



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 07, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American First National Bank
Charter Number 23521

9999 Bellaire Boulevard
Houston, TX 77036

Office of the Comptroller of the Currency

1301 McKinney Street, Suite 1410
Houston, TX 77010-3031

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 COMMUNITY REINVESTMENT ACT RATING:

This institution is rated Outstanding.

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

STATE OF TEXAS:

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

As of September 30, 2012, loans in the assessment areas (AA) in the state of Texas represent 77 percent of total loans and deposits represent 87 percent of total deposits. For the Lending Test, more weight was placed on business lending as this is the bank's primary product.

STATE OF NEVADA:

The Lending Test is rated: Not Applicable

The Community Development Test is rated: Outstanding

As of September 30, 2012, loans in the AAs in the State of Nevada represent four percent of total loans and deposits represent six percent of total deposits. For the Lending Test, no rating was assigned to the State of Nevada as the loan portfolio was part of a September 30, 2011 bank acquisition and not in place for six months prior to the date of the Lending Test.

OVERALL CONCLUSION:

American First National Bank (AFNB) has an Outstanding record of meeting community credit needs based on the following:

- AFNB has maintained a more than reasonable loan-to-deposit (LTD) ratio on a quarterly basis when compared to similarly situated peer groups.
- A substantial majority of the bank's lending is inside the bank's AAs by number and dollar amount of loans originated.
- The overall distribution of loans reflects excellent penetration of businesses of different sizes.
- The overall geographic distribution of loans reflects excellent dispersion in low- and moderate-income (LMI) census tracts (CTs) for business loans in the bank's AAs.
- The level of Community Development activities is Outstanding in relation to the bank's performance context, and reflects excellent responsiveness to AA needs.

Scope of Examination

We completed a full-scope review of AFNB's CRA activities in the bank's designated AAs. AFNB was evaluated utilizing the Intermediate Small Bank (ISB) Examination Procedures, which include a Lending Test and a Community Development (CD) Test. The Lending Test evaluates the bank's record of meeting the credit needs of the AAs through lending activities. The CD Test evaluates the bank's responsiveness to CD needs in the AA through qualified CD lending, investments, and services.

AFNB's primary lending products are business loans. As an ISB, the bank is not required to collect or report loan data for business loans, such as loan amount, revenue, and CT; however, management has elected to collect this data. During the Data Integrity Examination in September 2012, we sampled business loans originated or renewed from January 1, 2010 through December 31, 2011. We determined the bank's records to be reliable as the sampling resulted in an error rate of less than five percent. As such, we used the bank's full report of Texas business loans versus a sample of these loans, which equated to 306 loans. We did not analyze the distribution of consumer loans or owner-occupied residential loans as these are not significant loan products.

AFNB acquired a failed bank, First International Bank (FIB) headquartered in Plano, Texas on September 30, 2011 which included seven branches: four in Texas and three in Nevada. For our review, the acquired FIB branches are not included in the Lending Test evaluation as the branches were not in place for six months prior to the Lending Test, ending date of December 31, 2011. For the CD Test, our review included all CD loans, investments, and services since the date of the last CRA Examination of September 14, 2009, through the date of this examination, January 7, 2013.

Description of Institution

AFNB is a full-service community bank headquartered at 9999 Bellaire Boulevard in Houston, Texas and is a wholly-owned subsidiary of AFNB Holdings, Inc, a Nevada Corporation. The FIB acquisition, as of September 30, 2011, included seven branches: one in the Harris-Fort Bend AA, three in the Dallas-Fort Worth AA, one in the Las Vegas AA (Clark County), and two in the Nye County AA, Nevada. One of the branches acquired in Houston was closed on February 18, 2012. Currently, AFNB has a total of fifteen branches: 12 in Texas and three in Nevada. Texas branches include five branches in Harris-Fort Bend and seven branches in Dallas-Fort Worth. Nevada branches include two branches in Nye County and one branch in Las Vegas.

As of September 30, 2012, assets totaled \$881.7 million and the Tier One Leverage Capital ratio was 14.17 percent. Business financing represents the largest portion of the loan portfolio at 84 percent by dollar amount and 68 percent by number. Although the bank originates mortgage and consumer loans, more weight was placed on business financing performance for the final rating during the evaluation period.

There are no legal or financial factors that impede the bank's ability to help meet the credit needs of its community. AFNB was rated "Satisfactory" at the last CRA Examination dated September 14, 2009.

