

PUBLIC DISCLOSURE

November 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Round Top State Bank
Certificate Number: 19358

301 North Washington Street
Round Top, Texas 78954

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

1601 Bryan Street
Dallas, Texas 75201

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 RATING

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

For this performance evaluation, examiners utilized Intermediate Small Bank (ISB) examination procedures to analyze the performance of this \$432 million institution headquartered in Round Top, Texas. An ISB is defined as an institution with total assets of at least \$300 million as of both of the prior two calendar year-ends, and less than \$1.202 billion at the end of either of the two prior calendar years. The FDIC evaluates ISBs under the Lending and Community Development Tests.

The satisfactory Lending Test rating and satisfactory Community Development Test rating support the overall rating assigned. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the overall rating. Appendix B lists the criteria used to evaluate the Lending Test and the Community Development Test. The following discussion summarizes performance regarding each test, discussed in detail elsewhere.

LENDING TEST

RTSB demonstrated a satisfactory record with respect to the Lending Test. The overall reasonable records regarding all factors considered support this conclusion. Examiners primarily considered the bank's small business, home mortgage, and small farm lending in the bank's Non-Metropolitan Statistical Area, Texas assessment area, the bank's primary assessment area, when arriving at applicable conclusions and ratings.

For the CRA ISB Lending Test, typically, once a bank demonstrates at least some level of reasonable performance regarding its loan-to-deposit ratio and its lending concentration inside its assessment areas, examiners will then place more weight on the bank's loan distribution records, both geographically and based on the borrowers' profiles when arriving at the overall rating. The following points summarize the bank's performance regarding the Lending Test performance factors.

- The bank's lending activity, as measured by its net loan-to-deposit ratio, demonstrates reasonable performance considering its financial capacities, overall lending focus, and lending opportunities presented in the assessment areas. The bank's average quarterly net loan-to-deposit ratio is 45.2 percent.
- The institution originated a majority of its loans inside its assessment areas. A majority by number for all three primary loan products, and a majority by dollar amount for home mortgage and small farm loans support this conclusion. Examiners considered the bank's asset size, office structure, and loan products reviewed relative to the assessment areas' size and credit needs when arriving at this conclusion.

the low- and moderate-income borrowers with opportunities to obtain financing. Examiners considered the program's innovativeness and primary purpose when assessing the bank's performance regarding CD lending. In addition, the bank extended two additional loans not included in the above table as examiners also considered these loans in the Lending Test. Per CRA requirements, since such loans are HMDA-reportable, they cannot be considered for the Community Development Test. The bank extended one loan in a designated disaster area and the other to a customer who leased properties to fixed-income individuals.

The following are examples of the bank's CD lending activities:

- **Community Service** – The bank extended a \$1,000,000 loan to reduce crime in the nation's senior housing facilities and to provide ongoing, effective crime prevention programs that promote safe, secure, and high quality of life environments for senior housing residents. The majority of the residents benefited are low- or moderate-income.
- **Economic Development** – The bank extended a loan of \$500,000 to an economic development group. Such group is focused on promoting Giddings as a progressive rural community interested in growing and provides support for small businesses.

Qualified Investments

The institution established an adequate record regarding its qualified investments. An adequate level regarding the number and dollar volume of qualified investments primarily supports this conclusion. Examiners evaluated the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The table below shows that since the previous evaluation, the bank made 28 qualified investments totaling \$1,818,000 of which 26 reflect grants and donations totaling \$23,100. The total qualified investments dollar figure equals 0.5 percent of average total assets (\$395,476,000) since the last evaluation and 0.9 percent of average securities (\$197,491,000) for the same time frame. Relative to the considerations previously noted for the Community Development Test, these levels reflect adequate performance.