardeman County AA as its AA. All of TRB's branches are located within these areas. The Dallas MSA AA is in the Dallas-Plano-Irving, TX MSA/Metropolitan Division (MD) and the Hardeman County AA is located in the Northwestern Texas nonmetropolitan area. Therefore, the bank has two delineated AAs. We conducted a full scope review of the lending activities in both AAs to the extent possible.

With the release of the 2010 Census data, the loans extended in 2012 will be presented in the context of this data. Loans extended prior to 2012 will be considered in the context of the 2000 Census data. This Performance Evaluation (Report) contains analysis and tables for both periods.

## **DESCRIPTION OF INSTITUTION**

TRB is a community bank headquartered in Frisco, which is located in Collin County, Texas. TRB is a full-service community bank offering traditional loan and deposit products and services to individuals and businesses. TRB was chartered in 1891 and has approximately \$94 million in total assets as of June 2013. The main office is located at 2595 Preston Road in Frisco, TX. In addition to its main office, TRB operates one branch in the Texas community of Quanah.

The main office in Frisco is located in an upper-income census tract. The Quanah branch location is in a moderate-income census tract. TRB has not opened or closed any branches during this evaluation period. The Frisco branch operates out of a leased facility in a strip center adjacent to Stonebriar Mall, which includes an attached motor bank. The Quanah branch, located in downtown Quanah, also includes a motor bank. The bank does not offer ATMs at either branch or in the local area.

In April 2011, TRB was acquired, and is now 100 percent owned by TXRB Holdings, Inc. This is a one-bank holding company based in Frisco, Texas. With the acquisition, TRB has been under entirely new management with a new board of directors in place. There are no affiliate relationships. Since the 2011 acquisition of the bank, there are no legal, financial or other factors impeding the bank's ability to help meet the credit and community development needs in its AAs.

TRB offers a variety of credit products including commercial, commercial real estate, consumer, residential, and agricultural loans. The bank's lending focus differs between Frisco and Quanah. Loans originated in Frisco are primarily residential and commercial. The focus in Quanah is primarily agriculture and consumer lending. The bank offers deposits products such as checking, savings, NOW, money market and time deposit accounts. TRB also offers consumer and business internet banking services.

TRB reported total assets of \$94 million and total liabilities of \$80 million as of June 30, 2013. Total loans of \$77 million represent 82 percent of total assets. A summary of the loan portfolio is reflected in the table below:

<b>Loan Portfolio Composition</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate	\$34,577	45.04%
Commercial Real Estate	\$24,032	31.30%
Commercial	\$10,752	14.01%
Farmland Real Estate	\$4,096	5.34%
Consumer Loans	\$1,862	2.43%
Agricultural Production/Other Agricultural	\$1,005	1.31%
Other Loans	\$447	0.58%
<b>Total</b>	<b>\$76,771</b>	<b>100.00%</b>

*Source: The Federal Financial Institutions Examination Council's (FFIEC) Consolidated Reports of Condition and Income (Call Report) data gathered from June 30, 2013.*

TRB's identified assessment area is highly competitive. Competition from other financial institutions is above-average and increasing. The primary competition consists of other state and national financial institutions, credit unions, and branch facilities of large regional and national institutions. The competition is highly visible and offers very competitive rates on loans and deposits.

TRB received an overall rating of "Satisfactory" during its previous CRA examination dated March 2007, using Small Bank CRA Procedures.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

TRB has designated the Dallas MSA AA and the Hardeman County AA as its assessment areas. The main branch is located in Frisco, Texas, which primarily serves portions of Dallas, Collin, and Denton Counties. These counties are three of eight counties that comprise the Dallas-Plano-Irving, TX MSA/MD. The Quanah, Texas branch is located in, and serves, Hardeman County. Hardeman County is located in the Northwestern Texas nonmetropolitan area.

The demographic information is different for both AAs. The designation of these areas is reasonable based on the institution's branch locations. The AAs meet the requirements of the CRA regulation and do not arbitrarily exclude low- or moderate-income geographies.

