



## PUBLIC DISCLOSURE

November 30, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Extraco Banks, National Association  
Charter Number 13778

18 South Main Street  
Temple, Texas 76501

Office of the Comptroller of the Currency  
San Antonio North Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4165

**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 the 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: Outstanding**

Major factors supporting the rating include:

- The quarterly average loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of loan originations and purchases are inside the assessment areas (AAs).
- The distribution of loans exhibits reasonable penetration to borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion.
- Excellent responsiveness to community development (CD) needs through CD lending, qualified investments, and CD services.

**Scope of Examination**

This Performance Evaluation (PE) assesses the bank's performance using interagency Intermediate Small Bank (ISB) procedures, which include a Lending Test and a Community Development Test. The evaluation period ranges from September 4, 2012, the date of the prior PE, through November 30, 2015, the date of the current evaluation. The Lending Test concentrates on activity from January 1, 2013 to June 30, 2015. The bank's primary loan products, by dollar volume, relate to business and residential lending. While consumer loans do not represent a significant dollar volume, they represent the largest number of loans made during the evaluation period. As such, bank management requested consideration for these loans in the evaluation of its performance. Our consideration of CD activity (loans, investments and services) extend from the prior PE date of September 4, 2012, to our current evaluation date of November 30, 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 through 2015. The 2013 Office of Management and Budget (OMB) Metropolitan Area geographic boundary revisions (referred to as the 2014 OMB Changes) became effective for CRA purposes on January 1, 2014. As these changes did not affect Extraco's AA delineations, this PE contains a single analysis of loan data for the 2013 through 2015 evaluation period.

We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages and Community Reinvestment Act (CRA) data for business and consumer loans that bank management provided to verify the accuracy of data. We found the data reliable to use

for this evaluation. We also verified CD loans, investments, and services information that management submitted to ensure it met the regulatory definition for CD. We excluded any item that did not meet the definition or purpose of CD. We did not include any affiliate activities in this evaluation.

Extraco has five AAs - the Killeen-Temple AA, the Waco AA, the Hamilton County AA, the Brazos County AA, and the Williamson County AA. We conducted full-scope reviews of the Killeen-Temple and the Waco AAs. A full-scope review considers complete performance context information, and quantitative and qualitative factors. The Killeen-Temple AA received a full-scope review because 70 percent of bank deposits, 42 percent of bank offices, and 59 percent of the number of HMDA and CRA reportable loans are in this AA. The Waco AA received a full-scope review because 24 percent of deposits, 32 percent of offices, and 27 percent of the number of HMDA and CRA loans are in this AA. We performed limited reviews on the remaining three AAs and did not find conspicuous gaps. Limited-scope reviews consider primarily quantitative factors with performance context data limited to the comparable demographics.

In our Lending Test analysis, we gave more weight to performance in the Killeen-Temple AA because it accounts for 70 percent of deposits and 59 percent of loans analyzed. In comparison, the Waco AA had 24 percent of the deposits and 27 percent of the loans. In our Community Development Test analysis, we gave performance in the Waco AA equal weight to the Killeen-Temple AA due to the higher poverty level, higher percentage of low- to moderate-income (LMI) individuals, and greater number of CD needs and opportunities in the Waco AA.

## Description of Institution

Extraco, a full-service intrastate bank headquartered in Temple, Texas, is a wholly-owned subsidiary of Extraco Corporation, a one-bank holding company headquartered in Waco, Texas. As of June 30, 2015, Extraco had total assets of \$1.36 billion with net loans representing 58 percent of total assets. The table below summarizes the loan portfolio at June 30, 2015.

<b>Extraco Banks, National Association Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (000s)</b>	<b>Percentage</b>
Commercial and Commercial Real Estate	309,838	39%
Residential Real Estate	240,414	30%
Multi-Family Real Estate, Construction and Other	171,502	22%
Consumer	52,529	7%
Agriculture and Livestock – Mortgage and Production	15,569	2%
<b>Total Loans</b>	<b>789,852</b>	<b>100%</b>

Source: June 30, 2015 Report of Condition.

Extraco (an acronym for Exporters and Traders Compress) conducts business in several Central Texas communities offering trust, insurance, financial services,

mortgage, technology and a wide variety of traditional consumer and commercial banking services. Extraco also provides financial services through Extraco Community Development Corporation (ECDC), its wholly-owned subsidiary that makes loans and small donations in McLennan County, designed primarily to promote public welfare.

In addition to the main office in Temple, Extraco has 18 branch offices located in the Cities of Belton, Harker Heights, Killeen, Temple, Bryan, Copperas Cove, Gatesville, Hamilton, Lampasas, Lorena, McGregor, Waco (3), Woodway, Georgetown, and Round Rock (2). In 2013, Extraco opened the two Round Rock branches and a third branch in Waco. All three branches are located inside HEB grocery stores. In 2014, Extraco closed its Marble Falls branch.

The office locations are Extraco's primary delivery system for retail products and services, and are in areas that make them accessible to bank customers. The main office and four of the 18 branch offices are located in moderate-income census tracts (CTs). Each branch office, except the main office and the Temple South 31<sup>st</sup> Street branch, has an onsite interactive teller machine (iTM) available for customer use. The main office and the Temple South 31<sup>st</sup> Street branch each have a full-service ATM onsite. To allow additional customer access, Extraco has 11 stand-alone iTMs and four stand-alone ATMs across the Killeen-Temple and Waco AAs. One of the iTMs in the Killeen-Temple AA is in a moderate-income CT. Additionally, Extraco offers monthly on-site banking services at two locations in downtown Temple to residents of public housing who might have difficulty visiting the bank's fixed location branches.

Extraco offers a full range of consumer and commercial banking products and services including:

- Personal and business interest bearing and non-interest bearing accounts that include checking, money market investment, and certificates of deposit. It also offers individual retirement accounts (IRAs) and other custodial accounts.
- *Solution Banking*, a basic, low-cost checking account with a debit card made available to consumers who may have a record with ChexSystems. Extraco used a lower ChexSystems score threshold to allow greater access to banking services while reasonably managing the associated risk. The bank developed this product primarily to bank the unbanked and underbanked in its AAs. *Solution Banking* offers many products and services free of charge including debit card, online banking, direct deposit, mobile banking, online bill pay, and use of Extraco ATMs with up to \$20 reimbursement when using other banks' ATMs.
- 24-hour Cash ATM and iTM - the iTM accepts deposits, dispenses cash and looks like an ATM. However, it provides a real time, face-to-face conversation with a teller using video cameras. Interactive bank tellers help rural banks expand services.
- Internet banking through [www.extracobanks.com](http://www.extracobanks.com), which lets customers obtain daily deposit balances, verify transactions, download statements, track spending and transfer funds between deposit accounts. A bill pay service allows customers to pay bills and track payment history electronically.

