



PUBLIC DISCLOSURE

February 08, 2016

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 CRA RATING: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

State of Texas:

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

As of December 31, 2015, loans in the state of Texas assessment areas (AA) represented approximately 93 percent of total loans and deposits represented 92 percent of total deposits. For the Lending Test, we placed greater weight on business lending in Texas, as this is the bank's primary lending area and product.

State of Nevada:

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

As of December 31, 2015, loans in the state of Nevada AAs represented four percent of total loans and deposits represented eight percent of total deposits. For the Lending Test, we placed more weight on business lending, as this is the bank's primary product.

Overall Conclusion:

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

- AFNB has maintained a loan-to-deposit (LTD) ratio on a quarterly basis that is more than reasonable when compared to similarly situated peer groups.
- A substantial majority of the bank's lending is inside its AAs by number and dollar amount of loan originations/renewals.
- The performance in Texas has greater impact on overall conclusions based on the proportion of AFNB's business conducted in Texas compared to Nevada.
- The overall distribution of loans reflects reasonable penetration among businesses of different sizes given the bank's performance context, with excellent penetration in Texas and reasonable penetration in Nevada.
- The overall geographic distribution of loans reflects reasonable dispersion among businesses in low- and moderate-income (LMI) census tracts (CT) given the bank's performance context, with excellent dispersion in Texas and reasonable dispersion in Nevada.

- The overall level of Community Development (CD) activities is Satisfactory in relation to the bank's performance context and reflects adequate responsiveness to needs in the bank's AAs.

Scope of Examination

Our evaluation included a full-scope review of AFNB's CRA performance in its designated AAs throughout the states of Texas and Nevada. AFNB was evaluated under the Intermediate Small Bank (ISB) Examination Procedures, which include a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AA through qualified CD lending, investments, and services.

AFNB's primary lending product by dollar amount and number is business loans, with business lending representing 81 percent of loans by dollar and 67 percent by number of loans. The bank does originate consumer loans and mortgage loans, but we did not analyze the distribution, as these are not significant loan products. The evaluation period used for the Lending Test included business loans originated/renewed from January 01, 2014 through December 31, 2015 in the states of Texas and Nevada. For the CD Test, the evaluation period included all CD loans, investments, and services in the states of Texas and Nevada since the date of the last performance evaluation. This timeframe was January 7, 2013, through the date of this evaluation, February 8, 2016.

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. For our analysis, we used a statistically valid sample of 100 loans or \$33.3 million by dollar for loans originated/renewed in Texas. We reviewed all loans originated/renewed in Nevada totaling 16 loans or \$6.6 million; however, could not perform a meaningful analysis for the Nye County AA due to the level of limited lending throughout the evaluation period.

For our review, we placed greater weight on the state of Texas to assess the bank's performance for the Lending Test. As of our evaluation date, loans in the state of Texas represented 93 percent of total loans compared to 4 percent for Nevada. Deposits represented 92 percent of total deposits in Texas compared to 8 percent for Nevada. For Nevada, we reviewed all 16 loans originated/renewed during the evaluation period. We also placed greater weight on Texas for the CD Test.

Description of the Institution

AFNB is a full service interstate community bank headquartered at 9999 Bellaire Boulevard, Houston, Texas. The bank was chartered on May 18, 1998 and is wholly owned by AFNB Holdings, Inc., a Nevada Corporation. AFNB has 15 branches, of which 12 are in Texas, with the remaining three in Nevada. In Texas, five branches are in the Harris-Fort Bend AA and seven branches are in the Dallas-Fort Worth AA. In Nevada, two branches are in the Nye County AA and one branch is in the Las Vegas AA.

In September 2011, AFNB acquired a failed institution under Federal Deposit Insurance Corporation (FDIC) receivership. This acquisition added three branches in Dallas-Fort Worth and three branches in Las Vegas and Nye County. Of the branches in Nevada, one was in the Las Vegas AA and two were located in rural Nye County AA. Upon acquisition, AFNB focused on remediating the level of problem loan levels and personnel issues, as Nevada was still impacted by the recent economic crisis. Since acquisition, AFNB has slowly increased lending each year as the local economy continues to recover.

As of December 31, 2015, AFNB had total assets of \$1.17 billion and the tier one leverage capital ratio was 12.78 percent. The bank offers a variety of lending products for consumers and businesses, but the bank's primary lending focus is business loans. No branches have opened or closed since the last CRA evaluation. In addition, there have been no significant changes to AFNB's corporate structure, including merger or acquisition activities, since the last CRA evaluation.