## Dallas MSA Assessment Area

Prior to 2011, TRB's assessment area included 31 Census Tracts (CTs) in Collin County. In 2011, TRB increased the AA, known as Dallas MSA AA, to include 352 contiguous Census Tracts (CTs) in Dallas, Collin, and Denton Counties as one of their two AAs. The Dallas MSA AA is located within the Dallas-Plano-Irving, TX MSA/MD and is comprised primarily of middle and upper census tracts. Specific demographic and economic data for this area is listed below:

<b>Demographic Data Dallas MSA Assessment Area</b>		
<b>Demographic Data</b>	<b>2000 Census</b>	<b>2010 Census</b>
<b><i>Population Data</i></b>		
Population	196,958	1,733,749
Total Families	53,693	423,830
Total Households	67,786	603,937
<b><i>Housing Data</i></b>		
1-4 Family Units	59,036	476,087
Multi-family Units	15,002	176,527
% Owner-Occupied Units	68.21%	59.31%
% Rental-Occupied Units	23.08%	33.23%
% Vacant Housing Units	8.71%	7.46%
<b><i>Median Family Income (MFI)</i></b>		
MFI for Assessment Area	\$85,911	\$87,416
HUD Adjusted MFI	\$69,600	\$70,600
<b><i>Economic Indicators</i></b>		
Unemployment Rate	2.01%	4.28%
% Households Below Poverty Level	3.81%	8.37%
Median Housing Value	\$157,948	\$192,184

Derived from the 2000 & 2010 Census Bureau data and 2011 & 2012 HUD data.

Dallas, Collin, and Denton Counties are adjacent urban counties located in the north central part of Texas. All of Collin County, approximately 886 sq. miles, is included in the AA. McKinney, the county seat, is the second largest city in the county, Plano being the largest. A portion of Denton and Dallas Counties are also included in the AA.

The economy of the Dallas MSA AA is well diversified with a variety of industries and businesses. According to the U.S. Bureau of Labor Statistics, major industries and employers in the AA are trade/transportation/utilities, professional and business services, education and health services and government. Based on 2010 Census demographic data, the AA has a population of 1.7 million. There are approximately 653 thousand housing units in the AA, with 59 percent owner-occupied, 33 percent renter-occupied and 8 percent vacant. Approximately 4 percent of the households in the AA are low-income and 14 percent are moderate-income. Middle-income and upper-income families represent 31 and 51 percent of the population respectively. There are

235 thousand businesses in the AA. Of these businesses, 73 percent reported gross annual revenue of less than or equal to \$1 million and 3 percent reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 24 percent of the businesses did not report revenues.

Community contacts conducted in connection with this examination and prior interviews disclosed that the primary credit needs of the AA include affordable housing, predevelopment funding, and small business, residential, and commercial loans. The contacts stated that there are no significant gaps in local financial institutions meeting the credit needs of the AA. The contacts also discussed opportunities for financial institutions in the AA to participate in community development (CD) lending and investment.

### Hardeman County Assessment Area

TRB has designated Hardeman County as one of their two AAs and has not made any changes to this AA since the previous examination. This assessment area is composed of one moderate-income level census tract that includes the only branch of the bank in Quanah, Texas. Based on 2010 census data, the CT has changed from middle- to a moderate-income CT. This AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific demographic and economic data for this area is listed below:

Demographic Data Hardeman County Assessment Area		
Demographic Data	2000 Census	2010 Census
<b>Population Data</b>		
Population	4,724	4,139
Total Families	1,343	1,220
Total Households	1,960	1,672
<b>Housing Data</b>		
1-4 Family Units	2,316	2,223
Multi-family Units	42	87
% Owner-Occupied Units	60.35%	57.06%
% Rental-Occupied Units	22.05%	15.32%
% Vacant Housing Units	17.60%	27.62%
<b>Median Family Income (MFI)</b>		
MFI for Assessment Area	\$33,325	\$37,969
HUD Adjusted MFI	\$48,600	\$49,300
<b>Economic Indicators</b>		
Unemployment Rate	2.51%	8.61%
% Households Below Poverty Level	16.63%	18.18%
Median Housing Value	\$31,000	\$46,900

Derived from the 2000 & 2010 Census Bureau data and 2011 & 2012 HUD data.

Hardeman County is a non-MSA located in the northwestern part of Texas. The city of Quanah, which is located approximately 80 miles northwest of Wichita Falls, Texas, is the county seat. The population of Hardeman County is approximately 4 thousand. The AA is made up of only one CT.

