



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 31, 2009

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Extraco Banks, National Association  
Charter Number: 13778

18 South Main Street  
Temple, TX 76501

Office of the Comptroller of the Currency  
Southern District  
San Antonio – North Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216

**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: “Satisfactory”**

The major factors supporting the institution’s rating include:

- The loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, assessment area (AA) credit needs, and relevant competitive factors.
- A majority of the bank’s loans are originated within the designated AA.
- The record of lending reflects reasonable penetration among borrower of different incomes and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts (CTs) of different income levels.
- The bank’s community development (CD) performance demonstrates adequate responsiveness to CD needs in its AA, through CD loans, investments, and services.

**SCOPE OF EXAMINATION**

Extraco Banks, National Association (Extraco) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a Lending Test and a CD Test. The Lending Test evaluates the bank’s record of meeting the credit needs of its AA through its lending activities. The CD Test evaluates the bank’s responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

The evaluation period for the Lending Test will include HMDA data that was reported from January 1, 2006 through July 31, 2009. Small business loans were also determined to be one of the bank’s primary loan products. To evaluate the bank’s small business loan performance we used the bank’s CRA reported data from January 1, 2006 through December 31, 2008. We validated the integrity of the data and concluded that the data was reliable. The evaluation period for the Community Development Test covers the period since the prior CRA evaluation dated September 5, 2006, to the start date of this CRA Performance Evaluation dated August 31, 2009. Qualifying CD activities of Extraco Community Development Corporation (ECDC) are included under the Community Development Test. CD loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

**DESCRIPTION OF INSTITUTION**

Extraco is a full-service intrastate bank headquartered in Temple, Texas. As of June 30, 2009, the bank had total assets of \$1.14 billion and held \$95 million in Tier 1 capital, which represents 8% of total assets. Extraco is a wholly-owned subsidiary of Extraco Corporation, a one-bank holding company headquartered in Waco, Texas. Extraco also provides other financial services through wholly-owned subsidiary, ECDC, which makes loans and small donations in McLennan County, designed primarily to promote public welfare.

During this evaluation period, the bank did not open or close any branches. Extraco has fifteen offices and twenty-two automated teller machines (ATMs) in four AAs. Eight locations, including the main banking office, are in the Killeen-Temple-Fort Hood (KTFH) Metropolitan Statistical Area (MSA). There are five offices in the Waco MSA, one office in Georgetown, Texas, which is part of the Austin-Round Rock MSA, and one office in Hamilton, Texas, which is in Hamilton County, a non-MSA. Due to a highly competitive banking market in Waco, management has focused its marketing and expansion efforts in the KTFH MSA.

The bank offers a full range of consumer and commercial banking products and services, in addition to providing loans to the agricultural community. The bank offers its customers Internet banking through [www.extracobanks.com](http://www.extracobanks.com), which allows them to obtain daily deposit balances, verify transactions, download statements, transfer funds between deposit accounts, and a bill pay service. Customers may also use 24-hour telephone access to transfer funds, verify transactions, and check daily deposit balances. Lobby and drive-through hours are set by location to meet customer needs.

As of June 30, 2009, Extraco reported total loans of about \$748 million, or 65% of total assets. The bank’s primary focus consists of both real estate and commercial lending. The table below details the bank’s loan portfolio composition.

<b>Table 1 Loan Portfolio Composition</b>		
<b>LOAN TYPE</b>	<b>DOLLAR AMOUNT \$ (000)</b>	<b>% of TOTAL LOANS</b>
Real Estate (RE) Residential (1-4)	227,460	30%
RE Nonfarm Nonresidential	227,521	30%
RE Construction, Land Development	70,693	9%
Consumer	66,228	9%
Agriculture Production	3,740	1 %
Commercial and Industrial	57,694	8%
RE Farmland	21,426	3 %
Multi-family	16,207	2%
Obligations of States & Political Entities	42,898	6 %
Other	13,581	2%
<b>TOTAL</b>	<b>747,718</b>	<b>100%</b>

Source: Consolidated Reports of Condition as of June 30, 2009

There are no legal, financial, or other factors impeding Extraco’s ability to help meet the credit needs in its AA. Extraco received a “Satisfactory” rating on its last Performance Evaluation, using intermediate-small bank procedures, dated September 5, 2006.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires a financial institution to define its AA in which it will be evaluated. Extraco has four AA’s consisting of the Bell and Coryell Counties AA (KTFH MSA), Waco MSA (McLennan County), Williamson County AA (Austin-Round Rock MSA), and Hamilton County AA (non-MSA). Bell and Coryell Counties AA (KTFH MSA) and Waco MSA (McLennan County) were selected for full-scope

review as a significant majority of the bank’s reported loans and deposits are within these two AAs. However, more weight was given to the Bell and Coryell Counties AA as this is more representative of the bank’s lending strategy and contains eight out of fifteen of Extraco’s banking centers.