There are no legal or financial impediments to the bank's ability to meet the credit and CD needs of its AAs. AFNB was rated "Outstanding" at the last CRA evaluation dated January 07, 2013.

Please refer to the bank's Public File for additional information.

Description of the Assessment Areas

AFNB has four AAs in two states, which encompasses eight full counties. The state of Texas includes the Harris-Fort Bend AA and the Dallas-Fort Worth AA. The state of Nevada includes the Las Vegas AA and the Nye County AA. With the exception of the Nye County AA, all AAs are located within Metropolitan Statistical Areas (MSA). All AAs meet the requirements of the regulation and do not arbitrarily exclude LMI geographies.

Harris-Fort Bend AA

The AA consists of all 862 CTs in Harris County (786 CTs) and Fort Bend County (76 CTs). The CTs were designated as low-income (14 percent), moderate-income (30 percent), middle-income (24 percent), and upper-income (31 percent). Four CTs were not designated. AFNB has five locations in the AA.

Of these locations, three are located in low-income CTs, one is located in a middle-income CT, and one is located in an upper-income CT. Per U.S. Census data, the median MSA family income for 2015 was \$68,400.

Both counties are located in the Houston-The Woodlands-Sugar Land MSA, a nine-county MSA in the Gulf Coast region of Southeast Texas. The MSA is the fifth largest in the country, with a population of 6.5 million as of 2014 U.S. Census estimates. The largest populated city in the MSA is Houston with an estimated population of 2.2 million.

Community Contact

Based on information received from local community contacts, some of the key needs identified for banks to be involved in the community were access to affordable housing for LMI individuals, education and vocational training support, and small business support with technical and funding assistance.

Harris County

Harris County is the largest county in Texas by population and the third largest in the nation. According to 2014 U.S. Census estimates, the county had a population of 4.4 million, reflecting 8.5 percent growth since 2010. The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation.

The economic climate in Harris County is stable. The Texas Workforce Commission reported the 2014 unemployment rate at 4.9 percent and the 2014 U.S. Census estimates approximately 18.5 percent of the population living below the poverty level. Texas has the second most Fortune 500 company headquarters in the nation at 54, of which 25 are located in Houston. The top three employers in the county included Walmart, H-E-B Grocery Corp, and MD Anderson Cancer Center. Other major employers included Memorial Hermann Health System and Houston Methodist Hospital.

Competition is intense, with the top competitors holding 44 percent of the county deposit market share. As of June 30, 2015, the Federal Deposit Insurance Corporation (FDIC) reports 80 financial institutions operating 1,006 branches in Harris County. The five largest competitors in Harris County included JP Morgan Chase Bank, National Association (N.A.), Wells Fargo Bank, N.A., Bank of America, N.A., Compass Bank, and Amegy Bank, N.A.. AFNB has four branches Harris County with a total market share of 0.25 percent.

Fort Bend County

Fort Bend County is the tenth most populous county in Texas. According to 2014 U.S. Census Bureau estimates, the county had a population of 685 thousand, reflecting 17 percent growth since 2010. The county seat is Richmond and Sugar Land is the largest city in the county.

The economic climate in Fort Bend County is good. The Texas Workforce Commission reported the 2014 unemployment rate at 4.5 percent and the 2014 U.S. Census estimates approximately 8.8 percent of the population living below the poverty level.

The top three employers in the county included the Fort Bend Independent School District (ISD), Lamar Consolidated ISD, and the Fluor Corporation. Other major employers included Fort Bend County and Schlumberger Technology Corp.

Competition is intense, with the top three competitors holding 48 percent of the county deposit market share. As of June 30, 2015, the FDIC reports 39 financial institutions operating 134 branches in Fort Bend County. The five largest competitors in the county included Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., Bank of America, N.A., Prosperity Bank, and Amegy Bank, N.A.. AFNB has one branch in Fort Bend County with a total market share of 1.68 percent.

Dallas - Fort Worth AA

The AA consists of all 1,175 CTs in Collin (152 CTs), Dallas (529 CTs), Denton (137 CTs) and Tarrant (357 CTs) counties. The CTs were designated as low-income (12 percent), moderate-income (26 percent), middle-income (28 percent), and upper-income (34 percent). Four CTs were not designated. AFNB has seven locations in the AA. Of these locations, one is located in a low-income CT, two are located in moderate-income CTs, three are located in middle-income CTs, and one is located in an upper-income CT. Per U.S. Census data, the median MSA family income for 2015 was \$68,978.

