



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**November 30, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Austin Bank, Texas National Association  
Charter Number 5581**

**200 East Commerce Street  
Jacksonville, TX 75766**

**Comptroller of the Currency  
Longview Field Office  
1800 West Loop 281, Suite 306  
Longview, TX 75604**

**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.

The major factors that support this rating include:

- Austin Bank demonstrates good responsiveness to the credit needs of its assessment areas. The bank's loan-to-deposit ratio is strong and a majority of the bank's loans were within its designated assessment areas. The distribution of these loans by geography and by borrower income level reflects a reasonable penetration throughout the assessment areas.
- The level of qualified community development services, investments, and loans represents satisfactory responsiveness to identified community development needs. Austin Bank's delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment areas. The bank made qualified investments during the evaluation period totaling \$1.1 million or 1.80% of Tier 1 Capital.

## **SCOPE OF EXAMINATION**

Conclusions regarding the bank's lending performance are based on residential mortgage and small business loans for the years 2003 and 2004. Due to changes in the designation of counties in specific MSAs and the resulting changes in income classifications, loan data for 2003 and 2004 was reviewed separately. For the community development test, the evaluation period runs from the ending date of the last CRA evaluation period to the stated date of the current CRA examination. This test includes a review of the investments, services and loans provided in the bank's assessment areas that meet the definition of community development.

The bank's primary assessment area includes Cherokee, Nacogdoches and adjacent block numbering areas in Panola and Shelby counties. This area, referred to as the Jacksonville Area, was selected for a full scope review due to the location of the bank's headquarters and the number of branch locations. The Tyler MSA was also selected for review. These areas constitute a representative sample of both rural and metropolitan markets in which the bank operates. Performance ratings are based primarily on results of these areas.

Our review also included contacting local business groups in each of the assessment areas receiving a full scope examination. Contacts in both assessment areas stated the primary need in each area is for residential loans and commercial loans. Both contacts also noted the lack of available housing stock, particularly affordable housing for low and moderate-income individuals. Each contact also stated the local financial institutions offer products that help meet these needs.

## DESCRIPTION OF INSTITUTION

Austin Bank, headquartered in Jacksonville, Texas, is an intrastate financial institution with \$734 million in assets. The bank is wholly owned by Austin Bancorp, Inc., a one bank holding company. Austin Bank has twenty-one full service branches and automatic teller machines located throughout the East Texas area. The bank's offices are located in the non-metropolitan counties of Cherokee, Harrison, Nacogdoches, Shelby, Van Zandt, and Rains. Banking offices are also located in the Tyler MSA that includes Smith County and in the Longview MSA that includes Gregg, Rusk and Upshur Counties.

Austin Bank's philosophy is to be a full service institution by providing a wide array of financial services to consumers and commercial businesses. Austin Bank is retail oriented and offers a wide range of deposit and loan products. As of September 30, 2005, the bank's net loans represented 76% of total assets. The following chart reflects the distribution of the bank's loan portfolio:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	185,469	32.87
Commercial Loans	86,892	15.40
Residential Real Estate Loans	176,892	31.35
Consumer Loans	83,579	14.81
Agriculture	31,356	5.57
<b>Total</b>	<b>564,188</b>	<b>100.00%</b>

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. Austin Bank's Tier 1 Capital level is \$63 million representing 8.8% of adjusted average assets as of September 30, 2005. The bank's CRA performance was last evaluated as of March 10, 2003, with the overall level of performance rated "Satisfactory."

## DESCRIPTION OF ASSESSMENT AREAS

### Jacksonville Area

The Jacksonville assessment area (AA) consists of Cherokee and Nacogdoches counties. It also includes one block numbering area (BNA) in Panola County (9506) and four BNAs in Shelby County (9501, 9502, 9503, and 9504). There are 28 BNAs in this assessment area with only one low-income BNA, five moderate-income BNAs, twenty middle-income and two upper income BNAs. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low or moderate-income geographies.