- Other services offered through [www.extracobanks.com](http://www.extracobanks.com) include online account opening, loan applications and customer care contact through live chat and click to call services.
- Mobile banking allows customers to obtain balance information, transfer funds, bill pay, verify transactions, and set up text messaging.
- Phone24 allows 24-hour telephone access to transfer funds, verify transactions, and check daily deposit balances.
- Services also include Bank by Mail, Night Depository Services, Safe Deposit Boxes, Personalized Debit Cards, Automatic Funds Transfers, Check Cashing, Cashier's Checks, Wire transfers (domestic and foreign account holders only), Direct Deposit, Treasury Management Services, Remote Capture, Positive Pay, ACH originations and other specialized business services, U. S. Savings Bonds - Redemption (for account holders only), and Visa credit cards.
- Saving, Opportunities, Assets, Results (SOAR) Program – Extraco is involved in United Way of Central Texas's recently implemented SOAR Individual Development Accounts (IDA) Program. The SOAR Collaborative offers program participants IDAs called Boost Accounts. These are special savings accounts to assist low-income individuals on their path toward asset ownership through a matched savings and financial education program.
- Through each financial center, credit services include consumer loans to individuals, commercial loans, agricultural loans, and real estate loans such as home purchase, construction, land and land development, and commercial buildings.
- Lobby and drive-through hours are set by location to meet customer needs.
- In order to expand its reach into the AAs, Extraco has employees who can communicate in Spanish.

During the evaluation period, Extraco participated in two programs offered by the Federal Home Loan Bank of Dallas (FHLB) that assist LMI individuals and families to become homeowners or maintain their existing homes.

- Extraco closed six loans with total grants of \$21,000 under the FHLB's Home Equity Leverage Program (HELP). The FHLB provides grants through its members (Extraco is a participating lender) to first-time homebuyers who are income qualified (primarily LMI families). In coordination with the Waco Chapter of Habitat for Humanity, Extraco assists the applicants in obtaining these grants, which are on a first-come, first-served basis. The maximum HELP award per household is \$4,000 for closing costs or down-payment assistance.
- Extraco administered 25 grants totaling \$80,000 under the FHLB's Special Needs Assistance Program (SNAP). The FHLB provides grants through its members to qualified existing homeowners who are LMI and physically handicapped. In coordination with the Waco Chapter of Habitat for Humanity, Extraco assists the applicants in obtaining these grants that must be used for home repairs and/or modifications such as ramp or safety rail installation.

There are no legal or financial impediments to the bank’s ability to meet the credit needs of its AAs. The previous CRA PE, dated September 4, 2012, assigned a “Satisfactory” rating.

### Description of Assessment Areas

Extraco has five AAs - the Killeen-Temple AA, the Waco AA, the Hamilton County AA, the Brazos County AA, and the Williamson County AA.

### Killeen-Temple Assessment Area – Full-Scope Review

Demographic Information for Full Scope Area: Killeen-Temple Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs/BNAs)	86	3.49	23.26	50.00	18.60	4.65
Population by Geography	393,041	2.18	17.91	58.14	21.10	0.67
Owner-Occupied Housing by Geography	72,985	1.26	9.51	61.54	27.69	0.00
Business by Geography	19,927	1.54	18.69	53.39	25.74	0.64
Family Distribution by Income Level	90,749	19.56	19.07	21.62	39.75	0.00
Households by Geography	124,606	2.20	18.52	58.42	20.86	0.00
Median Family Income		56,076	Median Housing Value	104,350		
FFIEC Adjusted Median Family Income for 2014		59,100	Unemployment Rate	Bell County 4.60%		
Households Below Poverty Level		12.38%	(September 2015 BLS)	Coryell County 4.80%		

\*The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census, 2014 FFIEC updated median family income (MFI), and Bureau of Labor Statistics (BLS).

The Killeen-Temple AA is centrally located in Texas, approximately 60 miles north of Austin. The AA consists of Bell and Coryell Counties, and two CTs in Lampasas County that encompass the City of Lampasas. The AA includes three low-income, 20 moderate-, 43 middle-, and 16 upper-income CTs. Four CTs have no income designation. The AA is part of the Killeen-Temple metropolitan statistical area (MSA), which includes Bell, Coryell, and Lampasas Counties. The AA meets the requirements of the regulation, does not reflect illegal discrimination, and does not arbitrarily exclude any LMI geographies.

The branches in the Killeen-Temple AA are readily accessible to all portions of the LMI population in the AA. The main office and seven branches are in this AA. The main office and two branches are located in moderate-income CTs. Two of the remaining five branches are each adjacent to a low-income CT in the AA. One standalone iTM in the AA is in a moderate-income CT.

The Killeen-Temple MSA ranked eighth in population growth. Between 2000 and 2010, the metropolitan area grew almost 23 percent, which outpaced the state as a whole. The June 2014 Texas Labor Market Review reflects the MSA increased employment 10 percent over the year and also had 2 percent non-agriculture job growth from May 2013 to May 2014.

However, a Moody's Analytics report as of July 2015 shows job and income growth in the MSA has slowed significantly in the first six months of 2015 due to lower oil prices and the retrenchment of defense spending, which constrains expansion at Fort Hood.

Killeen, located in Bell County, is the principal city of this AA. The Killeen economy is very dependent on nearby Fort Hood, one of the largest U.S. military installations in the world. The city's economy heavily depends on the post and the soldiers and their families stationed there, as Fort Hood is the area's major employer. Killeen's other leading fields of employment include educational services, construction, healthcare, accommodation and food services, and finance and insurance. Killeen is home to Vive Les Arts Theatre, a full-time arts organization that produces several main Stage and Children's Theatre shows each year. The city is also home to a branch of the Texas A&M University system.

The July 2015 Moody's Analytics report reflects that in mid-July 2015, the U.S. Army announced cutbacks of 40,000 personnel in order to meet the requirements of the 2011 Budget Control Act. Whether partially or fully enacted, these cuts will affect Killeen's growth in coming years. Fort Hood's share of the cuts amount to more than 3,300 soldiers over the next three fiscal years, or nearly nine percent of the base's current military personnel, plus an unspecified number of federal civilian employees. Job losses could affect slightly more than two percent of the total employment base, which will exasperate the situation because soldiers receive salaries higher than the median wage received by retail and leisure/hospitality workers. The personnel cuts alone should not pull Killeen into recession, but they will make it difficult for the metropolitan area to continue its high growth performance and likely will limit long-term prospects.