All counties in the AA are located in the Dallas-Fort Worth-Arlington MSA, a 12 county MSA located in North Central Texas. The MSA is comprised of the Dallas-Plano-Irving Metropolitan Division (MD) and the Fort-Worth-Arlington MD. The MSA is the fourth largest in the country, with a population of 6.9 million as of 2014 U.S. Census estimates. The largest populated city in the MSA is Dallas with an estimated population of 1.2 million.

Community Contact

Two community contacts in the Dallas-Fort Worth region expressed a favorable opinion of general business conditions and projected continued expansion in the region. The contacts felt that financial institutions in the area are engaged and active in meeting the credit needs of the community. Small business lending with and without assistance from other federal and state government programs, such as the Small Business Administration and the US Department of Agriculture, is important to continued expansion. Tax and other incentives from local county jurisdictions are also used to facilitate business development. One contact reflected the need to increase diversity in financial institutions to be more reflective of the community of which it serves.

Dallas County

Dallas County is the second largest county in Texas by population and the ninth largest in the nation. According to 2014 U.S. Census estimates, the county had a population of 2.5 million, reflecting 6.4 percent growth since 2010. The county seat is Dallas, which is the largest city in the county and the ninth largest in the nation.

The economic climate in Dallas County is good. The Texas Workforce Commission reported the 2014 unemployment rate at 5.4 percent and the 2014 U.S. Census estimates approximately 19.3 percent of the population living below the poverty level. The top three employers in the county included Bank of America, Dallas ISD, and Baylor Health Care System. Other large employers included AT&T and JP Morgan Chase Bank, N.A.

Competition is intense, with the top two competitors holding 63 percent of the county deposit market share. As of June 30, 2015, the FDIC reports 100 financial institutions operating 646 branches in Dallas County.

The five largest banks by deposit market share included Bank of America, N.A., JP Morgan Chase Bank, N.A., Texas Capital Bank, N.A., Wells Fargo Bank, N.A., and Compass Bank. AFNB has four branches in Dallas County with a total market share of 0.10 percent.

Collin County

Collin County is the sixth largest county in Texas by population. According to 2014 U.S. Census estimates, the county had a population of 885 thousand, reflecting 13.2 percent growth since 2010. The county seat is McKinney and Plano is the largest city in the county.

The economic climate in Collin County is strong. The Texas Workforce Commission reported the 2014 unemployment rate at 4.5 percent and the 2014 U.S. Census estimates approximately 7 percent of the population living below the poverty level. The top three employers in the county included Raytheon Company, Target Corporation, and J.C. Penny Company. Other major employers with company headquarters included Dr. Pepper Snapple Group and Rent-A-Center.

Competition is intense, with the top three competitors holding 46 percent of the county deposit market share. As of June 30, 2015, the FDIC reports 55 financial institutions operating 252 branches in Collin County. The five largest banks by deposit market share included JPMorgan Chase Bank, N.A., Legacy Texas Bank, Bank of America, N.A., Wells Fargo Bank, N.A. and Capital One, N.A.. AFNB has two branches in Collin County with a total market share of 0.35 percent.

Denton County

Denton County is the ninth largest county in Texas by population. According to 2014 U.S. Census estimates, the county had a population of 753 thousand, reflecting 13.7 percent growth since 2010. The county seat is Denton, which is also the largest city in the county; however, Lewisville is a major city in the county.

The economic climate in Denton County is strong. The Texas Workforce Commission reported the 2014 unemployment rate at 4.5 percent and the 2014 U.S. Census estimates approximately 8.7 percent of the population living below the poverty level.

The top three employers in the county included the University of North Texas, Denton ISD, and Peterbilt Motors. Other major employers included Denton State Supported Living Center and Texas Woman's University.

Competition is intense, with the top three institutions holding 60 percent of the county deposit market share. As of June 30, 2015, the FDIC reports 33 financial institutions operating 154 branches in Denton County. The five largest banks in the county by deposit market share included Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., Bank of America, N.A., Northstar Bank of Texas, and Compass Bank. AFNB does not have a branch in Denton County, but services the county through its lending products.

Tarrant County

Tarrant County is the third largest county in Texas by population and the fifteenth largest county in the nation. According to 2014 U.S. Census estimates, the county had a population of 1.9 million, reflecting 7.5 percent growth since 2010. The county seat is Fort Worth, which is also the largest city in the county.

