



PUBLIC DISCLOSURE

May 19, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Titan Bank, National Association

1701 East Hubbard Avenue
Mineral Wells, TX 76067
Charter Number 12437

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.

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

This CRA examination for Titan Bank, National Association (Titan) included the small bank CRA assessment as well as the strategic plan assessment. Refer to the **SCOPE OF EXAMINATION** section for details of our examination scope. The satisfactory rating is based on the following:

Small Bank Assessment -

- Titan's loan-to-deposit ratio of 53.6% is reasonable and meets the standards for satisfactory performance.
- A majority of loans sampled were generated inside Titan's assessment area, which meets the standards for satisfactory performance.
- A reasonable level of loans sampled penetrated the moderate-income census tracts, which meets the standards for satisfactory performance.
- The loans sampled reflected reasonable dispersion to low- and moderate-income borrowers, which meets the standards for satisfactory performance.

Strategic Plan Assessment -

- Met the goal for satisfactory loan-to-deposit ratio.
- Met the goal for outstanding community development lending.
- Met the goal for outstanding community development investments.
- Met the goal for outstanding qualified grants and donations.
- Met the goal for outstanding CRA qualified service goals and measurement standards.

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.

Scope of Examination

Titan was previously known as First National Bank of Graford (Graford), located in Graford, Texas. Graford received a Satisfactory rating at the most recent CRA examination dated April 20, 2009. Since that examination, Titan applied for approval to be assessed under the Strategic Plan performance standards. The OCC granted approval effective March 22, 2012. The approval was specific and required Titan's performance, from the prior CRA examination to the effective date of the Strategic Plan approval, be assessed using small bank performance standards. We evaluated Titan's performance since March 22, 2012 using Strategic Plan performance standards.

Small Bank Performance Standards -

Reviewing Titan's lending performance from April 21, 2009 to March 22, 2012, we noted no primary loan product with a sufficient number of loans to draw a reasonable sample or conclusion. However, expanding the timeframe past March 22, 2012 we identified a sufficient number of consumer auto loans to sample. This sample included loans originated in 2013 and 2014.

Strategic Plan Performance Standards -

The approved strategic plan identifies goals for satisfactory and outstanding performance. Titan has operated under the approved strategic plan for two years. The identified goals include:

- Loan-to-deposit ratio,
- Community development lending,
- Community development investments,
- Qualified grants and donations, and
- Qualified service goals and measurement standards.

Description of Titan Bank, National Association

As noted previously, Titan was formerly known as First National Bank of Graford. On June 20, 2009, Graford officially changed its name to Titan Bank, National Association. Titan also moved the charter to Mineral Wells, Texas, approximately 21 miles southeast of Graford, effective September 5, 2011. Mineral Wells is located approximately 50 miles west of Fort Worth, Texas.

Titan is a full-service community bank operating from two office locations. The main office is located in Mineral Wells, Texas, with a branch in Graford, Texas. There are ATMs at each location and the Mineral Wells location operates a drive-thru facility. Titan is independently owned by BMC Bancshares, Inc. ("BMC"), a one- bank holding company. BMC is a single-asset entity owned by several shareholders with significant ownership centered in two individuals. There are no other affiliates.

As of March 31, 2014, Titan reported total assets of \$77.2 million, gross loans of \$34.6 million, and deposits of \$68.9 million. Titan provides all of the traditional banking products and services to meet the needs of the communities served. The principal lending focus is commercial real estate oriented. The bank's business strategy is two-pronged; continue to service the credit needs of its community and grow the Small Business Administration loan product. The following table provides the loan portfolio summary.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	22,916	66.2%
Consumer Loans	5,599	16.2%
1-4 Family Loans	4,915	14.2%
Commercial Loans	1,146	3.3%
Agriculture Production Loans	13	0.06%
Other	8	0.04%
Total	34,597	100.00%
Percentage of Loans to Total Assets	44.8%	

FNB's financial condition does not inhibit its ability to meet credit needs in the assessment area. Additionally, there are no legal impediments to the bank's ability to meet the credit needs of the communities served.

Description of the Assessment Area - Palo Pinto County, Texas

The Board has identified Palo Pinto County as Titan’s assessment area. This designation consists of whole and contiguous geographies and meets the requirements of the regulation. It does not arbitrarily exclude any low- or moderate-income areas. Information relating to this assessment area is detailed below.