The economy of the area is not well diversified and is dependent primarily on the agriculture and oil and gas industries. Based on 2010 Census demographic data, the AA has a population of 4.1 thousand. The AA has approximately 2 thousand housing units, with 57 percent owner-occupied, 15 percent renter-occupied and 28 percent vacant. Moderate-income households represent 100 percent of the population in the AA. There are 562 businesses in the AA. Of these businesses, 76 percent reported gross annual revenue less than \$1 million and 2 percent reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 22 percent of the businesses did not report revenues.

Community contacts conducted in connection with the CRA examination of another bank in this AA disclosed that there are no significant gaps in local financial institutions meeting the credit needs of the AA. The primary credit needs of the community include financing for home purchase or home improvement, consumer loans, and small business loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

TRB's performance in meeting the credit needs of its AAs is satisfactory. Our conclusion is based on a more than reasonable loan-to-deposit ratio, a satisfactory lending performance within the bank's AAs considering certain performance context factors, a reasonable borrower distribution of loans within the bank's AAs, and an excellent geographic distribution of loans within the AAs.

To assess TRB's performance under the lending test, we reviewed the bank's residential real estate mortgage lending activity for the years 2009, 2010, 2011 from a random sample, and 2012 using loan data as reported under HMDA. We also reviewed a random sample of loans from the commercial, agriculture, and consumer loan portfolios.

## Loan-to-Deposit Ratio

Given the bank's size, financial condition, and AA credit needs, the bank's loan-to-deposit (LTD) ratio meets the standard for **outstanding performance**. The bank's twenty-five quarter average LTD ratio is 87.40 percent compared to the 68.28 percent average for local competitors and the national peer group. During the evaluation period, TRB's loan-to-deposit ratio ranged from a low of 53.83 percent to a high of 102.56 percent with an average of 87.40 percent. The LTD ratio is **more than reasonable** relative to the size, competition, local economy, lending activities, and demographics of the AA.

The institutions' size and average LTD ratio are detailed in the following table:

Financial Institution	Total Assets As of 06/30/2013 \$(000)	Average LTD Ratio
<b>Texas Republic Bank, NA</b>	<b>94,231</b>	<b>87%</b>
Homebank Texas	116,927	71%
Sanger Bank	111,975	69%
Independent Bank of Texas	109,533	86%
Prosper Bank	71,230	77%
Justin State Bank	68,440	89%
<b>Average LTV Ratio (All Peers):</b>	<b>-</b>	<b>69%</b>

Source: *The Federal Financial Institutions Examination Council's (FFIEC) Consolidated Reports of Condition and Income (Call Report) data gathered from March 31, 2007 to June 30, 2013.*

## Lending in Assessment Area

TRB's lending in its AA meets the standard for satisfactory performance, when performance context issues are considered. Although a substantial majority of TRB's primary loan products were originated outside of the AA from 2009 – 2011, this can be directly attributed to the bank being under an enforcement action in which the bank had capital restrictions which prevented lending for most of the review period. In 2011, new management was hired and new capital was injected into the bank. Loan production started to rise in the last part of 2011 and into 2012. A majority of the loans have been made to borrowers that buy houses with the intention of remodeling and reselling them (meaning that although the borrower may be located within the AA, the collateral property is located outside of the AA). Based on the bank's AA defined by previous management, a majority of the loans for 2009 – 2011 were made outside of the AA. During 2012, the AA was redrawn by new management and significant improvement was noted. However, due to the nature of their loan product, a majority of the loans remain outside the AA. TRB has been working on better defining their assessment area over the past year and are making ongoing changes to increase their exposure inside the AA. In 2012, 43 percent of the number of loans and 41 percent of the dollar amount of loans originated / purchased in the primary loan products were within the AAs. The following table details the bank's lending within the AAs by number and dollar amount of loans.