The economic climate in Tarrant County is good. The Texas Workforce Commission reported the 2014 unemployment rate at 5 percent and the 2014 U.S. Census estimates approximately 15.2 percent of the population living below the poverty level. The top three employers in the county included AMR/American Airlines, Texas Health Resources, Inc., and Lockheed Martin Aeronautics Company. Other major employers included the Naval Air Station Joint Reserve Base and Fort Worth ISD.

Competition is intense, with the top three institutions holding 47 percent of the county deposit market share. As of June 30, 2015, the FDIC reports 63 financial institutions operating 451 branches in Tarrant County. The five largest banks in the county included JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., Frost Bank, and Compass Bank. AFNB has one branch in Tarrant County with a total market share of 0.04 percent.

Las Vegas AA

The AA consists of all 487 CTs in Clark County, which is located in the Las Vegas-Henderson-Paradise MSA. The CTs were designated as low-income (6 percent), moderate-income (23 percent), middle-income (41 percent), and upper income (30 percent). AFNB has one branch in the AA, which is located in a moderate-income CT. Per U.S. Census data, the median MSA family income for 2015 was \$58,000.

Community Contact

A community contact in Clark County indicated the need for financial literacy programs and support for first time homebuyers. Other needs included job training, access to affordable healthcare, and improving the quality of the education system. Increased skills and technical knowledge is expected to allow residents of Clark County to qualify for higher paying jobs.

Clark County

Clark County is the 14th largest county in the nation and accounts for almost 75 percent of Nevada residents. According to 2014 U.S. Census estimates, the county had a population of 2 million, reflecting 6.1 percent growth since 2010. The county seat is Las Vegas, which is also the largest city in the MSA with a population of 614 thousand.

The economic climate in Clark County is still recovering. The downturn in the housing market continues to impact the local economy, as home prices stabilize and consumers begin to increase spending on entertainment. In addition, as AFNB's primary product is business lending, the ability to make business loans has been impacted by businesses unwilling to invest in expansions or improvements of business processes. The Bureau of Labor Statistics (BLS) reported the January 2016 unemployment rate at 6.5 percent, which shows improvement compared to 13.8 percent in 2010. While improved, the unemployment rate is still higher than the January 2016 national average of 4.9 percent.

The 2014 U.S. Census estimated approximately 15.6 percent of the population living below the poverty level, which is consistent with the 2010 level of 15 percent. The top three employers in the county include Clark County School District, Clark County and Wynn Las Vegas. Other major employers included MGM Grand Hotel/Casino and Bellagio LLC.

Competition is concentrated, with the top three competitors holding 63 percent of the county deposit market share. As of June 30, 2015, the FDIC reports 38 financial institutions operating 350 branches in Clark County. The five largest competitors in Clark County included Wells Fargo, N.A., Bank of America, N.A., Citibank, N.A., Western Alliance Bank, and U.S. Bank, N.A. AFNB has one branch in Clark County with a total market share of 0.09 percent.

Nye County AA

The AA consists of all ten CTs in Nye County. The CT designations included six moderate-income (60 percent), two middle-income (20 percent) and one upper-income (10 percent). One CT was not designated and both middle-income CTs were designated as distressed/underserved by the Federal Financial Institutions Examination Council. AFNB has two locations in the AA. Of these locations, one is located in a middle-income CT and the other is located in a moderate-income CT. Per U.S. Census data, the median MSA family income for 2015 was \$57,900.

Community Contact

A community contact in Nye County provided insight into the constraints associated with attracting new businesses to the region. The lack of basic city services such as water, sewer, and electricity, as well as improved road infrastructure, limits new lending opportunities. While vacant property is abundant, the cost to develop is expensive and in some cases, cost prohibitive. Economic progress slowed with the 2008 recession and has hampered business growth. Future expansion is projected to be slow but transparent in the next 24 to 36 months.

Nye County

Nye County is the largest county in the state and the third largest county in the contiguous U.S. by land area. While the largest by area, population is minimal at 43 thousand according to 2014 U.S. Census estimates. This represents a 3.8 percent decline since 2010. The county seat is Tonopah, with Pahrump being the population center. The Nye County Planning Department estimates the 2014 population for Pahrump at 39 thousand, which equates to 91 percent of the county population.