The September 30, 2015 unemployment rates of 4.6 and 4.8 percent for Bell and Coryell Counties, respectively, are above the state averages of 4.4 percent but remain below the national averages of 5.1 percent. The 2010 Census data reflected 12.4 percent of households in this AA live below poverty levels.

The Killeen-Temple AA is a highly competitive banking environment filled with larger regional banks and community banks. The FDIC's June 30, 2015 Deposit Market Share Report reflects 22 institutions operate 92 branches within the AA. Extraco ranks first among the total group of banks with a deposit market share of 17 percent. Compass Bank ranks second with a 12 percent deposit market share.

A community contact interview conducted during this evaluation identified the following credit needs of the community:

- financing affordable housing construction (rental and owner-occupied) for LMI families;
- providing home purchase and homeownership programs for LMI individuals;
- providing financial literacy programs for LMI students; and
- offering free or low-cost banking services to the "unbanked" and/or individuals turned down by other financial institutions.

Discussions with bank management, a review of the PEs of competing banks, and other sources indicate an ongoing need for the following:

- consumer loans including secured automobile loans, unsecured short-term loans with minimum amounts of \$500 - especially to military personnel (alternative payday lending), and recreational vehicle loans;
- start-up business loans to entrepreneurs; and
- loans to existing small businesses for working capital and expansion.

### Waco Assessment Area – Full-Scope Review

Demographic Information for Full Scope Area: Waco Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts (CT)/BNAs)	51	13.73	19.61	31.37	31.37	3.92
Population by Geography	234,906	12.16	19.18	29.24	37.62	1.80
Owner-Occupied Housing by Geography	49,856	5.49	14.97	30.03	49.49	0.02
Business by Geography	16,026	4.99	20.57	30.96	42.89	0.59
Family Distribution by Income Level	55,570	22.12	17.33	19.47	41.08	0.00
Households by Geography	82,998	13.01	19.34	30.02	37.61	0.03
Median Family Income		53,712	Median Housing Value	100,223		
FFIEC Adjusted Median Family Income for 2014		55,300	Unemployment Rate	McLennan County		
Households Below Poverty Level		19.74%	(September 2015 BLS)	4.00%		

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

Source: 2010 US Census, 2014 FFIEC updated MFI, and BLS.

Extraco designated McLennan County as its Waco AA. Pursuant to 2014 OMB changes, the U.S. Census Bureau added Falls County to the Waco MSA effective January 1, 2014. Extraco did not add Falls County to its AA. McLennan County is located in Central Texas. Waco, the largest city and the County seat, is 90 miles south of the Dallas/Fort Worth metroplex and 100 miles north of Austin, centrally located on Interstate 35.

The AA includes 7 low-income CTs, 10 moderate-income, 16 middle-income, and 16 upper-income. Two CTs have no income designation. The AA meets requirements of the regulation, does not reflect illegal discrimination, and does not arbitrarily exclude any LMI geographies. Extraco has six branch offices in this AA, one in a moderate-income CT. A branch located in a middle-income CT is adjacent to a low-income CT in the AA.

Population in the Waco MSA has maintained a healthy growth rate with forecasts for continued growth. The population grew 24 percent between the 1990 Census and the 2000 Census. It had increased another 10 percent at the 2010 Census. Waco offers opportunities for professional development and workforce training with three higher education institutions including Baylor University, McLennan Community College and

Texas State Technical College. Waco residents enjoy several museums, regional and neighborhood parks, two symphonies, several theaters, and an AZA-accredited zoo.

The Waco MSA is a diverse economy, with no industry representing more than 20 percent of the market. Professional, government, and healthcare industry sectors continue to post strong growth in the area. Recent job growth is positive. Major employers in the Waco MSA include Providence Health Center, Baylor University, Wal-Mart, Waco ISD, L-3 Communications (Aerospace), Hillcrest Baptist Medical Center, and the City of Waco.

Economic stability is enhanced by the diversity of the Waco MSA economic base. The September 2015 unemployment rate of 4.0 percent remained below the state and national averages of 4.4 percent and 5.1 percent, respectively. Poverty levels in the Waco AA, however, are higher than national and state averages. The 2010 Census data reports 20 percent of the households live below poverty levels. Almost 40 percent of families have annual incomes that place them in the LMI categories. Accordingly, LMI geographies account for one-third of the CTs in the AA based on the 2010 Census.

The Greater Waco Chamber of Commerce is actively involved in the economic future of Waco and shaping the community into a viable and desirable home for businesses and families. The Chamber is strategically investing in economic and CD initiatives to transform Waco and the Brazos riverfront area. Efforts to transform the local workforce, economic development opportunities, quality of life and the local landscape take a collaborative effort among the Chamber, City of Waco, community partners, businesses, local universities, and many more. To assist with this initiative, the Chamber of Commerce has launched numerous campaigns to generate sufficient funds for this much-needed cause. Since 2005, Extraco has committed time and resources to address these issues.

The bank pledged over \$100,000 from 2010 to 2015 to the Chamber of Commerce through the *Momentum Waco* campaign. Additionally, bank employees are involved in revitalizing and stabilizing Waco and the riverfront area by volunteering and providing leadership through various organizations such as the City of Waco - Comprehensive Plan Advisory Committee, City of Waco - Plan Commission, Waco Downtown Development Corporation, and the Greater Waco Chamber of Commerce and Economic Development. Extraco has pledged \$100,000 from 2016 to 2020 for the recently initiated *Build Greater Waco* campaign.

The City of Waco has created tax increment financing zones to facilitate revitalizing and developing the city core and along the Brazos River Corridor. The City of Waco facilitates events to help promote downtown businesses and facade grants to improve the appearance of downtown buildings. A large number of businesses and different organizations are located within the tax increment reinvestment zone (TIRZ) located in downtown Waco.

The Waco AA is in a competitive banking environment filled with larger regional banks and community banks. The June 30, 2015 FDIC Market Share Report reflects 25 institutions operate 59 branches within the AA. Extraco ranks 8th among the total group of banks with a deposit market share of 5 percent. First National Bank of Central Texas ranks first with a 14 percent deposit market share and Wells Fargo Bank, National Association ranks second with a 13 percent deposit market share.

A community contact interview conducted during this evaluation identified the lack of affordable housing for purchase by LMI families and individuals. For houses that need rehab work, prospective LMI buyers sometimes can no longer afford the property once the labor is performed. The contact further stated that local banks could do a better job of assisting previously unbanked customers with their banking and credit needs.

