



FIRST STATE BANK



**MAIN BANK
CRA PUBLIC FILE**

**PLEASE DIRECT ANY CRA RELATED COMMENTS OR
COMPLAINTS TO:**

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PUBLIC DISCLOSURE

November 27, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank
Certificate Number: 15206

130 East Corsicana Street
Athens, Texas 75751

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

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.

TABLE OF CONTENTS

INSTITUTION RATING.....	5
DESCRIPTION OF INSTITUTION	5
DESCRIPTION OF ASSESSMENT AREAS	7
SCOPE OF EVALUATION	7
CONCLUSIONS ON PERFORMANCE CRITERIA.....	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	14
TEXAS NON-MSA AA – Full-Scope Review	15
DALLAS MD AA – Full Scope Review.....	21
APPENDICES	28
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA	28
GLOSSARY	29

INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit is reasonable (considering season variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of its loans and other lending-related activities are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas through community development loans, qualified investments and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

First State Bank (FSB) is headquartered in Athens, Texas, approximately 73 miles southeast of Dallas, Texas. Athens, TX Bancshares, Inc., of Athens, Texas, a one-bank holding company, wholly owns the bank. FSB shares common ownership with Capital Bank, Jacinto City, Texas, and Austin Bank, Texas National Association, Jacksonville, Texas. The bank received an overall "Satisfactory" rating at the prior FDIC Performance Evaluation dated November 2, 2020, using Intermediate Small Bank evaluation procedures.

The bank's primary focus is commercial lending and residential lending, consistent with the prior evaluation. FSB operates seven locations (six full-service and one limited service) in the

following northeast Texas cities: Athens, Corsicana, Mabank, Gun Barrel City, and Malakoff. Since the prior evaluation, the bank has neither opened nor closed any branch locations, and there has been no mergers or acquisition activities.

The bank offers a variety of loan products including consumer, commercial, residential, and agricultural loans. It also provides a variety of deposit services, including checking accounts, savings accounts, money market accounts, and certificates of deposit. Other alternative services include debit cards, ATMs, drive-thru facilities, telephone banking, online banking, and mobile banking.

Based on the September 30, 2023, Report of Income and Condition, the bank reported \$698.7 million in total assets, \$446.4 million in total loans, and \$601.7 million in total deposits. Since the prior CRA evaluation, total assets increase by 31.1 percent, net loans increased by 42.1 percent, and total deposits increased by 28.2 percent.

The following table illustrates the mix of outstanding loans as of September 30, 2023, which reflects a distribution generally supportive of the institution's primary business focus.

Loan Portfolio Distribution as of 09/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	61,034	13.6
Secured by Farmland	21,151	4.7
Secured by 1-4 Family Residential Properties	233,422	52.2
Secured by Multifamily (5 or more) Residential Properties	2,677	0.6
Secured by Nonfarm Nonresidential Properties	71,160	15.9
Total Real Estate Loans	389,444	87.0
Commercial and Industrial Loans	31,950	7.2
Agricultural Production and Other Loans to Farmers	8,333	1.8
Consumer Loans	15,283	3.4
Obligations of State and Political Subdivisions in the U.S.	1,201	0.4
Other Loans	189	0.2
Lease Financing Receivable (net of unearned income)	-	-
Less: Unearned Income	-	-
Total Loans	446,400	100.0
<i>Source: Reports of Condition and Income 09/30/2023</i>		

FSB does not have any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment area (AA).

DESCRIPTION OF ASSESSMENT AREAS

FSB delineated two contiguous AAs for CRA purposes: Dallas Metropolitan Division (MD) AA and Texas Non-MSA AA. Since the previous evaluation, the bank expanded their designated AAs to include full counties. The combined AAs include 81 census tracts with the following designations according to the 2020 U.S. Census Data: 2 low-, 16 moderate-, 45 middle-, 18 upper income, and no tracts with no designation. All areas conform to CRA regulatory requirements. Refer to the individual discussions of the AAs for more details.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from November 2, 2020, the date of the previous CRA evaluation, through November 27, 2023, the date of this evaluation. To evaluate performance, examiners applied the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Bank CRA Examination procedures, which include the Lending Test and the Community Development Test. Refer to Appendices for listing of criteria reviewed under each test. Banks must achieve at least a satisfactory rating under each test to obtain an overall satisfactory rating.

Examiners selected the Texas Non-MSA AA and the Dallas MD AA for a full-scope review. Examiners considered that the Texas Non-MSA AA has a significant majority of the bank's loans, deposits, and branches. Examiners also chose to perform full-scope procedures on the Dallas MD AA, as this area did not receive a full-scope review at the previous evaluation.

As presented in the table below, the Texas Non-MSA AA contains the majority of lending, deposits and branching structure and location of the main office in the area. Given these considerations, examiners placed more weight on the Texas Non-MSA AA when arriving at conclusions and the overall rating.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Texas Non-MSA	102,855	91.8	525,826	83.1	5	71.4
Dallas MD	9,126	8.2	106,671	16.9	2	28.6
Total	111,981	100.0	632,497	100.0	7	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2023)

Activities Reviewed

For the Lending Test, CRA Intermediate Small Bank procedures require examiners to determine the bank's major product lines from which to sample. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

The following table shows the bank's 2022 lending activity by loan category, which reflects a generally consistent pattern with the bank's lending emphasis since the last evaluation.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	32,070	14.3	168	6.7
Secured by Farmland	6,314	2.8	31	1.2
Secured by 1-4 Family Residential Properties	66,345	29.6	188	7.6
Multi-Family (5 or more) Residential Properties	691	0.3	1	0.1
Commercial Real Estate Loans	50,529	22.5	115	4.6
Commercial and Industrial Loans	46,189	20.6	855	34.4
Agricultural Loans	10,767	4.8	297	11.9
Consumer Loans	10,869	4.8	830	33.3
Other Loans	739	0.3	3	0.2
Total Loans	224,513	100.0	2,488	100.0
<i>Source: Bank Data 01/01/2022-12/31/2022</i>				

Examiners determined that the bank's major product line includes home mortgage lending (1-4 family and multi-family residential) at 29.9 percent and commercial lending (commercial and industrial and commercial real estate) at 43.1 percent of the dollar volume of the loan portfolio. Of the other typically considered products, agriculture lending (secured by farmland and agricultural loans) represents 7.6 percent, and consumer loans account for 4.8 percent of overall lending by dollar volume. Due to their smaller presence in the originations and overall loan portfolio, examiners did not evaluate CRA performance related to small farm or consumer lending, as they would have little effect on overall conclusions.