The following table provides a description of the Jacksonville AA based on census data and 2004 Department of Housing and Urban Development information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	32,213
Number of Households	46,724
<i>Geographies</i>	
Number of Census Tracts/BNA	28
% Low-Income Census Tracts/BNA	3.57%
% Moderate-Income Census Tracts/BNA	17.86%
% Middle-Income Census Tracts/BNA	71.43%
% Upper-Income Census Tracts/BNA	7.14%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2004 HUD-Adjusted MFI	\$42,000
<i>Economic Indicators</i>	
Unemployment Rate	5.3%
2000 Median Housing Value	\$54,873
% of Households Below Poverty Level	18.17%

The Jacksonville area has a combined population of 127,103. Six of the bank's branches and ATMs are located in this assessment area with 35% of the total bank deposits. Several other institutions compete in this market with Austin Bank having the second largest market share of deposits with 12% of the area deposits. Austin Bank is retail oriented with a focus on mortgage and commercial lending. The area economy is considered stable. Major employers in Cherokee County include the Texas Department of Criminal Justice, Rusk State Hospital, medical related services and industries, and educational facilities. Major employers in Nacogdoches County include Stephen F. Austin State University, J. M. Clipper, and Lone Star Fertilizer. Based on a recent contact with a local business group, the primary need within the area is for residential loans and commercial loans. This contact felt the local financial institutions were providing products and financing which help meet these needs.

### **Tyler MSA**

The Tyler MSA consists of Smith County and includes 36 census tracts (CTs). There are two low income CTs, ten moderate income CTs, fifteen middle-income and nine upper income CTs. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the Tyler MSA assessment area based on census data and 2004 Department of Housing and Urban Development information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	47,225
Number of Households	65,711
<i>Geographies</i>	
Number of Census Tracts/BNA	36
% Low-Income Census Tracts/BNA	5.56%
% Moderate-Income Census Tracts/BNA	27.78%
% Middle-Income Census Tracts/BNA	41.67%
% Upper-Income Census Tracts/BNA	25.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$44,565
2004 HUD-Adjusted MFI	\$51,400
<i>Economic Indicators</i>	
Unemployment Rate	4.8%
2000 Median Housing Value	\$81,023
% of Households Below Poverty Level	13.20%

The Tyler MSA has a total population of 174,706. Seven of the bank's branches and ATMs are located in this assessment area with 28% of the total bank deposits. Numerous other institutions compete in this market with Austin Bank having the fifth largest market share of deposits with 6.34%. The area economy is considered stable to growing. Major employers include East Texas Medical Center, Trinity Mother Francis Hospital, Tyler ISD, Brookshires, and Trane Company. Based on a recent contact with a local business group, the primary need within the assessment area is for residential and commercial loans. This contact felt the local financial institutions were providing products and financing which help meet these needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's performance under the lending test is satisfactory. The bank's loan-to-deposit ratio is strong and a majority of the bank's loans were within its designated assessment areas. The distribution of these loans by geography and by borrower income level reflects a reasonable penetration throughout the assessment areas.

### **Loan to Deposit Ratio:**

The loan-to-deposit ratio of Austin Bank is good given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 85.47% since the prior CRA examination in March of 2003. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 63.63%.

<b>Institution</b>	<b>Assets (000s) (as of 9/30/05)</b>	<b>Average LTD Ratio</b>
Austin Bank, Texas, NA, Jacksonville	734,000	85.47%
Citizens First Bank, Tyler	609,000	72.27%
Citizens National Bank, Henderson	640,000	46.84%
Commercial Bank of Texas, NA, Nacogdoches	298,000	57.93%
Southside State Bank, Tyler	1,733,000	66.33%
First State Bank and Trust, Carthage	270,000	34.28%
Texas Bank and Trust, Longview	667,000	82.28%

### **Lending in Assessment Area:**

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of all residential purchase loans and commercial loans which originated during 2003 and 2004. The breakdown by loan category is illustrated in the following table.