Please refer to AFNB's CRA Public File for more information about the institution.

Description of Assessment Areas

AFNB has four AAs in two states. Texas AAs include Harris-Fort Bend and Dallas-Fort Worth, and Nevada AAs include Las Vegas and Nye County. The Harris-Fort Bend AA is located in the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA), the Dallas-Fort Worth AA is within the Dallas-Fort Worth-Arlington MSA, and the Las Vegas AA is within the Las Vegas-Paradise MSA. The Nye County AA is not located within a MSA. The AAs meet the requirements of the regulation and do not arbitrarily exclude LMI geographies.

Description of Harris-Fort Bend AA

Harris-Fort Bend AA

The AA includes 707 CTs in two counties. The AA includes all 649 CTs of Harris County and all 58 CTs of Fort Bend County. Census tracts in the AA are designated as low-income 9%; moderate-income 32%; middle-income 28%; upper-income 30%; and not designated 1%. The updated median family income for 2011 is \$66,000. AFNB has five branches in the AA, with branch distribution by CT as follows: one branch (20%) in a low-income CT; two branches (40%) in a moderate-income CT, no branches in middle-income CTs, and two branches (40%) in upper-income CTs.

Harris County is located in the Houston-Sugar Land-Baytown MSA, a ten-county metropolitan area in the Gulf Coast region of Southeast Texas. This MSA is the fifth largest in the nation with a population of 6.08 million as of the 2011 U.S. Census estimate. The population is centered in Houston, Texas. Houston is the largest economic and cultural center in Texas with a population estimated at 2.2 million.

Harris County

The bank's headquarters is located in Harris County. Harris County is the most populous county in Texas and the third most populous in the nation. According to 2011 U.S. Census Bureau estimates, the county had a population of 4.2 million with a growth rate of 23 percent since the year 2000. The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation.

U.S. Census information for Houston reflects the population increased 9.8 percent from 1.95 million in 2000 to 2.15 million in 2011. AFNB maintains three branches in Harris County.

Houston has the largest medical center in the world, the Texas Medical Center. The center's economic impact exceeds \$10 billion annually, and has approximately 52,000 employees. Houston is known as the capital of the oil and gas industry with over 5,000 energy related firms in the area. Texas has more Fortune 500 company headquarters than any other state in the nation, and many of those firms are headquartered in Houston. According to the 2011 U.S. Census estimates, Harris County had approximately 18.3 percent of its residents living below the poverty level. The unemployment rate as of September 2011 was 8.3 percent according to the U.S. Bureau of Labor Statistics.

Banking competition in the Houston MSA is intense. According to the June 30, 2012 Federal Deposit Insurance Corporation (FDIC) Market Share Report, there were approximately 88 financial institutions operating 1,046 branches in Harris County. The five largest competitors in Harris County include: JP Morgan Chase Bank, National Association (NA); Bank of America, NA; Wells Fargo Bank, NA; Amegy Bank, NA; and Compass Bank.

Fort Bend County

Fort Bend County is one of the fastest growing counties in the United States, with a growth rate of 65 percent in the last ten years. The county seat is Richmond, and its largest city is Sugar Land. AFNB's presence in Fort Bend County is limited to a single branch in Missouri City, TX. According to a 2011 U.S. Census Bureau estimate, the county had a population of 607,000 with a 71 percent increase since 2000.

A portion of Houston is located in Fort Bend County, which is considered to be one of the most affluent communities in the State of Texas. The unemployment rate is 7.5 percent, and 8.3 percent of the population lives below the poverty level. Major employers include the Fort Bend Independent School District (ISD) with over 9,000 employees, Flour Corporation with approximately 3,000 employees, and Lamar Consolidated ISD with more than 2,000 employees. Sugar Land has the second largest level of economic activity in Fort Bend County, following Houston, and is the third largest city in the MSA. It is the headquarters for Western Airways. Engineering firms and related industries are prevalent in the county.

Banking competition in Fort Bend County is intense. According to the FDIC Market Share Report dated June 30, 2012, there are 40 institutions operating 136 offices. The five largest competitors in the county include: JP Morgan Chase Bank, NA; Wells Fargo Bank, NA; Prosperity Bank; Bank of America, NA; and Amegy Bank, NA.