From the universe of commercial loans, this evaluation considered all 553 small business loans totaling \$54.7 million, originated in 2022, for the analysis of the bank's lending inside and outside of the assessment areas. For the geographic and borrower profile distribution performance factors, examiners selected a random sample of 73 small business loans totaling \$5.3 million originated inside the bank's AA. Examiners based this sample on a statistical 90 percent Confidence Interval with a 10 percent Precision Level. D&B data provided the standard of comparison for small business lending.

FSB is required to report home mortgage loans under the Home Mortgage Disclosure Act (HMDA).

Therefore, examiners considered available HMDA data to evaluate home mortgage performance. Examiners reviewed the following home mortgage loans reported on the bank's 2021 and 2022 HMDA Loan Application Registers for this evaluation:

- 2021: 223 loans totaling \$72.6 million
- 2022: 214 loans totaling \$84.2 million

This evaluation includes analysis of 2021-2022 HMDA data within the Assessment Area Concentration performance factor. However, as examiners did not identify any significant trends between the different years' data that materially affected applicable conclusions, this evaluation only presents 2022 home mortgage loans, the most recent year for which aggregate data exists.

Aggregate HMDA data for 2022 provided the standard of comparison for home mortgage lending.

Examiners considered the universes by number and dollar volume, as well as management's stated business strategy, to determine the weighting applied to the loan categories reviewed when arriving at applicable conclusions. Therefore, given these considerations, examiners placed equal weighting on the bank's record of originating small business and home mortgage loans to arrive at overall conclusions.

The performance evaluation presents information regarding the number and dollar volume of small business and home mortgage loans; however, for the borrower profile and geographic distribution performance factors under the Lending Test, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

The review period for the Community Development Test extends from November 2, 2020, to November 27, 2023. For this test, examiners considered the bank's community development lending, investments, and services provided within the AAs, as well as the broader statewide/regional area. The scope of this evaluation further encompasses all prior period qualified investments purchased prior to the previous evaluation but still outstanding as of this evaluation's date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FSB demonstrated a satisfactory overall Lending Test record. The reasonable geographic distribution and borrower profile primarily support this conclusion. A reasonable record regarding the bank's loan to-deposit ratio and a majority of loans originated inside the AAs further supports the Lending Test conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) is reasonable (considering seasonal variations and taking into account lending related activities) given institution's size, financial condition, and AA credit needs.

The bank's average net LTD ratio, calculated from Report of Condition and Income data, averaged 63.2 percent over the past 12 calendar quarters from December 31, 2020, to September 30, 2023. The quarterly LTD ratio ranged from a low of 58.4 percent as of March 31, 2021, rising to a high of 73.1 percent on September 30, 2020.

Examiners identified and listed in the following table, two local institutions operating in or near the bank's AA and reflecting a comparable lending emphasis. As shown, FSB's ratio lands between the comparable banks. Specifically, FSB trails one bank by 18.1 percentage points and exceeds the other by 16.9 percentage points. In addition, an average of 26.0 percent of the total deposits was public funds.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2023 (\$000s)	Average Net LTD Ratio (%)
First State Bank, Athens, TX	698,667	63.2
Mineola Community Bank, SSB, Mineola, TX	436,007	81.3
First State Bank of Brownsboro, Brownsboro, TX	126,696	46.3

Source: Reports of Condition and Income 12/31/2020 09/30/2023

Assessment Area Concentration

A majority of loans are in the institution's AA. The table below illustrates that the bank originated a majority of home mortgage and small business loans within the designated AAs by both number and dollar volume. However, the table reflects a majority of the bank's home mortgage loans, by dollar volume, originated outside of the assessment areas. This resulted from a small number of high dollar loans originated by the bank outside of the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business 2022	461	83.4	92	16.6	553	36,504	66.7	18,221	33.3	54,725
Home Mortgage 2021	159	71.3	64	28.7	223	34,945	48.1	37,688	51.9	72,633
2022	141	65.9	73	34.1	214	42,824	50.8	41,404	49.2	84,228
Subtotal	225	69.4	99	30.6	324	77,769	49.6	79,092	50.4	156,861

Source: HMDA Reported Data; Bank Data; Due to rounding, total may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessments areas for the institution as a whole. An adequate record in the Texas-Non MSA AA performance primarily supports this conclusion. The Dallas MSA AA reflects performance above the performance in the Texas Non MSA AA. Please refer to the AA review sections that follow for more detail about each individual AA.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs reasonable penetration among individuals of different income levels (including low- and moderate-income) and business of different sizes for the institution as a whole. An adequate record in the Texas Non-MSA AA and consistent performance in the Dallas MD AA supports this conclusion. Please refer to the AA review sections that follow for more detail about each individual AA.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

FSB's community development performance demonstrates excellent responsiveness to community development needs in its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AAs.

Community Development Loans

The bank originated 39 loans totaling \$62.6 million during the evaluation period. This level of activity represents 9.4 percent of average total assets and 16.2 percent of average total loans since the prior evaluation. These levels reflect an increase overall from the 2.8 percent of bank average assets and 5.9 percent of net loans noted at the last evaluation. The following table contains the distribution of community development loans by year and purpose.

Community Development Lending Whole Bank										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	1,300	-	-	-	-	-	-	1	1,300
2021	-	-	-	-	2	3,360	10	8,670	12	12,030

2022	-	-	-	-	1	75	13	26,130	14	26,205
2023 (YTD)	-	-	-	-	2	8,250	10	14,864	12	23,113
Total	1	1,300	-	-	5	11,685	33	49,664	39	62,649
<i>Source: Bank Data (11/02/2020 – 11/27/2023)</i>										

The following table illustrates the community development lending activity by AA and purpose. The table denotes some activity in both the Texas Non-MSA AA and the Dallas MD AA demonstrating excellent responsiveness to needs identified in the area.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Texas Non-MSA	-	-	-	-	3	3,760	22	19,895	25	23,655
Dallas MD	-	-	-	-	-	-	2	4,099	2	4,099
Statewide Activities	1	1,300	-	-	2	7,925	9	25,670	12	34,895
Total	1	1,300	-	-	5	11,685	33	49,664	39	62,649
<i>Source: Bank Data (11/02/2020 – 11/27/2023)</i>										

The following points provide examples of the bank’s community development loans in the broader statewide area:

- **Affordable Housing:** The bank originated a \$1.3 million loan to purchase a multi-family. This loan helps to provide affordable housing to low- and moderate-income individuals in Smith County.
- **Revitalize & Stabilize:** The bank originated a loan for \$2.6 million to refinance a commercial building located in a moderate-income census tract. This activity helps to attract new, or retain existing businesses in Harris County.

