



PUBLIC DISCLOSURE

April 27, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

VeraBank, National Association
Charter Number: 13443

201 West Main Street,
Henderson, Tx 75653

Office of the Comptroller of the Currency

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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, and should not 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.

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Overall Community Reinvestment Act (CRA) Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of **VeraBank, National Association (VeraBank or institution)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	VeraBank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- A high percentage of the institution’s loans are in its assessment areas (AA).
- The institution exhibits good geographic distribution of loans in its AA.
- The institution exhibits excellent distribution of loans among individuals of different income levels and business of different sizes, with more emphasis on small business loans, as this represents the institution’s primary product.
- Community development lending had a significantly positive impact on the overall lending test for the non-metropolitan statistical area (MSA) AA.
- The institution has an adequate overall level of qualified community development investments and grants, with good performance in the non-MSA. Performance at the broader statewide/regional level is excellent.
- The institution’s retail service performance in the non-MSA and Longview AA is excellent. The institution is a leader in providing community development services.

Lending in Assessment Area

A high percentage of the institution’s loans are in its AA.

The institution originated and purchased 85.15 percent of its total loans inside the institution’s AAs during

the evaluation period. This analysis is performed at the institution, rather than the AA level. There was no activity from affiliates considered under the other performance criteria.

Lending Inside and Outside of the AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,480	83.60	291	16.40	1,771	236,893	73.40	86,006	26.60	322,900
Small Business	5,548	85.58	935	14.42	6,483	501,017	76.30	155,664	23.70	656,681
Total	7,028	85.15	1,226	14.85	8,254	737,910	75.33	241,670	24.67	979,580

The majority of the mortgage loans inside the AAs were in the non-MSA (38 percent) and in the Longview AA (35 percent). The vast majority of the small business loans were also in these two AAs, with 50 percent in the non-MSA and 34 percent in the Longview AA. Performance in these two areas will receive the most weight.

Description of Institution

VeraBank is an intrastate financial institution headquartered in Henderson, Texas with \$2.4 billion in assets. Net loans represent 60 percent of total assets. The institution and its subsidiary, CNB Community Development Corporation (CNB CDC) are wholly owned by VeraBank, Inc., a one-bank holding company located in Henderson, Texas, whose principal activity is the ownership and management of its wholly owned subsidiary, VeraBank, and VeraBank's wholly owned subsidiaries CNB CDC and VBRE LLC, HCB Inc., and HCB OG Inc. are affiliates of the institution. CNB CDC is a community development corporation dedicated to providing affordable housing loans to low- and moderate-income persons and the start up or expansion of small and minority-owned businesses. CNB CDC purchased real estate and homes in low-income areas to be improved or renovated and sold to low income individuals through the community development corporation program.

VeraBank's priority has been, and continues to be, commercial banking. The institution's December 31, 2019, Report of Condition and Income (call report) reflects 47.98 percent of its loan portfolio in commercial loans and 27.54 percent in residential mortgage loans. Automobile and consumer loans represent 3 percent each, while agricultural loans represent 1 percent of its portfolio. The institution has tier 1 capital of \$208 million.

VeraBank has a broad range of financial services. Lending activities include consumer and commercial loans for working capital, commercial construction, real estate, home improvement, automobiles and personal use. Other services include deposit services, such as checking accounts, money market accounts, savings, certificates of deposit, individual retirement accounts, safety deposit boxes, domestic and foreign wires, cashier's checks, money orders, automatic teller machines (ATMs) and notary services. In addition to traditional consumer and commercial banking products and services, the institution has a full-service trust department with over \$600 million in assets under management, and through the institution's subsidiary (50.1 percent interest), HCB Insurance Agency, Inc. d/b/a CFG Investments, which offers both insurance and retail investment products.

The institution's AAs are: non-MSA (Anderson, Angelina, Henderson, Limestone, Marion, Navarro, Titus and Walker counties); Longview AA (Gregg, Harrison and Rusk counties); Austin AA (48 tracts in Williamson county); Bryan-College Station AA (Brazos, Burleson, and Robertson counties); Killeen-Temple-Fort Hood AA (Bell county); and Tyler county (Smith county). The branches in the Austin AA and Killeen-Temple-Fort Hood AA were purchased on November 13, 2018, from Union State Bank. The institution changed its name in February 2019, from Citizen's National Bank to VeraBank, National Association (N.A.). The Bryan-College Station AA was initiated in January 2019. The institution converted a loan production office (LPO) in Bryan to a full branch. This initiated a new AA.

