



PUBLIC DISCLOSURE

May 29, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank Texas, National Association
Charter Number 10646

412 East Goode Street
Quitman, TX 75783

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

Summarize the major factors supporting the institution's rating.

- The loan-to-deposit ratio is reasonable based on the bank's size and complexity.
- A substantial majority of the bank's lending is extended within its assessment area.
- The distribution of loans to borrowers of different income levels is reasonable throughout the assessment areas.
- The geographic distribution of loans reflects a poor dispersion throughout the assessment area.

SCOPE OF EXAMINATION

The scope of the examination was to assess the bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. The examination included an evaluation of three assessment areas including the Gregg County assessment area, the Smith County assessment area, and the non-MSA assessment area, which includes Wood, Panola, Franklin, and Hopkins counties.

The bank's primary products in the Gregg County assessment area included commercial and consumer loans. Samples were expanded for both product types for Gregg County assessment area. The bank's primary products in the Smith County assessment area also included commercial and consumer loans. The consumer loan sample was expanded for the Smith County assessment area. The primary products in the Non-MSA assessment area included commercial, consumer and residential loans. The consumer sample was expanded for the non-MSA assessment area. Primary loan products were determined based on originations in 2012 and 2013.

The Dallas County assessment area was not included in the review as this branch opened in 2013 and the lending volume in this assessment area is not sufficient to perform a meaningful analysis.

Our evaluation placed more emphasis on the performance in the Non-MSA assessment area since the largest portion of reported loans was made in this assessment area. The evaluation period included loans originated during 2012 and 2013.

DESCRIPTION OF INSTITUTION

Bank Texas, NA is a \$439 million bank with its main office located at 412 East Good Street, Quitman, TX. The bank is wholly owned by BT Holdings, Inc. The bank has nine full service branches located in Holly Lake Ranch, Kilgore, Lindale, Mineola, Tyler, Winnsboro, Longview, Dallas, and Carthage, TX. The bank also has ATMs at each location as well as two additional ATMs in Golden and Mineola, TX.

The bank is a full service institution and provides a traditional variety of deposit products, loan products, and financial services to consumers and commercial business. The bank's business model changed to focus on commercial products and as a result more weight was given to commercial loans. As of March 31, 2014, the bank's loans totaled \$325 million and represented 71 percent of total assets. The following chart reflects the distribution of the bank's loan portfolio:

Loan Category	\$ (000)	%
Residential Real Estate	\$92,794	28.55
Commercial Real Estate	\$120,519	37.08
Commercial Loans	\$88,049	27.09
Consumer Loans	\$9,393	2.89
Agricultural Loans	\$4,290	1.32
Other Loans	\$9,978	3.07
Total	\$325,023	100.00

There are no legal, financial or other factors impeding the bank's ability to meet the community credit needs in its assessment area. The bank's CRA performance was previously rated "Satisfactory" as of June 29, 2011.

DESCRIPTION OF ASSESSMENT AREA(S)

Non-MSA Assessment Area

The non-MSA assessment area consists of Wood and Panola Counties, in their entirety, and two adjacent tracts in Franklin and Hopkins Counties. Wood County includes the communities of Mineola, Quitman, Hawkins, Winnsboro, Alba and other small rural communities. Panola County includes the communities of Carthage, Beckville and other small rural communities. There are six full service locations and eight ATMs located within the assessment area. There are no low- or moderate-income tracts within the assessment area. The following table details the demographics for the area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE NON-MSA ASSESSMENT AREA	
<i>Population</i>	
Number of Families	20,019
Number of Households	27,219
<i>Geographies</i>	
Number of Census Tracts/BNA	18
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	33.33%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	48,160
2013 HUD-Adjusted MFI	50,500
<i>Economic Indicators</i>	
Unemployment Rate	3.87%
2000 Median Housing Value	90,633
% of Households Below Poverty Level	14.32%

Source: U.S. Census Data

The non-MSA assessment area has a total population of 73,132. The distribution of families by income level, regardless of census tract location, consists of the following: 17 percent are low income, 18 percent are moderate income, 21 percent are middle income, and 44 percent are upper income. The local economy is strong with unemployment of 3.87 percent. Major employers include Nestle Waters, Jarvis Christian School, Keller's Creamery, East Texas Medical Center, and local school districts. Competition is strong with banks, mortgage companies, and financial institutions located throughout the assessment area.