<b>TOTAL LOANS REVIEWED</b>				
	<b>IN ASSESSMENT AREA</b>		<b>OUT OF ASSESSMENT AREA</b>	
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Residential	601	89.97	67	10.03
Commercial	3,075	91.57	283	8.43
Total Reviewed	3,676	91.31	350	8.69

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

Austin Bank's overall distribution of loans by income level of the borrower is satisfactory given the overall demographics of the bank's assessment areas. The median cost of housing in the Jacksonville area is \$55M while a low-income person earns less than \$21M based on the HUD updated 2004 median family income. Additionally, 18% of the households in the assessment area live below the poverty level. In the Tyler MSA, the median cost of housing is \$81M with a low-income person earning less than \$25,700. Approximately 13% of the households in this assessment area live below the poverty level. Furthermore, competition for home mortgage products is strong with numerous bank, mortgage companies and financial institutions vying for these products. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers.

The distribution of home purchase loans by borrower income level is adequate in both the Jacksonville and Tyler MSA assessment areas. The percentage of loans to low-income borrowers is below the percentage of low-income families in both assessment areas and is reflective of the factors discussed above. The percentage of home loans to moderate-income borrowers is near to the percentage of moderate-income families in the assessment area in 2003 but less than the percentage of moderate-income families in 2004.

JACKSONVILLE AREA AA - RESIDENTIAL REAL ESTATE								
	LOW INCOME BORROWERS		MODERATE INCOME BORROWERS		MIDDLE INCOME BORROWERS		UPPER INCOME BORROWERS	
LOANS BY YEAR	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans
2003	20.46	5.68	17.89	15.91	21.04	23.86	40.61	54.55
2004	21.41	2.44	18.07	10.57	20.98	18.70	39.54	68.29

TYLER MSA AA - RESIDENTIAL REAL ESTATE								
	LOW INCOME BORROWERS		MODERATE INCOME BORROWERS		MIDDLE INCOME BORROWERS		UPPER INCOME BORROWERS	
LOANS BY YEAR	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans
2003	20.31	4.00	18.42	16.00	20.71	28.00	40.55	52.00
2004	20.31	4.82	18.42	10.84	20.71	19.28	40.55	65.06

The bank's distribution of loans to small businesses is good. The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses with revenues of \$1 million or less in both assessment areas reviewed.

JACKSONVILLE AREA AA - BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES				
	BUSINESSES WITH REVENUES ≤\$1,000,000		BUSINESSES WITH REVENUES >\$1,000,000	
LOANS BY YEAR	% of AA Businesses	% of Bank Loans	% of AA Businesses	% of Bank Loans
2003	64.85	88.94	35.15	11.06
2004	65.94	82.18	34.06	17.82

TYLER MSA AA - BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES				
	BUSINESSES WITH REVENUES ≤\$1,000,000		BUSINESSES WITH REVENUES >\$1,000,000	
LOANS BY YEAR	% of AA Businesses	% of Bank Loans	% of AA Businesses	% of Bank Loans
2003	65.42	74.60	34.58	25.40
2004	66.37	70.19	33.63	29.81

### Geographic Distribution of Loans

Austin Bank's overall distribution of loans by income level of the geography is good. Geographic distribution for home purchase loans and loans to businesses is good in the Jacksonville area AA and adequate in the Tyler MSA AA.

#### Jacksonville Area

The geographic distribution of home purchase loans is excellent. The distribution of loans in low-income tracts is near to the percentage of owner-occupied housing units in the low-income

tracts. The distribution of loans in the moderate-income tracts exceeds the percentage of owner-occupied housing units in the moderate-income tracts.

JACKSONVILLE AREA AA - RESIDENTIAL REAL ESTATE								
YEAR	LOW INCOME GEOGRAPHIES		MODERATE INCOME GEOGRAPHIES		MIDDLE INCOME GEOGRAPHIES		UPPER INCOME GEOGRAPHIES	
	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans
2003	1.07	1.09	5.61	26.09	79.77	67.39	13.56	5.43
2004	1.53	1.46	8.05	17.52	78.90	78.10	11.53	2.92

The geographic distribution of loans to businesses is good. While the distribution of loans to businesses in the low-income tracts is less than the percentage of businesses located in low-income tracts, the percentage of businesses is low with fewer opportunities to originate loans in these areas. However, the percentage of business loans made in the moderate-income tracts exceeds the percentage of businesses located in these tracts.

