



PUBLIC DISCLOSURE

September 02, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Texas National Bank of Jacksonville
Charter Number 18594

300 Neches Street Jacksonville, TX 75766

Office of the Comptroller of the Currency

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

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Texas National Bank of Jacksonville has a satisfactory record of meeting the credit and community development needs of its communities. We based this rating on the conclusions listed below:

- The loan-to-deposit ratio is more than reasonable based on the performance context and lending opportunities within the assessment areas.
- A majority of loans originated during the evaluation period were located within the assessment areas.
- The distribution of loans to borrowers of different incomes and businesses of different sizes throughout the assessment areas is reasonable.
- The geographic distribution of loans to borrowers in different income census tracts throughout the assessment area reflects reasonable dispersion.
- The bank has demonstrated adequate responsiveness to community development needs through loans, investments, and services.

Scope of Examination

We conducted an examination of Texas National Bank of Jacksonville for compliance with the Community Reinvestment Act (CRA). The bank was evaluated under the Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The lending test for the bank covers performance for 2012, 2013 and year to date 2014. The evaluation period for the CD test covers the period since the previous examination, from July 18, 2011 through September 2, 2014. For a majority of the bank's AAs, the primary loan products originated during the evaluation period include business loans and residential real estate loans. For one AA, the scope included a review of business loans and consumer loans. The selection of the primary products reflects the business strategy of the assessment areas during the evaluation period. Conclusions regarding the bank's lending performance were based on a review of 80 business loans, 60 residential loans, and 60 consumer loans.

Description of Institution

Texas National Bank of Jacksonville serves the East Texas region with its main office located at 300 Neches Street, Jacksonville, Texas (TX). The bank is a \$399 million institution wholly

owned by Texas National Bancorporation, a single bank holding company. The bank has five branches located in Tyler, Longview, Marshall, Bullard, and Rusk, TX, and maintains drive-through facilities and Automated Teller Machines (ATMs) at each location.

The bank is a full service institution and offers a variety of traditional loan and deposit products and financial services to retail and commercial customers. Deposit products and services include banking accounts with no minimum balance or monthly fee, direct deposit, and mobile banking. Business loans and residential real estate loans are the bank’s primary business focus, with agricultural loans comprising a small portion of the loan portfolio. The bank originates a substantial portion of the consumer loans from the branches located in Cherokee County, TX. The following chart reflects the distribution of the bank’s loan originations during the evaluation period.

Loan Category	Loans by \$ (000s)	Loans by #
Business Loans	\$365,256	1698
Residential Real Estate Loans	\$116,243	632
Consumer Loans	\$34,212	2590
Construction Loans	\$1,849	75
Other Loans	\$1,182	45
Agriculture Loans	\$1,175	64
Total	\$519,917	5104

Source: bank data

There are no legal, financial or other factors impeding the bank’s ability to meet the credit needs in its assessment areas. The bank’s CRA performance was previously evaluated as of July 18, 2011 with an overall level of performance of “Satisfactory” under the Small Bank examination procedures.

Description of Assessment Area(s)

Texas National Bank of Jacksonville has designated four AAs for evaluation under CRA. The AAs include Harrison County, TX in its entirety, and portions of Cherokee County, TX, Smith County, TX and Gregg County, TX. The Smith County and Gregg County AAs are part of the Tyler, TX and Longview, TX Metropolitan Statistical Areas (MSA), respectively. The AAs meet the requirements of the CRA and the bank has not arbitrarily excluded any low or moderate-income geographies. The selected portions of the Tyler, TX and Longview, TX MSAs represent contiguous geographies that are reasonable for the bank to serve, given the bank’s size and locations in those AAs.