Discussions with bank management, a review of the PEs of competing banks, and other sources indicate an ongoing need for the same type of loans discussed in the Killeen-Temple AA section of this PE. The lending activity of non-profit CD organizations such as NeighborWorks has reduced the overall demand for affordable housing loans for LMI individuals because NeighborWorks is subject to more relaxed mortgage lending standards than area commercial banks. Alternatively, the FHA now has more strenuous underwriting criteria and guidelines in place, making it more difficult for lower-income borrowers to obtain financing to purchase homes.

### Three Other Assessment Areas - Limited-Scope Reviews

Assessment Area	Hamilton County	Brazos County	Williamson County
<b>Population</b>			
Number of Families	2,119	37,297	20,479
Number of Households	3,064	66,105	27,612
<b>Geographies</b>			
Number of Census Tracts			
Low-Income Census Tracts	0	6	0
Moderate-Income Census Tracts	0	9	2
Middle-Income Census Tracts	3	11	10
Upper-Income Census Tracts	0	14	8
N/A Census Tracts*	0	2	0
<b>Median Family Income</b>			
2010 MFI for AA	\$50,386	\$61,139	\$79,073
2010 HUD-Adjusted MFI	\$52,800	\$62,000	\$76,800
<b>Economic Indicators</b>			
Unemployment Rate	4.7%	3.3%	3.4%
<b>2010 Median Housing Value</b>			
	<b>\$99,116</b>	<b>\$136,560</b>	<b>\$185,085</b>
% Households Below Poverty Level	10.15%	29.31%	5.89%
% Households Receiving Social Security	40.99%	15.67%	35.21%
% Households Retired	20.04%	9.52%	27.23%

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

Source: 2010 Census data; HUD.

### **Hamilton County Assessment Area – Limited Scope Review**

This AA includes all of Hamilton County, which is not part of any MSA. The 2010 Census reflects the county has three CTs - all middle-income. The City of Hamilton is the county seat. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI tracts.

Extraco has one branch office (located in Hamilton) in this AA. The June 30, 2015 FDIC Deposit Market Share Report reflects four institutions operate five branches in this AA. Extraco ranks fourth overall with 12 percent of the market share.

Hamilton County is located in central Texas to the northwest of Coryell County. The City of Hamilton is located 70 miles west of Waco, Texas. The primary industry in Hamilton County is agriculture. The largest city is Hamilton, which has a population of 3,000. Major employers include Hamilton General Hospital (266) and Hamilton ISD (130). The unemployment rate of 4.7 percent is slightly higher than the state average of 4.4 percent but is lower than the national average of 5.1 percent.

### **Brazos County Assessment Area – Limited Scope Review**

This AA includes all of Brazos County, which is one of three counties in the College Station - Bryan, Texas MSA. The AA includes six low-income CTs, nine moderate-income CTs, eleven middle-income CTs, and fourteen upper-income CTs. There are two CTs with no income designation. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI tracts.

Extraco has one branch office in this AA. It is located in a moderate-income CT in the City of Bryan, which is also the county seat. The June 30, 2015 FDIC Deposit Market Share Report reflects 19 institutions operate 59 branches within the AA. Extraco ranks 15th overall with 0.58 percent of the market share.

Brazos County is located in central Texas, northwest of Houston. The Brazos River forms the western border of the county. The largest employer is Texas A&M University, which houses its research facilities in this area. Oil and gas is a major industry in this AA due to the proximity of the Barnett Shale and is responsible for an additional 700 jobs over the last few years. Oil and gas extraction has directly benefitted Texas A&M University, the construction industry, and other related industries.

The unemployment rate of 3.3 percent compares favorably to the state and national unemployment rates of 4.4 percent and 5.1 percent, respectively. The percentage of households below the poverty rate is 29.3 percent; however, the sizeable population of students at Texas A&M University overstates the poverty rate.

## Williamson County Assessment Area – Limited Scope Review

This AA includes 20 of the 89 CTs that comprise Williamson County. Eighteen of the 20 CTs encompass the City of Georgetown, the county seat and the remaining two CTs are in the City of Round Rock. The AA includes two moderate-income CTs, ten middle-income CTs, and eight upper-income CTs. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Williamson County is located in central Texas, north of Austin. Its largest cities are Georgetown, with a population of 54,898 and Round Rock, with a population of 109,821. The largest employer is Dell Computer Corp., with approximately 16,000 employees. Other than Dell, retail and health care are the largest industries in the county. Williamson County's unemployment rate is 3.4 percent, which is lower than the state rate of 4.4 percent and the national rate of 5.1 percent.

Extraco has three branch offices in this AA. Two of the three branch offices are located inside HEB grocery stores in Round Rock. The third branch is a standalone facility in Georgetown located adjacent to a moderate-income CT. The June 30, 2015 FDIC Deposit Market Share Report reflects 33 institutions operate 126 branches within the AA. Extraco ranks 25th overall with 0.27 percent of the market share.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

### Loan-to-Deposit Ratio

Average LTD ratio of 74.89 percent over the past twelve quarters is reasonable given bank size, location, local competition, and AAs credit needs. During the evaluation period, the LTD ratio ranged from a low of 68.23 percent to a high of 80.17 percent.

Management considers the banks shown in the following table to be similarly situated institutions because the banks offer loan products similar to Extraco and have branch offices within the Extraco AAs. The Extraco LTD ratio compares favorably to these banks. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Financial Institutions	Total Assets \$ (000's) (As of June 30, 2015)	Average Loan-to-Deposit Ratio
Independent Bank	\$4,370,665	98.65%
Central National Bank	\$743,985	80.72%
Community Bank and Trust	\$401,535	76.58%
First National Bank of Central Texas	\$770,011	75.96%
<b>Extraco Banks, National Association</b>	<b>\$1,361,085</b>	<b>74.89%</b>
American Bank, National Association	\$411,604	67.93%
First National Bank Texas	\$1,343,933	31.24%

Source: Institution Reports of Condition from September 30, 2012 to June 30, 2015.

## Lending in Assessment Area

A substantial majority, 85 percent of the number and 75 percent of the dollar volume, of bank loans originated or were purchased inside its AAs.

<b>Table 1 - Lending in Combined Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,006	69	450	31	1,456	211,054	67	103,479	33	314,533
Home Improvement	362	93	28	7	390	12,754	96	573	4	13,327
Home Refinance	295	86	49	14	344	61,867	86	9,750	14	71,617
Business	756	89	91	11	847	72,283	81	16,879	19	89,162
Consumer	3,160	89	370	11	3,530	53,895	88	7,453	12	61,348
<b>Total</b>	<b>5,579</b>	<b>85</b>	<b>988</b>	<b>15</b>	<b>6,567</b>	<b>411,853</b>	<b>75</b>	<b>138,134</b>	<b>25</b>	<b>549,987</b>

Source: HMDA and CRA reported bank data.