<b>Table 1 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b><i>2009 -2011 Data</i></b>										
Home Purchase	1	10.00	9	90.00	10	157	11.69	1,186	88.31	1,343
Home Improvement	0	0.00	0	0.00	0	0	0.00	0	0.00	0
Home Refinance	2	20.00	8	80.00	10	509	25.68	1,473	74.32	1,982
Commercial Loans	1	5.00	19	95.00	20	49	1.48	3,297	99.40	3,317
Agriculture Loans	10	50.00	10	50.00	20	792	43.23	1,040	56.77	1,832
<b><u>2009 -2011 Totals</u></b>	<b>14</b>	<b>23.33</b>	<b>46</b>	<b>76.67</b>	<b>60</b>	<b>1,507</b>	<b>17.72</b>	<b>6,996</b>	<b>82.28</b>	<b>8,503</b>
<b><i>2012 Data</i></b>										
Home Purchase	69	40.12	103	59.88	172	7,765	45.81	9,194	54.19	16,949
Home Improvement	0	0.00	2	100.00	2	0	0.00	77	100	77
Home Refinance	19	41.30	27	58.70	46	3,082	50.19	3,059	49.81	6,141
Commercial Loans	20	64.52	11	35.48	31	2,015	51.96	1,863	48.04	3,878
General Consumer	20	95.24	1	4.76	21	103	97.60	3	2.40	106
<b><u>2012 Totals</u></b>	<b>128</b>	<b>47.06</b>	<b>144</b>	<b>52.94</b>	<b>272</b>	<b>12,965</b>	<b>47.75</b>	<b>14,196</b>	<b>52.29</b>	<b>27,151</b>
<b>Grand Total Reviewed</b>	<b>142</b>	<b>42.77</b>	<b>190</b>	<b>57.23</b>	<b>332</b>	<b>14,472</b>	<b>40.58</b>	<b>21,192</b>	<b>59.42</b>	<b>35,664</b>

Source: 2009, 2010, 2011 & 2012 HMDA Loan Data & US Census Reports for 2000 and 2010

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

TRB's lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance with a combined reasonable penetration in both AAs. The distribution of loans reflects excellent penetration for the Hardeman County AA and reasonable penetration for the Dallas MSA AA.

## Performance in Dallas AA

The distribution of loans in the Dallas MSA AA reflects reasonable penetration of lending to borrowers of different incomes and businesses of different sizes and meets the standard for satisfactory performance. The poor penetration of residential loans is justified by disparities in median household income and median housing price. There is no significant disparity in lending to individuals of different income levels or businesses of different sizes.

### *Home Loans*

The distribution of home loans to LMI borrowers is significantly lower than the ratio and reflects poor penetration among borrowers of different income levels. Demographic data for low-income families in the AA was 8.6 and 16.14 percent in 2009-2011 and 2012, respectively. There were no residential loans to low- or moderate-income borrowers in our review period for 2009-2011. In 2012, 2.56 percent of home purchase loans originated were to low-income borrowers. Moderate-income families accounted for 9.86 and 14.16 percent of families in the AA in 2009-2011 and 2012, respectively. In 2012, loans to moderate-income borrowers accounted for 7.69 percent of home purchases and 12.5 percent of refinances. The following table shows the distribution of home loan products among borrowers of different income levels in the Dallas MSA AA.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas 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
<b><u>2009-2011 Data</u></b>								
Home Purchase	8.60	0.00	9.86	0.00	16.92	0.00	64.62	100.00
Home Improvement	8.60	0.00	9.86	0.00	16.92	0.00	64.62	0.00
Refinance	8.60	0.00	9.86	0.00	16.92	50.00	64.62	50.00
<b><u>2012 Data</u></b>								
Home Purchase	16.14	2.56	14.16	7.69	18.42	7.69	51.27	82.05
Home Improvement	16.14	0.00	14.16	0.00	18.42	100.00	51.27	0.00
Refinance	16.14	0.00	14.16	12.50	18.42	12.50	51.27	75.00

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

Poor penetration among low- and moderate-income borrowers is attributed to low median household incomes and high median housing prices. Based on 2000 census data for loans made prior to 2012, the median household income for moderate-income CTs was approximately \$31 thousand while the median housing price for the AA was \$158 thousand. Based on 2010 census data for loans made in 2012, the median household income for moderate-income CTs was \$41 thousand while the median housing price was \$192 thousand.

