



## **PUBLIC DISCLOSURE**

May 05, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

BTH Bank, National Association  
Charter Number 10646

412 East Goode Street  
Quitman, TX 75783

Office of the Comptroller of the Currency

1800 NW Loop 281, Suite 306  
Longview, TX 75604-2516

**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.**

The major factors supporting the ratings are as follows:

- The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.
- The bank originates a majority of its loans inside its assessment areas.
- Lending to businesses of different sizes in all assessment areas (AA) reflects reasonable penetration to business with revenues of \$1 million or less.
- The bank is not a mortgage lender; however, in their oldest market – the Non-Metropolitan Statistical Area (MSA) AA, the bank had reasonable penetration to moderate-income borrowers for home improvement loans and excellent penetration to moderate-income borrowers for home refinance loans in the Non-MSA AA.
- The geographic distribution of loans to businesses exceeds the characteristics of the Longview AA for loans originated in the low- and moderate-income census tracts (CT). The bank has similar performance in the Dallas AA for moderate-income CTs. The bank had reasonable dispersion in the Tyler AA.
- The geographic distribution of loans for residential real estate mortgages reflected reasonable dispersion for moderate-income CTs for the Longview and Dallas AAs for the home purchase and home refinance loan products. The Non-MSA AA did not contain any low- or moderate-income CTs.
- The bank's community development (CD) activities demonstrate adequate responsiveness to CD needs in the AAs. The bank had stronger performance for CD loans in all AAs.

## **Scope of Examination**

We completed a review of BTH Bank, National Association (BTH) Community Reinvestment Act (CRA) performance in its AA. BTH was evaluated under the Intermediate Small Bank (ISB) CRA procedures, which includes a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of the bank's AAs through its lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments and donations, and services. For the Lending Test, the time-period covered was January 1,

2014 to December 31, 2016. All of the Home Mortgage Disclosure Act (HMDA) loans originated during the evaluation period were reviewed. The bank collects demographic data on Small Business loans; therefore, we also reviewed a sample of these loans during the evaluation period. Small Farm loans are not a primary product for BTH, and represent less than 2 percent of the total loan portfolio.

Our review included 770 residential real estate loans totaling \$289 million and 383 small loans to businesses totaling \$73 million originated or refinanced during the evaluation period. The small loans to businesses were loans with loan amounts of \$1 Million or less. We used reliable data, collected by management, for both loan products. The bank had 37 percent of deposits in the Non-MSA AA, 21 percent in the Longview AA, 22 percent in the Dallas AA, and 20 percent in the Tyler AA. We chose to perform full scope evaluations on all AAs, with equal weight given to each area.

For the CD Test, our review included all community development loans, investments and donations, and services since the last CRA examination dated May 29, 2014, through the date of this evaluation of May 5, 2017. Management provided reliable data for the CD Test.

Prior to the CRA evaluation, we conducted a data integrity review beginning August 2, 2016. As an ISB, Management is not required to collect data on its business loans; however, Management has elected to collect data. The bank collected and verified data on 383 loans during the CRA examination. We validated this review and found the data to be reliable. For 1-4 family residential real estate loan originations and refinances, management is required to collect and submit data in accordance with HMDA guidelines. We concluded that the bank has implemented satisfactory internal controls to ensure the accuracy and reliability of both HMDA loan data and business loan data. We also reviewed CD activities during the data integrity review.

## **Description of Institution**

BTH is a full-service community bank with its main office located at 412 East Goode Street, Quitman, TX. Quitman, TX is part of the Non-MSA AA. The bank is wholly owned by BT Holdings, Inc. BTH Bank has ten additional branches located in Holly Lake Ranch, Kilgore, Lindale, Mineola, Tyler, Longview, Dallas, Plano, Carthage, and Henderson, TX.

Bank locations include one in a moderate-income CT, seven in middle-income CTs, and three in upper-income CTs. During the review period, the bank opened two branches, closed one branch, and relocated five branches. The new branches were opened in Henderson and Plano, TX, which are in middle-income and upper-income CTs, respectively. The closed branch was in Winnsboro, TX, a middle-income CT. The Kilgore branch was relocated from a middle-income CT to a moderate-income CT, the Dallas branch was relocated from a middle-income CT to an upper-income CT, and the remaining three relocations were in CTs of the same income level.