The other two AAs were given a limited-scope review. The Williamson County AA (Austin-Round Rock MSA) consists of 5 contiguous CTs that include the city of Georgetown, Texas. The Hamilton County AA includes three CTs that make up Hamilton County, a non-MSA.

**Description of Bell and Coryell Counties AA (KTFH MSA)**

Performance in Bell and Coryell Counties AA is given more consideration because a significant majority of the number and volume of the bank’s loans and deposits are in this AA. The KTFH MSA is comprised of Bell, Coryell, and Lampasas Counties. Extraco operates six banking centers within Bell County and two banking centers within Coryell County. The AA is comprised of 58 contiguous CTs within Bell and Coryell Counties. There is one low-income geography, twelve moderate-income geographies, thirty-three middle-income geographies, and twelve upper-income geographies. The AA designations meet the requirements of the regulation and do not arbitrarily exclude low- to moderate-income (LMI) areas.

Demographic Information for Bell and Coryell Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs/BNAs)	58	1.72	20.69	56.90	20.69	0.00
Population by Geography	312,952	0.75	16.84	59.93	22.48	0.00
Owner-Occupied Housing by Geography	58,562	0.18	8.08	59.46	32.28	0.00
Business by Geography	19,803	3.25	15.82	53.57	27.36	0.00
Farms by Geography	666	0.60	6.91	56.31	36.19	0.00
Family Distribution by Income Level	78,125	16.89	20.08	23.86	39.17	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	28,884	1.53	23.13	60.97	14.37	0.00
Median Family Income		40,972		Median Housing Value	72,485	
HUD Adjusted Median Family Income for 2009		54,000		Unemployment Rate	2.59%	
Households Below Poverty Level		11%		(2000 US Census)		

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

Source: 2000 US Census and 2009 HUD updated MFI

Economic conditions within the KTFH MSA continue to fare better than the national economy. The area ranked fifth in growing economies in Texas behind major MSA’s including Dallas, Houston, Austin, and San Antonio. Retail sales in the area have held steady experiencing continued growth since 2003. Retail sales in 2003 were \$4 billion with sales per capita of \$11,911. In 2008, retail sales increased to \$5.7 billion with sales per capita of \$15,071.

Health care continues to be one of the fastest-growing industries in Central Texas, which includes Hillcrest Baptist Medical Center’s new hospital, Providence Healthcare Network’s expansion, and a new hospital at Fort Hood. Fort Hood plays an integral part in the continued growth of the economy.

As of September 2008, Fort Hood had a population of 91,815 of which 57,317 were military assigned. Major employers in the cities of Killeen, Temple, and Belton area include III Corps and Fort Hood, Scott and White Memorial Hospital and Clinics, Belton ISD, and Central Texas Veterans Health Care System. The distribution of employment in major categories includes the government, trade, transportation, and utilities, followed by education and health care services.

According to the US Bureau of Labor Statistics, the seasonally-adjusted unemployment rate for the nation was 9.4% as of July 2009, an increase from the prior year of 5.8%. The unemployment rate for the state of Texas was 7.9%, an increase from July 2008 of 4.9%. The KTFH MSA fares better than the state and national rate as unemployment was at 7.2% in July 2009, an increase from 5.4% the prior year. Extraco operates in a competitive environment with larger regional banks, community banks, credit unions, and finance companies operating in its market. The FDIC market share survey report for June 30, 2008 indicates that twenty-six financial institutions operate branches within the bank's AA. Extraco ranks first among the total group of banks for deposit market share with 16.7%. National Bank Gatesville, Texas, First STB Central Texas, and First National Bank Texas, in Killeen, Texas follow with 10.64%, 10.24%, and 10.02% deposit market share, respectively.