Dallas-Fort Worth AA

Description of the Dallas-Fort Worth AA

The AA includes 938 CTs in four counties. The AA includes all 487 CTs in Dallas County; 85 CTs in Collin County, 56 CTs in Denton County and 310 CTs in Tarrant County. CTs in the AA are designated as low-income 9%, moderate-income 29%, middle income 32%, and upper-income 30%. The updated median income for 2011 is \$69,600. AFNB maintains seven branches in the AA, with branch distribution by CT as follows: one branch (14%) located in a low-income CT; three branches (43%) located in moderate-income CTs; and three branches (43%) located in middle-income CTs. No branches are located in an upper-income CT.

Dallas, Collin, Denton and Tarrant Counties are within the Dallas-Fort Worth-Arlington MSA. This MSA includes 12 counties, and is the largest MSA in Texas and fourth largest in the nation. The MSA is divided into two Metropolitan Divisions: Dallas-Plano-Irving and Fort Worth-Arlington, with a combined population of 6.5 million according to the 2011 U.S. Census estimate.

Dallas County

Dallas County is the ninth most populous county in the United States. According to 2011 U.S. Census Bureau estimates, the county had a population of 2.4 million with a growth rate of nine percent since the year 2000. Dallas is the largest city in the county, the third-largest city in Texas, and the eighth-largest city in the United States. For the City of Dallas, the U.S. Census data indicates the population increased three percent from 1.1 million in 2000 to 1.2 million in 2011. AFNB maintains four branches in the county, with one located in a low-income CT and one in a moderate-income CT.

Dallas County is a leader in regional transportation with a program that provides approximately \$30 million a year in thoroughfare improvement funding according to the county's public website. It was also responsible for helping create the North Texas Tollway and DART, which is the Dallas area's transit authority. The light rail system is larger than the systems in Boston and Philadelphia. According to the 2011 U.S. Census estimates, Dallas County had approximately 18.3 percent of its residents living below the poverty level. The unemployment rate in September 2011 was 8.4 percent according to the U.S. Bureau of Labor Statistics. Major employers in the AA include: American Airlines, Texas Instruments, Parkland Memorial Hospital, UT Southwestern Medical Center, CompuCom Campus, and Nortel Networks.

Banking competition in the Dallas MSA is intense. According to the June 30, 2012 FDIC Market Share Report, there were approximately 178 financial institutions operating 1,706 branches. The five largest competitors in Dallas include: Bank of America, NA; JP Morgan Chase Bank, NA; Wells Fargo Bank, NA; Compass Bank; and Comerica Bank.

Collin County

Collin County is the sixth most populous in Texas and one of the fastest growing counties in the nation. The county has experienced a growth rate of 59 percent since the 2000 Census. The 2011 U.S. Census estimates the population climbed seven percent to 812,226 in 2011. AFNB maintains two branches in the county, with one located in a moderate-income CT.

Collin County is the second most affluent county in Texas after Fort Bend and is considered one of the wealthiest counties in the United States. Plano is mostly located within Collin County and had a population of 269,776 according to a 2011 Census estimate, making it the ninth most populous city in Texas. The county had approximately 7.3 percent of its residents living below the poverty level according to the 2011 U.S. Census estimates and an unemployment rate of 7.1 percent in September 2011 according to the U.S. Bureau of Labor Statistics. Major companies headquartered in Plano include: Alliance Data, Cinemark Theatres, Dell Services, Dr. Pepper Snapple Group, Ericsson, Frito-Lay, HP Enterprise Services, Huawei, J. C. Penney, Pizza Hut, Rent-A-Center, and Siemens PLM Software.

Banking competition in Collin County is intense. According to the June 30, 2012 FDIC Market Share Report, there were approximately 59 financial institutions operating 255 branches in the county. The five largest competitors in the county include: Bank of America, NA; J.P. Morgan Chase Bank, NA; Wells Fargo Bank, NA; ViewPoint Bank, NA; and Legacy Texas Bank.

Tarrant County

Tarrant County is the third most populous in Texas. Fort Worth serves as the county seat. The county population was approximately 1.8 million according to the 2011 U.S. Census estimates. Fort Worth is the most populous city in Tarrant County with a population of 758,000, followed by Arlington, the second largest city with a population of 367,000. AFNB maintains one branch in the county that is located in a moderate-income CT.

Tarrant County is home to diverse businesses. Cattle and agriculture, as well as aerospace companies and defense contractors, play a major role in the economic foundation of the county. The county's commercial and industrial airports are among the nation's foremost international gateways. Tarrant County had approximately 14.2 percent of its residents living below the poverty level according to the 2011 U.S. Census estimates and an unemployment rate in September 2011 of 6.2 percent according to the U.S. Bureau of Labor Statistics. Major employers in the AA include: Alcon, AMR Corporation, Arlington ISD, Bell Helicopter, Birdville ISD, Burlington Northern Santa Fe, Cook Children's Health Care System, Fort Worth ISD, and the City of Fort Worth.