There are no legal, financial or other factors affecting the institution's ability to perform under the Lending, Investment, or Service Tests. VeraBank received a Satisfactory rating at its previous CRA examination dated April 10, 2017.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for lending is from January 1, 2017, through December 31, 2019. For community development activities, the evaluation period is from April 10, 2017, through December 31, 2019. The products reviewed were small business loans and home mortgage loans.

Selection of Areas for Full-Scope Review

Full-scope reviews were performed for the non-MSA and the Longview AA. Institution delineated non-MSA AAs within the same state are combined and evaluated as a single area. Limited-scope reviews were performed for the Austin, Bryan-College Station, Killeen-Temple-Fort Hood, and Tyler AAs. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The institution's overall rating is based primarily on those areas that received full-scope reviews. To determine a rating for VeraBank under the Lending Test, we reviewed loans to small businesses and one- to four-family mortgages. More weight was given to performance of small business loans. We did not complete an analysis of multifamily loans or small farm loans as they are not considered primary loan products.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, institution) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the institution, or in any AA by an affiliate, whose loans have been considered as part of the institution's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

Assessment Area: Vera Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	85	0.0	27.1	60.0	11.8	1.2
Population by Geography	408,382	0.0	21.4	65.9	11.0	1.7
Housing Units by Geography	170,203	0.0	20.3	66.8	12.8	0.0
Owner-Occupied Units by Geography	93,653	0.0	16.2	70.5	13.3	0.0
Occupied Rental Units by Geography	44,617	0.0	30.6	60.9	8.4	0.1
Vacant Units by Geography	31,933	0.0	18.2	64.1	17.7	0.1
Businesses by Geography	20,570	0.0	24.7	64.5	10.8	0.0
Farms by Geography	865	0.0	12.3	76.9	10.9	0.0
Family Distribution by Income Level	96,665	21.8	19.0	19.8	39.4	0.0
Household Distribution by Income Level	138,270	24.5	16.8	17.5	41.1	0.0
Median Family Income Non-MSAs	52,198	Median Housing Value				94,563
		Median Gross Rent				743
		Families Below Poverty Level				15.1

Source: 2015 ACS and 2018 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.

Assessment Area: Longview AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	52	1.9	19.2	55.8	21.2	1.9
Population by Geography	243,052	1.7	16.6	58.9	22.8	0.0
Housing Units by Geography	100,020	1.4	16.2	59.0	23.3	0.0
Owner-Occupied Units by Geography	58,344	0.7	14.4	58.5	26.4	0.0
Occupied Rental Units by Geography	28,573	3.4	17.0	59.6	20.1	0.0
Vacant Units by Geography	13,103	0.7	22.5	60.3	16.5	0.0
Businesses by Geography	16,364	5.5	12.1	57.7	24.5	0.2
Farms by Geography	445	1.6	11.0	63.6	23.6	0.2
Family Distribution by Income Level	60,446	22.3	16.6	18.7	42.4	0.0
Household Distribution by Income Level	86,917	24.8	15.4	17.1	42.7	0.0
Median Family Income Non-MSAs	56,456	Median Housing Value				116,348
		Median Gross Rent				746
		Families Below Poverty Level				14.2

Source: 2015 ACS and 2018 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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's performance under the Lending Test is High Satisfactory.

Based on a full-scope review, the institution's performance in the non-MSA and Longview AA is excellent.

Lending Activity

Lending levels reflect excellent responsiveness to AA credit needs.