### *Business Loans*

TRB's distribution of loans to small businesses with revenues of \$1 million or less reflects reasonable penetration, meeting the standard for satisfactory performance. We reviewed all commercial loans originated between January 01, 2009 and December 31, 2011 and a random sample of 20 loans originated from January 1, 2012 through December 31, 2012. According to data from Dunn and Bradstreet, 67.29 and 72.02 percent of businesses generated less than \$1 million in revenue in 2009-2011 and 2012, respectively. Based on data from 2009-2011, our sample concluded that 65 percent of the number of loans and 76.3 percent of the dollar amount of loans to businesses originated during the sampling period were made to small businesses. Based on 2012 data, our sample concluded that 60 percent of the number of loans and 39.88 percent of the dollar amount of loans to businesses originated during the sampling period were made to small businesses. The following table shows the distribution of commercial loans among different sized businesses in the Dallas MSA AA:

<b>Table 2C - Distribution of Loans to Businesses in the Dallas MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<b><u>2009 -2011 Data</u></b>				
% of AA Businesses	67.29%	2.16%	30.55%	100%
% of Bank Loans in AA by #	65.00%	35.00%	0%	100%
% of Bank Loans in AA by \$	76.30%	23.70%	0%	100%
<b><u>2012 Data</u></b>				
% of AA Businesses	72.02%	3.25%	24.73%	100%
% of Bank Loans in AA by #	60.00%	40.00%	0%	100%
% of Bank Loans in AA by \$	39.88%	60.12%	0%	100%

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

### Performance in Hardeman County AA

The distribution of loans in the Hardeman County AA reflects excellent penetration, and the lending to borrowers of different incomes and businesses of different sizes meets the standard for outstanding performance. Because there were not enough business loans made in this county to review a reasonable sample, we based our analysis on the next largest product type, which were agriculture loans. More consideration was placed on performance in the Hardeman County AA since for the majority of the evaluation period, the branch in Quanah was the primary lender and held the majority of the assets of the institution. There is no significant disparity in lending to individuals of different income levels, or businesses of different sizes.

*Agriculture Loans 2009 - 2011*

TRB's lending to farms in Hardeman County reflects excellent penetration and meets the standard for outstanding performance. We reviewed all farm loans located within Hardeman County AA that originated between January 1, 2009 and December 31, 2011. There were no new agriculture loans made in 2012. Our sample concluded that 100 percent of the number of loans and 100 percent of the dollar amount of loans to farms originated during the sampling period were made to borrowers with gross annual revenues of one million dollars or less. The following table shows the distribution of agriculture loans in the Hardeman County AA:

<b>Table 3A - Borrower Distribution of Loans to Farms in Hardeman County Co</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.47	1.27	1.27	100%
% of Bank Loans in AA by #	100.00	0	0	100%
% of Bank Loans in AA by \$	100.00	0	0	100%

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

*Consumer Loans 2012*

TRB's overall distribution of consumer loans to households of different incomes reflects an excellent penetration and meets the standard for outstanding performance, however, consumer lending is not a primary loan product. As reflected in the table below, the overall percentage of TRB's loans made to households in these income-brackets exceeds the percentage of low- and moderate-income households in the AA. The percentages of households in the AA in low- and moderate-income levels are 25.36 and 18.42 percent, respectively. Our sample reflected that, as a percent of consumer loans, loans to low-income borrowers are 50 percent and loans to moderate-income borrowers are 35 percent. The table below shows the distribution of consumer loans in the Hardeman County AA:

<b>Table 2B - Borrower Distribution of Consumer Loans in Hardeman County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25.36	50.00	18.42	35.00	19.38	15.00	36.84	0.00

## Geographic Distribution of Loans

### Performance in Dallas MSA AA

TRB's geographic distribution of loans meets the standard for outstanding performance. The distribution of loans reflects an excellent dispersion throughout the Dallas MSA AA. There were no conspicuous lending gaps identified within the AA.

### *Residential Loans*

TRB meets the standard for outstanding performance for lending to low- and moderate-income geographies in the AA. Geographic distribution of residential loans in the AA reflects excellent dispersion. We reviewed all residential real estate loans originated between January 1, 2009 and December 31, 2012. Prior to 2011, the AA included no low-income tracts and one moderate-income CT. Considering the absence of low-income CTs in the AA, the resulting lack of lending within this tract is reasonable. In 2011, management updated the AA, which now contains 17 and 53 low- and moderate-income tracts, respectively. This update affects loans originated in 2012. As reflected in the table below, only 0.83 percent of housing in the low-income tracts were owner-occupied in 2012. TRB's HMDA data reflects that 3.03 percent of home purchase loans and 10.53 percent of refinances were in low-income CTs in 2012. In the AA, 5.39 and 8.65 percent of housing in moderate-income tracts were owner-occupied for the years 2009-2011 and 2012, respectively. Based on our review of loans from 2009-2011, 10 percent of home purchase loans and 20 percent of refinance loans were located in moderate-income CTs. In 2012, 19.7 percent of home purchases and 31.58 percent of refinances were in moderate-income tracts. TRB has a strong distribution of home purchase and refinance loans in low- and moderate-income CTs. The following table details performance as compared to the percentage of owner-occupied housing units in each census-tract income level.

