



PUBLIC DISCLOSURE

May 18, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Command Bank
Charter Number 713570

1 Firstcomm Plaza, Fort Worth, TX 76109-4999

Office of the Comptroller of the Currency
Fort Worth Field Office
9003 Airport Freeway Suite 275, North Richland Hills, TX 76180-9127

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

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Major factors supporting this institution's rating include:

- First Command Bank's (FCB) loan-to-deposit ratio is reasonable given its size, strategy and performance context. FCB's loan-to-deposit ratio averaged 44.71% during the evaluation period.
- A substantial majority of loans originated by FCB was within its designated assessment area (AA).
- The distribution of loans to businesses of different sizes reflects an excellent penetration. The institution's distribution of consumer loans to borrowers of different income levels exhibits a poor penetration to low- and moderate-income (LMI) individuals. However, concern over the bank's poor lending distribution is mitigated when performance context issues are considered.
- The geographic distribution of consumer loans reflects a reasonable dispersion among the various income geographies given the performance context. The geographic distribution of business loans reflects a poor dispersion amongst the various income geographies.
- The institution's community development (CD) performance is adequate and demonstrates satisfactory responsiveness to the community development needs of its AA through community development loans, investments, and services.

Scope of Examination

FCB qualifies as an Intermediate Small Bank (ISB) under the CRA regulation and is subject to a Lending Test and a Community Development Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The Community Development Test evaluates the bank's responsiveness to the identified needs in its AA through CD lending, qualified investing, and services.

We began the CRA performance evaluation of the bank on May 18, 2015. The evaluation period for the Lending Test runs from January 4, 2012 through December 31, 2014. The evaluation period for the Community Development Test runs from January 4, 2012 through May 18, 2015. Performance under the Lending Test was based on a review of the bank's primary loan products, which consist of consumer debt consolidation loans and commercial loans to small businesses. For the lending test, we reviewed a sample of 95 consumer debt consolidation loans and 20 commercial loans

originated during the evaluation period. For the CD test, we evaluated community development loans, qualified investments and services performed during the evaluation period.

For our evaluation of the distribution of loans, we utilized demographic and geographic information based on the 2010 Census.

Prior to the exam, we verified CD loans, investments and services submitted by management to ensure that these investments and activities met the regulatory definition for community development. FCB is not a HMDA reporter; therefore, we did not complete a data integrity review of the bank's loans.

Description of Institution

FCB was established in 1997 as a federally-chartered savings bank to provide banking services to military personnel and their families. FCB is a one-branch bank headquartered in Fort Worth, Texas. The bank is a wholly-owned subsidiary of First Command Financial Services (FCFS). FCFS owns two other subsidiaries, which consist of a financial planning services company and a life insurance company. Established in 1958 by retired military officer Carroll Payne, FCFS was formed to provide a wide range of financial planning services to active and retired military personnel as a means of improving their long-term financial security. FCFS's goal is to aid military staff, both active and retired, in achieving their long-term saving and investment goals. Financial planners operate as agents/advisors for FCFS, advising clients on the purchase of investments such as mutual funds, annuities, municipal funds and life insurance products. These advisors operate primarily near military installations located all over the United States (US) and in other countries all over the world. Financial planning services offered by FCFS's agents often result in referrals to FCB for loan, deposit and trust products.

FCB's strategic focus is to support the goals and objectives of FCFS in aiding military staff to achieve long-term financial security through FCB's offerings of credit, depository, trust and other banking services to military personnel. Because the majority of FCB's customer base is derived from referrals from FCFS' agents, FCB seeks to enhance the client relationships already established by agents of FCFS through the banking products and services it offers.

As of March 31, 2015, FCB's total assets were \$723 million, the loan portfolio totaled \$272 million and total deposits amounted to \$646 million. At \$272 million, loans comprise 37.70% of the bank's total assets. Of the entire loan portfolio, approximately 70% is concentrated in consumer-type loans. FCB's loan portfolio mix is in keeping with the primary credit needs typically experienced by military personnel, as they tend to have limited demand for home mortgage products since on-base housing is usually provided or costs associated with housing are heavily subsidized. Consumer-type loans offered by FCB include debt consolidation loans, personal loans that are usually secured by mutual funds, a small credit card portfolio and a few auto loans. In the spring of 2007, the bank began offering small business loans. These loans are available to

both civilians and military personnel. The \$69 million portfolio is a niche product concentrated in professional practice acquisition loans primarily to veterinarians, dentists and doctors. The table below illustrates the bank's loan portfolio distribution as of March 31, 2015.