The economic climate in Nye County is still recovering. The BLS reported the January 2016 unemployment rate at 8.5 percent, which shows improvement compared to 17.3 percent in 2010. While improved, the unemployment rate was still almost double the January 2016 national average of 4.9 percent.

The 2014 U.S. Census estimated approximately 16.8 percent of the population living below the poverty level, which is an improvement from the 2010 level of 18.7 percent.

The top three employers in the county included Round Mountain Gold Corp, National Securities Technologies, and Nye County School District. All employers reported more than 300 employees; however, the top employer reported less than 1,000 employees. Other major employers included Nye County and Walmart. Due to limited employment opportunity in the county, many residents must commute to neighboring cities such as Las Vegas, which is approximately 60 miles away.

Competition is concentrated, with the top three competitors holding 79 percent of the county deposit market share. As of June 30, 2015, the FDIC reports six financial institutions operating eight branches in Nye County. Six of the eight branch reported in Nye County are located in the City of Pahrump, with one located in Tonopah and Armargosa Valley, respectively. Nevada State Bank holds the largest percentage of deposits in the county at 34 percent, followed by Bank of America, N.A. at 28 percent and Wells Fargo, N.A. at 17 percent. AFNB has two branch offices in Nye County with a total market share of 8 percent, ranking second to last in the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Overall, performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

AFNB's LTD ratio exceeds the standard for satisfactory performance. The LTD ratio is more than reasonable given the bank's performance context. Our analysis included seven similarly situated banks in surrounding areas ranging in total asset size of \$718 million to \$1.4 billion.

AFNB's quarterly average LTD ratio since the last CRA evaluation was 96 percent, ranging from a high of 100 percent in the third quarter of 2015 to a low of 94 percent in the first quarter of 2014. The comparator quarterly average ratio over the same period was 74 percent. These quarterly average ratios ranged from a low of 44 percent to a high of 93 percent.

Specific to Nevada, AFNB's LTD ratio for Nevada was 48 percent as of September 30, 2015. The LTD is primarily composed of loans outstanding from the acquisition, but AFNB continues to increase lending each year. AFNB originated/renewed 17 loans at \$17 million in 2013, 22 loans at \$14 million in 2014, and 20 loans at \$15 million in 2015 on a total portfolio basis.

Lending in Assessment Area

A substantial majority of loan originations/renewals were inside the bank's AA. Specifically, by number and dollar, 83 percent of loans originated/renewed during the evaluation period were in the combined AA. Our analysis included 116 loans originated/renewed in 2014 and 2015. The following table details AFNB's lending in the combined AA for commercial loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	96	82.76	20	17.24	116	\$32,952	82.65	\$6,919	17.35	\$39,871

Source: Loan data collected by bank

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

As the bank's primary product, we analyzed the distribution of lending among businesses of different sizes, specifically small businesses with gross annual revenues of \$1 million or less. We did not analyze lending to borrowers of different income levels since consumer lending and owner-occupied residential lending are not significant loan products.

The distribution of loans in Texas reflects excellent penetration given the bank's product offerings, local economic conditions, and performance context. The distribution in the Harris-Fort Bend AA was reasonable, while the distribution in the Dallas-Fort Worth AA was excellent. The distribution in Harris-Fort Bend is reasonable, with over 80 percent of the loans originated to small businesses. The distribution of loans in Nevada reflects reasonable penetration given the bank's product offerings, local economic conditions, and performance context. The distribution in the Las Vegas AA was reasonable given the economic climate and performance context. The distribution in the Nye County AA was poor given limited lending; however, this was deemed reasonable based on information noted by our community contact. Details for each AA are below.

Harris-Fort Bend AA

AFNB's distribution of business loans meets the standard for satisfactory performance in the Harris-Fort Bend AA. The distribution reflects reasonable penetration among businesses of different sizes. The bank's lending to small businesses was near to that of the demographic comparator by dollar. During the sampling period, 71 percent of the bank's loans to businesses, by dollar, were originated to small businesses. The following table details AFNB's performance as compared to different sized businesses in the Harris-Fort Bend AA.

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	78.63	4.73	16.64	100%
% of Bank Loans in AA by #	63.89	25.00	11.11	100%
% of Bank Loans in AA by \$	70.51	27.82	1.67	100%

Source: Loan data collected by bank

Dallas-Fort Worth AA

AFNB's distribution of business loans exceeds the standard for satisfactory performance in the Dallas-Fort Worth AA. The distribution reflects excellent penetration among businesses of different sizes. The bank's lending to small businesses met the demographic comparator by number and exceeded the comparator by dollar. During the review period, 87 percent of the bank's loans to businesses, by dollar, were originated to small businesses. The following table details the bank's performance as compared to different sized businesses in the Dallas-Fort Worth AA.