Assessment Area	Home Mortgage	Small Business	CD Loans	Total
Non-MSA	539	2,768	6	3,313
Longview	569	1,904	6	2,479
Austin	18	77	0	95
Bryan-College Station	22	17	1	40
Killeen-Temple	36	130	4	170
Tyler	296	652	2	950

Assessment Area	Home Mortgage \$(000)	Small Business \$(000)	CD Loans \$(000)	Total \$(000)
Non-MSA	79,898	198,582	7,971	286,451
Longview	88,058	189,900	377	278,335
Austin	6,768	9,879	0	16,647
Bryan-College Station	4,714	5,046	2,200	11,960
Killeen-Temple	6,845	19,944	4,276	31,065
Tyler	50,610	77,766	187	128,563

VeraBank is ranked 1st in the non-MSA for deposit market share with 12.72 percent market share. The institution is ranked 7th for mortgage loan market share, behind large mortgage originators and megabanks. The institution is ranked 2nd for small business loan market share, behind only one megabank.

In the Longview AA, the institution is ranked 2nd for deposit market share with 21.33 percent market share. The institution is ranked 4th for mortgage loan market share, behind one mega bank and two mortgage originators. The institution is ranked 3rd for small business loan market share, behind one mega bank and one large local community bank.

Distribution of Loans by Income Level of the Geography

The institution exhibits good geographic distribution of loans in its AA.

Home Mortgage Loans

Refer to table O in appendix D for the facts and data used to evaluate the geographic distribution of the institution's home mortgage loan originations and purchases.

Overall, the geographic distribution of loans is good for the full-scope areas.

Overall, the geographic distribution of home mortgage loans in the non-MSA is excellent. There are no low-income census tracts (CTs) in the non-MSA. The institution originated 16.1 percent of its mortgage loans in moderate-income CTs in the non-MSA. This exceeds the percent of owner-occupied housing units (15.2 percent), as well as the aggregate lending of all financial institutions which is 11.5 percent.

Overall, the geographic distribution of home mortgage loans in the Longview AA is poor. There is one low-income CT in the Longview AA. The institution did not make any loans in the low-income or moderate-income CTs.

Small Loans to Businesses

Refer to table Q in appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations and purchases of small loans to businesses.

Overall, the geographic distribution of small business loans in the non-MSA is adequate. There are no low-income CTs in the non-MSA. The institution originated 18.6 percent of its small business loans in moderate-income CTs in the non-MSA. This is somewhat lower than the percent of business (24.7 percent) in the AA, as well as the aggregate lending of all financial institutions which is 21.9 percent.

Overall, the geographic distribution of small business loans in the Longview AA is excellent. The institution originated 2.0 percent of its small business loans in the low-income CT in the Longview AA. This is somewhat lower than the percent of business (5.5 percent) in the AA, as well as the aggregate lending of all financial institutions which is 5.6 percent. The institution originated 12.2 percent of its small business loans in the moderate-income CTs. This exceeded the percent of businesses (12.1 percent) and the aggregate lending of all financial institutions which is 10.6 percent.

Lending Gap Analysis

There were no unexplained conspicuous lending gaps. The geographic distribution of loans indicated no unexplained conspicuous gaps when considering branch office locations and performance context.

Distribution of Loans by Income Level of the Borrower

The institution exhibits excellent distribution of loans among individuals of different income levels and business and farms of different sizes, with more emphasis on small business loans, as this represents the institution's primary product.

Home Mortgage Loans

Refer to table P in appendix D for the facts and data used to evaluate the borrower distribution of the institution's home mortgage loan originations and purchases.

The distribution of home mortgage loans by the income level of the borrower in the non-MSA is adequate. The percentage of home mortgage loans to low-income borrowers (1.9 percent) is significantly lower than the percentage of low-income families (21.8 percent); however, it is only somewhat lower than the percentage of aggregate lending by all financial institutions in the non-MSA, which is 3.1 percent. The percentage of home mortgage loans to moderate-income borrowers (10.9 percent) is somewhat lower than

the percentage of moderate-income families (19.0 percent), however it is only somewhat lower than the percentage of aggregate lending by all financial institutions in the non-MSA, which is 12.1 percent.

The distribution of home mortgage loans by the income level of the borrower in the Longview AA is good. The percentage of home mortgage loans to low-income borrowers (4.2 percent) is significantly lower than the percentage of low-income families (22.3 percent); however, it exceeds the percentage of aggregate lending by all financial institutions in the Longview AA, which is 4.0 percent. The percentage of home mortgage loans to moderate-income borrowers (13.2 percent) is somewhat lower than the percentage of moderate-income families (16.6 percent); however, it is consistent with the percentage of aggregate lending by all financial institutions in the Longview AA, which is 13.1 percent.