Refer to the review of each AA for more details on community development lending activities specific to the individual AAs.

Qualified Investments

The following table shows that the bank made use of 29 qualified investments totaling approximately \$34.6 million, as well as 105 grants and donations totaling \$117 thousand. This level equates to 9.4 percent of average total assets of approximately \$666.6 million and 17.8 percent of average total securities of approximately \$196.0 million since the previous evaluation. This level demonstrates an increase from the 8.1 percent of average assets and a decrease from the 28.7 percent of average securities noted at last evaluation.

Qualified Investments Whole Bank										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	-	-	1	534	-	-	1	284	2	819
2021	-	-	2	717	-	-	5	4,495	7	5,213
2022	-	-	-	-	-	-	-	-	-	-
2023 (YTD)	-	-	20	28,655	-	-	-	-	20	28,656
Subtotal	-	-	23	29,906	-	-	6	4,780	29	34,688
Qualified Grants & Donations	-	-	62	80	-	-	44	47	105	117
Total	-	-	85	29,988	-	-	49	4,817	134	34,805

Source: Bank Data (11/02/2020 – 11/27/2023)

The following tables contains the breakdown of qualified investment by AA and purpose. The table denotes activity in in both the Texas Non-MSA AA and the Dallas MD AA demonstrating responsiveness to needs identified in the areas.

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Texas Non-MSA	-	-	58	445	-	-	39	35	98	480
Dallas MD	-	-	-	-	-	-	4	2	4	2
Statewide Activities	-	-	26	29,543	-	-	6	4,780	32	34,323
Total	-	-	85	29,988	-	-	49	4,817	134	34,805

Source: Bank Data (11/02/2020 – 11/27/2023)

The following points provide examples of the bank’s qualified investments in the broader statewide area:

- **Community Service:** The bank invested \$534.2 thousand for facility improvements across multiple campuses within a school district that provided services to low- and moderate- income families in Harris County, Texas, where over 50 percent of students are economically disadvantaged.
- **Revitalize & Stabilize:** The bank invested \$1.3 million for technology devices for a school district with schools located primarily in low- and moderate-income census tracts in William County, Texas, thereby attracting and retaining residents to the area.

Refer to the review of each AA for more details on qualified investment activities specific to individual AAs.

Community Development Services

The following table shows that the bank provided 89 community development services, which on average equates to 4.6 community development services per office, per year. The bank's performance reflects an increase from the average of 3.1 community development services, per office, per year recorded at previous evaluation.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	8	-	-	8
2021	-	21	-	3	24
2022	-	26	-	4	30
2023 (YTD)	-	23	-	4	27
Total	-	78	-	11	89
<i>Source: Bank Data (11/02/2020 – 11/27/2023)</i>					

The following table illustrates the distribution of community development services by AA and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Texas Non MSA	-	74	-	6	80
Dallas MD	-	4	-	5	9
Statewide Activities	-	-	-	-	-
Total	-	78	-	11	89
<i>Source: Bank Data (11/02/2020 – 11/27/2023)</i>					

All community development services directly benefitted the AAs. Refer to the review of each AA for more details on services specific to individual AAs.

The branch does not operate any branches or ATMs in low-income areas. All full-service branch locations have ATMs, and two locations are in a moderate-income area; however, the ATMs do not accept deposits.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

TEXAS NON-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN TEXAS NON-MSA AA

The Texas Non-MSA AA includes the following full counties: Henderson County, Navarro County, and Van Zandt County. Since the prior evaluation, the bank expanded the AA to include full counties.

Economic and Demographic Data

The Texas Non-MSA AA is comprised of 54 census tracts, with the following income designations of the 2020 U.S. Census data: 1 low-, 7 moderate-, 33 middle-, and 13 upper-income census tracts. The following table contains additional demographic and economic information for the Texas Non-MSA AA.

Demographic Information of the Assessment Area						
Texas Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	54	1.9	13.0	61.1	24.1	0.0
Population by Geography	194,315	1.5	11.8	64.7	22.1	0.0
Housing Units by Geography	86,212	1.0	11.2	64.3	23.5	0.0
Owner-Occupied Units by Geography	52,494	0.9	9.7	66.5	22.9	0.0
Occupied Rental Units by Geography	17,158	1.3	16.1	59.9	22.8	0.0
Vacant Units by Geography	16,560	1.0	11.1	62.0	26.0	0.0
Businesses by Geography	16,036	1.1	13.1	61.2	24.6	0.0
Farms by Geography	804	1.0	7.2	64.2	27.6	0.0
Family Distribution by Income Level	50,114	21.2	18.5	18.6	41.8	0.0
Household Distribution by Income Level	69,652	23.7	15.7	17.6	43.0	0.0
Median Family Income Non-MSAs - TX		\$61,785	Median Housing Value			\$129,535
			Median Gross Rent			\$804
			Families Below Poverty Level			11.2%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

On February 19, 2021, FEMA made a disaster declaration affecting the Texas Non-MSA AA due to severe winter storms. Additionally, on March 25, 2020, FEMA made a disaster declaration affecting the Texas Non-MSA AA due to COVID-19 pandemic. Both disasters affected all three counties in the AA.

The following table shows the calculated income range based on the 2022 FFIEC adjusted median family income of \$68,800 for the Texas Non-MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TX NA Median Family Income (99999)				
2022 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
<i>Source: FFIEC</i>				

According to the 2020 D&B data, the largest industries in the Texas Non-MSA AA include services (28.3 percent), non-classified establishments (25.3 percent), and retail trade (12.9 percent). Major employers are MTC Henderson/Rusk County, Henderson ISD, Sadler’s Smokehouse, Rusk County, and Walmart Supercenter.