Two community contacts for the KTFH MSA were considered during this evaluation. One was performed earlier this year and one was conducted during this evaluation.

A prior contact with the Temple Economic Development Council (EDC) indicated a continuing need for low-income housing in the community. Also, he stated his concern for the older population in Temple as he anticipates an increasing need for specialized housing for seniors, i.e., handicap accessible, etc. He stated there is a lack of apparent need for start-up funds as he hasn't seen a demand at the EDC for start-up assistance. The community contact was complimentary on the local institutions' performance in meeting community credit needs.

During this CRA examination, a contact was made with the President of the Greater Killeen Chamber of Commerce. The contact stated that the KTFH MSA is economically strong. Although the unemployment rate for the area has increased, he believes the area has one of the strongest job markets in the country. He feels that one of the greatest needs in the KTFH MSA is for new moderate- and middle-income housing to accommodate the growing population for the jobs being created. He also noted that the inventory of LMI housing is adequate. He stated that banking products were generally adequate and available to meet community credit needs.

### **Description of Waco MSA (McLennan County)**

The Waco MSA is comprised of McLennan County, which is located in Central Texas. Waco is located 90 miles south of Dallas/Fort Worth, 100 miles north of Austin, and 180 miles northwest of Houston. Extraco operates five banking centers in the Waco MSA. The AA is made up of 51 CTs, which surround and include each banking office. There are five low-income geographies, fourteen moderate-income geographies, and sixteen middle- and upper-income geographies. The AA designations meet the requirements of the regulation and do not arbitrarily exclude LMI areas.

<b>Demographic Information for Waco MSA (McLennan County)</b>						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (CTs/BNAs)	51	9.80	27.45	31.37	31.37	0.00
Population by Geography	213,517	10.94	25.71	31.10	32.24	0.00
Owner-Occupied Housing by Geography	47,463	4.80	18.68	36.55	39.97	0.00
Business by Geography	15,941	4.46	29.16	29.18	37.21	0.00
Farms by Geography	523	2.29	13.19	37.28	47.23	0.00
Family Distribution by Income Level	53,122	20.68	17.54	21.36	40.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	20,304	15.58	34.97	32.17	17.28	0.00
Median Family Income		41,455	Median Housing Value	62,261		
HUD Adjusted Median Family Income for 2009		51,700	Unemployment Rate	3.64%		
Households Below Poverty Level		18%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 US Census and 2009 HUD updated MFI

The Waco MSA population of 230,213 has maintained a steady growth rate since 1990, with projected continued growth. The Waco MSA is considered to be the economic and consumer center of the surrounding area of nearly 700,000 people. However, the AA experienced a loss of 1,600 jobs over the past year, which represents an annual growth rate of -1.5%. Major employers in the Waco MSA include Providence Health Center, Baylor University, Waco ISD, and the City of Waco. The industry composition of the area is 19% education and health services, 17% government, and 17% trade, transportation, and utilities.

According to the US Bureau of Labor Statistics, the unemployment rate for the Waco MSA for July 2009 was 7.2%. This compares favorably to the national unemployment rate of 9.4% and the state of Texas unemployment rate of 7.9%. The Waco MSA is an extremely competitive environment filled with larger regional banks and community banks. The FDIC market share survey report for June 30, 2008, indicates that twenty-five institutions operate branches within the bank’s AA. Extraco ranks eighth among the total group of banks with a deposit market share of 5.97%. Community B&T Waco Texas ranks first with a 10.93% deposit market share, Central National Bank ranks second with a 10.47% deposit market share, and Guaranty Bank ranks third with a 10.13% deposit market share.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Lending Test**

Extraco’s performance under the Lending Test is satisfactory. The bank’s LTD ratio is more than reasonable and a majority of the bank’s primary loan products are within its AA. Extraco has reasonable penetration of loans to borrowers of different income levels and businesses of different sizes. The bank’s geographical distribution of loans reflects reasonable dispersion in the LMI CTs.

**Loan-to-Deposit Ratio**

Extraco Bank’s LTD ratio is more than reasonable given the bank’s size, financial condition, and AA credit needs. We reviewed the quarterly average LTD ratios for the quarters beginning July 1, 2006, through June 30, 2009, inclusive. The bank’s ratio averaged 82% over the last twelve quarters, with a low of 73% and a high of 92%. The bank’s average LTD ratio compares favorably among community banks of similar size, location, and product offerings. The other four banks had a LTD ratio averaging 65%, with a low of 43% and a high of 83%.