Cherokee County Assessment Area

The Cherokee County AA has a total population of 46 thousand and includes the cities of Jacksonville, TX and Rusk, TX as well as a few additional surrounding communities. The bank maintains branches in Jacksonville, TX and Rusk, TX. The assessment area contains ten census tracts. Three of the census tracts are moderate-income tracts, and seven of the tracts are middle-income tracts. There are no low-income tracts in the county. The FFIEC has designated the

entire county as distressed due to high levels of poverty. The following table provides a description of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF CHEROKEE COUNTY ASSESSMENT AREA	
<i>Population</i>	
Number of Families	10,665
Number of Households	14,985
<i>Geographies</i>	
Number of Census Tracts	10
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	30.00%
% Middle-Income Census Tracts	70.00%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for Assessment Area	\$48,160
2013 HUD-Adjusted MFI	\$50,500
<i>Economic Indicators</i>	
Unemployment Rate	2.96%
2010 Median Housing Value	\$69,849
% of Households Below Poverty Level	21.10%

Source: 2010 U.S. Census data

Economic conditions for the AA are stable; however, nine middle-income census tracts are designated distressed geographies due to poverty. Major employers in the AA include Wal-Mart, Stage Stores, Inc., Jacksonville Independent School District, and the Rusk State Hospital. Major industry includes manufacturing, plant farms, and timber. Demographic information for the assessment area shows high poverty, with 21.10 percent of the households below the poverty level. Updated information from the Bureau of Labor Statistics reports unemployment at 6.5 percent for June 2014.

Competition from other financial institutions is strong. The bank's competitors include several local community banks, credit unions, and large regional banks. This includes a larger local community bank also headquartered in Jacksonville, TX. The community contact for Jacksonville indicated there was need to attract new business/industry into the area to create jobs. The contact also indicated a need for affordable housing. The availability of community development opportunities is highest in this assessment area given the high rate of poverty and distressed conditions of the county. Affordable housing and investments in community groups targeting low-to-moderate income individuals represent the greatest opportunity for meeting community development needs.

Harrison County Assessment Area

The Harrison County AA has a total population of 66 thousand and includes the cities of Marshall, TX, Hallsville, TX, and Waskom, TX along with other surrounding communities. The bank maintains a branch in Marshall, TX. The AA contains Harrison County in its entirety and

includes 14 census tracts. Three of the census tracts are moderate-income tracts, four of the census tracts are middle-income census tracts, and seven of the census tracts are upper-income tracts. There are no low-income census tracts in the assessment area. The following table provides a description of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF HARRISON COUNTY ASSESSMENT AREA	
<i>Population</i>	
Number of Families	16,583
Number of Households	22,997
<i>Geographies</i>	
Number of Census Tracts	14
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	21.43%
% Middle-Income Census Tracts	28.57%
% Upper-Income Census Tracts	50.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$48,160
2013 HUD-Adjusted MFI	\$50,500
<i>Economic Indicators</i>	
Unemployment Rate	4.80%
2010 Median Housing Value	\$94,926
% of Households Below Poverty Level	14.41%

Source: 2010 U.S. Census data

Economic conditions within the AA are stable with some growth. Major employers include Eastman Chemical Company, Trinity Industries, Good Shepherd Medical Center, and Blue Cross Blue Shield. Major industries include health, education, and manufacturing. Demographic information for the assessment area shows modest poverty with 14.41 percent of the households below the poverty level. Updated information from the Bureau of Labor Statistics reports unemployment of 5.4 percent for June 2014.

Competition from other financial institutions is strong. The bank’s competitors include several local community banks, credit unions, and large regional banks. The community contact for Marshall indicated there was need for small business loans for start-up businesses. A review of the median housing values compared to the median family income shows opportunities to provide affordable housing for the communities. Given the poverty levels in the AA, opportunities for community development also exist to support community groups targeting low-to-moderate income individuals.

Smith County Assessment Area

The Smith County AA has a total population of 75 thousand and encompasses the southern portion of Tyler, TX and the cities of Whitehouse, TX, Bullard, TX and Troup, TX. The bank maintains branches located in Bullard, TX and Tyler, TX. The AA is a portion of the Tyler, TX MSA and contains 13 census tracts. Two of the census tracts are moderate-income tracts, three

of the census tracts are middle-income tracts, and eight of the census tracts are upper-income tracts. There are no low-income census tracts in the AA. The following table provides a description of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF SMITH COUNTY ASSESSMENT AREA	
<i>Population</i>	
Number of Families	19,779
Number of Households	28,627
<i>Geographies</i>	
Number of Census Tracts	13
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	15.38%
% Middle-Income Census Tracts	23.08%
% Upper-Income Census Tracts	61.54%
<i>Median Family Income (MFI)</i>	
2010 MFI for Assessment Area	\$57,225
2013 HUD-Adjusted MFI	\$64,200
<i>Economic Indicators</i>	
Unemployment Rate	4.07%
2010 Median Housing Value	\$157,998
% of Households Below Poverty Level	9.17%