The assessment area is not part of any Metropolitan Statistical Area and has a population of 28,111. The local economy is fairly stable, and recovering from the effects of a declining national and regional economy. The area is well diversified with the energy and agriculture industries and various commercial businesses. The recreation industry is significant with Possum Kingdom Lake and a State Park nearby. The largest employers include the city and county governments, hospital, school districts, BJ Services Company, and Peco Facet.

Assessment Area	
<i>Population</i>	
Number of Families	7,541
Number of Households	10,513
<i>Geographies</i>	
Number of Census Tracts	9
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	33%
% Middle-Income Census Tracts	56%
% Upper-Income Census Tracts	11%
<i>Median Family Income (MFI)</i>	
2010 MFI for assessment area	\$48,160
2013 HUD-Adjusted MFI	\$50,500
<i>Economic Indicators</i>	
Unemployment Rate	4.64%
2008 Median Housing Value	\$83,629
% of Households Below Poverty Level	13.40%

** 2010 US Census Bureau

There are no other chartered financial institutions in Palo Pinto County. However, there are a number of branches of other financial institutions that provide significant competition. There are several other chartered financial institutions in the contiguous counties to the assessment area.

Conclusions with Respect to Performance Standards - Small Bank Assessment

Our conclusions in this section are based on the lending activity since the previous CRA examination dated April 20, 2009. We selected a sample from the consumer portfolio in order to evaluate Titan's lending performance within the assessment area (refer to **SCOPE OF THE EXAMINATION** for details). For the **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** and **Geographic Distribution of loans**, we based our conclusions on an analysis of loans originated inside the assessment area.

Loan-to-Deposit Ratio

Titan's loan-to-deposit ("LTD") ratio is reasonable and meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination was used to determine performance in this area. The average LTD ratio for Titan since the last CRA examination was 53.6%. The assessment area and surrounding counties contained 11 other state and national banks with which to compare Titan. The average LTD ratios, for the same period, of these banks ranged from 45.7% and 85.5%. Based on the available information, Titan's LTD ratio was comparable to the competing banks and indicated that it is reasonably meeting the credit needs of the communities served.

Lending in the Assessment Area

Titan's lending reflects a majority of loans originated within the assessment areas and meets the standards for satisfactory performance.

This section quantifies which portion of the bank's lending activity was within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, Titan's lending efforts are concentrated within the assessment area.

To assess the bank's performance in this area we used the sample described above. Based on our sample results, a majority of loans originated were within Titan's assessment area. The following tables reflect the results of our assessment of Titan's efforts to lend in its assessment area:

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer Auto Loans	15	75%	\$221	82%	5	25%	\$49	18%

Source: sample of loans.

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

Titan’s loan distribution to the different household income levels is reasonable and meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for CRA purposes. To assess Titan’s efforts, we used the sample described above. Our analysis, detailed in the table below, indicates the bank is reasonably lending to borrowers of different income levels. Additionally, the bank does not have a minimum loan amount in policy. We reviewed the loan trial and noted a number of loans for \$1 thousand or less, and noted an additional number of other credits for \$1.5 thousand or less. Also, Titan offers a credit card alternative to the smaller loan applicant. These factors indicate the bank is meeting the credit needs of the community.

Borrower Distribution of Consumer Auto Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Assessment Area Households	% of Number of Loans	% of Assessment Area Households	% of Number of Loans	% of Assessment Area Households	% of Number of Loans	% of Assessment Area Households	% of Number of Loans
Consumer Auto Loans	22.6%	15%	17.3%	35%	17.7%	30%	42.3%	20%

Source: loan sample or data collected by the bank; U.S. Census data.

Geographic Distribution of Loans

Titan’s loan distribution to the different geography income levels is reasonable and meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the assessment area.

As noted before, the bank obtains specific borrower information, including addresses, but does not track loans by location for CRA purposes. Therefore, the sample noted earlier was used to assess the bank’s effort in this section. Based on our analysis, Titan’s lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table:

Geographic Distribution of Consumer Auto Loans								
Census Tract 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	0.00%	0%	24.99%	25%	62.0%	70%	12.97%	5%

Source: loan sample or data collected by the bank; U.S. Census data.

** There are no Low Income geographies in the assessment area*

Responses to Complaints

Titan has not received any complaints pertaining to its CRA performance during this evaluation period.