Institution	Average Quarterly LTD Ratio as of 6/30/2009
Austin Bank, Texas National Association	83%
First Financial Bank, National Association	52%
First National Bank Texas	43%
First State Bank Central Texas	81%
<b>Extraco Banks, National Association</b>	<b>82%</b>

**Lending in Assessment Area**

A majority of the home mortgage loans and small business loans originated during the evaluation period were within the AA. Extraco meets the standard for satisfactory performance for lending in the AA. An analysis of the Home Mortgage Disclosure Act (HMDA) data disclosed that 66% of the home mortgage loans and business loans were originated within the AA with 70% of the total loan dollars in its combined AAs.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,083	51.62	1,105	48.38	2,188	\$149,926	49.73	\$151,582	50.28	\$301,508
Home Improvement	402	88.94	50	11.06	452	\$16,548	84.91	\$2,941	15.09	\$19,489
Refinance	406	59.36	278	40.64	684	\$63,965	59.49	\$43,565	40.51	\$107,530
Small Business	1,307	87.66	184	12.34	1,491	\$123,914	81.80	\$27,567	18.20	\$151,481
<b>Totals</b>	<b>3,198</b>	<b>66.42</b>	<b>1,617</b>	<b>33.58</b>	<b>4,815</b>	<b>\$354,353</b>	<b>69.75</b>	<b>\$225,655</b>	<b>44.42</b>	<b>\$508,008</b>

Source: Data reported under HMDA and bank collected data of small business loans.

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

The distribution of loans originated in the bank’s AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

**Bell and Coryell Counties AA (KTFH MSA)**

Extraco’s distribution of home mortgage loans to families of varying income levels reflects reasonable penetration and meets the standard for satisfactory performance. The percent of home purchase and refinance loans is significantly lower, while the percentage of home improvement loans is lower than the percent of low-income families in the AA. The distribution of home purchase, home improvement, and home refinance loans is significantly lower than the ratio of moderate-income families in Extraco’s AA.

The performance context bears consideration, as lending opportunities in the AA are limited by various factors. Eleven percent of households live below the poverty level. According to residential sale price information, there are a limited number of homes available in the AA at selling prices for which low-income families could qualify. Competition from other financial institutions, especially those offering less strict underwriting standards and documentation requirements, has also impacted the bank’s overall demand for home mortgage loans from LMI families.

<b>Table 2 Borrower Distribution of Residential Real Estate Loans in Bell and Coryell Counties AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of # of Loans</b>	<b>% of AA Families</b>	<b>% of # of Loans</b>	<b>% of AA Families</b>	<b>% of # of Loans</b>	<b>% of AA Families</b>	<b>% of # of Loans</b>
Home Purchase	16.89	5.29	20.08	11.03	23.86	16.76	39.17	39.56
Home Improvement	16.89	9.96	20.08	9.54	23.86	13.69	39.17	59.34
Refinance	16.89	4.94	20.08	11.11	23.86	10.29	39.17	49.38

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

Approximately 24% of loans during this time frame were not included in this schedule as they were primarily purchased loans and did not include income information (properly identified as N/A on the HMDA Loan Application Register (LAR)).

The percentage of loans originated to businesses with revenues of less than \$1 million exceeds the ratio of AA businesses and reflects excellent penetration. The percentage of businesses within the AA with revenues of less than \$1 million was 64.21% compared to the bank’s origination of 67.79% of businesses with revenues of less than \$1 million.

<b>Table 2A Borrower Distribution of Loans to Businesses in Bell and Coryell Counties AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Businesses	64.21%	3.31%	32.48%	100%
% of Bank Loans in AA by #	67.79%	26.76%	5.45%	100%

Source: Bank collected data of small business loans; Dunn and Bradstreet data.

**Waco MSA (McLennan County AA)**

Extraco’s distribution of home mortgage loans to families of varying income levels reflects reasonable penetration, meeting the standard for satisfactory performance. The bank’s percentage of lending in both LMI tracts for home purchase, home improvement, and refinance loans is lower than the ratio, but



is still considered satisfactory due to the performance context. Families living below the poverty level represent nearly 18% of the MSA population. According to residential sale price information, there are a limited number of homes available in the AA at selling prices for which low-income families could qualify. There is increased competition in the Waco MSA from other financial institutions, whose underwriting standards and documentation requirements are less stringent. This has impacted the bank’s overall demand for home mortgage loans from LMI families.