A community contact with a local community-based development program representative revealed that there is plenty of opportunity to partner with local civic organizations in the restoration and revitalization of the community. They also stated that local institutions were meeting the consumer's needs and housing needs, however they could do a better job lending to small businesses.

Gregg County Assessment Area

The Gregg County assessment area includes the communities of Longview, Kilgore, Gladewater, White Oak and other small rural communities. There are two full service locations and two ATMs. The census tracts in this assessment area include one low-income and eight moderate-income census tracts.

The following table reflects the demographics of the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF GREGG COUNTY	
<i>Population</i>	
Number of Families	30,586
Number of Households	44,873
<i>Geographies</i>	
Number of Census Tracts/BNA	25
% Low-Income Census Tracts/BNA	4.00%
% Moderate-Income Census Tracts/BNA	32.00%
% Middle-Income Census Tracts/BNA	36.00%
% Upper-Income Census Tracts/BNA	24.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	54,648
2013 HUD-Adjusted MFI	54,200
<i>Economic Indicators</i>	
Unemployment Rate	4.72%
2010 Median Housing Value	109,543
% of Households Below Poverty Level	14.91%

Source: U.S. Census Data

The bank's designated assessment area has a total population of 121,730. The distribution of families by income level, regardless of census tract location, consists of the following: 22 percent are low-income families, 18 percent are moderate income families, 19 percent are middle income families, and 41 percent are upper income families. The local economy is strong with unemployment of 4.72 percent. Major employers include Good Shepherd Medical Center, Trinity Rail, Eastman Chemical, Longview Independent School District, and Wal-Mart. Competition is strong with banks, mortgage companies, and financial institutions located throughout the assessment area.

A community contact with a director of a local economic development group revealed that economic conditions are good. They stated that local institutions have many opportunities to get involved in community development. They also revealed that they are very involved in the community and do a good job meeting the credit needs of the community.

Smith County Assessment Area

The Smith County assessment area includes the communities of Tyler, Lindale, Hideaway, Winona, Noonday and other small rural communities. The assessment area includes one full service location and one ATM. The census tracts in the assessment area include two low-income and 12 moderate-income census tracts.

The following table reflects the demographics of the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF SMITH COUNTY	
<i>Population</i>	
Number of Families	53,113
Number of Households	76,427
<i>Geographies</i>	
Number of Census Tracts/BNA	41
% Low-Income Census Tracts/BNA	4.88%
% Moderate-Income Census Tracts/BNA	29.27%
% Middle-Income Census Tracts/BNA	34.15%
% Upper-Income Census Tracts/BNA	29.27%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	57,225
2013 HUD-Adjusted MFI	64,200
<i>Economic Indicators</i>	
Unemployment Rate	4.52%
2010 Median Housing Value	123,758
% of Households Below Poverty Level	14.51%

Source: U.S Census Data

The bank’s designated assessment area has a total population of 209,714. The distribution of families by income level, regardless of census tract location, consists of the following: 22 percent are low income, 17 are moderate income, 19 percent are middle income, and 42 percent are upper income. The local economy is strong with unemployment of 4.52 percent. Major employers include Trinity Mother Francis, East Texas Medical Center, Brookshire Grocery Company, Tyler Independent School District, and Wal-Mart. Competition is strong with banks, mortgage companies, and financial institutions located throughout the assessment area.