In our analysis, we included all 1-4 family real estate loans the bank originated or purchased from January 1, 2013 to June 30, 2015, reported under the requirements of the HMDA. Extraco voluntarily reports business and consumer loans, which allowed us to include all business and consumer loans originated or purchased during the same period in our analyses.

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

The borrower distribution of loans in the Killeen-Temple AA and the Waco AA is reasonable. The bank's performance relative to the Hamilton County AA, the Brazos County AA, and the Williamson County AA is consistent with the performance in the Killeen-Temple AA and the Waco AA.

### Killeen-Temple Assessment Area

The distribution of loans to borrowers of different income levels is reasonable. The distribution of home mortgage, business and consumer loans all reflect reasonable penetration among borrowers of different income levels and businesses of different sizes.

#### *Home Mortgage Loans*

As detailed in Table 2 below, in each loan category except one, Extraco's 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers is lower than the percentage of LMI families. However, the percentage of home improvement loans to moderate-income borrowers exceeds the percentage of moderate-income families. While the distribution of home purchase and refinance loans to moderate-income borrowers is

below the demographic comparator, penetration is reasonable considering the 12 percent poverty rate and the high level of lender competition in the AA. Low-income applicants typically have difficulty qualifying for residential loans so a reduced level of lending is expected. Extraco’s overall distribution of residential loans to LMI borrowers reflects reasonable penetration.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Killeen-Temple Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	19.56	3.46	19.07	7.41	21.62	32.35	39.75	56.79
Home Improvement	19.56	11.43	19.07	22.86	21.62	22.04	39.75	43.67
Home Refinance	19.56	7.00	19.07	11.00	21.62	18.00	39.75	64.00

Source: HMDA reported bank data; U.S. Census data.

### Business Loans

As detailed in Table 2A below, the percentage of loans by number to small businesses is comparable to the percentage of small businesses in the AA and reflects reasonable penetration. A small business is defined as a business with annual revenues of \$1 million or less. Although the percentage by the dollar volume of loans is below the demographic comparator, we placed the most weight on the number of loans originated or purchased.

Table 2A - Borrower Distribution of Loans to Businesses in Killeen-Temple Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.82	2.97	18.22	100%
% of Bank Loans in AA by #	77.13	17.27	5.60	100%
% of Bank Loans in AA by \$	53.36	32.24	14.40	100%

Source: CRA reported bank data; Dun and Bradstreet data.

As detailed in Table 2C below, 79 percent of the number of business loans originated in amounts of \$100,000 or less. Loan size often loosely correlates to the size of the business.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Killeen-Temple Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	325	79.08	10,092	27.82
\$100,001 - \$250,000	40	9.73	6,240	17.20
\$250,001 - \$1,000,000	46	11.19	19,947	54.98
Over \$1,000,000	0	0.00	0	0.00

Source: CRA reported bank data.

*Consumer Loans*

The distribution of loans to consumers reflects reasonable penetration among LMI borrowers. Extraco originated almost 2,000 consumer loans in the Killeen - Temple AA during the evaluation period. As shown in Table 2B, nine percent of the number originated to low-income borrowers. This is poor penetration compared to the demographic comparator. The distribution of loans to moderate-income borrowers exceeds the demographic comparator reflecting excellent penetration.

Table 2B - Borrower Distribution of Consumer Loans in Killeen-Temple Assessment Area*								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	21.33	8.83	17.81	21.17	20.32	24.64	40.54	43.40

Source: CRA reported bank data; U.S. Census data.

\*Borrower income not reported on 1.96 percent of consumer loans.

**Waco Assessment Area**

Distribution of loans to borrowers of different income levels is reasonable. Distribution of home mortgage, business and consumer loans all reflect reasonable penetration among borrowers of different income levels and businesses of different sizes.

*Home Mortgage Loans*

As detailed in Table 2 below, in each loan category, the bank's 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers is lower than the percentage of LMI families. The distribution of home purchase and improvement loans to moderate-income borrowers is below the demographic comparator, penetration is reasonable considering the 20 percent poverty rate in the AA. Low-income applicants typically have difficulty qualifying for residential loans so a reduced level of lending is expected. Extraco's overall distribution of residential loans to LMI borrowers reflects reasonable penetration.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Waco Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	22.12	1.94	17.33	11.61	19.47	18.06	41.08	68.39
Home Improvement	22.12	7.04	17.33	12.68	19.47	29.58	41.08	50.70
Home Refinance	22.12	1.41	17.33	4.23	19.47	15.49	41.08	78.87

Source: HMDA reported bank data; U.S. Census data.

### *Business Loans*

As detailed in Table 2A below, the percentage of loans by number to small businesses is comparable to the percentage of small businesses in the AA and reflects reasonable penetration. Although the percentage by the dollar volume of loans is below the demographic comparator, we placed the most weight on the number of loans originated or purchased.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Waco Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.87	4.52	17.61	100%
% of Bank Loans in AA by #	69.14	24.57	6.29	100%
% of Bank Loans in AA by \$	55.56	24.82	19.62	100%

Source: CRA reported bank data; Dun and Bradstreet data.

As detailed in Table 2C below, 82 percent of the number of business loans originated in amounts of \$100,000 or less. As the table shows, 90 percent of the loans did not exceed \$250,000. Loan size often loosely correlates to the size of the business.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Waco Assessment Area</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	143	81.71	4,509	27.73
\$100,001 - \$250,000	14	8.00	2,395	14.73
\$250,001 - \$1,000,000	18	10.29	9,358	57.54
Over \$1,000,000	0	0.00	0	0.00

Source: CRA reported bank data.

### *Consumer Loans*

The distribution of loans reflects reasonable penetration among LMI borrowers. Extraco originated almost 1,000 consumer loans in the Waco AA during the evaluation period. As shown in Table 2B below, six percent of the number originated to low-income borrowers. This reflects poor penetration when compared to the percentage of households designated low-income; however, is reasonable when compared to the 20 percent poverty rate in the AA. The distribution of loans to moderate-income borrowers reflects excellent penetration as the percentage of bank loans exceeds the percentage of moderate-income households.

Table 2B - Borrower Distribution of Consumer Loans in Waco Assessment Area*								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	24.73	5.94	15.30	17.40	16.98	22.81	42.99	49.79

Source: CRA reported bank data; U.S. Census data.