Small Loans to Businesses

Refer to table R in appendix D for the facts and data used to evaluate the borrower distribution of the institution's originations and purchases of small loans to businesses.

Overall, the borrower distribution of loans to businesses is excellent in the non-MSA. The institution's percentage of loans to small businesses (businesses with annual revenues of \$1 million or less) at 84.4 percent exceeds the percentage of small businesses located in the non-MSA (81.6 percent), and far exceeds the aggregate business lending by all financial institutions in the AA (43.2 percent).

Overall, the borrower distribution of loans to businesses is excellent in the Longview AA. The institution's percentage of loans to small businesses (businesses with annual revenues of \$1 million or less) at 76.2 is near to the percentage of small businesses located in the Longview AA (79.7 percent), and far exceeds the aggregate business lending by all financial institutions in the AA (42.7 percent).

Community Development Lending

The institution is a leader in making community development loans.

The Lending Activity Tables, shown on page 8, set forth the information and data used to evaluate the institution's level of community development lending. These tables include all community development loans, including multifamily loans that also qualify as community development loans.

Conclusions for Areas Receiving Full-Scope Reviews

Non-MSA AA

Community development lending had a significantly positive impact on the overall lending test for the non-MSA AA. Community development lending consisted of seven loans totaling \$8 million. Community development lending represented 11 percent of allocated tier 1 capital in the non-MSA AA.

The following is a sample of the more significant community development loans:

- Revitalization and Stabilization (2018): A loan for \$1.5 million funded renovations to a historic downtown hotel as part of a city program for downtown revitalization.
-

- Economic Development (2019): A loan for \$3.7 million funded expansion of a convenience store employing several low- to moderate-income employees with salaries well below the median family income.

Longview AA

Community development lending had a neutral impact on the overall lending test for the Longview AA. Community development lending consisted of seven loans totaling \$377,000. Community development lending represented 1 percent of allocated tier 1 capital in the Longview AA.

The following is a sample of the more significant community development loans:

- Revitalization and Stabilization (2017): A loan totaling \$131,000 was made for construction of a single-family home as part of a city program dedicated to the revitalization of a low-income area.
- Community Services (2017): A loan totaling \$92,000 was made for the purchase of a bus to bring students to school. Both schools in the district had over 50 percent of students eligible for free or reduced lunch. A loan for \$85,000 was made for a health clinic for medically underserved patients located in a moderate-income CT.

In addition, VeraBank originated seven loans totaling \$52 million outside its AAs. Although these loans are outside the institution's AAs, they benefit a broader statewide or regional area to help support organizations or activities with a community development purpose, mandate, or function. These loans included:

- Three economic development loans supporting job creation/retention for low- to moderate-income individuals,
- Three revitalization and stabilization loans for business in federal government opportunity zones,
- One community services loan for an organization providing discounted or subsidized job training to low-income veterans.

Since VeraBank satisfactorily addressed the community development lending needs of its AAs during the evaluation period, the institution received positive consideration for these loans.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the institution's performance under the Lending Test in the Austin AA, Bryan-College Station AA, Killeen-Temple-Fort Hood AA and Austin AA is not inconsistent with the institution's overall performance in the non-MSA AA. The institution had \$4.3 million in community development loans for the Killeen AA and \$2.2 million in community development loans for the Bryan-College Station AA. In these AAs, the institution's performance is comparable to the institution's overall performance. The institution did not have any community development loans in the institution's designated Austin AA; however, the institution made \$7.2 million in community development loans in the Austin MSA, which borders its AA.

The institution's performance in the Tyler AA is weaker than the institution's overall performance in the full-scope AAs. The institution had \$187,000 in community development loans in the Tyler AA. The Tyler AA has 3 percent of the institution's deposit base. The amount although weaker, still has a positive effect of overall performance in this AA.