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	79.09	4.23	16.68	100%
% of Bank Loans in AA by #	79.55	11.36	9.09	100%
% of Bank Loans in AA by \$	86.82	11.04	2.14	100%

Source: Loan data collected by bank

Las Vegas AA

AFNB's distribution of business loans meets the standard for satisfactory performance in the Las Vegas AA. The distribution reflects reasonable penetration among businesses of different sizes. While lending was limited, AFNB managed to originate/renew 15 loans at \$6.3 million in the Las Vegas AA during the evaluation period. The bank's lending to small businesses was slightly below that of the demographic comparator by number and dollar. During the sampling period, 55 percent of the bank's loans to businesses, by dollar, were originated to small businesses. Given the economic factors and limited lending opportunities in the Las Vegas AA, this level of performance is reasonable.

A trend analysis indicates an increased level of loan originations in recent years, in line with the slow economic recovery. The following table details AFNB's performance as compared to different sized businesses in the Las Vegas AA.

Table 2A - Borrower Distribution to Businesses in Las Vegas AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	75.35%	5.22%	19.43%	100.00%
% of Bank Loans in AA by #	53.33%	46.67%	0.00%	100.00%
% of Bank Loans in AA by \$	54.76%	45.24%	0.00%	100.00%

Source: Loan data collected by bank

Nye County AA

We could not assess the bank's lending to businesses of different sizes given AFNB's limited lending, as AFNB only originated one loan at \$250 thousand in the Nye County AA, which did not require income verification. There are significant constraints with attracting new businesses in this area, resulting in very limited lending opportunities.

Geographic Distribution of Loans

As the bank's primary product, we analyzed the geographic distribution of lending among businesses of different sizes. We did not analyze the geographic distribution of families and households of different income levels, as business lending is AFNB's primary product. We noted no conspicuous gaps in the geographic distribution.

The geographic distribution of loans in Texas reflects excellent penetration given the bank's product offerings, local economic conditions, and performance context. The geographic distribution of loans in Nevada reflects reasonable dispersion given the bank's product offerings, local economic conditions, and performance context. The geographic distribution of loans reviewed in the Las Vegas AA reflects excellent dispersion. The distribution in the Nye County AA was poor given limited lending; however, this was deemed reasonable based on information noted by our community contact. Details for each AA are below.

Harris-Fort Bend AA

AFNB's geographic distribution of loans exceeded the standard for satisfactory performance in the Harris-Fort Bend AA. The geographic distribution of business loans reflects excellent dispersion throughout CTs of different income levels, with business lending in LMI CTs exceeding the demographic comparator. Loan originations significantly exceed the characteristics for low-income CTs, and also exceed the characteristics for moderate-income CTs. The following table details AFNB's performance as compared to the percentage of businesses in each CT income level for the Harris-Fort Bend AA.

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 Loans	9.24	25.00	20.53	27.78	23.96	19.44	46.19	27.78

Source: Loan data collected by bank

Footnote: 0.08% of area businesses were located in undesignated CTs

Dallas-Fort Worth AA

AFNB's geographic distribution of loans exceeded the standard for satisfactory performance in the Dallas-Fort Worth AA. The geographic distribution of business loans reflects excellent dispersion throughout CTs of different income levels, business lending in LMI CTs exceeding the demographic comparator. Loan originations significantly exceed the characteristics for low-income CTs, and also exceed the characteristics for moderate-income CTs. The following table details AFNB's performance as compared to the percentage of businesses in each CT income level for the Dallas-Fort Worth AA.

Table 3A – Geographic Distribution of Loans to Businesses in Dallas-Fort Worth 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 Loans	7.20	25.00	18.92	22.73	27.36	36.36	46.30	15.91

Source: Loan data collected by bank

Footnote: 0.22% of area businesses were located in undesignated CTs

Las Vegas AA

AFNB's geographic distribution of loans exceeded the standard for satisfactory performance in the Las Vegas AA. The geographic distribution of business loans reflects excellent dispersion throughout CTs of different income levels, with business lending in LMI CTs exceeding the demographic comparator. Loan originations significantly exceeded the characteristics for low-income CTs, and met the characteristics for moderate-income CTs. The following table details AFNB's performance as compared to the percentage of businesses in each CT income level for the Las Vegas AA.