Loan Category	\$ (000)	%
Consumer – Debt Consolidation	132,108	48.5
Commercial & Industrial	68,568	25.2
Consumer – Credit Cards	34,276	12.6
Consumer – Other Revolving	19,789	7.3
Commercial Real Estate	15,335	5.6
Consumer – Auto	1,973	0.7
Other	340	0.1
Total	272,389	100.00%

At 48.5% of the loan portfolio, debt consolidation loans constitute the banks' primary product. This product is one of the ways FCB meets its strategic focus, which is to aid its target customer base in achieving holistic, long-term financial security. Typical borrowers of the debt consolidation loans offered by FCB are military officers or military officer candidates who are working with a financial planner from FCFS to get their finances better organized as part of preparation for a military career. This is especially important to those considering a long-term career with the military, as military personnel are held to a high standard of financial discipline and ill-managed finances may negatively impact their job performance rating.

If a client has credit card debt, the financial planner may suggest a lower rate debt consolidation loan originated by FCB to pay off the credit card debt. The money that had previously gone to credit card interest is then better deployed to savings, investments or life insurance, depending on the customer's situation. As a result, the customer's monthly payments stay the same, but he/she is reducing debt and building savings due to lower interest rates and sometimes a shorter repayment term. For a long-time, FCB would not offer credit cards, as one of FCFS' primary financial planning goals is to get its customers out of debt and focused on saving and investing. FCB recently began offering relatively low-cost credit cards as a service because it is difficult to operate without one in this current business environment, but financial planners usually discourage customers from maintaining a balance.

The majority of FCB's customers conduct their transactions electronically and the bank offers a variety of banking services to ensure that customers have easy accessibility to their depository accounts regardless of where they are located. Customers have free nationwide and international access to ATMs through the numerous ATM networks in which the bank participates. Customers may also access their account information through the bank's online banking system, mobile banking application and toll-free customer support telephone system which operates extended hours. FCB's website

provides information regarding the bank's products and services and allows online access to account information to customers enrolled for the service. The bank also accepts new deposit account applications, loan applications, and customer service requests through its website. The bank's Command Checking Account, Money Market Savings Account, and Commercial Checking Account all have low minimum opening deposit, no monthly maintenance fees, and unlimited ATM withdrawals.

FCB has no identified legal or regulatory impediments that would affect its lending activities or impede the bank's ability to meet the credit needs within its AA. FCB is involved in and provides support to meet the needs of its customer base within its performance context. FCB received an overall rating of "satisfactory" at its last CRA evaluation dated January 3, 2012.

Description of Assessment Area

FCB has designated its entire deposit customer base as its assessment area. Banks predominantly serving military personnel are afforded this option under 12 C.F.R. §25.41(f). Because FCB's customer deposit base is spread all over the US and a number of other countries all over the world where US military personnel are assigned, we used the United States AA as a proxy for determining the bank's performance under the Lending and CD tests. Given the wide span of the bank's AA, we are not able to provide specific demographic and economic information on each area where the bank performs business. However, we outline pertinent portions of the demographic and economic information for the entire United States AA as reflected in the table below and in the comments that follow.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE UNITED STATES AA	
Population	
Number of Families	77,167,205
Number of Households	115,463,035
Geographies	
Number of CTs/BNA	73,918
% Low-Income CTs/BNA	7.62%
% Moderate-Income CTs/BNA	21.95%
% Middle-Income CTs/BNA	43.71%
% Upper-Income CTs/BNA	25.39%
% NA	1.33%
Median Family Income (MFI)	
2010 MFI for AA	\$68,041
2010 HUD-Adjusted MFI	\$65,232
Economic Indicators	
Unemployment Rate	5.4%
2000 Median Housing Value	\$237,734
% Of Households Below Poverty Level	13.35%

Source: 2010 US Census Data

Based on the 2010 U.S. Census, the U.S population amounted to 312.4 million, marking a 9.7% increase in the population since the 2000 U.S Census. There are 73,918 Census Tracts (CTs) within the United States AA designated as follows: 7.62% low-income, 21.95% moderate-income, 43.71% middle-income and 25.39% upper-income. Currently, 13.35% of the population lives below the poverty level. According to the Bureau of Labor and Statistics, the unemployment rate was 5.4% as of May 31, 2015. The HUD 2014 MSA Median Family Income for the United States AA was \$63,900.