Product Innovation and Flexibility

The institution makes limited use of innovative and/or flexible lending practices in order to serve AA credit needs. The institution made 893 Fresh Start loans. These loans are overdraft protection loans. Fifteen (1.68 percent) of these loans were made to individuals located in low-income CTs and 173 (19.37 percent) were made to individuals located in moderate-income CTs.

The institution also services 11 loans for a local 501c3 non-profit which provides affordable housing., including payment processing and escrow accounts.

INVESTMENT TEST

The institution's performance under the Investment Test is rated High Satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the institution's performance in the non-MSA is good and in the Longview AAs is poor. However, the institution made substantial community development-qualified investments in statewide/regional areas. The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. VeraBank exhibits adequate responsiveness to credit and community economic development needs.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Non-MSA	8	3,193	223	125	231	31.47	3,318	5.48	0	0
Longview	1	784	319	193	320	43.60	978	1.62	0	0
Austin	0	0	19	44	10	2.59	44	0.07	0	0
Bryan-College Station	0	0	1	1	1	0.14	1	0.00	0	0
Killeen-Temple-Fort Hood	0	0	13	2,620	13	1.77	2,620	4.33	0	0
Tyler	0	0	82	53	82	11.17	53	0.09	0	0
Regional/Out of AA	52	28,921	16	24,614	68	9.26	53,535	88.42	0	0
Totals	61	32,898	673	25,056	734	100	60,549	100.00	0	0

The institution's qualified investments and donations/grants are responsive to the needs of the AAs as they support services targeted to low- to moderate-income individuals, provide affordable housing, and provide

financing for small businesses. The institution continues to invest in several small business investment company (SBIC) funds as well as affordable housing programs.

Non-MSA AA

Performance in the non-MSA AA is good. During the evaluation period, investments totaled \$3.2 million. Investments included eight prior period investments. Prior period investments included school bonds to districts that are considered economically disadvantaged and an investment in a foundation that provides affordable housing to senior citizens. Donations for the period totaled \$125,000 and were made primarily to organizations that provide affordable housing or community services targeted to low- to moderate-income individuals. Total investments and donations/grants represent 4.50 percent of allocated tier 1 capital.

Longview AA

Performance in the Longview AA is poor. During the evaluation period, investments totaled \$784,000. Investments consisted of one prior period investment. The prior period investment was a Federal National Mortgage Association mortgage backed security pool benefitting low- to moderate-income geographies. Donations for the period totaled \$193,000. Donations were primarily made to organizations providing services to low- to moderate-income individuals and organizations providing affordable housing. Total investments and donations represent 1.09 percent of tier 1 capital.

Regional/Statewide

Performance at the broader statewide/regional level is excellent; however, most of the investments are outside of the institution's AA. Statewide/regional investments total \$52.9 million with two investments totaling \$739,000 that cover the institution's AA. Broader statewide/regional investments include 16 current period investments and 52 prior period investments. These investments include two SBIC funds that promote economic development and the remaining are for school bonds in districts that are considered economically disadvantaged. These regional investments represent 25.73 percent of tier 1 capital. This enhanced the overall rating in the Investment Test, as these were substantial.

VeraBank utilized the Special Needs Rehabilitation Assistance Program (SNAP), a set-aside program that provides rehabilitation assistance to very low- to moderate-income, special needs homeowners. This program is available on a first-come, first-served basis. During 2017-2019, VeraBank utilized \$83,340 SNAP funds to assist 12 special needs homeowners with needed home rehabilitation. The institution's actual contribution, which is included in the above statewide totals, was six SNAP grants at \$350 each for 2018 and the same for 2019.

During 2017-2019, VeraBank committed \$4,000 to an affordable housing developer in an application for the Partnership Grant Program (PGP) through the Federal Home Loan Bank (FHLB) of Dallas. In this program, funds from the FHLB match the member's contribution 3:1 to assist the organization with operating and administrative costs. For 2017, VeraBank contributed \$5,000, for 2018, the contribution was \$4,000, and for 2019, the contribution was \$5,000. VeraBank did not receive the award for 2019, as all funds from the FHLB had been previously allocated.