The following table presents the unemployment rates for individual counties, the state, and the national rate. As shown, with the exception of 2021, the vast majority of the county unemployment rates fell below the state and national averages for the same period.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Henderson County	5.9	3.9	3.8
Navarro County	5.5	4.0	3.4
Van Zandt County	5.6	3.5	3.1
State of Texas	6.9	4.5	3.8
National Average	6.9	3.9	3.5
<i>Source: Bureau of Labor Statistics (2023 Year End)</i>			

Competition

The area contains a moderate level of competition from other chartered banks based on the rural nature, with 20 institutions operating 58 branches inside the market. FSB ranks 2nd in the market share by capturing 14.1 percent of the area’s deposits based on the June 30, 2023, FDIC Deposit Market Share Report. The top three institutions, with 20 branches in the area hold 41.2 percent of the deposits.

Community Contact

Examiners contacted a community member knowledgeable of the area's economic and business environments to help access the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area. The contact represents a local economic development organization.

The contact noted that the primary industries in the area are agricultural and industrial manufacturing. The contacted stated the area remains strong with job opportunities maintain a low unemployment rate within Navarro County and any contiguous counties. Lastly, the contact indicated a need for affordable housing stating that the area does not have a significant amount of residential loans due to the increase in housing costs in most recent years.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic and economic information, examiners determined that the primary credit needs of the assessment area include small business and home mortgage loans. With respect to the area's community development needs, demographic data supports the need for projects that provide affordable housing and community services targeted to low- and moderate-income individuals as well as activities that revitalize or stabilize low- and moderate-income tracts, designated disaster areas, and distressed areas. As indicated by the economic information, there is also a need for economic development for small businesses within the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN TEXAS NON-MSA AA

LENDING TEST

FSB demonstrates satisfactory Lending Test record in the Texas Non-MSA AA. Reasonable records regarding the geographic distribution and borrower profile performances primarily support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Texas Non-MSA AA. Reasonable performances regarding small business loans and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion within the Texas Non-MSA AA. Reasonable levels of lending in low- and moderate-income census tracts support this conclusion.

The following table shows that the bank's lending level in the low-income census tract exceeds D&B data by 3.5 percentage points, reflecting reasonable performance. In the moderate-income census tract, the bank's lending level trails D&B data by 2.3 percentage points, reflecting reasonable performance.

Geographic Distribution of Small Business Loans Texas Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	1.1	3	4.6	204	4.0
Moderate	13.1	7	10.8	134	2.6
Middle	61.2	34	52.3	2,788	55.1
Upper	24.6	21	32.3	1,936	38.2
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	65	100.0	5,062	100.0

Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion in the Texas Non-MSA AA. The reasonable records in the low- and moderate-income geographies supports this conclusion.

The following table shows that, in the low-income census tract, the bank's level of lending is slightly higher than the aggregate data, reflecting reasonable performance. In the moderate-income census tracts, the bank level of lending falls 4.2 percentage point below aggregate data, reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans Texas Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.9	0.3	1	0.8	96	0.3
Moderate	9.7	8.2	5	4.0	976	2.6
Middle	66.5	68.2	79	63.2	15,072	39.7
Upper	22.9	23.3	40	32.0	21,783	57.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	125	100.0	37,927	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects, given the demographics of the Texas Non-MSA AA, reasonable penetration among individuals of different income levels and businesses of different sizes. The reasonable penetration regarding small business and home mortgage supports this conclusion.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the Texas Non-MSA AA, reasonable penetration among businesses of different sizes. The following table shows that the bank's performance is slightly less than the D&B data for businesses with gross annual revenues (GARs) of \$1.0 million or less. Furthermore, the bank originated eight out of every ten loans to businesses with GAR of \$1 million or less, reflecting reasonable penetration.

Distribution of Small Business Loans by Gross Annual Revenues Texas Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	64.1	33	50.8	2,401	47.4
\$100,000 - \$249,999	18.3	11	16.9	356	7.0
\$250,000 - \$499,999	4.7	5	7.7	317	6.3
\$500,000 - \$1,000,000	2.3	5	7.7	1,004	19.8
Subtotal <= \$1,000,000	89.4	54	83.1	4,078	80.5
>\$1,000,000	2.5	3	4.6	826	16.3
Revenue Not Available	8.1	8	12.3	158	3.1
Total	100.0	65	100.0	5,062	100.0

Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

FSB demonstrated a reasonable level of lending to borrowers of different incomes. Reasonable records of lending to low- and moderate-income borrowers support at this conclusion.

The following table shows the bank's level of lending to low-income borrowers exceed aggregate performance by 1.1 percentage points, reflecting reasonable performance. The bank's level of lending to moderate-income borrowers trailed aggregate data by 3.7 percentage points, reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level Texas Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.2	2.9	5	4.0	249	0.7
Moderate	18.5	11.7	10	8.0	814	2.1
Middle	18.6	20.0	18	14.4	2,040	5.4
Upper	41.8	47.3	70	56.0	18,302	48.3
Not Available	0.0	18.2	22	17.6	16,522	43.6
Totals	100.0	100.0	125	100.0	37,927	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

COMMUNITY DEVELOPMENT TEST

FSB’s community development performance demonstrates adequate responsiveness to community development needs in the Texas Non-MSA AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s AA.

Community Development Loans

The bank granted 25 community development loans, totaling \$23.7 million, in the Texas Non-MSA AA during the review period. This represents 64.1 percent by number and 37.8 percent by dollar of the banks total community development lending. Relative to the considerations noted for the Community Development Test, the current figures reflect adequate performance.

The following are examples of community development loans in the Texas Non-MSA AA.

- ***Revitalize & Stabilize:*** In 2022, the bank originated a loan totaling \$336.7 thousand to purchase a new fire engine for a fire department. This will attract and retain residents in a moderate-income census tract in Henderson County.
- ***Revitalize & Stabilize:*** In 2023, the bank originated a \$1.3 million loan to purchase a commercial building. This activity helps to attract new, or retain existing businesses in a designated disaster area.

Qualified Investments

The bank made 98 qualified investments totaling \$480 thousand with most of the activity in the Texas Non-MSA AA in donations. This represents 2.5 percent by number and 0.1 percent by dollar of the bank's total qualified investments during the review period.

The following are examples of qualified investments in the Texas Non-MSA AA.