The United States economy is the world's largest national economy and one with the most diverse sectors and industries. Major industries within the US economy include retail trade, manufacturing, hospitality and food services, healthcare and professional, technological and scientific services. Some of the largest employers include Walmart, IBM, General Electric and the United States Post Office.

Community Contacts

We determined the community credit needs in the bank's AA by reviewing the CRA Performance Evaluations of other banks that predominantly serve military personnel, conducting discussions with management and considering the demographics of the AA. We identified the prominent credit needs of military personnel to be consumer loans and, to some degree, affordable housing. We also utilized community contact interviews conducted within the states of Texas, Georgia, Virginia and California, all of which host sizeable military bases. Community contacts highlighted varying credit needs, most of which were related to affordable housing, small business lending and consumer lending.

Conclusions with Respect to Performance Tests

LENDING TEST

FCB's performance under the Lending Test is rated satisfactory when performance context issues are considered.

To reach our conclusions, we considered the bank's LTD ratio, the volume of the bank's lending inside/outside the assessment area and the bank's distribution of lending to borrowers and business of different incomes and geographies. All rating factors received equal weight. The loan-to-deposit and in/out ratios were computed using bank-wide data. We selected samples from the consumer debt consolidation and commercial loan portfolios to evaluate the bank's income and geographical lending distributions.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance given FCB's size, performance context, and the needs of its designated AA. The LTD ratio measures the extent to which banks have returned the deposits they have acquired to their community in the form of loans. The average LTD ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. FCB's average LTD ratio for the rating period is 44.71% and reflects a decline from the ratio of 51.70% at the last CRA performance evaluation.

As noted earlier, FCB is predominantly a consumer lender with 70% of its portfolio centered in consumer-related loans. The primary consumer loan product is debt consolidation loans. These loans are typically small to moderate in size and when aggregated and compared against the bank's deposits may yield a modest LTD in comparison with banks with substantial commercial loan portfolios. At March 31, 2015, FCB had within its portfolio 827 loans with origination balances of \$10,000 or less, 40 of which were originated at \$2,500 or less. These loans were all consumer-type loans.

We compared FCB's performance to five other military-focused institutions with similar AAs, product focus, and customer base. FCB compared favorably to three of these bank and two of these banks received satisfactory ratings during their most recent performance evaluation. The asset size and LTD ratio for FCB and other military-focused banks is summarized in the table below.

Institution	State	Assets as of 03/31/2015 (\$MM)	Average LTD Ratio %
Fort Hood National Bank	TX	\$241	16.88%
First Navy Bank (Bank of Pensacola)	FL	\$69	24.04%
Fort Sill National Bank	OK	\$385	26.74 %
First Command Bank	TX	\$723	44.71%
Armed Forces Bank, NA	KS	\$1,536	49.13 %
United Bank	AL	\$507	60.52 %

Source: Institution Reports of Condition from March 31, 2009 to June 30, 2014

FCB is a member of the Association of Military Banks of America, which is a non-profit association of banks operating on military installations, banks not located on military installations but serving military customers, and military banking facilities designated by the U. S. Treasury. We selected and reviewed the LTD ratios as of March 31, 2015 for 16 other members of this association that have similar profiles. The average LTD ratio for all these institutions was 71% with ratios ranging from a low of 27% to a high of 103%. FCB's LTD ratio fell somewhat within the mid-point in comparison with these 16 banks.

Lending in Assessment Area

A substantial majority of FCB's lending activity originated in its AA and exceeds the standards for performance. We were able to assess the entire portfolio, since the prior CRA examination, to determine performance in this category. As reflected in the table below, 94.3% of the number of loans and 95.5% of the dollar amount of loans were made within the bank's AA, which encompasses the continental United States.