Branch hours are reasonable with openings at 8:30 am or 9:00 am and closings at 4:30 pm or 5:00 pm during the week. None of the branches are open on Saturdays. All locations have deposit taking automated teller machines (ATM), and there are two additional non-deposit taking ATMs located in Quitman and Mineola, TX. The bank provides 24-hour account access through online and mobile banking.

The bank offers a traditional variety of deposit products, loan products, and financial services to consumers and commercial businesses. As of March 31, 2017, BTH Bank had total assets of \$1.3 billion and a Tier 1 Leverage Capital Ratio of 10.97 percent. The bank's loan portfolio totaled \$970 million and represented 74 percent of total assets. Business loans represent the largest portion of the loan portfolio at 53.67 percent by dollar amount and 32.87 percent by number of loans. Business loans are the bank's largest product. Residential real estate loans represent 29.17 percent by dollar and 39.82 percent by number. However, this product mostly consists of rental investment properties. The bank does offer single family residential mortgages, but does not aggressively market and solicit this product. Additionally, consumer loans represent 1.14 percent by dollar but 12.94 percent by number. This product is also not aggressively marketed or solicited by the bank.

There are no legal, financial, or other factors impeding the bank's ability to meet the community credit needs in its assessment areas. The bank's CRA performance was previously rated "Satisfactory" as of May 29, 2014.

## **Description of Assessment Area(s)**

BTH Bank has four AAs in Texas that meet the requirements of the regulation. The four AAs include the Non-MSA AA, Longview AA, Dallas AA and the Tyler AA.

### **Non-MSA Assessment Area**

The Non-MSA AA consists of Wood and Panola Counties in their entirety and 4 adjacent CTs in Harrison County. Wood County includes the communities of Mineola, Quitman, Hawkins, Winnsboro, Alba and other small rural communities. Panola County includes Carthage, Beckville and other small rural communities. There are no low- or moderate-income CTs located in the AA. The bank's main office, three branches and six ATMs are located in the AA.

The Non-MSA AA has a total population of 85,682 according to the 2010 U.S. Census. The distribution of families by income level regardless of CT location consists of the following: 16 percent are low-income families, 17 percent are moderate-income families, 20 percent are middle-income families, and 47 percent are upper-income families. The average median housing value in the AA is \$99,052 and nine percent of the residents are living below the poverty level. The local economy is stable with an unemployment rate of 3.83 percent. Major employers in the AA include Nestle Waters, Jarvis Christian College, Keller's Creamery, East Texas Medical Center, and local school districts. There is heavy competition from other financial institutions in the area.

We conducted a community contact in the area. The contact represented a local non-profit affordable housing builder. The contact indicated there was a need for affordable housing for low-income borrowers. This contact indicated there was also a need for banks to partner with local organizations to obtain grants for down-payment and closing cost assistance programs. Homebuyer education is another opportunity for local banks to become involved.

### **Longview Assessment Area**

The Longview AA includes Gregg County in its entirety and ten CTs in the adjacent Rusk County. It is within the Longview MSA which includes Gregg and Rusk Counties. Gregg County includes the communities of Longview, Kilgore, Gladewater, White Oak and other small rural communities. Rusk County includes the communities of Henderson and other small rural communities. There are 35 CTs located within the AA. There is one low-income CT, nine moderate-income CTs, 18 middle-income CTs, and six upper-income CTs within the AA. There is one CT with no income designation. There are three branches and three ATMs located within the AA.

The Longview AA has a total population of 164,477 according to the 2010 U.S. Census. The distribution of families by income level, regardless of CT location, consists of the following: 21 percent are low-income families, 18 percent are moderate-income families, 20 percent are middle-income families, and 41 percent are upper-income families. The average median housing value in the AA is \$106,024. According to the American Community Survey, 45 percent of the total housing units in the AA are rental units. This would inhibit the bank from making home mortgage loans as almost half of the housing stock is rental properties. According to the U.S. Census, 14 percent of the residents live below the poverty level. The local economy is stable with unemployment of 4.13 percent. Major employers include Christus Good Shepherd Medical Center, Eastman Chemical, Longview Independent School District, Longview Regional Medical Center, and Luminant. Competition is strong with banks, mortgage companies, and financial institutions located throughout the AA.