- ***Community Services:*** The bank donated \$1,000 to a non-profit organization that provides grants to students of families with low to moderate income attending college or technical schools, in Henderson County.
- ***Community Services:*** The bank donated \$5,000 to a college foundation helping low to moderate-income students in Navarro County.

Community Development Services

During the review period, the bank provided 80 community development services. The number equates to 4.1 community development services, per full-service offices in the Texas Non-MSA AA since the previous evaluation. It also accounts for 89.9 percent of the community development services for the bank as a whole.

The following lists community development services in the Texas Non-MSA AA.

- ***Community Service:*** A bank employee served as a board member of a non-profit organization with a mission to support colleges by providing scholarships to students attending school where the Economic Diversity exceeds 50.0 percent, in Henderson County. These services provided opportunities to LMI individuals.
- ***Community Service:*** A bank employee served as a board member of a child welfare organization that provides needs for children suffering from violence and neglect, in Henderson County.

Regarding the availability of services, FSB operates one of its five offices, including an ATM, in a moderate-income census tract within the AA. All other branch locations within this AA operate in middle- and upper-income census tracts.

DALLAS MD AA – Full Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN DALLAS MD AA

The Dallas MD AA consisted of one census tract in Kaufman County prior to 2021; however, FSB updated the AA to include all census tracts within Kaufman County. Kaufman County is one of seven counties that make up the Dallas-Plano-Irving MD.

FSB operates one full-service office in this AA in a moderate-income census tract located approximately 54 miles southeast of Dallas, Texas. This AA includes one ATM located at the branch. The following table reflects additional economic and demographic data.

Economic and Demographic Data

The Dallas MD AA is comprised of 27 census tracts, with the following income designations of the 2020 U.S. Census Data: 1 low-, 9 moderate-, 12 middle-, and 5 upper-income census tracts. The following table contains additional demographic information.

Demographic Information of the Assessment Area						
Dallas MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	3.7	33.3	44.4	18.5	0.0
Population by Geography	145,310	2.2	30.5	45.1	22.1	0.0
Housing Units by Geography	42,292	2.4	33.4	45.7	18.4	0.0
Owner-Occupied Units by Geography	30,075	1.3	28.7	46.6	23.5	0.0
Occupied Rental Units by Geography	9,162	6.2	44.2	45.6	4.0	0.0
Vacant Units by Geography	3,055	1.9	47.8	38.3	12.0	0.0
Businesses by Geography	13,242	2.6	27.5	45.3	24.6	0.0
Farms by Geography	363	1.1	31.4	48.2	19.3	0.0
Family Distribution by Income Level	30,399	23.0	19.4	20.2	37.4	0.0
Household Distribution by Income Level	39,237	23.4	17.2	18.4	41.0	0.0
Median Family Income MSA - 19124 Dallas Plano-Irving, TX	\$88,315	Median Housing Value				\$178,789
		Median Gross Rent				\$1,132
		Families Below Poverty Level				8.5%

*Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.*

On February 19, 2021, FEMA made a disaster declaration affecting the Dallas MD AA due to severe winter storms. Additionally, on March 25, 2020, FEMA made a disaster declaration affecting the Dallas MD AA due to COVID-19 pandemic.

The following table shows the calculated income range based on the 2022 FFIEC adjusted median family income of \$97,400 for the Dallas MD AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Dallas-Plano-Irving, TX Median Family Income (19124)				
2022 (\$97,400)	<\$48,700	\$48,700 to <\$77,920	\$77,920 to <\$116,880	≥\$116,880
<i>Source: FFIEC</i>				

The area’s major employers include Wal-Mart, American Airlines, and Baylor Scott & White. According to Moody’s Analytics, growth will slow in 2023, Dallas-Plano-Irving will maintain their outperformance compared to the nation. The economy will be driven by financial and professional services, while homebuilding will experience slower growth. Over the long term, the presence of corporate headquarters, technology firms, financial services, and above-average population growth will continue to their solid performance.

The area’s unemployment rate was the highest in 2020 with an annual average of 6.4 percent which was attributed to the COVID-19 pandemic. Before the pandemic, the unemployment rate in the area remained consistent with statewide and national averages, but has declined as of recent. As of 2022, the unemployment rate reflects an annual rate of 3.7 percent, falling below the state average of 3.8 percent and exceeding the national average of 3.5 percent.

Competition

The area contains competition from other chartered banks based on the rural nature, with 11 institutions operating 17 branches inside the market. FSB ranks 7th in the market share by capturing 4.4 percent of the area’s deposits based on the June 30, 2023, FDIC Deposit Market Share Report. The top three institutions, with 8 branches in the area hold 70.4 percent of deposits.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic and economic information, examiners determined that the primary credit needs of the assessment area include small business and home mortgage loans. With respect to the area’s community development needs, demographic data supports the need for projects that provide affordable housing and community services targeted to low- and moderate-income individuals as well as activities that revitalize or stabilize low- and moderate-income tracts, designated disaster areas, and distressed areas.

CONCLUSIONS ON PERFORMANCE CRITERIA IN DALLAS MD AA

LENDING TEST

FSB demonstrates a satisfactory performance lending test record in the Dallas MD AA. The reasonable record regarding the borrower profile outweighs the excellent geographic distribution to support this conclusion.

Geographic Distribution

The geographic distribution of lending reflects excellent dispersion throughout the Dallas MD AA. Excellent performance with small business and home mortgage loans performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans in the Dallas MD AA reflects excellent performance. The excellent record of lending in the moderate-income census tracts lifts the reasonable record of lending in low-income census tracts supports this conclusion.

In the low-income census tract, the bank's level of lending trailed D&B data by 2.6 percentage points, reflecting reasonable performance. In the moderate-income census tracts, the bank exceeded demographic data by 60.0 percentage points, reflective of excellent performance. Examiners placed more weight on the bank's lending in the moderate-income census tracts given the higher percentage of lending opportunities available.

Geographic Distribution of Small Business Loans Dallas MD AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.6	0	0.0	0	0.0
Moderate	27.5	7	87.5	199	88.8
Middle	45.3	1	12.5	25	11.2
Upper	24.6	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	8	100.0	224	100.0

Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The geographic distribution of home mortgage loans in the Dallas MD AA reflects excellent performance. The excellent record in moderate-income geographies lifts the reasonable record in low-income geographies to support this conclusion.

