



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 5, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Affiliated Bank
Charter Number 714544

500 Harwood
Bedford, TX 76021

Office of the Comptroller of the Currency

FORT WORTH Field Office
9003 Airport Freeway Suite 275
North Richland Hills, TX. 76180-9127

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

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

Affiliated Bank (the bank) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The bank's loan-to-deposit ratio is more-than-reasonable, given the bank's resources, local credit needs, and local competition.
- A majority of the bank's lending activities are originated within the bank's assessment areas (AAs).
- The geographic distribution of loans demonstrates a reasonable penetration among individuals of different incomes and businesses of different sizes.
- The geographic distribution of loans demonstrates a reasonable penetration among low- and moderate-income census tracts.
- No consumer complaints regarding Affiliated Bank's CRA performance have been received during this evaluation period.

SCOPE OF EXAMINATION

Evaluation of the bank is done using the Small Bank examination procedures, which primarily focuses on a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The lending test for Affiliated Bank covers its performance from January 1, 2009 through November 1, 2011, as this is representative of a change in lending strategy since the last CRA examination.

Affiliated Bank's primary loan products are residential and business loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's home loan performance. To evaluate the bank's business lending performance, we evaluated the business lending practices by selecting a sample of business loans made from January 1, 2009 through November 1, 2011.

DESCRIPTION OF INSTITUTION

Affiliated Bank is a Federal Deposit Insurance Corporation insured, federally-chartered thrift banking institution. Affiliated Bank serves its community from two locations in Tarrant County. The bank operates its main office in Bedford, Texas and has one full-service branch office located in Arlington, Texas. In January 2012, Affiliated Bank plans to open a second branch in Garland, Texas which is in Dallas County. The bank also operates three Loan Production Offices which are located in Round Rock, Katy, and

Stafford, Texas and has other residential mortgage lenders located throughout Texas. Finally, the bank's Mortgage Operation Headquarters is located in Fort Worth, Texas.

As of September 30, 2011, the bank's total assets were \$203 million, total gross loans were \$190 million, and total deposits were \$172 million. Drive-thru and ATM services are provided at the Bedford and Arlington facilities. Hours of operation are commensurate with other area banks. The bank offers a full range of loan products and deposit services. Loan products offered consist of residential mortgage loans, residential construction loans, commercial real estate loans, commercial loans and consumer loans. Loans are funded through deposits and Federal Home Loan Bank borrowings. The following table reflects the loan portfolio as of November 1, 2011:

Loan Portfolio Summary by Loan Product November 1, 2011	
Loan Category	% of Outstanding Dollars
Home Loans	47.8%
Business Loans	35.5%
Construction Loans	13.5%
Consumer Loans	3.3%

Affiliated Bank's offices are located in the Fort Worth-Arlington Metropolitan Statistical Area and the new branch office will be located in the Dallas-Plano-Irving Metropolitan Statistical Area. There is strong competition from other area community banks, regional banks, credit unions, and other non-financial institutions in both of these Metropolitan Statistical Areas (MSA). Affiliated Bank has no impediments, legal or otherwise, which would hinder the bank's ability to help meet the credit needs of its assessment area. The prior CRA examination was performed as of June 10, 2006. The bank received a satisfactory rating at that examination.

DESCRIPTION OF ASSESSMENT AREA(S)

Affiliated Bank has two AAs in North Central Texas, which are described on the following pages. Since the prior CRA examination, the AA for the bank has changed. Prior, the bank's only AA was Tarrant County. As the bank has grown in both asset size and its geographic lending area, the prior AA was expanded and a new AA was added. The original AA area was expanded to include the entire Fort Worth-Arlington MSA, and the Dallas-Plano-Irving MSA was added.

Fort Worth Assessment Area

The Fort Worth AA comprises the Fort Worth-Arlington MSA, which includes Johnson, Parker, Tarrant, and Wise counties. These counties are located in North Central Texas. The Fort Worth AA includes a total of 357 census tracts. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Demographic and Economic Characteristics of the Fort Worth – Arlington Assessment Area *	
Population	
Number of Families	444,129
Number of Households	625,976
Geographies	
# Low-Income BNA	24
# Moderate-Income BNA	94
# Middle-Income BNA	143
# Upper-Income BNA	96
Median Family Income (MFI)	
2000 MFI for Assessment Area	\$56,772
2011 HUD Adjusted MFI	\$68,200
Economic Indicators	
Unemployment Rate	3.11%
2000 Median Housing Value	\$98,851
% of Households Below Poverty Level	9.49%

* Derived from the 2000 Census Bureau and 2011 Housing and Urban Development Agency (HUD) data.