### **Dallas Assessment Area**

The Dallas AA includes 173 CTs in Dallas County and 99 CTs in Collin County. This AA is within the Dallas-Plano-Irving MSA. Dallas County includes Dallas, Grapevine, Garland, Irving, Mesquite, Richardson, Addison and several other communities. Collin County includes Plano, McKinney, Allen, Frisco and several other smaller communities. There are two branch locations and two ATMs within the AA. The AA includes 34 low-income CTs, 37 moderate-income CTs, 54 middle-income CTs, and 145 upper-income CTs. There are two CTs with no income designation.

The Dallas AA has a total population of 1,108,098 according to the 2010 U.S. Census. The distribution of families by income level regardless of CT location consists of the following: 20 percent are low-income families, 13 percent are moderate-income families, 15 percent are middle-income families, and 52 percent are upper-income families. The average median housing value in the AA is \$242,965 and 11 percent of the residents are living below the poverty level. The local economy is stable with an

unemployment rate of 4.01 percent. Major employers in the AA include American Airlines Group, AT&T, Inc., Bank of America, NA, Baylor Scott & White Health, JP Morgan Chase, Kroger, Walmart Stores, Inc., and Texas Instruments. There is heavy competition from other financial institutions and mortgage companies in the area.

### **Tyler Assessment Area**

The Tyler AA includes Smith County in its entirety. This is located within the Tyler MSA. Smith County includes Tyler, Lindale, Winona, Noonday and other small rural communities. There are 41 CTs located within the AA. There are two low-income CTs, 12 moderate-income CTs, 14 middle-income CTs, and 12 upper-income CTs within the AA. There is also one CT with no income designation. The assessment area includes two branch locations and two ATMs.

The Tyler AA has a total population of 209,714 according to the 2010 U.S. Census. The distribution of families by income level regardless of CT location consists of the following: 22 percent are low-income families, 17 percent are moderate-income families, 19 percent are middle-income families, and 42 percent are upper-income families. The average median housing value in the AA is \$123,758 and 15 percent of the residents are living below the poverty level. The local economy is stable with an unemployment rate of 4.52 percent. Major employers in the AA include Christus Trinity Mother Frances, East Texas Medical Center, Tyler Independent School District, Brookshires Grocery Company, the University of Texas at Tyler, and Suddenlink Communications. There is heavy competition from other financial institutions in the area.

We conducted a community contact in the Tyler AA during the evaluation period. The entity was a small business development center in the area. The contact indicated there is a need for micro-loans to small businesses in service-based industries. Another way financial institutions could help is by providing grants or help in obtaining grants. These grants could be used by small business owners to purchase equipment and supplies.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

BTH's performance under the Lending Test is Satisfactory.

### **Loan-to-Deposit Ratio**

BTH's loan-to-deposit (LTD) ratio is reasonable given the bank's performance context. The quarterly LTD ratio averaged 84.35 percent for the 11 quarters since the previous CRA evaluation, and has remained stable throughout the evaluation period. The ratio is above the average LTD ratio of 73.52 percent, of six similarly situated banks located throughout the bank's AAs. The ratios of banks in the peer group ranged from a low of

56.48 percent to a high of 92.57 percent. BTH has maintained a LTD of higher than 80 percent for the evaluation period and the LTD at the most current quarter prior to the evaluation (12/31/2016) was at 85.53 percent.

**Lending in Assessment Area**

The bank originates a majority of loans inside its AA. Overall, 73.55 percent by number and 70.31 percent by dollar amount of the bank’s HMDA and Small Business loans were inside the bank’s AA. Our analysis included 848 loans, which consisted of small business and residential real estate loans originated during the evaluation period. The bank’s lending performance is reflected in the table below.

<b>Table 1 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	367	71.68	145	28.32	512	147,172	72.14	56,842	27.86	204,014
Improvement	68	86.08	11	13.92	79	17,738	92.32	1,476	7.68	19,214
Refinance	127	70.95	52	29.05	179	40,596	61.65	25,251	38.35	65,847
Business loans	286	74.67	97	25.33	383	48,899	67.22	23,849	32.78	72,748
Totals	848	73.55	305	26.45	1,153	254,405	70.31	107,418	29.69	361,823

*Source: HMDA, sample of small loans to businesses.*

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

Overall, the level of lending to borrowers of different incomes and to businesses of different sizes is reasonable compared to census characteristics.

Lending to businesses of different sizes in all of the bank’s AAs reflects reasonable penetration to businesses with revenues of \$1 million or less. Lending to businesses of different sizes was given more weight in the overall rating, as business loans represents 32.87 percent of the total loan portfolio by number of loans and 53.67 percent by dollar amount.