A community contact with the president of a local economic development group stated that the banking community is a strong partner in the assessment area and that banks are active, networking and responsive to the needs of the community. Economic

conditions are strong and growing, which has created new businesses and jobs. There is plenty of housing available for low and moderate income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is satisfactory. The bank's loan-to-deposit ratio is reasonable and a substantial majority of loans is within the bank's assessment areas.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of Bank Texas, N.A. is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 69.63 percent since the prior CRA examination in March 2011. The bank's loan-to-deposit ratio is 78.28 percent as of March 31, 2014. The average loan-to-deposit ratio within the assessment area since March 2007 was 67.26 percent.

Institution	Assets (000s) As of 3/31/14	Average LTD Ratio
Bank Texas, National Association	497,717	69.63%
First National Bank of Winnsboro	137,068	73.56%
Mineola Community Bank, SSB	165,559	70.67%
Citizens State Bank	312,649	92.20%
American National Bank	261,078	82.95%
Citizens 1 st Bank	728,142	47.30%
Springhill State Bank	179,926	93.69%
Citizens Bank	401,081	52.06%
The City National Bank of Sulphur Springs	440,968	78.32%
Alliance Bank	619,315	56.99%
First State Bank and Trust Company	469,287	42.62%
Panola National Bank	128,731	49.48%

Lending in Assessment Area

A substantial majority of the bank's lending activity is located within the assessment area. We reviewed consumer, residential real estate and commercial loans originated during 2012 and 2013. The composition by loan category is illustrated in the following table:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE loans	290	79.02	77	20.98	367	45,612	75.32	14,942	24.68	60,554
Sample of Small business loans	14	70.00	6	30.00	20	7,166	84.69	1,296	15.31	8,462
Sample of Consumer loans	17	85.00	3	15.00	20	525	93.12	39	6.88	563
Totals	321	78.87	86	21.13	407	53,303	76.61	16,277	23.39	69,580

Source: Loan Sample and HMDA Data

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

Bank Texas’ distribution of loans to borrowers of different income levels represents a reasonable penetration given the overall demographics of the assessment areas.

Non-MSA Assessment Area

The distribution of residential loans by borrower income level is reasonable based on the demographics of the assessment area. While loans extended to low income borrowers were less than the demographics in the assessment area, those loans extended to moderate income borrowers were near the demographics of the assessment area.

Opportunities to lend to low income families in the assessment area are limited with 14 percent of households below the poverty level. Furthermore, the median housing cost was \$90,633, limiting a low income borrower’s ability to qualify for a residential mortgage loan.

Borrower Distribution of Residential Real Estate Loans in Non-MSA tracts								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	17.14	3.80	17.38	13.29	20.99	20.25	44.49	62.66

Source: HMDA Data & U.S. Census Data

The bank’s distribution of consumer loans is reasonable. Consumer loans to low and moderate households represent 22 and 17 percent compared to 21 percent and 15 percent of assessment area households, respectively.

Borrower Distribution of Consumer Loans in Non-MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.30	21.67	15.36	16.67	18.55	25.00	44.79	36.66

Source: Loan Sample & U.S. Census Data

The bank’s distribution of small business loans is reasonable. The percentage of loans to businesses with reported revenues of \$1 million or less is 85 percent compared to 76 percent of businesses in the assessment area with 23 percent of assessment area businesses not reporting revenues.

Borrower Distribution of Loans to Businesses in Non-MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.17	2.47	21.36	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	29.85	70.15	0.00	100%

Source: Loan Sample and 2013 Business Geodemographic Data

Smith County Assessment Area

The distribution of consumer loans is reasonable. Consumer loans to low income households represent 23 percent, only slightly lower than the 24 percent of assessment area households. Also, consumer loans to moderate income households were slightly above the assessment area households.