Table 3A – Geographic Distribution of Commercial Loans in Las Vegas 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
% of Total	4.92%	13.33%	21.14%	20.00%	42.34%	60.00%	31.60%	6.67%

Source: Loan data collected by bank

Nye County AA

We could not assess the geographic distribution of loans among businesses of different sizes given AFNB’s limited lending, as AFNB only originated one loan at \$250 thousand in the Nye County AA, which was located in a moderate-income CT. There are significant constraints with attracting new businesses in this area, resulting in very limited lending opportunities.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

Overall, the bank's performance under the CD Test is satisfactory and reflects adequate responsiveness to the needs of its AAs. The bank responded to community development needs with substantial originations/renewals of loans for affordable housing in Texas, however no originations in Nevada as the state accounts for 4 percent of the total portfolio. The level of investments and donations show continued support to affordable housing and community services to LMI individuals in both Texas and Nevada. The bank's responsiveness to service needs is reasonable with bank employees providing services to multiple qualified organizations in both states.

AFNB has provided an excellent level of CD loans in Texas and a poor level in Nevada. During the evaluation period, we qualified 29 loans totaling \$53.5 million. AFNB has provided an adequate level of CD investments/donations Texas and Nevada. During the evaluation period, we qualified 1 investment and 26 donations totaling \$1.14 million. AFNB provided an adequate level of CD services in Texas and an excellent level in Nevada. During the evaluation period, AFNB provided 18 services to eight organizations that equated to 239 hours.

Responsiveness to Community Development Needs

The level of lending and CD efforts demonstrates adequate responsiveness to the needs and opportunities in the AA. A community contact noted the need for affordable housing to low- and moderate-income individuals. AFNB is meeting this need as noted by the overall adequate level of CD loans for affordable housing. Another community contact indicated financial literacy classes are needed. AFNB provided financial education classes, which involved financial education seminars over banking, personal budgeting, and loan options to LMI individuals.

The branch distribution of AFNB indicates reasonable services to LMI geographies in its AAs. Eight of the 15 branches are located in low- or moderate-income CT's. The lobby hours for the majority of branches are 9:00 AM to 5:00 PM, Monday through Thursday, extended to 5:30 PM on Fridays. Many of the branches are open on Saturday from 9:00 AM to 1:00 PM. Most of the branches offer drive-through services during the same hours as the lobby. In addition, most branches provide 24-hour access to automated teller machines (ATMs) and night depositories.

State of Texas

The Community Development Test is rated **Outstanding**.

Number and Amount of Community Development Loans

Harris-Fort Bend AA

In the Harris-Fort Bend AA, AFNB provided an excellent level of CD loans. During the evaluation period, we qualified 22 loans totaling \$51.6 million. All of the loans during the evaluation period provided affordable housing in Texas.

The majority of these affordable housing loans were to borrowers with multi-family units that provide below market rents to LMI individuals.

Dallas-Fort Worth AA

In the Dallas-Fort Worth AA, AFNB provided an adequate level of CD loans. During the evaluation period, we qualified seven loans, totaling \$1.9 million. All of the loans during the evaluation period provided affordable housing in Texas. The majority of these affordable housing loans were to borrowers with multi-family units that provide below market rents to LMI individuals.

Number and Amount of Qualified Investments

Harris-Fort Bend AA

In the Harris-Fort Bend AA, AFNB provided an adequate level of qualified investments/donations with 14 donations totaling \$60 thousand. AFNB made charitable contributions to organizations that offer community services to LMI individuals. Contributions benefited scholarship funds and school supplies programs for LMI students, as well as organizations that provide food and essentials to families who are struggling economically. No new investments were purchased in the current review period.

Dallas-Fort Worth AA

In the Dallas-Fort Worth AA, AFNB provided an adequate level of qualified investments/donations with 5 donations totaling \$3 thousand. AFNB made charitable contributions to organizations that offer community services to LMI individuals. Contributions benefited scholarship funds and school supplies programs for LMI students, as well as organizations that provide food and essentials to families who are struggling economically. No new investments were purchased in the current review period. During the previous evaluation period, AFNB purchased a \$1.3 million mortgage-backed security (MBS) in the Dallas-Fort Worth AA; however, this investment was sold in February 2014.