Non-MSA AA

The bank originated 17 percent of its sampled small business loans by number and 10 percent by dollar amount in the Non-MSA AA. The performance in the Non-MSA AA reflected reasonable penetration. This AA had the strongest performance of all AAs. This is attributable to the rural nature of the area, and the bank has had a presence in this area for a longer period of time. Twenty-six percent of the bank’s loans had unknown revenues. The following table reflects the performance during the evaluation period.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	85.04	4.09	10.87	100%
% of Bank Loans in AA by #	50.00	24.00	26.00	100%
% of Bank Loans in AA by \$	58.73	29.90	11.37	100%

Source: Small loans to businesses sample; Dun and Bradstreet data

Longview AA

The bank originated 33 percent of its sampled small business loans by number and 32 percent by dollar amount in the Longview AA. The performance in the Longview AA reflected reasonable penetration by number of loans. Twenty-seven percent of the bank loans to businesses had unknown revenues. The following table reflects the performance during the evaluation period.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Longview AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.14	6.21	14.65	100%
% of Bank Loans in AA by #	39.36	34.04	26.60	100%
% of Bank Loans in AA by \$	32.35	49.86	17.79	100%

Source: Small loans to businesses sample; Dun and Bradstreet data.

Dallas AA

The bank originated 26 percent of its sampled small business loans by number and 38 percent by dollar amount in the Dallas AA. The performance in the Dallas AA reflected reasonable penetration by number of loans. Thirty-four percent of the bank’s loans had unknown revenues. The following table reflects the performance during the evaluation period.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Dallas AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.02	7.30	9.69	100%
% of Bank Loans in AA by #	33.78	32.43	33.78	100%
% of Bank Loans in AA by \$	34.61	36.75	28.64	100%

Source: Small loans to businesses sample; Dun and Bradstreet data.

Tyler AA

The bank originated 24 percent of its sampled small business loans by number and 20 percent by dollar amount in the Tyler AA. The performance in the Tyler AA reflected reasonable penetration. Thirty-five percent of the bank’s loans had unknown revenues. The following table reflects the performance during the evaluation period.



Table 2A - Borrower Distribution of Loans to Businesses in Tyler AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.06	5.55	11.39	100%
% of Bank Loans in AA by #	41.18	23.53	35.29	100%
% of Bank Loans in AA by \$	43.50	25.98	30.52	100%

*Source: Small Loans to businesses sample; Dun and Bradstreet data.*

## Residential Real Estate

The distribution of residential real estate loans reflects less than reasonable penetration for all of the bank's AAs among borrowers of different incomes considering the demographics and bank products.

Residential real estate loans represents 29.17 percent by number of loans and 39.82 percent by dollar amount of the loan portfolio. We analyzed originations for home purchase, home improvement, and refinance loans to the percentage of AA families based on 2010 U.S. Census information.

### Non-MSA AA

In the Non-MSA AA, BTH originated 136 residential real estate loans. Of these, 54 percent were home purchase loans, 18 percent were home improvement loans, and 28 percent were home refinance. The Non-MSA AA is an anomaly. The bank has been in this market since 1914 and has maintained its main office in Quitman in Wood County. The Quitman office has been a very active seller of loans to Fannie Mae since 1993. In 2012, the bank had six locations, with the four largest being located in Wood County, thus the predominance of home loans being originated in the Wood County Non-MSA prior to 2013. The bank does not advertise for home loans and generally provides them as an accommodation to its customers. The 2016 HUD MSA median family income for the Non-MSA AA is \$52,400. The median housing value in Wood County is \$111,100, according to the U.S. Census American Community Survey for 2015. The majority of owner-occupied housing units in Wood County are below \$200,000 value range. The bank originated 17 percent of its HMDA reportable loans by number in the Non-MSA AA.

The bank's performance reflects no penetration to low-income borrowers for any residential real estate product. The bank had less than reasonable penetration to moderate-income borrowers for home purchase loans. However, the bank had **reasonable** penetration to moderate-income borrowers for home improvement loans and **excellent** penetration for borrowers for home refinance loans in the Non-MSA AA. This performance is stronger than any of the bank's AAs. This fact is attributable to the above mentioned performance context. Twenty-three percent of the bank's home mortgage loans in the Non-MSA AA were rental homes.

**Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-MSA AA**

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Purchase	16.15	0.00	16.95	5.41	19.73	14.86	47.17	71.62
Improvement	16.15	0.00	16.95	<b>8.33</b>	19.73	20.83	47.17	70.84
Refinance	16.15	0.00	16.95	<b>15.79</b>	19.73	23.68	47.17	50.00

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

Longview AA

In the Longview AA, BTH originated 115 residential real estate loans. Of these, 71 percent were home purchase loans, six percent were home improvement loans, and 23 percent were home refinance loans. The 2016 HUD MSA median family income for the Longview AA is \$55,700. The median housing value in the City of Longview is \$130,100, according to the U.S. Census American Community Survey for 2015. The bank originated 23 percent of its HMDA reportable loans by number in the Longview AA.

The bank’s performance reflects less than reasonable penetration to low- and moderate-income borrowers for residential real estate loans. The bank had no penetration to low-income borrowers for any residential home product. The bank had some penetration to moderate-income borrowers for home purchase loans. However, there was no penetration to moderate-income borrowers for home improvement and home refinance loans. Thirty percent of the bank’s home mortgage loans in the Longview AA were rental homes.

**Table 2 - Borrower Distribution of Residential Real Estate Loans in Longview AA**

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Purchase	21.40	0.00	17.74	1.22	19.74	8.54	41.12	71.95
Improvement	21.40	0.00	17.74	0.00	19.74	0.00	41.12	66.67
Refinance	21.40	0.00	17.74	0.00	19.74	25.93	41.12	55.56

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

Dallas AA

In the Dallas AA, BTH originated 186 residential real estate loans. Of these, 63 percent were home purchase loans, 17 percent were home improvement loans, and 20 percent were home refinance loans. The 2016 HUD MSA median family income for the Dallas AA is \$71,700. The median housing value in the City of Dallas is \$135,400, according to the U.S. Census American Community Survey for 2015. The majority of owner-occupied housing units in Dallas are above \$200,000 value range. The bank originated 24 percent of its HMDA reportable loans by number in the Dallas AA.

The bank’s performance reflects less than reasonable penetration to low- and moderate-income borrowers for residential real estate loans in the Dallas AA. The bank had no penetration to low-income borrowers for any residential home product. The bank had some penetration to moderate-income borrowers for home purchase loans. However, there was no penetration to moderate-income borrowers for home improvement and home refinance loans. Twenty-seven percent of the bank’s home mortgage loans in the Dallas AA were rental homes.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Purchase	20.19	0.00	12.58	0.86	14.74	2.59	52.49	75.86
Improvement	20.19	0.00	12.58	0.00	14.74	0.00	52.49	93.75
Refinance	20.19	0.00	12.58	0.00	14.74	2.63	52.49	86.84

*Source: Loans reported under HMDA; U.S. Census data.*

**Tyler AA**

In the Tyler AA, BTH originated 125 residential real estate loans. Of these, 76 percent were home purchase loans, five percent were home improvement loans, and 19 percent were home refinance loans. The 2016 HUD MSA median family income for the Tyler AA is \$64,000. The median housing value in the City of Tyler is \$81,600, according to the U.S. Census American Community Survey for 2015. The majority of owner-occupied housing units in Tyler are below \$150,000 value range. The bank originated 25 percent of its HMDA reportable loans by number in the Tyler AA.

The bank’s performance reflects less than reasonable penetration to low- and moderate-income borrowers for residential real estate loans in Tyler. The bank had no penetration to low- or moderate-income borrowers for home improvement loans. The bank did have limited penetration for home purchase and home refinance loans to low- and moderate-income borrowers. Twenty-two percent of the bank’s home mortgage loans in the Tyler AA were rental homes.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Tyler AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Purchase	21.56	1.05	17.22	4.21	19.54	14.74	41.68	67.37
Improvement	21.56	0.00	17.22	0.00	19.54	0.00	41.68	100.00
Refinance	21.56	8.33	17.22	4.17	19.54	8.33	41.68	79.17

*Source: Loans reported under HMDA; U.S. Census data.*

**Geographic Distribution of Loans**

Overall, the geographic distribution of loans to businesses is more than reasonable. The Non-MSA AA did not have any low- or moderate-income CTs; therefore, an analysis was not performed in that area.

Non-MSA AA

The Non-MSA AA did not have any low- or moderate-income CTs; therefore, there was no geographic analysis performed.

Longview AA

Geographic distribution of loans to businesses significantly exceeds the characteristics of the Longview AA for loan originations in low-income CTs and is near to the demographic comparator in moderate-income CTs. The following table reflects the bank’s performance during the evaluation period.