<b>Table 4 - Geographic Distribution of Residential Real Estate Loans in Dallas MSA 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
<b><u>2009 – 2011 Data</u></b>								
Home Purchase	0.00	0.00	5.39	10.00	35.07	40.00	59.55	50.00
Home Improvement	0.00	0.00	5.39	0.00	35.07	0.00	59.55	0.00
Refinance	0.00	0.00	5.39	20.00	35.07	50.00	59.55	30.00
<b><u>2012 Data</u></b>								
Home Purchase	0.83	3.03	8.65	19.70	27.86	37.88	62.66	39.39
Home Improvement	0.83	0.00	8.65	0.00	27.86	0.00	62.66	0.00
Refinance	0.83	10.53	8.65	31.58	27.86	47.37	62.66	10.53

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

*Commercial Loans*

TRB’s geographic distribution of commercial loans to different income tracts is excellent and meets the standards for outstanding performance. As indicated earlier, there were no low income tracts in the AA prior to 2011. We reviewed all commercial loans from January 1, 2009 through December 31, 2011 and a random sample of 20 loans from January 1 2012 through December 31, 2012. In 2009-2011, 1.6 percent of AA businesses were located in moderate-income tracts. Our review revealed that 10 percent of commercial loans were in moderate-income CTs. The percentage of businesses in low- and moderate-income CTs is 3.04 and 12.44 percent, respectively. Our sample reflects that 3.23 percent of loans are in low-income tracts, while 16.13 percent are in moderate-income CTs. The table below summarizes the distribution of business loans by income level:

<b>Table 4A - Geographic Distribution of Loans to Businesses in Dallas MSA 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
<b><u>2009 – 2011 Data</u></b>								
	0.00	0.00	1.60	10.00	19.06	20.00	79.44	70.00
<b><u>2012 Data</u></b>								
	3.04	3.23	12.44	16.13	28.46	22.58	56.06	58.06

*Source: Loan sample; Dunn and Bradstreet data*

Performance in Hardeman County AA

Prior to 2012, the entire Hardeman County AA was composed of one, middle-income CT. Based on 2010 Census data, the Hardeman County AA CT was changed from middle- to a moderate-income tract. This change affected loans originated after December 31, 2011. TRB’s geographic distribution of loans in 2012 meets the standard for outstanding performance. The distribution of loans reflects an excellent dispersion throughout the Hardeman County AA. There were no conspicuous lending gaps identified within the AA.

*Agriculture Loans 2009 - 2011*

There were no low-income tracts in the AA prior to 2012. Considering the absence of low- and moderate-income CTs in the AA, the resulting lack of lending within these tracts is reasonable. We reviewed all residential real estate loans originated from January 1, 2009 through December 31, 2011. Due to the fact that the AA included is composed solely of one middle-income census tract, 100 percent of farms are located in this tract. Our loan sample reflected 100 percent of agriculture loans were located in the middle-income CT. There were no new agriculture loans made in 2012.

The following table details performance as compared to the percentage of owner-occupied housing units in each census-tract income level:

<b>Table 4 - Geographic Distribution of Agriculture Loans in Hardeman County 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
Agriculture Loans	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00

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

### Consumer Loans 2012

The bank has a strong performance of lending to businesses in moderate-income geographies. There are limited opportunities to lend to consumers and businesses within low-income geographies with only one moderate-income census tract in the AA. We reviewed a random sample of 20 Business Loans from January 1, 2012 through December 31, 2012. The table below shows outstanding performance in the moderate-income geographies:

<b>Table 4A - Geographic Distribution of Loans to Consumers in Hardeman County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00

Source: Loan sample

### Responses to Complaints

We reviewed the complaints received by the bank and complaints received by our office. We did not identify any complaints relating to CRA.

### Fair Lending or Other Illegal Credit Practices Review

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