The following table shows the bank's level of lending within the low-income census tract trails aggregate data by 0.5 percentage points, reflecting reasonable performance. Lending in moderate income census tracts exceeds demographic data by 55.7 percentage points, reflecting excellent performance. Examiners placed more weight on the bank's lending in the moderate-income census tracts given the higher percentage of lending opportunities available.

Geographic Distribution of Home Mortgage Loans Dallas MD AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.3	0.5	0	0.0	0	0.0
Moderate	28.7	25.6	13	81.3	4,305	87.9
Middle	46.6	43.9	3	18.8	593	12.1
Upper	23.5	30.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	16	100.0	4,897	100.0

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects, given the demographics of the Dallas MD AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Reasonable small business and home mortgage lending supports this conclusion.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the Dallas MD AA, reasonable penetration among businesses of different sizes. The following table shows that the bank originated 6 out of 10 loans to businesses with GAR of \$1 million or less, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenues Dallas MD AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	70.1	0	0.0	0	0.0
\$100,000 - \$249,999	16.9	4	50.0	112	50.0
\$250,000 - \$499,999	3.7	1	12.5	25	11.2
\$500,000 - \$1,000,000	1.7	0	0.0	0	0.0
Subtotal <= \$1,000,000	92.4	5	63.0	137	61.0
>\$1,000,000	1.9	2	25.0	67	29.9
Revenue Not Available	5.6	1	12.5	20	8.9
Total	100.0	8	100.0	224	100.0
<i>Source: 2022 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The borrower profile distribution of home mortgage loans in the Dallas MD AA reflects reasonable performance. Reasonable records of lending to low- and moderate-income borrowers support this conclusion.

As shown in the following table, the bank's lending to low-income borrowers trails aggregate data by 2.9 percentage points, reflecting reasonable performance. For moderate-income borrowers, the bank's performance trails aggregate by 5.2 percentage points, reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level Dallas MD AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.0	2.9	0	0.0	0	0.0
Moderate	19.4	17.7	2	12.5	426	8.7
Middle	20.2	27.6	4	25.0	1,182	24.1
Upper	37.4	27.0	7	43.8	2,565	52.4
Not Available	0.0	24.8	3	18.8	724	14.8
Totals	100.0	100.0	16	100.0	4,897	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

FSB's community development performance demonstrates adequate responsiveness to community development needs in its Dallas MD AA through community development loans, qualified and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AA.

Community Development Loans

The bank granted 2 community development loans, totaling approximately \$4.0 million, in the Dallas MD AA during the review period. This represents 5.1 percent by number and 6.5 percent by dollar of the bank's total community development lending.

The following are examples of community development loans in the Dallas MD AA.

- ***Revitalize & Stabilize:*** In 2021, the bank originated a \$2.1 million community development loan to assist a local business to support operations. This loan helped to retain an existing business in a disaster area.
- ***Revitalize & Stabilize:*** In 2022, the bank originated a loan for \$1.9 million to assist a local business to support operations. This loan helped to retain an existing business in a disaster area.

Qualified Investments

Since the prior evaluation, the bank donated \$2,000 in the Dallas MD AA. This represents 2.9 percent by number and less than 0.1 percent by dollar of the bank's total qualified investments during the review period.

The following are examples of qualified investments in the Dallas MD AA.

- ***Revitalize & Stabilize:*** In 2022 the bank donated \$1,000 to a non-profit organization that helps to attract and retain small businesses in Kaufman County.
- ***Community Service:*** In 2023, the bank made a \$500 donation to an organization that provides low- and moderate- income families' court appointed special advocates for children in Kaufman and Rockwall Counties.

Community Development Services

During the review period the bank provided 9 community development services in the Dallas MD AA, which accounted for 2.8 percent of the services for the bank as a whole.

The following provides an example of the bank's community development services in the Dallas MD AA.

- ***Revitalize & Stabilize:*** During the review period, a bank employee served on a committee of a non-profit organization that attracts and retains residents to the area by providing financial services.
- ***Community Service:*** During the review period, a bank employee served on a Board of a non-profit organization that provides food and clothing to low- and moderate-income individuals in Henderson County.

As noted previously, the bank operates one branch in a moderate-income census tract in the Dallas MD AA.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middleincome geography will be designated as underserved if it meets criteria for population

size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.



ASSESSMENT AREA 1

**First State Bank
Main Bank**
130 E. Corsicana St.
Athens, TX 75751
MSA/MD Code: NA
MSA/MD Name: NA
County: Henderson (213)
Census Tract: 9513.00

**First State Bank
Drive-In Facility**
202 S. Palestine St.
Athens, TX 75751
MSA/MD Code: NA
MSA/MD Name: NA
County: Henderson (213)
Census Tract: 9513.00

**First State Bank
Tyler Street Branch**
1114 E. Tyler St.
Athens, TX 75751
MSA/MD Code: NA
MSA/MD Name: NA
County: Henderson (213)
Census Tract: 9513.00

**First State Bank
Gun Barrel City Branch**
118 W. Main St.
Gun Barrel City, TX 75156
MSA/MD Code: NA
MSA/MD Name: NA
County: Henderson (213)
Census Tract: 9506.04

**First State Bank
Malakoff Branch**
200 W. Royall Blvd.
Malakoff, TX 75148
MSA/MD Code: NA
MSA/MD Name: NA
County: Henderson (213)
Census Tract: 9510.00

**First State Bank
Corsicana Branch**
1600 W. 2nd Ave.
Corsicana, TX 75110
MSA/MD Code: NA
MSA/MD Name: NA
County: Navarro (349)
Census Tract: 9703.01

ASSESSMENT AREA 2

**First State Bank
Mabank Branch**
201 S. Third St.
Mabank, TX 75147
MSA/MD Code: 19124
MSA/MD Name: Dallas-Plano-Irving, TX
County: Kaufman (257)
Census Tract: 0513.01

**First State Bank
Forney Branch**
119 S. FM 548
Forney, TX 75126
MSA/MD Code: 19124
MSA/MD Name: Dallas-Plano-Irving, TX
County: Kaufman (257)
Census Tract: 0502.14



BRANCHES OPENED:

First State Bank opened a temporary Customer Service Center in Forney, Texas on March 1st, 2023. The **temporary** office location is:

114 W. Pacific St.
Forney, TX 75126
MSA/MD Code: 19124
MSA/MD Name: Dallas-Plano-Irving, TX
County: Kaufman (257)
Census Tract: 0502.08

******The temporary office is **only** a customer service center and not a full-service banking center******

The temporary CSC closed when the new location opened.