Banking competition in Tarrant County is strong. According to the June 30, 2012 FDIC Market Share Report, there were approximately 63 financial institutions operating 46 branches in the county. The five largest competitors in the county include: J.P. Morgan Chase Bank, NA; Wells Fargo Bank, NA; Bank of America, NA; Frost Bank; and Compass Bank.

Denton County

Denton County is one of the fastest growing counties in the U.S. The county seat is Denton. According to the 2011 U.S. Census estimate, the population was 686,406. The county grew over 58 percent since the 2000 U.S. Census. The county had approximately 7.9 percent of its residents living below the poverty level according to the 2011 U.S. Census estimates and an unemployment rate in September 2011 of 6.9 percent according to the U.S. Bureau of Labor Statistics.

The City of Denton is characterized as a college town with over 45,000 students enrolled at the universities located within its city limits. As a result, educational services play a large role in the city's economy. Denton also benefits from tax revenue related to gas drilling and production and the county sits atop a portion of the Barnett Shale, a geological formation said to contain large quantities of natural gas.

The banking environment in Denton County is competitive. According to the June 30, 2012 FDIC Market Share Report, there were approximately 75 financial institutions operating 405 branches in the county. The five largest competitors in the county include: J.P. Morgan Chase Bank, NA; Wells Fargo Bank, NA; Bank of America, NA; ViewPoint Bank, NA; and Legacy Texas Bank.

Las Vegas AA

This AA includes 345 CTs of which 2% are low-income, 23% moderate-income, 43% middle-income, 31% upper-income, and 1% not designated in the AA. Clark County is included in the Las Vegas-Paradise MSA, the 31st largest in the country. The updated median family income for 2011 is \$63,400. According to 2011 U.S. Census Bureau estimates, the MSA population is 1.97 million. The bank has one branch in the AA, located in a middle-income CT.

Clark County

Clark County is the 14th largest county in the United States. According to 2011 U.S. Census Bureau estimates, the county had a population of 1.97 million with a 43 percent increase since 2000. The county seat is the largest city in Clark County, Las Vegas. AFNB currently has one branch located in a middle-income CT.

Clark County is a major tourist destination with 150,000 hotel and motel rooms. A large portion of tourism is centered in the Las Vegas Strip, which is home to 14 of the nation's largest hotels. The unemployment rate is 14 percent and 12.9 percent of the population lives below the poverty level. The largest employers include Clark County School District with over 30,000 employees, Clark County Government with over 8,000 employees, and several large hotel/casino establishments in Las Vegas.

Banking competition in Clark County is heavy. According to the June 30, 2012 FDIC Market Share Report, there were approximately 40 financial institutions operating 379 branches in Clark County. The five largest competitors in Clark County include: Bank of America, NA; Wells Fargo Bank, NA; Citibank, NA; Beal Bank, U.S.A.; and Nevada State Bank.

Nye County AA

Description of the Nye County AA

This AA includes ten CTs: none are designated as low income or high income, two are moderate income (20%), seven are middle income (70%), and one is not designated (10%). The county seat is Tonopah, NV, located halfway between Reno and Las Vegas, NV. The updated median family income for 2011 is \$65,100. According to 2011 U.S. Census Bureau estimates, the county's population is 43,000. AFNB operates two branches in the AA; one branch is located in a moderate-income CT.

Nye County is known as the center of population in Nevada. The U.S. Bureau of Labor Statistics noted the unemployment rate at 16.8 percent in September 2011. The 2011 U.S. Census estimates 20.5 percent of the population lives below the poverty level. Major employers in the AA include: National Securities Technologies, Round Mountain Gold Corporation, Nye County School District, Nye County, Walmart, Pahrump Nugget Hotel and Gambling, Wackenhut Services, Inc., Nevada Southern Detention Center, Desert View Regional Medical Center and Ponderosa Dairy.

Banking competition in Nye County is strong. According to the FDIC Market Share Report dated June 30, 2012, there are six institutions operating nine offices. AFNB is one of the top five competitors in the county representing three percent of the market share. Other institutions include: Bank of America, NA; Nevada State Bank; Wells Fargo Bank, NA; and Meadows Bank.