The economy of the area is well-diversified and is characterized as stale and flat. The AA is served by a large number of businesses, employing a significant number of individuals. The larger employers include various Tarrant County school districts, various Tarrant County hospitals, and a number of retail businesses. Large commercial businesses include Radio Shack, Pier 1, Chesapeake Energy, and XTO Energy.

Competition from other financial institutions is strong. The bank's competitors include several local community banks, branches of large regional and national institutions, credit unions and several mortgage/finance companies. In conducting the assessment of the bank's performance, we attempted to contact a local community organization but were unable to reach them.

Dallas Assessment Area

The Dallas AA is the entire Dallas-Plano-Irving MSA which has eight complete counties; including Collin, Dallas, Denton, Delta, Ellis, Hunt, Kaufman, and Rockwall counties. These counties are located in North Central Texas. The Dallas AA is located adjacent to the Fort Worth AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Demographic and Economic Characteristics of the Dallas – Plano – Irving Assessment Area *	
Population	
Number of Families	866,920
Number of Households	1,256,421
Geographies	
# Low-Income BNA	63
# Moderate-Income BNA	204
# Middle-Income BNA	219
# Upper-Income BNA	199
Median Family Income (MFI)	
2000 MFI for Assessment Area	\$61,629
2011 HUD Adjusted MFI	\$69,600
Economic Indicators	
Unemployment Rate	3.38%
2000 Median Housing Value	\$120,250
% of Households Below Poverty Level	9.63%

* Derived from the 2000 Census Bureau and 2011 Housing and Urban Development Agency (HUD) data.

There is strong competition in this AA. The AA includes many financial institutions including local community banks, branches of large regional and national institutions, credit unions and several mortgage/finance companies which present competition for both deposits and loan customers. The Dallas AA has a stale economy with economic growth falling flat with average unemployment.

A major community development organization was contacted in conjunction with this evaluation. The contact indicated that local economic conditions are flat, but have stabilized. The contact also stated that there still is a need for funding, primarily in small business, housing, and education loans. The contact did note that banks have tightened credit standards in recent years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Affiliated Bank's performance under the Lending Test is **Satisfactory**.

Affiliated Bank's primary business lines are small business loans - commercial real estate loans, and residential real estate loans. In our analysis, we included all residential real estate loans originating since 2009 that are reported under the requirements of the HMDA, as well as commercial loans originated in 2009, 2010 and prior to November 30, 2011. We also evaluated 27 business loans which originated during our evaluation period to determine if the borrower was a small business.

Loan-to-Deposit Ratio

Affiliated Bank's loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance given the bank's size, financial performance, and the AA's credit needs.

The LTD ratio measures the extent to which the bank has returned the deposits it has acquired to the community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. The average LTD ratio for Affiliated was determined to be 109 percent. This ratio ranged from a quarter low of 83 percent as of March 2011 to a quarterly high of 147 percent as of June 2008.

The average LTD ratio of similarly-situated banks within the AA during the evaluation period ranged from 75 percent to 94 percent.

Lending in Assessment Area

A majority of the bank's lending-related activities are within the bank's AA. This assessment is based on our sample of loans from the HMDA-LAR and business loans originated during the current year and the prior two years. Using our loan sample from the HMDA-LAR we found that on average 53 percent of the number and 56 percent of the dollar amount of home purchase, home refinance, and home improvement loans were made to borrowers located within the two AAs. Additionally, we found that 97 percent of the number and 91 percent of the dollar amount of business loans were extended to borrowers also found within the AAs. Overall, we found the in/out ratio at 55 percent of the number and 59 percent of the dollar amount of residential and business loans within our sample of loans across the assessed products were with borrowers within the AA. The following table illustrates the bank's lending activities in and out of the AA by type of loan sampled. This reflects a satisfactory record of providing credit services within the AA.

Table 1 - Lending in Fort Worth and Dallas MSAs										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	863	50.41	849	49.59	1,712	125,579	52.30	114,523	47.70	240,102
Home Improvement	1	100.00	0	0.00	1	26	100.00	0	0.00	26
Refinance	399	59.91	267	40.09	666	84,812	62.15	51,662	37.85	136,474
Residential Loans	1,263	53.08	1,116	46.91	2,398	210,417	55.87	166,185	44.13	376,62
Business Loans	134	97.10	4	02.9	138	33,706	91.45	3,150	8.55	36,856
Total	1,387	55.09	1,120	44.91	2,536	244,123	59.04	169,335	40.96	413,458

Source: Data reported under HMDA, Loan sample and Small Business loan sample.