Both the SNAP and FHLB PGP programs, were low dollar, but high impact.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope review, the institution's performance under the Investment Test in the Killeen-Temple-Fort Hood AA is consistent with the institution's overall performance under the Investment Test in the non-MSA. Based on limited-scope reviews, the institution's performance under the Investment Test in the Austin, Bryan-College Station and Tyler AAs is weaker than the overall performance under the Investment Test in the non-MSA and more consistent with the performance in the Longview AA.

SERVICE TEST

The institution's performance under the Service Test is rated **Outstanding**. Based on full-scope reviews, the institution's performance in the non-MSA and Longview AA is excellent.

Retail Banking Services

Service delivery systems are readily accessible to geographies and individuals of different income levels in the institution's AAs.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Non-MSA	35.13	12	32.43	0.00	50.00	50.00	0.00	0.00	21.41	65.92	11.01
Longview	42.83	13	35.14	7.69	15.38	69.23	7.69	1.68	16.60	58.90	22.82
Austin	10.96	4	10.81	0.00	50.00	50.00	0.00	0.97	15.73	51.04	32.27
Bryan-College Station	0.45	1	2.70	0.00	0.00	0.00	100	10.39	29.74	30.39	25.69
Killeen-Temple-Fort Hood	7.15	4	10.81	25.00	0.00	25.00	50.00	1.94	17.25	52.72	28.04
Tyler	3.48	3	8.11	33.33	0.00	0.00	66.67	2.37	25.73	39.92	31.98

VeraBank has excellent branch distribution and accessibility to low- and moderate-income persons in the non-MSA. The institution has 50 percent of its branches in this AA located in moderate-income CTs, and 21.41 percent of the population resides in these CTs. The non-MSA does not have any low-income CTs. The Longview AA has similar characteristics, with the percent of branches in low-income CTs exceeding the percent of population, and in the moderate-income CTs, the percent of branches is near to the percent of population.

The limited-scope AAs have similar characteristics, with the exception of Bryan-College Station AA. This AA has one branch and it is located in an upper income CT.

		Distribution of Branch Openings/Closings				
		Branch Openings/Closings				
Assessment Areas	# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Non-MSA	+1			+1		
Longview						
Austin	+4		+1	+1	+2	
Bryan-College Station	+1					+1
Killeen-Temple-Fort Hood	+4		+1		+1	+2
Tyler		-1				-1

The institution's opening and closing of branches improved the accessibility of its delivery systems, particularly in low- to moderate-income geographies and/or to low- to moderate-income individuals.

VeraBank has 36 full-service locations, 38 Interactive Teller Machines (ITMs) and 17 Automated Teller Machines (ATMs).

Categories: ATM - ITM

- ITMs are open 7:00 AM to 7:00 PM Monday thru Friday and 8:00 AM to 1:00 PM on Saturdays.
- Most deposits that are taken at an ITM are given immediate credit, just as if it was taken in a branch.
- ITMs can perform deposits, withdrawals, cash checks, and make loan payments.
- Maximum cash given out to one customer is \$2,500. The ITM banker will make exceptions to a known customer and if the customer has cash available.
- Coin can be dispensed (cashing a check), but it cannot be taken in (Deposit, Loan Payment).
- Deposits made with both cash and checks, will show up as two deposits, one for the cash amount and the other for the check amount.
- When making a deposit with multiple checks, if the checks are different sizes, the customer must put the same sizes together into the check acceptor.
- If for any reason (machine error), cash or coin does not dispense, the amount that was not dispensed is credited to the customer's account.
- Video tellers at an ITM can do most anything a customer service representative can do. For example, ITMs can order checks, order a debit card, change an address, place a stop payment, answer general questions about the account, or answer bill pay questions.

The institution has offices located in the non-MSA in the counties of Anderson, Angelina, Henderson, Limestone, Marion, Navarro, Titus, and Walker. Offices are also located in Gregg, Rusk, and Harrison counties which are included in the Longview MSA and Smith County which makes up the Tyler MSA. Harrison County became a part of the Longview MSA in 2019. Since the previous CRA examination, VeraBank added four branches in Bell County (branches located in one low-, one middle-, and two upper-income CTs) which makes up the Killeen-Temple-Fort Hood MSA, four branches in Williamson County (branches located in two moderate- and two middle-income CTs) which are included in the Austin-Round Rock MSA, and one branch in Bryan County (branch located in upper-income CT) located in the Bryan-

College Station MSA. All AAs include complete counties, except Williamson County. The institution designated 48 CTs in this county as its AA due to branch locations.