Conclusions with Respect to Performance Standards - Strategic Plan Assessment

As noted earlier, the approved strategic plan identifies goals for satisfactory and outstanding performance. The identified goals include:

- Loan-to-deposit ratio,
- Community development lending,
- Community development investments,
- Qualified grants and donations, and
- Qualified service goals and measurement standards.

Titan has operated under the approved strategic plan for two years. Management provided progress reports for each goal for 2012 and 2013. We reviewed the progress report details and verified it for accuracy. The information below details each goal with Titan’s progress.

Loan to Deposit Ratio (LTD) -

Strategic Plan Goal: Maintain an LTD ratio of at least 60% for Satisfactory performance and 65% for Outstanding Performance.

Titan’s LTD ratios for the 2012 and 2013 were 56.95% and 61.91%, respectively. This meets the goal for satisfactory performance.

Community Development Lending -

Strategic Plan Goals:	Satisfactory	Outstanding
2012	\$562,754	\$703,443
2013	\$658,742	\$823,427

Additionally, at least 20% of balances will be new originations annually.

Community Development (CD) loans totaled \$2.2 million and \$2.0 million for 2012 and 2013, respectively, which exceeded the established goals. In 2012, Titan originated \$734 thousand in new CD loans of the total \$2.2 million, or 33%, which again exceeded the goal for outstanding performance. However, in 2013, Titan originated \$175 thousand in new CD Loans, which represented 8.8% of total CD loans. The two-year average for new CD loan originations is 21.6%, which does exceed their minimum goal of 20%. The newly originated CD loan types for 2013 and 2012 were Small Business term loan, Small Business Revolving Line Of Credit, and Low Income Housing. Based on the information above, the activity meets the goal for outstanding performance.

Community Development Investments -

Strategic Plan Goals:	Satisfactory	Outstanding
2012	\$112,551	\$225,102
2013	\$131,748	\$263,497

CD investments totaled \$997 thousand and \$989 thousand in 2012 and 2013, respectively, which exceeded the established goals for outstanding performance. The CD Investment types are deposits that are held at minority financial institutions and minority banks. These deposits are considered qualified investments by the CRA regulation (§12 CFR 25.12(i)). Based on the information above, the activity meets the goal for outstanding performance.

Each of the four qualified investments are outside of Titan’s assessment area. However, they are not required to benefit the bank’s assessment area when the activity is in cooperation with minority- or women-owned financial institutions (§12 CFR 25.21(f)). As such, the four deposits in minority financial institutions and banks outside of the bank’s assessment area are consistent with CRA regulatory guidelines.

Qualified Grants and Donations -

Strategic Plan Goals:	Satisfactory	Outstanding
2012	\$4,500	\$5,500
2013	\$4,725	\$5,775
Additionally, grants/donations will increase by 5% each year for satisfactory and outstanding goals.		

Qualified grants and donations totaled \$4,748 and \$5,200 for 2012 and 2013 respectively. The 2013 total increased 9.5% over 2012. Titan’s activity meets the goals for satisfactory performance.

The list of recipients of grants and donations are with volunteer and non-profit organizations that include; Hope Foundation Gala, The Brazos Foundation, United Way, Palo Pinto Challenge and Palo Pinto Children’s Alliance Center. The list also includes a sizeable donation to Mineral Wells Jr. High. Demographics from the school administration reflect that 65% of the student population is economically disadvantaged and receives free or reduced fee lunches. Additionally, 45% of the student population is at-risk on early reading and math skills. Based on this data, Titan’s donation will, at least indirectly, benefit low- and moderate-income individuals.

Qualified Service Goals and Measurement Standards -

Strategic Plan Goals:

Non-Profit Boards	Satisfactory	Outstanding
2012	1	2
2013	2	3

CD Service Hours	Satisfactory	Outstanding
2012	30.0	40.0
2013	33.0	44.0

Titan officers participated with eight non-profit boards in 2012 and 7 in 2013, which exceeds the goals for outstanding performance. The list of boards includes Mineral Wells Industrial Foundation, Catholic Church (Chairman of Finance Committee), Mineral Wells Chamber of Commerce, Zonta Club, Palo Pinto Disaster Relief Team and Children’s Alliance Center. The Zonta Club is part of an international group to advance the status of women.

Titan donated 166.5 CD service hours in 2012 and 118 in 2013, which exceeds the goals for outstanding performance. The list of recipients includes United Way, Meals on Wheels, Mineral Wells Youth, Lions Club, Chamber of Commerce, Mineral Wells Economic Development and Industrial Foundation and Jr. Achievement.