Conclusions with Respect to Performance Tests

LENDING TEST

AFNB’s performance under the Lending Test is rated Outstanding.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable. The bank’s quarterly LTD ratio averaged 91 percent since the prior CRA examination. Five similarly sized peer group banks headquartered in counties in AFNB’s AA had an average LTD ratio of 82 percent, collectively, for the same time period. The LTD ratios for the peer group banks ranged from 74 percent to 85 percent.

Lending in Assessment Area

Lending in the AA is more than reasonable. A substantial majority of loans originated during the evaluation period were inside the AA. AFNB originated 82 percent by number and 84 percent by dollar amount in its combined AA. The bank’s performance is shown in the table below:

Table 1 - Lending in Harris-Fort Bend and Dallas-Fort Worth AA										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	250	82	56	18	306	79,016	84	15,139	16	94,155

Source: Data collected by bank.

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

We analyzed lending to businesses of different sizes since business loans are a primary loan product. We did not analyze lending to borrowers of different income levels since consumer lending and owner-occupied residential lending are not significant loan products.

Lending to businesses of different sizes shows excellent penetration in both AAs, Harris-Fort Bend and Dallas-Fort Worth AA.

Performance in the Harris-Fort Bend AA

Lending to businesses of different sizes shows excellent penetration. The percentage of loan originations to small businesses with revenues of \$1 million or less by number exceeds the characteristics of the AA. The percentage of loan originations by dollar amount also exceeds the characteristics of the AA. The bank’s performance is shown in the following table:

Table 2A - Borrower Distribution of Loans to Businesses in Harris-Fort Bend AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.92	2.62	30.46	100%
% of Bank Loans in AA by #	85.37	14.63	0.00	100%
% of Bank Loans in AA by \$	82.97	17.03	0.00	100%

Source: Dun and Bradstreet data; data collected by bank.

Performance in the Dallas-Fort Worth AA

Lending to businesses of different sizes shows excellent penetration. The percentage of loan originations to small businesses with revenues of \$1 million or less by number exceeds the characteristics of the AA. The percentage of loan originations by dollar amount also exceeds the characteristics of the AA. The bank’s performance is shown in the following table:

Table 2A - Borrower Distribution of Loans to Businesses in Dallas-Fort Worth AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.66	2.36	30.98	100%
% of Bank Loans in AA by #	83.72	16.28	0.00	100%
% of Bank Loans in AA by \$	82.84	17.16	0.00	100%

Source: Dun and Bradstreet data; data collected by bank.

Geographic Distribution of Loans

We analyzed the geographic distribution of loans to businesses. We did not analyze the distribution of consumer loans or owner-occupied residential loans as these are not significant loan products.

The geographic distribution of loans to businesses shows excellent dispersion in both Harris-Fort Bend AA and Dallas-Fort Worth AA.

Performance in the Harris-Fort Bend AA

The geographic distribution of loans to businesses in the Harris-Fort Bend AA shows excellent dispersion. The percentage of loans originated in both low- and moderate-income CTs exceeds the characteristics of the AA. The bank’s performance is shown in the following table:

Table 3A - Geographic Distribution of Loans to Businesses in Harris-Fort Bend AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Business	4.22	7.93	21.34	33.54	27.03	29.88	47.18	28.05

Source: Dun and Bradstreet data; data collected by bank.

Note: Income information was not available for 0.23% of AA census tracts and 0.60% of loan census tracts.

Performance in the Dallas-Fort Worth AA

The geographic distribution of loans to businesses in the Dallas-Fort Worth AA shows excellent dispersion. The percentage of loans originated in both low- and moderate-income CTs exceeds the characteristics of the AA. The bank's performance is shown in the following table:

Table 3A - Geographic Distribution of Loans to Businesses in Dallas-Fort Worth 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
Business	3.32	12.79	19.09	40.70	32.25	20.93	44.51	23.26

Source: Dun and Bradstreet data; data collected by bank.

Note: Income information was not available for 0.83% of AA census tracts and 2.32% of loan census tracts

Responses to Complaints

The bank did not receive any CRA-related complaints during the CRA evaluation period.

COMMUNITY DEVELOPMENT TEST

AFNB's performance under the CD Test is Outstanding. The level of CD activities demonstrates excellent responsiveness to the needs of the community. Bank officers are involved in several activities that promote CD services and economic growth in the AAs. In the State of Texas, AFNB provided \$15.4 million in qualifying CD loans and \$2.5 million in qualifying investments/donations. In the State of Nevada, CD activities included qualifying CD loans totaling \$2.2 million and three qualifying donations. CD services were also provided to four entities.