Services and business hours (where appropriate), are tailored to the convenience and needs of the various portions of its AAs, particularly low- and moderate-income geographies and/or individuals.

Community Development Services

The institution is a leader in providing community development services.

Institution employees performed over 2,800 hours of service to organizations and individuals in all its AAs. Employees provided financial literacy courses, small business instruction, affordable housing information, and served on boards and committees of qualifying organizations.

Non-MSA AA

Employees completed 338 hours of service within the AA. Activities included providing financial literacy courses at AA schools in which a majority of the students are economically disadvantaged and low- to moderate-income individuals.

Longview AA

Employees completed 1,071 hours of service within the AA. Activities included providing financial literacy courses at AA schools in which a majority of the students are economically disadvantaged and serving on committees of organizations that provide affordable housing and providing expertise at small business seminars. In addition to the service hours completed, VeraBank employees service 12 loans for Kilgore Fuller Center for Housing. The organization provides housing assistance for qualified low-income families in the AA.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the institution's performance under the Service Test in the Austin, Killeen-Temple-Fort Hood, and Tyler AA is consistent with the institution's overall performance under the Service Test in the full-scope areas. Based on limited-scope reviews, the institution's performance under the Service Test in the Bryan-College Station is weaker than the institution's overall performance under the Service Test in the full-scope areas. This AA has only one branch and it is located in an upper-income CT. This branch was opened in January 2019.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	04/11/2017 – 12/31/2019	
Institution Products Reviewed:	Small Business, Home Mortgage, Community Development Loans, Qualified Investments, Community Development Services	
Affiliates	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Non-MSA	Full-Scope	Anderson, Angelina, Henderson, Limestone, Navarro, Marion, Titus and Walker Counties
Longview AA	Full-Scope	Greg, Harrison, and Rusk Counties
Austin AA	Limited-Scope	48 tracts in Williamson County
Bryan-College Station	Limited-Scope	Brazos, Burleson, and Robertson Counties
Killeen-Temple-Fort Hood	Limited-Scope	Bell County
Tyler	Limited-Scope	Smith County

Appendix B: Summary of State Ratings

RATINGS - VeraBank, National Association (VeraBank)				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/ Rating
VeraBank	High Satisfactory	High Satisfactory	Outstanding	Satisfactory

(*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, an institution subsidiary is controlled by the institution and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders (Home Mortgage Disclosure Act or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/AA.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. CT nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances. CTs ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent core based statistical areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or SBIC programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate an institution's record of meeting the credit needs of its entire community, including low- to moderate-income areas, consistent with the safe and sound operation of the institution, and to take this record into account when evaluating certain corporate applications filed by the institution.

Consumer Loan: A loan 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, other secured consumer loans, and other unsecured consumer loans.

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, which 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).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the U. S. Census Bureau in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have offices in an MSA to file annual summary reports of mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under Section 1003.2 of this title, and that is not an excluded transaction under Section 1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A CT with a median family income that is less than 50 percent.

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 state/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a core based statistical area that contains an urbanized population of at least 2.5 million. A metropolitan division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties 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 an MFI that is at least 80 percent 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 an MFI that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

MMSA (state): Any multistate MSA or multistate CSA, as defined by the Office of Management and Budget.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

Rating Area: A rated area is a state or multi-state MSA. 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 multi-state MSA, the institution will receive a rating for the multi-state MSA.