Source: 2010 U.S. Census data

Economic conditions within the AA are good with steady growth noted in the Tyler market. Major employers include Trinity Mother Francis Hospital, East Texas Medical Center, Brookshire’s, Wal-Mart, Trane Corp., and local independent school systems, as well as secondary universities. The oil and gas industry also provides economic benefits and stability to the area. Demographic information for the assessment area shows lower poverty with 9.17 percent of the households below the poverty level. Updated information from the Bureau of Labor and Statistics reports unemployment at 5.5 percent for June 2014.

Competition from other financial institutions is strong. The bank’s competitors include several local community banks, credit unions, large regional banks, and large, nationally recognized banks. Additionally, the branch in Tyler, TX has been open less than a year. The community contact for Tyler, TX indicated there was need for small business loans and loan programs for economic development to aid in job creation. The higher housing values compared to the median family income presents opportunities to provide affordable housing. But, with lower poverty levels and steady economic conditions, opportunities for community development loans, investments, and services are fewer in this AA.

Gregg County (Longview) Assessment Area

The Gregg County AA has a total population of 49 thousand and includes the city of Longview, TX, where the bank maintains a branch. The AA contains 10 census tracts and represents the northeast portion of the Longview, TX MSA. Two of the census tracts are moderate-income

tracts, five of the census tracts are middle-income census tracts, and three of the census tracts are upper income tracts. There are no low-income census tracts in the AA. The following table provides a description of the bank's AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF LONGVIEW ASSESSMENT AREA	
<i>Population</i>	
Number of Families	12,963
Number of Households	19,946
<i>Geographies</i>	
Number of Census Tracts	10
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	20.00%
% Middle-Income Census Tracts	50.00%
% Upper-Income Census Tracts	30.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for Assessment Area	\$54,648
2013 HUD-Adjusted MFI	\$54,200
<i>Economic Indicators</i>	
Unemployment Rate	3.42%
2010 Median Housing Value	\$131,919
% of Households Below Poverty Level	10.53%

Source: 2010 U.S. Census data

Economic conditions within the assessment area are good and stable. Major employers include Good Shepherd Medical Center, Trinity Rail, LLC, Eastman Chemical, Wal-Mart, Longview Independent School District, and Longview Regional Medical Center. Primary industries in the assessment area include oil and gas and healthcare. Demographic information in the assessment area shows lower poverty with 10.53 percent of the households below the poverty level. Updated information from the Bureau of Labor and Statistics reports unemployment of 4.7 percent for June 2014.

Competition from other financial institutions is strong. The bank's competitors include several local community banks, credit unions, and large regional banks. The community contact for Longview indicated there was need for small business loans and loan programs for economic development to aid in job creation. With lower poverty levels and a stronger economy, this AA presents fewer opportunities for community development activities.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is satisfactory. The bank's loan-to-deposit ratio is more than reasonable when compared to banks in the assessment area. A majority of the lending occurred inside the assessment area. The distribution of loans to borrowers of different income

and business sizes reflects a reasonable penetration. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. There were no CRA related complaints filed during the review period.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable. Since the previous CRA examination, the bank’s average quarterly loan-to-deposit ratio is 102.3 percent, compared to an average of 86.9 percent for similarly situated institutions. Please see the following chart for further information.

Institution	Assets (000s) as of 06/30/14	Quarterly Average LTD Ratio
Texas National Bank of Jacksonville, Jacksonville, TX	\$399,893	102.31%
Citizens State Bank, Tyler, TX	\$311,410	94.98%
Spring Hill State Bank, Longview, TX	\$182,725	94.07%
American State Bank, Arp, TX	\$255,764	82.31%
Community Bank, Longview, TX	220,471	76.54%

Lending in Assessment Area

A majority of the bank’s lending activity occurred inside the AA. We reviewed a sample of 60 loans, with 20 commercial, 20 consumer, and 20 residential loans. By number, 75 percent of the loans originated inside the bank’s assessment area. Please see the following table for further information.