Table 1 - Lending in FCB's Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	5,574	94.1%	349	5.9%	5,923	162,381	93.9%	10,623	6.1%	173,004
Business	239	100%	0	0%	239	65,259	100%	0	0%	65,259
TOTAL	5,813	94.3%	349	5.7%	6,162	227,640	95.5%	10,623	4.5%	238,263

Source: April 17, 2015 Loan Trial

Lending to Borrowers of Different Incomes

Overall, the distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes when performance context issues are considered. To perform the analysis, we selected a sample of 20 business loans and 95 consumer debt consolidation loans.

Consumer Lending

FCB’s overall distribution of consumer loans reflects a poor lending penetration to low- and moderate-income households and does not meet the standard for satisfactory performance. However, when performance context issues and the bank’s strategic focus are considered, concerns regarding the poor lending distribution to LMI households are mitigated. As reflected in Table 2A, the bank had no lending penetration to low-income households and the percentage of loans to moderate-income households is below the percentage of moderate-income households within the AA.

Table 2A - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.2%	0%	16.2%	8.4%	18.0%	24.2%	41.6%	67.4%

Source: Loan Sample; U.S. Census data.

As earlier noted in the **Description of Institution** section, FCB’s strategic focus is to serve as a bank which supports the goals and objectives of its parent company, FCFS, in aiding military personnel to achieve long-term financial security for themselves and their loved ones. Financial planners for FSFS routinely cross-sell depository, credit and trust products and services offered by FCB when providing financial planning services to the military. As a result, the majority of FCB’s customer deposit base originates from these referrals. FCB’s niche consumer product is the consumer debt consolidation loan. This product is targeted primarily to officers who, in preparation for a long-term military career, need to get their financial affairs in order and, at the same time, are in a position to start planning for their financial future. Typically, these debt consolidation loans offer customers a rapid way to becoming debt-free through lower interest rates and faster repayment terms. The interest saved from the debt consolidation is then applied towards the purchase of life insurance policies or investments on behalf of the customer.

Officers who begin to require financial planning services tend to start at the rank of Staff Sergeant, or Grade E-6 and above. These are enlisted officers who have spent several years with the military, are likely to pursue a military career and are beginning to have some financial wherewithal to begin saving and investing for the future. Typically, military staff would have had at least 6 years of experience before attaining the E-6 grade. According to the Bureau of Labor Statistics, the average annual salary for an E-6 officer with a minimum of 6 years of experience in the military was \$35,220. Based on the 2014 HUD Median Family Income for the United States AA, this salary falls squarely within the moderate-income bracket. Because the majority of FCB’s customer base originates from referrals from FCFS, officers at this grade also form the majority of the bank’s deposit base and are the most likely to request to take advantage of the debt consolidation loans. With all these factors considered, the lending distribution reflected

in Table 2A above is representative of the bank’s customer deposit base and demonstrates that the bank is meeting the credit needs of its designated AA.

Business Lending

The distribution of small business loans (gross incomes of \$1 million or less) reflects reasonable penetration among businesses of different sizes. As reflected in Table 2B below, 71.5% of commercial loans were made to small businesses (gross incomes of \$1 million or less). This is comparable with the percentage of small businesses in the AA.

Table 2B - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.5%	4.5%	24.0%	100%
% of Bank Loans in AA by #	70.4%	7.4%	22.2%	100%
% of Bank Loans in AA by \$	62.0%	5.6%	32.4%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

FCB’s overall geographic distribution of loans reflects a reasonable dispersion throughout the assessment area given the bank’s size, primary loan products, AA demographics and performance context.

Business Lending

The geographic distribution of business loans reflects poor dispersion to low- and moderate-income tracts within the assessment area and falls below the standard for satisfactory performance. Commercial loans sampled reflect no lending to low-income tracts. The percentage of loans to businesses located in moderate-income tracts is lower than the percentage of businesses located in moderate-income tracts within the AA. FCB business loans are primarily practice acquisition loans, specifically, dental, medical and veterinary practices. Dental, medical and veterinary practices tend to be located in strip centers and office complexes within highly commercialized areas and opportunities to rent or buy office space within low- and moderate-income tracts tend to be fewer. The bank intends to continue to build its niche for this product within its commercial loan portfolio. Given these facts, the bank’s poor lending to LMI tracts is reasonably explained by its performance context.