Table 3A - Geographic Distribution of Loans to Businesses in Longview 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
	0.58	<b>1.06</b>	29.11	28.72	48.78	45.74	21.35	23.40

Source: Loan sample of data collected by bank; D & B data. 1.06% of loans were located in tracts with no income designation.

Dallas AA

Geographic distribution of loans to businesses reflects reasonable dispersion for low-income CTs in the Dallas AA. In moderate-income CTs the geographic distribution of loans to businesses significantly exceeds the characteristics of the Dallas AA. The following table reflects the bank’s performance during the evaluation period.

Table 3A - Geographic Distribution of Loans to Businesses in Dallas 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
	7.10	4.05	13.42	<b>20.27</b>	19.04	21.63	59.99	54.05

Source: Loan sample of data collected by bank; D & B data. 0% of loans were located in tracts with no income designation.

Tyler AA

Geographic distribution of loans to businesses reflects reasonable dispersion for low- and moderate-income CTs in the Tyler AA. The following table reflects the bank’s performance during the evaluation period.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Tyler AA</b>								
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
	8.43	4.41	19.58	10.29	34.63	47.06	37.13	38.24

*Loan sample of data collected by bank; D & B data. 0% of loans were located in tracts with no income designation.*

### Residential Real Estate

The bank has reasonable dispersion in the Longview AA and excellent dispersion in the Dallas AAs for residential real estate loans. The Tyler AA had poor dispersion for residential real estate loans. The Non-MSA AA did not have any low- or moderate-income CTs.

#### Non-MSA AA

The Non-MSA AA did not have any low- or moderate-income CTs; therefore, there was no geographic analysis performed.

#### Longview AA

We analyzed 2014-2016 HMDA data, which consisted of 115 residential real estate loans in the Longview AA. The bank did not make any residential real estate loans in low-income CTs in the Longview AA. The bank did not make any home improvement loans in moderate-income CTs. The geographic distribution of loans for residential home purchase loans and home refinance loans in the Longview AA is reasonable for moderate-income CTs. The bank’s performance is depicted in the following table.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Longview AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	1.25	0.00	16.95	8.54	57.92	52.44	23.88	39.02
Improvement	1.25	0.00	16.95	0.00	57.92	66.67	23.88	33.33
Refinance	1.25	0.00	16.95	11.11	57.92	55.56	23.88	33.33

*Data reported under HMDA; U.S. Census data.*

#### Dallas AA

We analyzed 2014-2016 HMDA data, which consisted of 116 residential real estate loans in the Dallas AA. The geographic distribution of loans for residential home purchase loans in the Dallas AA reflects reasonable dispersion for low-income CTs and excellent dispersion for moderate-income CTs. The bank did not make any home refinance loans in low-income CTs. The bank had excellent dispersion in moderate-income CTs for home refinance loans. The bank did not make any home improvement

loans in low- or moderate-income CTs in the Dallas AA. The bank’s performance is depicted in the following table.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Dallas AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	3.26	1.72	9.38	7.76	16.06	2.59	71.29	87.93
Improvement	3.26	0.00	9.38	0.00	16.06	0.00	71.29	100.00
Refinance	3.26	0.00	9.38	7.89	16.06	15.79	71.29	76.32

*Data reported under HMDA; U.S. Census data.*

**Tyler AA**

We analyzed 2014-2016 HMDA data, which consisted of 125 residential real estate loans in the Tyler AA. The bank did not make any home purchase loans in low-income CTs. The geographic distribution of loans for residential home purchase loans in the Tyler AA reflects poor dispersion for moderate-income CTs. The bank did not make any home refinance loans in low-income CTs. The bank had poor dispersion in moderate-income CTs for home refinance loans. The bank did not make any home improvement loans in low- or moderate-income CTs in the Tyler AA. The bank’s performance is depicted in the following table.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Tyler AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	1.20	0.00	21.75	5.26	42.20	47.37	34.85	47.37
Improvement	1.20	0.00	21.75	0.00	42.20	66.67	34.85	33.33
Refinance	1.20	0.00	21.75	4.17	42.20	25.00	34.85	70.83

*Data reported under HMDA; U.S. Census data.*

**Responses to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

The bank had overall adequate responsiveness to the needs of its AAs. The bank had excellent responsiveness on CD Loans, and adequate responsiveness on CD investments/donations and services.