Borrower Distribution of Consumer Loans in Smith County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23.67	23.33	16.58	16.67	17.64	20.00	42.11	40.00

Source: Loan Sample & U. S. Census Data

The distribution of small business loans is reasonable. The percentage of loans to businesses with reported revenues of \$1 million or less is 85 percent compared to 74

percent of assessment area businesses with 21 percent of assessment area businesses not reporting revenues.

Borrower Distribution of Loans to Businesses in Smith County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.83	3.64	22.53	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	22.22	77.78	0.00	100%

Source: Loan Sample and 2013 Business Geodemographic Data

Gregg County Assessment Area

The distribution of consumer loans is poor. Consumer loans to low income households represent 3 percent, significantly less than the 25 percent of assessment area households. Also, consumer loans to moderate income households represent only 8 percent compared to 16 percent of assessment area households. However, 15 percent are below the poverty level, which makes it difficult to qualify for a loan. Additionally, Gregg County has over 20 payday and title lenders in the assessment area.

Borrower Distribution of Consumer Loans in Gregg County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.52	3.51	15.92	8.77	18.43	15.79	41.13	71.93

Source: Loan Sample & U. S. Census Data

The distribution of small business loans is reasonable. The percentage of loans to businesses with reported revenues of \$1 million or less is 85 percent compared to 74 percent of assessment area businesses with 21 percent of assessment area businesses not reporting revenues.

Borrower Distribution of Loans to Businesses in Gregg County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.05	4.39	24.56	100%
% of Bank Loans in AA by #	63.33	36.67	0.00	100%
% of Bank Loans in AA by \$	66.61	33.39	0.00	100%

Source: Loan Sample and 2013 Business Geodemographic Data

Geographic Distribution of Loans

Bank Texas’ geographic distribution of loans represents poor dispersion.

Non-MSA Assessment Area

The non-MSA assessment area does not consist of any low- or moderate-income census tracts; therefore, a geographical distribution analysis would not be meaningful.

Smith County Assessment Area

Geographic distribution of consumer loans is poor. There is limited dispersion in both the low and moderate income census tracts; however, 15 percent of households live below the poverty level, which makes qualifying for a loan difficult. Further, competition in Tyler is high with many bank branches located in the low and moderate income tracts and over 20 payday and title lenders in Smith County.

Geographic Distribution of Consumer Loans in Smith County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	3.07	0.00	24.21	11.67	40.70	76.67	32.02	11.66

Source: Loan Sample and U.S. Census Data

Geographic distribution of business loans is reasonable. There were no loans originated in low income census tracts; however, there is excellent dispersion in moderate income census tracts with 25 percent compared to 20 percent of assessment area businesses.

Geographic Distribution of Loans to Businesses in Smith County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Sample of Business loans	7.18	0.00	19.53	25.00	36.42	40.00	36.72	35.00

Source: Loan Sample and 2013 Business Geodemographic Data

Gregg County Assessment Area

Geographic distribution of consumer loans is poor. There were no loans originated in the low income census tracts and limited originations in the moderate income census tracts. However, 15 percent of households live below the poverty level, which makes qualifying for a loan difficult. Further, competition in Gregg County is high and has over 20 payday and title lenders in the assessment area with approximately half of those in the low and moderate-income census tracts.

Geographic Distribution of Consumer Loans in Gregg County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	2.23	0.00	25.18	13.56	42.36	52.54	30.23	33.90

Source: Loan Sample and U.S. Census Data

Geographic distribution of business loans is reasonable. There is excellent dispersion of loans in low income census tracts with 2 percent compared to 1 percent of businesses in the assessment area. Also, there is reasonable dispersion in moderate income census tracts with 27 percent compared to 34 percent of assessment area businesses.

Geographic Distribution of Loans to Businesses in Gregg County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Sample of Business loans	0.81	1.67	33.98	26.67	38.20	40.00	26.85	31.66

Source: Loan Sample and 2013 Business Geodemographic Data

Responses to Complaints

Bank Texas did not receive any CRA-related complaints during the evaluation period.

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.