Lending in Combined Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	15	75.00	5	25.00	20	\$3,127	49.86	\$3,144	50.14	\$6,271
Consumer Loans	18	90.00	2	10.00	20	\$134	93.71	\$9	6.29	\$143
Residential Loans	12	60.00	8	40.00	20	\$755	34.51	\$1,433	65.49	\$2,188
Totals	45	75.00	15	25.00	60	\$4,016	46.69	\$4,586	53.31	\$8,602

Source: Loan Sample

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

The distribution of loans to borrowers of different incomes and to businesses of different sizes represents a reasonable penetration throughout the bank’s AAs.

Conclusions for Areas Receiving Full Scope Reviews

Cherokee County Assessment Area

The distribution of loans to borrowers of different incomes and businesses of different sizes represents a reasonable penetration throughout the Cherokee County AA.

Consumer Loans

The distribution of consumer loans to borrowers of different incomes represents a reasonable penetration. The distribution of loans to low-income borrowers is less than the demographic comparator. The distribution of consumer loans to moderate-income borrowers exceeds the demographic comparator. Consideration was given for the high poverty levels and significant competition from local payday lenders as mitigating factors in evaluating lending to low-income borrowers. Please see the following table for further information.

Borrower Distribution of Consumer Loans in Cherokee County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	27.35	8.34	17.06	18.33	18.06	18.33	37.53	55.00

Source: Loan Sample, U.S. Census Data

Business Loans

The distribution of loans to small businesses reflects a reasonable penetration. The distribution of loans to small business is lower than the demographic comparator. Please see the following table for further information.

Borrower Distribution of Loans to Businesses in Cherokee County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	72.44	3.82	23.74	100%
% of Bank Loans in AA by #	60.00	40.00	0.00	100%
% of Bank Loans in AA by \$	31.01	68.99	0.00	100%

Source: Loan Sample, Dun and Bradstreet data

Harrison County Assessment Area

The distribution of loans to borrowers of different incomes and businesses of different sizes represents a reasonable penetration throughout the Harrison County AA.

Residential Loans

The distribution of residential loans to borrowers of different incomes represents a reasonable penetration. The distribution of residential loans to low-income borrowers is significantly lower than the demographic comparator. The distribution of residential loans to moderate-income borrowers meets the demographic comparator. Please see the following chart for further details. Consideration was given for the elevated level of poverty, high volume of rental properties, and high median average prices for houses as mitigating factors. Please see the following table for further information.

Borrower Distribution of Residential Real Estate Loans in Harrison County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential Loans	19.19	5.00	15.02	15.00	18.07	30.00	47.72	50.00

Source: Loan Sample, U.S. Census Data

Business Loans

The distribution of loans to small businesses reflects an excellent penetration. The distribution of loans to small business exceeds the demographic comparator. Please see the following table for further information.

Borrower Distribution of Loans to Businesses in Harrison County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.22	2.82	23.96	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	64.47	35.53	0.00	100%

Source: Loan Sample, Dun and Bradstreet data

Smith County Assessment Area

The distribution of loans to borrowers of different incomes and businesses of different sizes represents a reasonable penetration throughout the Smith County AA.

Residential Loans

The distribution of loans to borrowers of different incomes represents a reasonable penetration. The distribution of residential loans to low-income borrowers is lower than the demographic comparator. The distribution of residential loans to moderate-income borrowers is lower than the demographic comparator. Please see the following charts for further information.

Borrower Distribution of Residential Real Estate Loans in Smith County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential Loans	15.91	10.00	15.88	5.00	16.93	25.00	51.28	60.00

Source: Loan Sample, U.S. Census Data

Business Loans

The distribution of loans to business of different sizes represents an excellent penetration. The distribution of loans to small businesses exceeds the demographic comparator. Please see the following charts for further information.