Our new, full-service branch and permanent office opened on *February 26, 2024*, at the following address:

119 S. FM 548
Forney, TX 75126
MSA/MD Code: 19124
MSA/MD Name: Dallas-Plano-Irving, TX
County: Kaufman (257)
Census Tract: 0502.08

BRANCHES CLOSED:

First State Bank has not had any branches to close during the current year or within the last two calendar years.



BANKING HOURS

First State Bank Main Bank

130 E. Corsicana St.
Athens, TX 75751

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday - 9:00 a.m. to 5:00 p.m.

Drive – Thru: Monday – Friday 7:30 a.m. to 6:00 p.m.
202 S. Palestine St. Saturday – 9:00 a.m. to 12:00 p.m.
Athens, TX 75751

First State Bank Tyler Street Branch

1114 E. Tyler St.
Athens, TX 75751

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday – 9:00 a.m. to 5:00 p.m.

Drive – Thru Monday – Thursday 8:00 a.m. to 5:00 p.m.
Friday – 8:00 a.m. to 5:30 p.m.

BANKING HOURS

**First State Bank
Malakoff Branch**
200 W. Royall Blvd.
Malakoff, TX 75148

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday - 9:00 a.m. to 5:00 p.m.

Drive – Thru: Monday – Thursday 8:00 a.m. to 5:00 p.m.
Friday – 8:00 a.m. – 6:00 p.m.
Saturday – 9:00 a.m. to 12:00 p.m.

**First State Bank
Mabank Branch**
201 S. Third St.
Mabank, TX 75147

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday – 9:00 a.m. to 5:00 p.m.

Drive – Thru Monday – Friday 7:30 a.m. to 6:00 p.m.
Saturday – 9:00 a.m. to 12:00 p.m.

BANKING HOURS

First State Bank Gun Barrel City Branch

118 W. Main St.
Gun Barrel City, TX 75156

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday - 9:00 a.m. to 5:00 p.m.

Drive – Thru: Monday – Friday 7:30 a.m. to 6:00 p.m.

First State Bank Corsicana Branch

1600 W. 2nd Ave.
Corsicana, TX 75110

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday - 9:00 a.m. to 5:00 p.m.

Drive – Thru: Monday – Friday 8:00 a.m. to 5:00 p.m.
Saturday – 9:00 a.m. to 12:00 p.m.



BANKING HOURS

First State Bank
Forney Branch
119 S. FM 548
Forney, TX 75126

Lobby Hours: Monday – Thursday 9:00 a.m. to 4:00 p.m.
Friday – 9:00 a.m. to 5:00 p.m.

Drive -Thru: Monday – Thursday 8:00 a.m. to 5:00 p.m.
Friday - 8:00 a.m. to 6:00 p.m.



PRODUCTS AND SERVICES

First State Bank offers a wide range of commercial and consumer services to individuals, businesses, farms, governmental entities, and nonprofit organizations throughout our assessment area. These products and services are available at all branch locations.

Consumer Loans:

- Personal loans
- Auto loans
- Home improvement loans
- Permanent residential loans
- Home equity loans
- Residential construction loans

Commercial Loans:

- Agricultural loans
- Commercial and industrial loans
- Small business loans
- Commercial real estate loans
- Lines of credit
- SBA (Small Business Administration) loans

General Deposit Accounts:

- Free with E-Checking accounts
- Regular checking accounts
- Business accounts
- Key checking accounts
- Interest-bearing checking accounts
- Regular savings accounts
- Regular and customizable certificates of deposit

Specialty Deposit Accounts:

- Health Savings Accounts (HSA)
 - Subject to IRS eligibility requirements
- Individual Retirement Accounts (IRA)
 - Roth or Traditional; Fixed or variable rate Time Deposits; Subject to IRS rules
- High Yield Savings Accounts
 - Available to customers with a qualifying certificate of deposit relationship

Targeted Deposit Accounts:

- Uniform Transfers to Minors Act (UTMA) accounts
 - Custodial accounts established for minors
- New Start checking accounts
 - Designed for customers working to re-establish a banking relationship

Safe Deposit Boxes: We offer the following box sizes for rent, subject to availability by branch.
3x5 4x5 5x5 3x10 4x10 5x10 6x10 10x10

Debit Cards: We offer debit cards for both consumer and business checking accounts.

Automated Teller Machines (ATMs): ATMs are available at each branch for balance inquiries, cash withdrawals, and deposits.

Night Depository Services: Night depository services are available at every branch location.

Bank-by-Mail: Customers may mail deposits and loan payments to the bank for processing.

Tele Bank: We offer 24-hour telephone banking, allowing customers to check balances, review recent transactions, and transfer funds between First State Bank accounts by calling 903-677-3388 or toll-free 1-855-677-3388.

Online Banking: We offer online banking for consumers and businesses, including balance and transaction viewing, account-to-account transfers, and Bill Pay services.

Mobile Banking: We offer mobile banking for consumer customers, including the same features as online banking plus mobile check deposit and debit card management.

Business Online Banking: We offer additional online banking services for business customers to help them manage day-to-day operations.

- **Remote Deposit Capture** - Make deposits remotely to reduce trips to the bank.
- **ACH Services** - Send payroll files, pay vendors, and receive payments electronically.
- **Positive Pay** - Help reduce check fraud.

Online Account Opening: Consumers can open deposit accounts online through our website for a convenient, secure application process.

Financial Education Tools: Our website, www.bankfsb.com, offers financial education resources for all visitors, including links to credit information, credit reports, identity theft, fraud and scam prevention, and first-time homebuyer information.

Notary Services: We provide notary services to customers.

Non-Depository Products: *(Not insured by FDIC)*

First State Bank does not directly offer non-depository products. These products are available to our customers through **AB Financial Services** and **LPL Financial Services**. Available products and services include:

- Estate Planning
- Retirement Planning
- Life Insurance
- Disability Insurance
- Mutual Funds
- Stocks & Bonds
- 401K
- Profit Sharing
- Variable Annuities
- Fixed Annuities
- Fixed Indexed Annuities
- Exchange Traded Funds
- REITs
- UITs

Please refer to attached Schedule of Fees for other miscellaneous services.