<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>
Home Purchase	20.68	2.62	17.54	6.74	21.36	10.49	40.42	48.69
Home Improvement	20.68	1.77	17.54	13.27	21.36	7.96	40.42	43.36
Refinance	20.68	1.89	17.54	1.89	21.36	10.38	40.42	50.94

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

Approximately 35% of loans during this time frame were not included in this schedule as they were primarily purchased loans and did not include income information (properly identified as N/A on the HMDA LAR.

The distribution of loans to small businesses reflects reasonable penetration among business of different sizes. The percentage of loans originated to businesses with revenues of less than \$1 million is lower than the ratio of AA businesses in the Waco MSA (McLennan County AA). The percentage of businesses within the AA with revenues of less than \$1 million was 64.14% compared to the bank’s origination of 57.82% of businesses with revenues of less than \$1 million. The lower ratio is caused by the level of competition for these types of loan in the AA.

<i>Business Revenues (or Sales)</i>	<i>≤\$1,000,000</i>	<i>&gt;\$1,000,000</i>	<i>Unavailable/ Unknown</i>	<i>Total</i>
% of AA Businesses	64.14%	4.85%	31.01%	100%
% of Bank Loans in AA by #	57.82%	35.23%	6.95%	100%

Source: Bank collected data of small business loans; Dunn and Bradstreet data

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout CTs of different income levels and Extraco’s performance meets the standard for satisfactory performance. No conspicuous gaps or areas of low penetration were identified.

**Bell and Coryell Counties AA (KTFH MSA)**

Extraco’s geographic distribution of home loans in this AA reflects an overall reasonable dispersion throughout CTs of different income levels. In the AA, there is only one low-income tract, in which 0.18% of housing units are owner-occupied. Extraco’s number of home purchase loans to individuals in low-income tracts is 0.4%, which is better than the ratio. However, Extraco did not originate any

home improvement or refinance loans in this CT, as those products did not have the same level of demand as home purchase loans, and thus, were given less weight in the analysis. The bank’s percentage of lending in moderate-income tracts for home purchase, home improvement, and refinance loans is lower than the ratio of 8.08%, but is still considered satisfactory, particularly when considering the performance context.

The AA is the bank’s key market area, but there is a high level of banking competition. The locations of the bank’s branches are fairly convenient to LMI tracts. There are two Temple branches located in a cluster of five moderate-income tracts; the Belton branch is adjacent to a moderate-income tract; the Harker Heights branch is also adjacent to a moderate-income tract, and near a cluster of five moderate-income CTs and the only low-income CT in the AA. A large moderate-income tract in Killeen is not particularly convenient to the bank’s branches and other financial institutions in the area compete heavily for market share. The data for Extraco is satisfactory as it reflects reasonable efforts to lend to LMI geographies in this AA.

<b>Table 3 Geographic Distribution of Residential Real Estate Loans in Bell and Coryell Counties AA</b>								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	<i>% of AA Owner-Occupied</i>	<i>% of # of Loans</i>	<i>% of AA Owner-Occupied</i>	<i>% of # of Loans</i>	<i>% of AA Owner-Occupied</i>	<i>% of # of Loans</i>	<i>% of AA Owner-Occupied</i>	<i>% of # of Loans</i>
Home Purchase	0.18	0.44	8.08	4.85	59.46	43.38	32.28	51.32
Home Improvement	0.18	0.00	8.08	7.88	59.46	51.45	32.28	40.66
Refinance	0.18	0.00	8.08	2.06	59.46	51.85	32.28	46.09

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

The bank’s geographic distribution of small business loans reflects reasonable dispersion throughout the AA and meets the standard for satisfactory performance. The geographic distribution of the bank’s loans to small businesses in low-income geographies is lower than the ratio of small businesses in the area. However, lending opportunities in this area are extremely limited as there is only one low-income tract in the AA, with a corresponding level of small businesses in the area of 3.25%. The geographic distribution of loans to small businesses in the moderate-income geographies is also lower than the ratio of small businesses in the area. Lending opportunities are generally hampered by strong competition for these types of loans in the AA.