JACKSONVILLE AREA AA - BUSINESS LOANS								
YEAR	LOW INCOME GEOGRAPHIES		MODERATE INCOME GEOGRAPHIES		MIDDLE INCOME GEOGRAPHIES		UPPER INCOME GEOGRAPHIES	
	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
2003	4.75	0.31	13.63	37.33	72.26	57.45	9.36	4.92
2004	5.57	0.79	17.84	35.02	66.59	58.20	10.00	5.99

### Tyler MSA

The geographic distribution of home purchase loans is adequate. The percentage of loans in the low-income tracts is less than the percentage of owner occupied units in the low-income tracts in 2003 and near to the percentage in 2004. However, the percentage of owner occupied units in the low-income tracts is small with limited opportunities to originate loans in these areas. The percentage of loans in the moderate-income tracts is less than the percentage of owner occupied units in the moderate-income tracts in both years. The geographic location of the low and moderate-income tracts in relation to the bank's branch locations as well as the factors discussed above, limit the bank's lending opportunities in these areas.

TYLER MSA AA - RESIDENTIAL REAL ESTATE								
YEAR	LOW INCOME GEOGRAPHIES		MODERATE INCOME GEOGRAPHIES		MIDDLE INCOME GEOGRAPHIES		UPPER INCOME GEOGRAPHIES	
	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans	% Owner Occupied Units	% of Bank Loans
2003	2.09	0.00	17.19	12.96	55.58	64.81	25.14	22.22
2004	2.09	2.25	17.19	7.87	55.58	68.54	25.14	21.35

The geographic distribution of loans to businesses is adequate. The distribution of loans in the low-income geographies is near to the percentage of businesses located in the low-income tracts in 2003 and 2004. The percentage of loans in the moderate-income tracts is less than the percentage of businesses in the moderate-income tracts in both years. The geographic location



of the low and moderate-income tracts in relation to the bank's branch locations as well as the factors discussed above, limit the bank's lending opportunities in these areas.

TYLER MSA AA - BUSINESS LOANS								
YEAR	LOW INCOME GEOGRAPHIES		MODERATE INCOME GEOGRAPHIES		MIDDLE INCOME GEOGRAPHIES		UPPER INCOME GEOGRAPHIES	
	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans	% of Businesses	% of Bank Loans
2003	4.00	2.91	26.81	14.29	39.84	51.06	29.35	31.75
2004	4.02	4.54	26.45	12.53	40.47	56.16	29.07	26.78

### Responses to Complaints

There have been no CRA related complaints received during this evaluation process.

### COMMUNITY DEVELOPMENT TEST

The bank's overall performance under the community development test is satisfactory. The bank has provided a satisfactory level of community development services, investments and loans in its assessment areas.

Austin Bank has provided a good level of community development investments in its assessment areas. During this evaluation period, the bank made 111 qualified investments totaling \$1.136 million. The largest investment was \$1 million to start and fund a community development corporation (CDC) to provide loans for low and moderate-income housing with flexible loan terms. Other investments include donations to local organizations that provide community services.

Austin Bank has provided a good level of community development services throughout its assessment areas. The delivery systems of the bank are reasonably accessible to geographies and individuals of different income levels in its assessment areas. The bank operates 21 banking offices that are conveniently located in each assessment area. Additionally, a wide range of financial services are provided at each branch and are consistent throughout the bank's branch network. The bank offers ATMs at each branch location as well as offering telephone and Internet banking services, ACH deposits, and low cost checking accounts.

In addition to retail banking services, the bank provides other community development services. These include participating in grants that provide down payment and closing costs assistance and roof repair costs to low- and moderate-income homebuyers. The bank has also organized a Hispanic Task Force to develop programs to target the Hispanic population in its assessment areas. Additionally, bank officers are active in numerous local organizations that promote community development.

Austin Bank has an adequate level of community development loans in its assessment areas. During this evaluation period, the bank originated two loans totaling approximately \$160M that qualified as community development. The bank also provides loans to cities and communities in its assessment areas to provide city services and equipment.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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