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

Affiliated Bank demonstrates excellent penetration when lending to borrowers of different incomes and businesses of different sizes based on originations found within the loan sample. The performance in both the Fort Worth and Dallas AAs shows excellent dispersion of credit to borrowers of different incomes. Particularly, the dispersion of credit to moderate-income borrowers reflects Affiliated Bank meeting the credit needs of its consumers of both the Fort Worth and Dallas AAs.

Performance in the Fort Worth AA

The borrower distribution of loans in the Fort Worth MSA is excellent.

The distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels. The bank originated 723 home loans over the evaluation period in this AA, including 259 loans to low- and moderate-income borrowers. The following table shows the distribution of home loan products among borrowers of different income levels for the assessment period as compared to the percentage of families in each income category. Only the Home Purchase and Refinance loans are included in the table due the low volume of Home Improvement loans.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Fort Worth 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
Home Purchase	19.56	17.69	18.78	27.24	21.95	21.27	39.71	30.22
Refinance	19.56	2.28	18.78	12.79	21.95	19.63	39.71	63.01

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

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Seventy percent of the bank’s loans to businesses originated and purchased during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that show 68 percent of the area’s businesses are considered small businesses. .

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Fort Worth MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.67	2.12	30.21	100.00
% of Bank Loans in AA by #	70.00	30.00	0	100.00

Source: Loan sample; Dunn and Bradstreet data.

Performance in the Dallas AA

The borrower distribution of loans in the Dallas AA is excellent

The distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels. One of the credit needs identified for this area was housing. The bank originated 540 home loans over the assessment period in this AA, including 189 loans to low- and moderate-income borrowers. The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas 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
Home Purchase	21.32	19.17	18.00	28.06	20.39	18.89	40.29	31.11
Home Improvement	21.32	0.00	18.00	0.00	20.39	0.00	40.29	0.00
Refinance	21.32	2.22	18.00	8.33	20.39	17.78	40.29	68.33

Source: Data reported under HMDA; U.S. Census data. Income NA for 2.77% of home purchase and 3.34% of refinancing loans.

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Eighty percent of the bank’s loans to businesses originated during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that show 67 percent of the area’s businesses are considered small businesses. .

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Dallas MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.94	2.39	30.67	100.00
% of Bank Loans in AA by #	80.00	20.00	0	100.00

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans to low- and moderate-income tracts for Affiliated Bank is considered satisfactory and reflects reasonable distribution of loans in all applicable CTs. Affiliated Bank’s two AAs contain 87 low-income CTs and 298 moderate-income CTs. Less weight was given to dispersion in low-income CTs as the percentages of owner-occupied housing units were very low. The dispersion of credit to moderate-income CTs in the two AAs is considered reasonable in consideration to the overall home loan distribution. This analysis did not reflect any conspicuous gaps and only one area of low penetration deemed reasonable due to the low overall number of loans made in this category, home improvement loans.

Performance in the Fort Worth AA

The bank’s geographic distribution of loans in this AA reflects a less-than-satisfactory dispersion throughout census tracts of different income levels.

The bank’s geographic distribution of home loans in this AA reflects less-than-satisfactory dispersion throughout census tracts of different income levels, particularly the moderate-income census tract. The percentage of home purchase and home refinance loans originated in the moderate-income CT is poor. The dispersion of Home Improvement loans were not considered as there was only one loan made in this category.

Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Fort Worth MSA AA								
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
Home Purchase	4.59	1.20	23.43	8.15	44.06	47.51	27.92	43.14
Refinance	4.59	0.00	23.43	4.57	44.06	35.62	27.92	59.81

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

Performance in the Dallas AA

The bank’s geographic distribution of loans in this AA reflects satisfactory dispersion throughout census tracts of different income levels.

The bank’s geographic distribution of home loans in this AA reflects satisfactory dispersion throughout census tracts of different income levels. The percentage of home refinance loans originated in the moderate-income CT is poor, but dispersion in the low-moderate-income CT for home purchase is satisfactory. The dispersion of Home Improvement loans were not considered as there no loans made in this category in this AA.

Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Dallas MSA AA								
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
Home Purchase	2.57	1.95	20.21	15.83	36.31	39.72	40.91	42.50
Refinance	2.57	1.11	20.21	7.22	36.31	25.56	40.91	66.11

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

Responses to Complaints

Affiliated Bank has not received any CRA related consumer complaints during this evaluation period.

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.