\*Borrower income not reported on 4.06 percent of consumer loans.

### Limited-Scope Assessment Areas

Based on the limited-scope reviews, Extraco's performance for borrower distribution in the Hamilton County AA, the Brazos County AA, and the Williamson County AA is consistent with results in the Killeen-Temple AA and the Waco AA. The distribution of home mortgage, business and consumer loans in each of the three limited-scope AAs all reflect reasonable penetration among borrowers of different income levels and businesses of different sizes.

### Geographic Distribution of Loans

The geographic distribution of loans in the Killeen-Temple AA and the Waco AA is reasonable. Extraco's performance relative to the Brazos County AA and the Williamson County AA is consistent with results in the Killeen-Temple AA and the Waco AA. No meaningful conclusions can be drawn relative to the geographic distribution of loans in the Hamilton County AA because the AA has no LMI CTs.

### Killeen-Temple Assessment Area

The geographic distribution of loans is reasonable. The distribution of home mortgage, business and consumer loans all reflect reasonable dispersion across the LMI CTs. The AA has three low-income CTs and 20 moderate-income CTs, representing three percent and 23 percent, respectively, of the 86 CTs in the AA.

#### *Home Mortgage Loans*

The geographic distribution of loans reflects reasonable dispersion throughout the LMI CTs. As shown in Table 3 below, the percentage of loans originated in the low-income tracts exceeds the percentage of owner-occupied units located in the low-income tracts for home improvement and home refinance loans, and is near to the percentage for home purchase loans. The percentage of home loans made in the moderate-income tracts exceeds the percentage of owner-occupied units located in those CTs for home improvement loans, and is near to the percentage for home purchase and home refinance loans.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Killeen-Temple Assessment Area								
CT 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	1.26	1.23	9.51	8.83	61.54	42.30	27.69	47.64
Home Improvement	1.26	1.61	9.51	9.64	61.54	61.04	27.69	27.71
Home Refinance	1.26	2.33	9.51	9.30	61.54	48.84	27.69	39.53

Source: HMDA reported bank data; U.S. Census data

### Business Loans

The geographic distribution of loans reflects reasonable geographic dispersion. As detailed in Table 3A below, the percentage of loans to businesses in the low-income CTs is lower than the percentage of businesses located in those geographies. The percentage of loans to businesses in the moderate-income CTs is near to the percentage of businesses located in those geographies. Only three CTs or three percent of the AA's 86 tracts are low-income. As such, more weight is given to lending performance in the moderate-income CTs.

Table 3A - Geographic Distribution of Loans to Businesses in Killeen-Temple Assessment Area								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	1.54	0.73	18.69	16.06	53.39	52.55	25.74	30.66

Source: CRA reported bank data; D & B data

### Consumer Loans

The geographic distribution of loans reflects reasonable dispersion throughout the LMI CTs. As shown in Table 3B below, almost two percent of the number of loans originated in low-income CTs, which is near to the percentage of households in low-income CTs. The distribution of loans to moderate-income CTs is somewhat lower than the demographic comparator, but is reasonable.

Table 3B - Geographic Distribution of Consumer Loans in Killeen-Temple Assessment Area								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	2.20	1.51	18.52	11.94	58.42	57.95	20.86	28.60

Source: CRA reported bank data; U.S. Census data

## Waco Assessment Area

The geographic distribution of loans reflects reasonable dispersion. The distribution of home mortgage, business and consumer loans all reflect a reasonable dispersion across the LMI CTs. The AA has seven low-income CTs and ten moderate-income CTs representing 14 percent and 20 percent, respectively, of all 51 CTs in the AA.

### *Home Mortgage Loans*

The geographic distribution of loans reflects reasonable dispersion throughout the LMI CTs. As detailed in Table 3 below, in each loan category except one, the bank's 1-4 family real estate lending (HMDA reportable loans) originated in LMI geographies is somewhat lower than the percentage of owner-occupied housing in those CT income levels. Although the percentage of home refinance loans made in low-income geographies exceeds the percentage of owner-occupied housing in that category, it represents only 24 loans out of 354 HMDA reportable loans originated in this AA. The volume is not sufficient to change the overall reasonable conclusion.

CT 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	5.49	3.23	14.97	8.06	30.03	18.28	49.49	70.43
Home Improvement	5.49	1.23	14.97	2.47	30.03	34.57	49.49	61.73
Home Refinance	5.49	6.90	14.97	2.30	30.03	18.39	49.49	72.41

Source: HMDA reported bank data; U.S. Census data

Although the LMI CTs comprise 34 percent of the number of CTs in the AA, they contain only 20 percent of the owner-occupied housing or 10,200 units. The average age of these units is 41 years old. Older housing often has higher maintenance costs compared to new housing stock and frequently requires significant repairs to bring the dwelling up to code requirements. Older houses are often less energy efficient, resulting in higher utility costs, which can increase homeownership costs. These additional factors and costs, coupled with a family poverty level of 14 percent, negatively affect the ability of LMI individuals to qualify for mortgage loans.

### *Business Loans*

The geographic distribution of loans reflects reasonable dispersion across the LMI CTs. As detailed in Table 3A below, the percentage of loans in the low-income CTs exceeds the percentage of businesses located in those geographies. The percentage of loans in the moderate-income CTs is somewhat lower than the percentage of businesses located in those geographies.

Table 3A - Geographic Distribution of Loans to Businesses in Waco Assessment Area								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	4.99	10.29	20.57	15.43	30.96	31.43	42.89	42.85

Source: CRA reported bank data; D & B data

### Consumer Loans

As detailed in Table 3B below, in both the low- and moderate-income CTs, the geographic distribution is lower than the percentage of households in those geographies. When considering that 20 percent of households in the AA live below the poverty level, the geographic distribution of loans reflects reasonable dispersion across the tracts.

Table 3B - Geographic Distribution of Consumer Loans in Waco Assessment Area								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	13.01	2.71	19.34	8.02	30.02	27.08	37.61	62.19

Source: CRA reported bank data; U.S. Census data.

### Limited-Scope Assessment Areas

Based on limited-scope reviews, Extraco’s performance for geographic distribution in the Brazos County AA is generally consistent with results in the Killeen-Temple AA and the Waco AA. The geographic distribution in the Williamson County AA relative to business loans and consumer loans is excellent. However, there are no low-income CTs and only two (ten percent) moderate-income. In addition, business and consumer loans represent only 23 percent of the AA’s loans. The bank’s performance in the Williamson County AA is also generally consistent with the results of the full-scope AAs based on the geographic distribution of its home mortgage loans. The Hamilton County AA has no low- or moderate-income CTs. As such, no meaningful conclusion can be drawn relative to the geographic distribution of loans.