Table 3A - Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	5.0	0.0	18.2	7.4	42.3	44.4	34.2	48.2

Source: loan sample, 2010 U.S. Census data. 0.3% of US Businesses are located in Census Tracts with NA income.

Consumer Lending

The geographic distribution of consumer loans in the assessment area reflects reasonable penetration into the low and moderate income areas. Refer to **Table 3B** for details of our sample.

Table 3B - Geographic Distribution of Consumer Loans in AA *								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Consumer Loans	7.6%	2.1%	22.0%	10.5%	43.7%	37.9%	25.4%	49.5%

Source: loan sample, 2010 U.S. Census data.

* 1.3% of the census tracts in the assessment area were not designated low, moderate, middle or upper income.

Responses to Complaints

There were no CRA-related complaints were made against the bank during the evaluation period.

COMMUNITY DEVELOPMENT TEST

FCB's overall level of community development performance demonstrates adequate responsiveness to needs of its assessment areas through community development loans, qualified investments and community development services, considering the bank's size, its performance context and the need and availability of such opportunities for community development in the AAs.

Number and Amount of Community Development Loans

FCB's loan performance reflects adequate responsiveness to CD needs. FCB originated one CD loan in the amount of \$500,000 to the Senior Housing Crime Prevention Foundation (SHCPF) during the evaluation period. The loan was first originated in March 2011, and is re-underwritten annually after financial information and repayment performance on the loan is considered. The sole objective of SHCPF is to reduce crime in the nation's senior housing facilities and to provide on-going, effective crime prevention programs that promote safe and secure environments for senior housing residents. The proceeds of the loan were used to fund SHCPF's Veteran's Initiative in the state of Texas. Specifically, the bank's funds are used in providing safe, secure crime-free residences to 20 of the 156 Veterans residing in the Clyde W. Coper Texas State Veterans Home located at 1300 Seven Oaks Road in Bonham, Texas. Of these residents, 87 of them, or 55%, are low-to-moderate income individuals.

Number and Amount of Qualified Investments

FCB's investment performance reflects adequate responsiveness to the development needs of its AA. During the evaluation period, FCB's investments totaled \$6 million and included donations totaling over \$200,000. FCB invests through the CRA Qualified Investment Fund, which allocates the monies amongst various security pools to finance various community development activities. Donations made during the evaluation period include \$100,000 to support army veterans and \$100,000 to the First Command Educational Foundation (FCEF), an organization formed in 1983 to provide educational scholarships to children of active military officers.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, FCB exhibited an adequate responsiveness to the CD service needs of its AA. In addition to providing financial support to FCEF, employees, management and board members of FCB dedicate several volunteer hours in providing community development services through the organization. FCEF administers a direct scholarship program that is heavily based on need. The foundation partners with community organizations and schools to award scholarships. Since 1983, FCEF has awarded almost \$4 million in scholarship grants. In addition, FCB meets the CD service needs of its AA through volunteer activities by its directors, officers and employees, many on a continuing basis to several organizations with services geared towards LMI individuals and families. Annually, bank staff and management spend 833 hours serving as volunteers, committee members and directors, providing expertise in areas such as strategic planning, financial literacy, fundraising and budgeting.

While FCB is a one-branch bank, its retail services are reasonably accessible to geographies and individuals of all income levels through ATM networks located all over the US and international locations. Refer to the ***Description of the AA*** and ***Description of the Institution*** sections of the Performance Evaluation for additional information on the various channels through which customers access the bank's services.

Responsiveness to Community Development Needs

The volume and responsiveness of FCB to the CD needs of the AA is adequate. The bank focuses its community development efforts in the Dallas/Fort Worth metro area or the larger regional area of the State of Texas, since this area includes the bank's physical location. The bank has demonstrated its responsiveness to the CD needs of its AA through hundreds of volunteer hours, providing expertise on financial literacy to several organizations, granting educational scholarships to children of active military staff, supporting initiatives to aid veterans and investing in several funds to benefit LMI individuals and families.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's 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.