Schedule of Fees

Account activity printout	\$3.00
Account closed within 90 days of opening	\$25.00
Account inactivity*	\$10.00
Account research or reconciliation	\$25.00 per hour (1 hour minimum)
Account re-opening	\$10.00
Account Transfers:	
First State Bank ATM	No charge
Internet banking	No charge
Non-FSB ATM	\$2.00
Tele bank	No charge
Customer service telephone transfer	\$5.00
Automated overdraft protection	\$5.00
Sweep/Maintain minimum	\$5.00
ACH one-time transfer	\$10.00
Cashier's Check:	
Check issued or converted for customer	\$5.00
On-Us check converted for non-customer	\$10.00
Collection Item-customer only	\$20.00
Copy of cancelled check or deposit slip	\$1.00 per item
Customer requested "Hold" statement	\$10.00 per account, per statement
Debit Card/ATM Fees:	
Initial generic card issued with new acct	No charge
Replacement card-generic or custom	\$10.00
Balance inquiry-FSB or Austin Bank ATM	No charge
Balance Inquiry at other ATM's	\$2.00
Cash WD FSB or Austin Bank ATM	No charge
Cash WD at all other ATM's	\$2.00
Debit Card-Rush Delivery:	
Next day pickup	\$20.00
Overnight delivery	Additional \$30.00
Fax fee	\$1.00 per page
Foreign currency purchase	\$30.00 per order
Garnishment	\$125.00 (plus Attorney's fees)
Insufficient (NSF) or Overdraft fee**	\$32.00 per item presented (consumer max \$192/day)
Internet Banking:	
Consumer online banking	No charge
Consumer bill bay services	No charge
Commercial online banking	\$10.00 per month
IRA early closing fee (90 days)	\$25.00
IRA transfer fee	\$25.00
Letters of credit	\$400.00 plus 2%
Levy processing	\$125.00 plus Attorney's fees
Night deposit-locking bag	\$35.00
Night deposit-zipper bag	\$10.00
Night depository key	\$3.00
Overdraft collection letter (25 days overdrawn)	\$30.00
Returned deposited item	\$10.00
Returned mail processing	\$10.00 per month

First State Bank

PO Box 471, Athens, TX 75751

(903) 676-1900 www.bankfsb.com

Safe Deposit Box	
Annual rent	
3" X 5"	\$30.00
4" X 5"	\$35.00
5" X 5"	\$40.00
3" X 10"	\$50.00
4" X 10"	\$60.00
5" X 10"	\$75.00
6" X 10"	\$80.00
10" X 10"	\$100.00
Box drilled	\$225.00
Box key replacement	\$20.00 per key
Box rent late fee (10 days)	\$20.00
Safe Deposit Box setup	\$25.00
Secure eSignature Services	\$5.00
Statement copy with images	\$10.00 per statement
Stop payment	\$32.50
Stop payment renewal (after 6 months, on request)	\$32.50
Subpoena preparation	\$125.00 for the 1 st hour, \$25.00 per hour thereafter, \$10.00 per statement with statement images
Temporary checks	\$0.50 per check/limit 10 per day
Wire Transfers:	
Incoming Domestic	\$15.00
Outgoing Domestic	\$25.00
Incoming International	\$30.00
Outgoing International	\$60.00

*Checking or Savings accounts with a balance of \$25.00 or less that have had no customer-initiated activity for nine continuous months, will be assessed a \$10.00 dormant fee in months ten, eleven and twelve unless customer-initiated activity occurs prior to the next statement cycle. This would result in the account being closed.

**Insufficient (NSF) and Overdraft fees apply to overdrafts created by check, withdrawals, ATM transactions, electronic means, or other customer-initiated debits to the account. Multiple fees may be charged for any given item as multiple attempts may be made to resubmit a previously returned item for payment. In doing so, a fee will be assessed for each presentation regardless of the number of times the item is submitted for payment. To avoid multiple fees, a written order to stop payment of the item could be placed by the owner(s) of the account.

All fees are subject to change.

Effective 09/01/2023

ASSESSMENT AREA 1

NON MSA

Our assessment area includes these census tracts in the following counties:

HENDERSON CO. (213)

9501.01
9501.02
9502.01
9502.02
9503.01
9503.02
9503.03
9504.00
9505.00
9506.01
9506.03
9506.04
9507.00
9508.01
9508.02
9509.02
9509.03
9509.04
9509.05
9510.00
9511.01
9511.02
9512.01
9512.02
9513.00
9514.01
9514.02
9514.03

NAVARRO CO. (349)

9701.00
9702.00
9703.01
9703.02
9704.00
9705.00
9706.00
9707.01
9708.00
9709.01
9709.02
9710.00

VAN ZANDT CO. (467)

9501.00
9502.00
9503.00
9504.00
9505.00
9506.01
9506.02
9507.00
9508.01
9508.02
9509.01
9509.02
9510.01
9510.02

ASSESSMENT AREA 2
MSA

KAUFMAN CO. (257)

0502.04
0502.07
0502.08
0502.09
0502.10
0502.11
0502.12
0502.13
0502.14
0502.15
0503.00
0504.01
0504.02
0505.00
0506.01
0506.02
0507.01
0507.03
0507.04
0508.01
0508.02
0510.00
0511.00
0512.01
0512.02
0513.01
0513.02

First State Bank
HOME MORTGAGE DISCLOSURE ACT NOTICE

The HMDA data about our residential mortgage lending is available online for review. The data shows geographic distribution of loans and applications; ethnicity, race, sex, age, and income of applicants and borrowers; and information about loan approvals and denials.

This data is available online at the Consumer Financial Protection Bureau's website
(www.consumerfinance.gov/hmda).

HMDA data for many other financial institutions are also available at this website.



LOAN TO DEPOSIT RATIOS

Quarter Ending March – 2024
76.86%

Quarter Ending June – 2024
77.64%

Quarter Ending September – 2024
80.31%

Quarter Ending December – 2024
76.56%

Quarter Ending March – 2025
75.32%

Quarter Ending June – 2025
77.06%

Quarter Ending September – 2025
76.44%

Quarter Ending December – 2025
72.77%

Quarter Ending March – 2026
69.59%