### Responses to Complaints

Extraco did not receive any CRA-related complaints during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

Extraco’s overall responsiveness to CD needs of its AAs through CD lending, investments, and services is excellent. Extraco’s responsiveness to the CD needs of the Killeen-Temple AA and the Waco AA through CD lending, investments, and services is excellent. The primary emphasis for the Killeen-Temple AA was placed on CD loans followed by CD services. Based on the Waco AA’s higher poverty level, higher

percentage of LMI individuals and greater number of CD needs and opportunities, we accorded it as much consideration as the Killeen-Temple AA. The primary emphasis for the Waco AA was qualified investments and CD services.

The bank's performance relative to the Brazos County AA is consistent with the results of the full-scope reviews. Extraco's performance for the Hamilton County AA and the Williamson County AA is not consistent with the results of the full-scope reviews. Fewer opportunities were available due to the rural nature of Hamilton County and the higher income borrower and geographic levels of Williamson County.

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

The level of CD lending in the Killeen-Temple AA reflects excellent responsiveness to CD needs. The level of CD lending in the Waco AA is comparatively lower but considered adequate. The level of CD lending in the Brazos County AA exceeds the results in the Killeen-Temple AA. The level of CD lending in the Hamilton County AA and the Williamson County AA is not consistent with the results of the Waco AA.

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

The level of CD lending in the AA reflects excellent responsiveness to the CD needs of the AA. Extraco originated and/or renewed five CD loans totaling approximately \$6.2 million, or 6.83 percent of Tier 1 capital allocated in the AA during the evaluation period.

One loan totaling \$2.2 million financed the construction of a 72-unit apartment project to provide affordable housing for LMI individuals and families. Three loans totaling \$3 million provided financial support to a small farm operation in the AA. A \$1 million SBA 504 loan supported an area medical practice. Through these loans, Extraco is making a positive impact on the CD needs of the AA.

### **Waco Assessment Area**

The level of CD lending in the Waco AA reflects adequate responsiveness to the CD needs of the AA. Extraco originated and/or renewed five CD loans totaling approximately \$577,000 in the AA during the evaluation period. This level of lending represents 1.87 percent of allocated Tier 1 capital. All loans provide affordable housing for LMI individuals and families, a need in this AA that Extraco is helping to fill.

During the evaluation period, ECDC (a subsidiary of Extraco formed to promote public welfare) committed to lend \$80,000 of available funds in 2016 to an entity created by Goodwill in Waco that will make loans with reasonable terms to employees of the City of Waco as an alternative to payday loans. Extraco and the ECDC are acting to fill a credit need for LMI individuals highlighted by ordinances passed recently by several Texas cities to regulate payday and auto title lenders. During our onsite evaluation of Extraco, a draft ordinance limiting the size of payday loans and the number of renewals was introduced at a public meeting. The Waco City Council was to review the ordinance at its January 2016 meeting.

### **Limited-Scope Assessment Areas**

The level of CD lending in the Brazos County AA is stronger than the results in the Killeen-Temple AA. Extraco originated two loans totaling \$5.5 million to provide affordable housing for LMI individuals and families on six properties. This level of CD lending represents over 160 percent of allocated Tier 1 capital. The level of CD lending in the Hamilton County AA and the Williamson County AA is not consistent with the results in the Waco AA. Extraco did not originate or purchase any CD loans in the Hamilton County AA or the Williamson County AA. Fewer opportunities were available due to the rural nature of Hamilton County and the higher income borrower and geographic levels of Williamson County.

### **Broader Statewide Area**

During the evaluation period, Extraco purchased \$3 million of a \$7 million participation loan to refinance four apartment complexes located in Austin, Texas. All the properties are located in low-income geographies. The tenants are LMI individuals and families. Through this lending transaction, Extraco is providing affordable housing for LMI residents in this area.

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

The level of qualified investments in the Killeen-Temple AA reflects poor responsiveness to CD needs. The level of qualified investments in the Waco AA is excellent. The level of qualified investments in the Brazos County AA exceeds the results in the Killeen-Temple AA. The level of qualified investments in the Hamilton County AA and the Williamson County AA is consistent with the results of the Killeen-Temple AA.

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

The level of qualified investments in the Killeen-Temple AA reflects poor responsiveness to CD needs. During the evaluation period, the bank made no equity or debt investments in the AA. Extraco made 48 separate donations totaling \$90,000 to CD organizations in the AA. This accounted for 0.10 percent of Tier 1 capital allocated to the AA. The majority of the donations went to CD organizations that benefit LMI youth including sponsoring after-school and summer programs, construction of a new Boys and Girls Club in Gatesville, and providing college scholarships to LMI youth. Separately, Extraco also donated vehicles to two CD organizations collectively valued at \$7,000.

### **Waco Assessment Area**

The level of qualified investments in the Waco AA reflects excellent responsiveness to CD needs of the AA. During the evaluation period, Extraco purchased two Federal National Mortgage Association (FNMA) Delegated Underwriting and Servicing (DUS)

mortgage-backed securities (MBS) totaling \$5.9 million. The MBS are backed by a 144-unit apartment complex in Waco that provides affordable housing for tenants whose income does not exceed 60 percent of the area's median family income. These purchases demonstrate Extraco's commitment to make qualified investments that increase the availability of affordable housing for LMI individuals and families.

Extraco made 64 separate donations totaling \$172,000 to CD organizations in the AA. Sizeable donations include \$28,000 to United Way – McLennan County Chapter; over \$60,000 to YMCA of Central Texas (benefits primarily LMI youth through its after-school and summer programs); and \$40,000 toward the *Momentum Waco* campaign (goal is to develop the Brazos riverfront and revitalize downtown Waco resulting in the creation of permanent jobs and an increase in the city's tax base). Separately, Extraco also donated vehicles with an aggregate value of \$13,000 to three CD organizations.

Debt investments and donations represent 19.53 percent of Tier 1 capital allocated to the AA demonstrating a significant positive impact on the AA.

### **Limited-Scope Assessment Areas**

The level of qualified investments in the Brazos County AA exceeds results in the Killeen-Temple AA. Extraco made 18 separate donations totaling \$13,000 to CD organizations in the AA. This level of qualified investments represents 0.38 percent of allocated Tier 1 capital. The level of qualified investments in the Hamilton County AA and the Williamson County AA are consistent with the results in the Killeen-Temple AA. Extraco made one donation of \$25 in the Hamilton County AA and two donations totaling \$600 in the Williamson County AA. Fewer CD opportunities were available due to the rural nature of the Hamilton County AA and the higher income borrower and geographic levels of the Williamson County AA.