Extent to Which the Bank Provides Community Development Services

Harris-Fort Bend AA

In the Harris-Fort Bend AA, AFNB provided an adequate level of CD services. We qualified nine services in the Harris-Fort Bend AA. Services included financial literacy classes, as well as financial literacy presentations to a non-profit organization that assists in providing opportunities to LMI individuals.

Dallas-Fort Worth AA

In the Dallas-Fort Worth AA, AFNB provided a poor level of CD services. We qualified one service in the Dallas-Fort Worth AA, which included a financial literacy class.

Responsiveness to Community Development Needs

Harris-Fort Bend AA

Overall, responsiveness to CD needs is excellent in the Harris-Fort Bend AA. AFNB originated a significant level of qualified CD loans, demonstrating excellent responsiveness to the need for affordable housing, which carries the most weight in our evaluation. The level of investments/donations exhibits adequate responsiveness. AFNB adequately responded to the need for financial literacy by providing nine services such as financial education classes, which involved seminars over banking, personal budgeting, and loan options to LMI individuals.

Dallas-Fort Worth AA

Overall, responsiveness to CD needs is adequate in the Dallas-Fort Worth AA. AFNB originated an adequate level of qualified CD loans, demonstrating responsiveness to the need for affordable housing. The level of investments/donations exhibits adequate responsiveness. AFNB poorly responded to the need for financial literacy by providing one financial education class.

State of Nevada

The Community Development Test is rated **Satisfactory**.

Number and Amount of Community Development Loans

Las Vegas AA

In the Las Vegas AA, AFNB provided a poor level of CD loans. During the evaluation period, AFNB did not originate/renew any loans promoting community development. This is somewhat reasonable as loans in the state of Nevada only account for 4 percent of AFNB's total loan portfolio, indicating limited lending. Due to the slow economic climate described above, AFNB focused their CD efforts on investments and services.

Nye County AA

In the Nye County AA, AFNB provided a poor level of CD loans. During the evaluation period, AFNB did not originate/renew any loans promoting community development. This is somewhat reasonable as loans in the state of Nevada only account for 4 percent of AFNB's total loan portfolio, indicating limited lending. Due to the slow economic climate in Nevada, AFNB focused their CD efforts on investments and services.

Number and Amount of Qualified Investments

Las Vegas AA

In the Las Vegas AA, AFNB provided an adequate level of CD investments/donations with one investment and one donation totaling \$1.05 million. During the review period, the bank purchased a \$1.05 million MBS comprised of eight properties located in the Las Vegas AA, with all of the borrowers being LMI individuals.

In addition, the donation supported a charitable organization that provide scholarships and school supplies to LMI students.

Nye County AA

In the Nye County AA, AFNB provided an adequate level of CD investments/donations with six donations totaling \$20 thousand made to youth clubs that provide scholarships and school supplies to LMI students.

Extent to Which the Bank Provides Community Development Services

Las Vegas AA

In the Las Vegas AA, AFNB provided a poor level of CD services. We qualified one service, which consisted of a financial education seminar on banking and loan options to LMI individuals in the Las Vegas AA.

Nye County AA

In the Nye County AA, AFNB provided an excellent level of CD services. We qualified seven services. One bank employee provided financial expertise by serving on the Board of four organizations that financially assist LMI youth. This is of particular note as there are only nine employees spread amongst two branches in Nye County.

Responsiveness to Community Development Needs

Las Vegas AA

Overall, responsiveness to CD needs is adequate in the Las Vegas AA. Due to the small percentage of loans held in Nevada (4 percent of the bank's total portfolio) and the economic climate described previously, AFNB focused their CD efforts on investments and services. AFNB provided an adequate level of CD investments/donations with two investments/donations totaling \$1.05 million. We qualified one service, which consisted of a financial education seminar on banking and loan options to LMI individuals in the Las Vegas AA. During the evaluation period, AFNB did not originate/renew any loans promoting community development.

Nye County AA

Overall, responsiveness to CD needs in the Nye County AA is adequate. Due to the small percentage of loans held in Nevada (4 percent of the bank's total portfolio) and the economic climate described previously, AFNB focused their CD efforts on investments and services. AFNB provided an adequate level of CD investments/donations with six donations totaling \$20 thousand made to youth clubs that provide scholarships and school supplies to LMI students. AFNB provided an excellent level of CD services. We qualified seven services. One bank employee provided financial expertise by serving on the Board of four organizations that financially assist LMI youth. This is of particular note as there is only nine employees spread amongst two branches in Nye County. During the evaluation period, AFNB did not originate/renew any loans promoting community development.

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.