Borrower Distribution of Loans to Businesses in Smith County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.45	3.08	23.47	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	48.51	51.49	0.00	100%

Source: Loan Sample, Dun and Bradstreet data

Conclusions for Areas Receiving Limited Scope Reviews

The distribution of loans to borrowers of different incomes and to businesses of different sizes in the Gregg County AA area is not inconsistent with that of the overall bank’s performance. Please see the following tables for further information.

Borrower Distribution of Residential Real Estate Loans in Gregg County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Residential Loans	16.22	15.00	16.82	10.00	22.09	15.00	44.87	60.00

Source: Loan Sample, U.S. Census Data

Borrower Distribution of Loans to Businesses in Gregg County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.76	3.09	23.15	100%
% of Bank Loans in AA by #	80.00	20.00	0.00	100%
% of Bank Loans in AA by \$	50.70	49.30	0.00	100%

Source: Loan Sample, Dun and Bradstreet data

Geographic Distribution of Loans

The geographic distribution of loans to census tracts of different income levels reflects reasonable dispersion throughout all census tracts in the bank’s AAs.

Conclusions for Areas Receiving Full Scope Reviews

Cherokee County Assessment Area

The geographic distribution of loans to census tracts of different income levels reflects reasonable dispersion throughout the Cherokee County AA.

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion throughout the AA. The distribution of consumer loans in moderate-income tracts exceeds the demographic comparator. Please see the following table for further information.

Geographic Distribution of Consumer Loans in Cherokee County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	20.49	22.95	79.51	77.05	0.00	0.00

Source: Loan Sample, U.S. Census Data

Business Loans

The geographic distribution of business loans reflects excellent dispersion throughout the AA. The distribution of business loans in moderate-income tracts exceeds the demographic comparator. Please see the following table for further information.

Geographic Distribution of Loans to Businesses in Cherokee County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Business Loans	0.00	0.00	29.18	40.00	70.82	60.00	0.00	0.00

Source: Loan Sample, Dun and Bradstreet data

Harrison County Assessment Area

The geographic distribution of loans to census tracts of different income levels reflects excellent dispersion throughout the Harrison County AA.

Residential Loans

The geographic distribution of residential loans to census tracts of different income levels reflects excellent dispersion. The distribution of residential loans in moderate-income census tracts exceeds the demographic comparator. Please see the following table for further information.

Geographic Distribution of Residential Real Estate Loans in Harrison County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	0.00	0.00	12.39	15.00	33.21	25.00	54.40	60.00

Source: Loan Sample, U.S. Census Data

Business Loans

The geographic distribution of business loans to census tracts of different income levels reflects excellent dispersion. The distribution of business loans in moderate-income census tracts exceeds the demographic comparator. Please see the following table for further information.

Geographic Distribution of Loans to Businesses in Harrison County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Business Loans	0.00	0.00	21.70	35.00	30.12	15.00	48.18	50.00

Source: Loan Sample, Dun and Bradstreet data

Smith County Assessment Area

The geographic distribution of loans to census tracts of different income levels reflects reasonable dispersion throughout the Smith County AA.

Residential Loans

The geographic distribution of residential loans to census tracts of different income levels reflects reasonable dispersion. The distribution of residential loans in moderate-income census tracts is lower than the demographic comparator. Please see the following table for further information.

Geographic Distribution of Residential Real Estate Loans in Smith County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	0.00	0.00	6.36	0.00	22.78	18.75	70.86	81.25

Source: Loan Sample, U.S. Census Data

Business Loans

The geographic distribution of business loans to census tracts of different income levels reflects reasonable dispersion. The distribution of business loans in moderate-income census tracts is lower than the demographic comparator. Please see the following table for further information.

Geographic Distribution of Loans to Businesses in Smith County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Business Loans	0.00	0.00	8.10	5.00	22.81	20.00	69.09	75.00

Source: Loan Sample, Dun and Bradstreet data

Conclusions for Areas Receiving Limited Scope Reviews

Gregg County Assessment Area

The geographic distribution of loans to within the Gregg County AA is not inconsistent with that of the bank’s overall performance. Please see the following tables for further information.