<b>Table 3A Geographic Distribution of Loans to Businesses in Bell and Coryell Counties AA</b>								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	<i>% of AA Businesses</i>	<i>% of # of Loans</i>	<i>% of AA Businesses</i>	<i>% of # of Loans</i>	<i>% of AA Businesses</i>	<i>% of # of Loans</i>	<i>% of AA Businesses</i>	<i>% of # of Loans</i>
Businesses	3.25%	1.82%	15.82%	9.87%	53.57%	56.23%	27.36%	32.08%

Source: Bank collected data of small business loans; Dunn and Bradstreet data.

**Waco MSA (McLennan County AA)**

Extraco’s geographic distribution of home loans in this AA reflects an overall reasonable dispersion throughout CTs of different income levels. As represented in the table below, Extraco’s number of home purchase loans to individuals in both LMI tracts is less than the ratio of 4.80% and 18.68%, respectively. However, it is considered reasonable based on the performance context. As previously stated, the Waco MSA is not the bank’s primary market area and Waco is a highly competitive banking market. Extraco does have one branch that is conveniently located in a moderate-income CT in this AA and is directly adjacent to two low-income tracts and another moderate-income tract – this branch location in particular illustrates that the bank is attempting to serve the needs of the LMI population. Another centrally-located branch is directly adjacent to a moderate-income CT. However, the majority of LMI tracts within this AA are less convenient to the bank’s branches. The data for Extraco is satisfactory because it reflects reasonably successful efforts to lend to LMI geographies.

<b>Table 3 Geographic Distribution of Residential Real Estate Loans in Waco MSA – McLennan County AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Owner Occupied</b>	<b>% of # of Loans</b>	<b>% of AA Owner Occupied</b>	<b>% of # of Loans</b>	<b>% of AA Owner Occupied</b>	<b>% of # of Loans</b>	<b>% of AA Owner Occupied</b>	<b>% of # of Loans</b>
Home Purchase	4.80	2.25	18.68	9.36	36.55	23.22	39.97	65.17
Home Improvement	4.80	3.54	18.68	4.42	36.55	33.63	39.97	58.41
Refinance	4.80	4.72	18.68	2.83	36.55	26.42	39.97	66.04

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

Extraco’s geographic distribution of small business loans reflects reasonable dispersion throughout the AA and meets the standard for satisfactory performance. The geographic distribution of the bank’s loans to small businesses in low-income geographies is lower than the ratio of small businesses in the area. However, lending opportunities in low-income CTs are limited as there are only five low-income CTs that are predominantly residential in nature. The geographic distribution of loans to small businesses in the moderate-income geographies is also lower than the ratio of small businesses in the area. Lending opportunities are hampered by intense banking competition for such loans and the bank’s physical branch locations are not as convenient to certain LMI CTs when compared to other competing financial institutions.

<b>Table 3A Geographic Distribution of Loans to Businesses in Waco MSA – McLennan County AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>	<b>% of AA Businesses</b>	<b>% of # of Loans</b>
Businesses	4.46%	2.48%	29.16%	16.87%	29.18%	26.30%	37.21%	54.34%

Source: Bank collected data of small business loans; Dunn and Bradstreet data

## Limited Scope Reviews

For both Williamson and Hamilton Counties, a limited review was conducted as the bank has relatively minimal deposits and loan originations in these AAs. The results of the limited review were not inconsistent with the conclusions in the Bell and Coryell Counties AA (KTFH MSA) and Waco MSA (McLennan County AA).

## Responses to Complaints

The bank has not received any CRA-related consumer complaints since the last CRA examination, dated September 5, 2006.

## Community Development Test

The bank's performance under the Community Development Test is rated satisfactory. Extraco's CD performance demonstrates adequate responsiveness to the CD needs in its AA through CD loans, investments, and services. Extraco provided CD loans and investments in the AA representing 8.03% of Tier 1 capital.

The Bell and Coryell Counties AA (KTFH MSA) originated three CD loans totaling \$1,759,000 and made qualified investments totaling \$62,218 to organizations that provide community services to LMI individuals or promote economic development. The Waco MSA (McLennan County AA) originated six CD loans totaling \$5,810,000 and made qualified investments totaling \$36,821 to organizations that provide community services to LMI individuals or promote economic development. Several bank employees in both AA's provided CD services to qualifying programs.