## **Community Development Lending**

The bank had excellent responsiveness under the CD loan test. BTH Bank originated or refinanced 66 loans totaling \$79.7 million. There were 52 economic development loans totaling \$64.1 million, seven community services loans totaling \$14.26 million, three affordable housing loans totaling \$2.7 million, and four revitalize and stabilize loans totaling \$1.7 million.

### Non-MSA AA

BTH Bank's performance in the Non-MSA AA is excellent. During the review period, BTH originated six economic development loans totaling \$6.9 million and three community services loans totaling \$1 million.

### Longview AA

BTH Bank's performance in the Longview AA is adequate. During the review period, BTH originated 18 economic development loans totaling \$18.2 million, one community service loan totaling \$160 thousand, one multi-family unit providing affordable housing totaling \$1.1 million and one revitalize and stabilize loan totaling \$80 thousand.

### Dallas AA

BTH Bank's performance in the Dallas AA is adequate. During the review period, BTH originated 11 economic development loans totaling \$6.1 million, five community services loans totaling \$8.6 million, one affordable housing loan totaling \$950 thousand, and two revitalize and stabilize loans totaling \$1.4 million.

### Tyler AA

BTH Bank's performance in the Tyler AA is excellent. During the review period, BTH originated 17 economic development loans totaling \$32.9 million, two community services loans totaling \$4.5 million, one affordable housing loan totaling \$654 thousand, and one revitalize and stabilize loan totaling \$200 thousand.

### Regional impact

BTH Bank did extend \$9.2 million in credit to two Skilled Nursing Facilities along with one Assisted Living Facility all located in Jefferson, Texas. These facilities serve distressed and underserved communities, and a majority of their patients are on Medicaid. While Jefferson, Texas, is outside of the bank's AA by three CTs, the loan helped retain over 1,450 low- and moderate-income jobs in the area.

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

The bank had adequate responsiveness under the CD investment test. The bank purchased qualifying school bonds in the Non-MSA AA, specifically Wood County totaling \$510,000.00. Over 60 percent of the children attending the two schools received a nutrition supplement. The bank executed a \$2 million dollar commitment into a small business investment company in the Dallas AA. The bank has funded \$199,744.28 of this fund during the evaluation period.

During the review period, the bank also made these qualifying donations:

Non-MSA AA

During the review period, BTH made 11 donations to five organizations totaling \$5,000 for community services.

Longview AA

During the review period, BTH made 25 donations to 15 organizations totaling \$22,308 for community services and affordable housing.

Dallas AA

During the review period, BTH made 6 donations to 6 organizations totaling \$10,000 for community services.

Tyler AA

During the review period, BTH made 7 donations to 5 organizations totaling \$13,000 for community services and economic development.

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

During the review period, 16 officers and employees of BTH provided services to 17 organizations in the bank's AAs. Bank officers and employees serve as board members, treasurers, committee members, provided financial expertise, performed as financial literacy instructors and provided legal aid to low- to moderate-income individuals.

Non-MSA AA

In the Non-MSA AA, one Director provided services to one organization. The Director serves on the board as well as provides professional expertise to an organization that provides free legal services to low-income individuals.

Longview AA

In the Longview AA, five bank officers and employees provided services to three organizations for community services. Notable services included an employee providing financial expertise on an organization's finance committee that provides services to low- and moderate-income individuals as well as providing financial education to students at two area high schools in which a majority of students are eligible for free or reduced lunch. Additionally, all five individuals serve on the board or finance committee of organizations that provide services to low- and moderate-income individuals.



Dallas AA

In the Dallas AA, three bank officers and employees provided services to three organizations for community services. Notable services within the AA include an employee that serves on the board that provides scholarships to low- and moderate-income individuals that would not otherwise be able to attend college. Additionally, employees serve on the board of organizations that provide services to low- and moderate-income individuals including a homeless shelter that serves all of Collin County. In addition, one employees serves on the board of an organization that promotes economic development through financial education for small businesses.

Tyler AA

In the Tyler AA, seven officers and employees provided services to 10 organizations. Services provided in the Tyler AA include one officer that serves on the board and finance committee of an organization that promotes economic development as well as an officer that provides financial expertise to an organization that provides mentoring and tutoring to low- and moderate-income children. Additionally, several officers serve on the board of organizations located in low- and moderate-income census tracts that provide services to low- and moderate-income individuals.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.