Number and Amount of Community Development Loans

The number and dollar amount of CD loans originated by AFNB are excellent. During the examination, we qualified 14 CD loans: 12 apartment complexes in the State of Texas, and two loans in the State of Nevada, which promote economic development through employment of LMI individuals. For the State of Texas, we qualified 12 affordable housing apartment complexes in Houston and Dallas, with origination amounts totaling \$15.4 million. There were nine apartment complexes located in Houston, with origination amounts of \$13.6 million and three apartment complexes in Dallas, with origination amounts of \$1.8 million.

For the State of Nevada, AFNB originated two loans in the Las Vegas AA totaling \$2.2 million that promote economic development through employment of LMI individuals. Both loans qualified under the CD Test by facilitating lending to borrowers that employ LMI individuals in order to promote community development.

Number and Amount of Qualified Investments

The number and dollar amount of qualified investments is Outstanding. For the review period, AFNB made investments/donations of \$2.5 million in both the State of Texas and the State of Nevada. There were nine State of Texas qualified investments/donations and three State of Nevada donations.

In the State of Texas, AFNB made eight new CD investments/donations totaling \$1.4 million and sold one existing \$1.1 million investment. During the review period, management purchased a \$1.3 million mortgage-backed security (MBS) in December 2012. The MBS is comprised of seven properties located in the Dallas-Fort Worth AA with 80 percent of the borrowers being LMI individuals. Other qualifying donations were made to a scholarship fund that benefits LMI students, affordable housing, and community service donations to LMI individuals. Additionally, during the previous evaluation period, AFNB purchased a \$1.9 million MBS comprised of 13 mortgages in LMI areas; however, this investment was sold in March 2012.

In the State of Nevada, AFNB made three qualifying CD donations to two entities, totaling \$300 for scholarship funds that benefit LMI students and an organization that provides Christmas gifts to children from families that are in need and economically struggling.

Extent to Which the Bank Provides Community Development Services

The bank's level of CD services is Outstanding. AFNB has provided an excellent level of CD services consistent with the needs of the local community.

We identified qualified CD services to four entities performed by bank officers during the evaluation period. In the State of Texas, bank officers conducted nine classes totaling 22 hours and in the State of Nevada, bank officer conducted one class for two hours. Of these services, three involved financial education seminars for banking, budgeting, and loan options to LMI individuals. One service involved bank officers participating at a school career day located in a moderate-income area that serves LMI individuals.

In addition to the above services, AFNB branch distribution reasonably services LMI geographies in its AAs. Seven of the bank's 12 branches (58 percent) are located in low- or moderate-income CTs. Lobby hours for the majority of the branches are 9:00 AM to 4:00 PM, Monday through Thursday, extended to 5:30 PM on Friday, and 9:00 AM to 1:00 PM on Saturday, with the exception of one Nye County branch with hours of 10:00 AM to 4:00 PM, Monday through Friday. Most branches offer drive-through services during the same hours as the lobby. Additionally, most branches also offer 24-hour automated teller machines (ATMs) and night depository.

AFNB also offers various products and services to meet the needs of the community including checking, savings, individual retirement accounts, certificate of deposits, consumer/commercial loans, import/export services, wire transfer services, safe deposit boxes, internet banking, ATMs, ATM cards, and collection services. AFNB has several deposit and loan products that are responsive to the needs of LMI individuals and small businesses in the community. A sample of products and services is listed herein:

- Budget checking: A checking account that requires \$50 to open and a \$100 minimum daily balance.
- Regular savings: Free interest bearing savings account when balances above \$100 are maintained, otherwise a \$7 quarterly fee applies.
- Commercial loans: The bank offers start-up business loans and income-producing start up property loans.

Responsiveness to Community Development Needs

The bank's level of CD activities demonstrates excellent responsiveness to the needs and opportunities in the AA. A community contact noted the need for revolving business lines of credit which are the key to growing local businesses. AFNB's loans to businesses include business lines of credit. Another community contact indicated financial education is needed in areas such as overdraft and insufficient funds management, as well as the need for lower fee-based accounts to assist with lower income individuals and additional ATM locations in LMI areas. AFNB provided educational classes that involved financial education seminars for banking, budgeting, and loan options to LMI individuals. In addition, of AFNB's twelve branches, seven are located in LMI CTs.

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.