## Number and Amount of Community Development Loans

Qualified CD loans are those that meet the definition of CD as defined in the CRA regulation and do not include loans given consideration under the Lending Test.

### *Performance in the Bell and Coryell Counties AA (KTFH MSA)*

Extraco originated three CD loans in this AA since the last CRA examination totaling \$1,759,000.

- \$1,350,000 to Clements Boy's & Girl's Club Inc., a club that reaches out to kids who cannot afford access to other community programs, for additional facilities.
- \$225,000 to Belton Christian Youth Center, Inc., an after school/summer child care program that offers affordable rates, for construction cost on expanding an existing facility.
- \$184,000 to purchase an apartment building that will provide affordable housing for LMI individuals.

**Performance in the Waco MSA (McLennan County AA)**

Extraco originated six CD loans since the last CRA examination totaling \$5,810,000.

- \$5,500,000 to Heart of Texas Goodwill Industries, an organization that provides services for the disadvantaged including the welfare dependent, for a warehouse and additional construction costs of a new facility. The loan originated for \$6,000,000 and \$500,000 was sold as a participation.
- \$175,000 to Waco Habitat for Humanity, Inc., an organization that constructs homes for impoverished families, for an addition to an existing facility.
- Four loans totaling \$135,000 to Waco Community Development Corp, an organization that provides affordable housing to LMI individuals, for residential property.

**Number and Amount of Qualified Investments**

Investments, deposits, membership shares, or grants that have CD as their primary purpose, are defined as “qualifying investments” in the CRA regulation. Investments support community services that target LMI families and individuals.

**Performance in the Bell and Coryell Counties AA (KTFH MSA )**

Extraco made 45 qualified CD investments, totaling \$62,218, primarily to organizations that provide community services. These organizations include, but are not limited to the United Way of Central Texas, Killeen Food Care Center, and Belton Christian Youth Center.

**Performance in the Waco MSA (McLennan County AA)**

The bank made 40 qualified CD investments, totaling \$36,821, primarily to organizations that provide community services. These organizations include but are not limited to Waco Community Development Corporation, United Way of Waco-McLennan County, and the Family Health Center.

**Extent to Which Extraco Bank Provides Community Development Services**

Qualified CD services must meet the definition of “Community Development” in the CRA regulation and must be related to providing financial services to qualified individuals or organizations.

**Performance in the Bell and Coryell Counties AA (KTFH MSA)**

Most qualifying services involved bank employees partnering with an organization to use their financial knowledge to educate LMI individuals. Also, bank employees partner with in-need schools to teach children and young adults financial skills. Extraco employees have been members of approximately seventeen different community Boards, councils, committees, and clubs.

**Performance in the Waco MSA (McLennan County AA)**

Most qualifying services involved bank employees partnering with an organization to use their financial knowledge to educate LMI individuals. Bank employees partner with in-need schools to teach children and young adults financial skills. Extraco employees have been members of approximately fourteen different community Boards, councils, committees, and clubs.

**Responsiveness to Community Development Needs**

**Performance in the Bell and Coryell Counties AA (KTFH MSA)**

Extraco's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in this AA.

Of the bank's three CD loans, one loan was made for affordable housing, one loan for affordable childcare, and one loan for an affordable community program. A high percentage (37%) of families is identified as LMI and there are approximately 78,125 families in the AA. With a high percentage of LMI families, there are plenty of community organizations for the bank to partner with. The bank provided \$62,218 in donations to organizations that provide community services to LMI individuals or promote economic development. The bank's officers provided technical assistance to different qualified organizations that provide needed community service to the LMI population in this AA.

**Performance in the Waco MSA (McLennan County AA)**

Extraco's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in this AA.

Of the bank's six CD loans, five loans were made for affordable housing, and one loan for an organization that provides affordable services. A high percentage (38%) of families is identified as LMI and there are approximately 53,122 families in the AA. With a high percentage of LMI families, there are plenty of community organizations for the bank to partner with. The bank provided 36,821 in donations to organizations that provide community services to LMI individuals or promote economic development; and its officers provided technical assistance to different qualified organizations that provide needed community service to the LMI population in this AA.

**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.