Geographic Distribution of Residential Real Estate Loans in Gregg County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Loans	0.00	0.00	13.73	15.00	42.92	55.00	43.35	30.00

Source: Loan Sample, U.S. Census Data

Geographic Distribution of Loans to Businesses in Gregg County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Business Loans	0.00	0.00	13.10	5.00	47.44	70.00	39.46	25.00

Source: Loan Sample, Dun and Bradstreet data

Responses to Complaints

The bank has not received any complaints or public comments regarding CRA performance during this evaluation period.

COMMUNITY DEVELOPMENT (CD) TEST

The bank’s performance under the CD test is satisfactory. The bank has demonstrated adequate responsiveness to community development needs through loans, investments and services within the AAs. We determined an adequate level of responsiveness to CD needs in the Cherokee County, Harrison County, and Smith County AAs. Performance in the Gregg County AA was weaker than the bank’s overall performance. Given the lower volume of lending originating from the Gregg County AA, less consideration was given for performance in this area.

During the evaluation period, the bank originated CD loans for affordable housing and qualifying community service organizations and donated to local schools and community groups. The bank’s responsiveness to service needs is met through maintaining branches in moderate-income, and middle-income, but distressed census tracts. Please see the following narrative for further information.

Number and Amount of Community Development Loans

Conclusions for Areas Receiving Full Scope Reviews

The bank demonstrated adequate responsiveness to CD needs originating a satisfactory volume of CD loans throughout the Cherokee County, Harrison County, and Smith County AAs. The bank originated six loans totaling \$6.2 million during the evaluation period. The loans provided affordable housing for low-to-moderate- income tenants and applicable community service organizations in each of the three AAs receiving full scope reviews. The bank provided loans totaling \$2.7 million, \$1.2 million, and \$2.3 million, respectively, in the Cherokee County, Harrison County, and Smith County AAs.

Conclusions for Areas Receiving Limited Scope Reviews

The bank's volume of CD loans in the Gregg County AA is weaker than the overall performance of the bank. The bank did not originate any CD loans in this AA.

Number and Amount of Qualified Investments

Conclusions for Areas Receiving Full Scope Reviews

The bank demonstrated adequate responsiveness to CD needs through donations throughout the Cherokee County, Harrison County and Smith County AAs. During the evaluation period, the bank made 39 individual donations totaling \$11 thousand to various local schools and community groups in each of the three AAs. A review of the donations to schools shows the majority of the students in the districts are considered economically disadvantaged. The donations to community service groups target low-to-moderate-income individuals, or serve geographies designated as distressed census tracts by the FFIEC. Services included abuse shelters, reading programs, and food banks in the AAs. During the evaluation period, the bank donated \$6 thousand, \$3 thousand, and \$2 thousand, respectively, in the Cherokee County, Harrison County, and Smith County AAs.

Conclusions for Areas Receiving Limited Scope Reviews

The volume of qualified investments in the Gregg County AA is not inconsistent with the overall performance of the bank. The bank donated \$1.1 thousand to three community service groups targeting low-to-moderate-income individuals in the Gregg County AA.

Extent to Which the Bank Provides Community Development Services

Conclusions for Areas Receiving Full Scope Reviews

The bank has provided an adequate level of CD services in the Cherokee County, Harrison County, and Smith County AAs. The bank maintains a branch in a moderate-income census tract in Harrison County, and two branches in middle and distressed income tracts in Cherokee County. The bank provided no community development services in Smith County.

Conclusions for Areas Receiving Limited Scope Reviews

The bank's provision of CD services in the Gregg County assessment area is weaker than the overall performance of the bank. The bank did not provide any such services in this AA.

Responsiveness to CD Needs

The bank has demonstrated an adequate level of responsiveness to CD needs throughout the AAs. We weighted performance in the Cherokee County, Harrison County, and Smith County AAs more heavily in determining responsiveness, as the majority of the bank's lending originated in these AAs. Considering the bank's size, resources, and performance context, CD loans and qualifying investments present the most opportunities to meet CD needs. In addition to responsiveness inside the AAs, the bank purchased a municipal school bond totaling \$320 thousand for a school district that serves primarily economically disadvantaged students outside the AAs.

Fair Lending or Other Illegal Credit Practices Review

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

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