### **Broader Statewide Area**

In the prior period, Extraco invested \$1 million in 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. Extraco's investment has a geographic focus primarily in Texas that includes its AAs.

In the prior period, Extraco also invested \$1.5 million in a qualified investment fund, Access Capital Community Investment Fund. It provides affordable housing across the state of Texas including the bank's AAs.

The bank still has both equity investments and they continue to have a positive CD impact.

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

The level of CD services in the Killeen-Temple AA reflects adequate responsiveness to CD needs. The level of CD services in the Waco AA reflects an excellent responsiveness to CD needs. The level of CD services in the Brazos County AA is consistent with results in the Waco AA. The level of CD services in the Hamilton County AA is consistent with results in the Killeen-Temple AA. The level of CD services in the Williamson County AA is not consistent with the results in the Killeen-Temple AA.

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

The level of CD services in the Killeen-Temple AA reflects adequate responsiveness to CD needs. During the evaluation period, bank officers and employees actively donated 1,100 qualified hours of financial and leadership skills to a variety of community organizations.

Most qualifying CD services involve Extraco partnering with an organization to provide financial education to LMI individuals. Bank employees partner with in-need schools to mentor and teach financial skills to children and young adults, who are predominately LMI.

Extraco officers and employees have also been Board members of several organizations that provide CD services. These organizations include Belton Christian Youth Center, Ralph Wilson Youth Club, Boys and Girls Club of Gatesville, the Temple ISD Education Foundation, Killeen Food Care Center, St. Vincent De Paul of Greater Temple, and A New Day Learning Center.

Other noteworthy CD organizations where Extraco employees provide a leadership function are Temple Economic Development Corporation (economic development), Habitat for Humanity (affordable housing), and the Central Texas Housing Consortium/Temple Housing Authority (affordable housing).

### **Waco Assessment Area**

During the evaluation period, Extraco exhibited excellent responsiveness to the CD service needs of the Waco AA. The bank continues to meet these needs through volunteer activities of its directors, officers and employees, many on a continuing basis to the organizations. Bank staff served as directors and committee members, and provided strategic planning, loan underwriting, fund raising, budgeting, and marketing expertise.

During the evaluation period, Extraco officers and employees donated 1,200 qualified hours to a variety of community organizations that encompass community service, affordable housing, economic development and revitalization or stabilization. This is a relatively high level of CD services compared to the percent of deposits attributable to the AA.

In the Waco AA, bank officers and employees actively donate financial and leadership skills to several organizations all with a CD purpose. Examples include:

- Serving on the boards of the Family Abuse Center and the Family Counseling and Children's Services; both entities benefit LMI children and their families.
- Serving as directors of Compassion Ministries – Hope House. It provides transitional housing and job training for homeless women and their families.
- Serving as a finance committee member of Neighborhood Housing Services, a CD organization, whose mission is to provide affordable housing for LMI families and individuals.
- Providing financial literacy classes at local schools where a majority of students are LMI, credit symposiums to LMI adults, and homebuyer and credit counseling to CD organizations like Habitat for Humanity where attendees are LMI adults.
- Serving on the financial security steering committee of *Prosper Waco*, a community impact initiative aimed at lowering Waco's poverty rate that currently exceeds both the national and state averages.
- Working as a board member to develop the operating objectives and oversee the *Momentum Waco* campaign, a public-private coalition whose goal is to develop the Brazos riverfront and revitalize downtown Waco resulting in the creation of permanent jobs and an increase in the city's tax base.

### **Limited-Scope Assessment Areas**

The level of CD services in the Brazos County AA is consistent with the results in the Waco AA. During the evaluation period, an officer of Extraco donated 300 qualified hours serving as chairman of a non-profit organization that provides after-school and summer programs for LMI youth and serving as a director of an entity seeking to retain/create jobs in the AA.

The level of CD services in the Hamilton County AA is consistent with the results in the Killeen-Temple AA. Bank officers and employees donated 60 hours to qualified volunteer activities. It is an adequate level compared to the percent of deposits attributable to the AA. A bank officer served as a director for an economic development corporation and a bank employee founded a community service organization that provides Thanksgiving dinners to LMI families and individuals. This organization augments the efforts of the local area food banks.

The level of CD services in the Williamson County AA is not consistent with the results of the Killeen-Temple AA because no service hours were noted. Although bank staff did not engage in any qualified volunteer activities, the higher income borrower and geographic levels of the Williamson County AA limits opportunities.

### **Combined Assessment Areas**

During the evaluation period, a bank officer served as a board member for a non-profit service organization that operates across the combined AAs and focuses on stimulating the flow of capital and modernization of small businesses in central Texas. Another

bank officer functioned as the chairman for Heart of Texas Goodwill, an organization that provides minimum wage jobs to economically disadvantaged individuals and physically impaired individuals. It also provides free services such as job hunting, resume writing, and GED Degree assistance, to any individual that signs up for these services. The users are almost exclusively LMI individuals.

During the evaluation period, Extraco participated with Discover in a debit card promotional program known as the Feeding Our Communities One Swipe at a Time Program. Extraco encouraged customers to swipe their card 60 times, which would provide five meals funded by Discover to their local food bank. The cash outlay by Discover totaled \$6,000. Discover also donated \$30,000 to area food banks in return for Extraco securing 500 new merchants for Discover after the bank converted to their cards. By participating in this program, Extraco assisted in raising \$36,000 in donations for community service organizations that benefit LMI residents across the combined AAs.

## **Responsiveness to Community Development Needs**

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

Extraco has demonstrated excellent responsiveness to meeting CD needs in the AA as evidenced by the level of CD lending followed by CD services. Branch offices in the AA are readily accessible to all portions of the LMI population. The main office and two branch offices are located in moderate-income CTs. Two of the remaining five branch offices are each adjacent to a low-income CT in the AA. One of the standalone iTMs is in a moderate-income CT.

### **Waco Assessment Area**

Extraco demonstrated excellent responsiveness to meeting the CD needs of the community. We placed the primary emphasis for the Waco AA on qualified investments and CD services. One of the six branch offices in this AA is in a moderate-income CT. A branch in one of the middle-income CTs is adjacent to a low-income CT.

### **Limited-Scope Assessment Areas**

The level of CD responsiveness in the Brazos County AA is consistent with the performance in the full-scope areas. The level of CD responsiveness in the Hamilton County AA and the Williamson County AA is not consistent with the performance in the full-scope areas.

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

Pursuant to 12 CFR 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.