Small Loan to Business: A loan included in 'loans to small businesses' as defined in the call report instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan to Farm: A loan included in 'loans to small farms' as defined in the instructions for preparation of the call report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or an MFI that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate MSAs, if applicable, are presented in one set of tables. References to the “institution” include activities of any affiliates that the institution provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased loans are treated the same as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA reporting lenders in the MMSA/AA. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this Performance Evaluation.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the institution in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the institution to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/AA. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the institution in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare institution loan data to aggregate data from geographic areas larger than the institution’s AA.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the institution to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																2017-2019		
	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Non-MSA	539	79,898	36.4	0.0	0.0	0.0	15.2	16.1	11.5	71.5	72.7	70.3	13.3	11.1	18.2	0.0	0.0	0.0
Longview *	569	88,058	38.4	0.7	0.7	0.4	11.6	9.0	5.6	61.3	69.8	60.5	26.4	20.0	33.5	0.0	0.5	0.0
Austin	18	6,768	1.2	0.4	0.0	0.2	8.8	0.0	5.1	54.3	55.6	54.0	36.6	44.4	40.8	0.0	0.0	0.0
Bryan-College Station	22	4,714	1.5	2.4	13.6	4.1	21.4	13.6	20.2	36.8	22.7	31.0	39.3	50.0	44.7	0.0	0.0	0.0
Killeen-Temple-Fort Hood	36	6,845	2.4	1.0	2.8	0.2	9.2	13.9	6.4	52.0	41.7	52.4	37.9	41.7	40.8	0.0	0.0	0.1
Tyler	296	50,610	20.0	0.9	1.4	0.6	19.9	20.9	13.7	40.9	33.8	39.6	38.3	43.9	46.2	0.0	0.0	0.0
Total	1,480	236,893	100	0.7	0.8	0.6	13.9	14.1	8.9	55.5	62.1	52.5	29.9	22.8	37.9	0.0	0.2	0.0

Source: 2015 ASC U.S Census; 01/01/2017 -12/31/2019 Bank Data, "--" data not available.
 Due to rounding, totals may not equal 100.0
 *Harrison County is now part of Longview AA

Table P : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																	2017-2019		
	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	% of families	% Bank Loans	Aggregate	% of families	% Bank Loans	Aggregate	% of families	% Bank Loans	Aggregate	% of families	% Bank Loans	Aggregate	% of families	% Bank Loans	Aggregate	
Non-MSA	539	79,898	36.4	21.8	1.9	3.1	19.0	10.9	12.1	19.8	18.9	16.6	39.4	60.5	49.8	0.0	7.8	18.5	
Longview	569	88,058	38.4	22.3	4.2	4.0	16.6	13.2	13.1	18.7	19.7	20.3	42.4	54.5	44.6	0.0	8.4	18.1	
Austin	18	6,768	1.2	17.0	5.6	3.4	16.9	5.6	16.1	23.1	0.0	25.3	43.1	61.1	39.1	0.0	27.8	16.0	
Bryan-College Station	22	4,714	1.5	24.3	0.0	3.4	16.3	4.5	14.1	17.7	9.1	18.5	41.8	27.3	47.1	0.0	59.1	16.9	
Killeen-Temple-Fort Hood	36	6,845	2.4	20.1	2.8	2.7	18.5	0.0	12.2	20.9	11.1	23.1	40.5	63.9	40.0	0.0	22.2	22.1	
Tyler	296	50,610	20.0	21.9	5.7	4.6	17.7	14.9	14.5	18.7	14.9	20.3	41.7	55.1	44.0	0.0	9.5	16.6	
Total	1,480	236,893	100	21.1	3.6	3.4	17.7	12.2	14.0	20.0	17.8	21.8	41.2	56.7	42.8	0.0	9.7	18.0	

Source: 2015 ASC U.S Census; 01/01/2017 -12/31/2019 Bank Data, "--" data not available.
Due to rounding, totals may not equal 100.0
*Harrison County is now part of Longview AA

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																	2017-2019	
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total #	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	
Non-MSA	2,768	198,582	49.89	0.00	0.00	0.0	24.7	18.64	21.9	64.5	73.99	66.1	10.8	7.37	12.0	0.00	0.00	
Longville*	1,904	189,800	34.32	5.5	2.00	5.6	12.1	12.18	10.6	57.7	65.28	57.9	24.5	20.48	25.7	0.2	0.02	
Austin	77	9,879	1.39	2.6	7.79	2.4	16.4	29.87	13.8	44.5	49.35	45.9	36.6	12.99	37.9	0.0	0.00	
Bryan-College Station	17	5,046	0.31	7.8	0.00	4.3	23.7	29.41	23.0	34.4	29.41	34.2	33.7	41.18	38.5	0.4	0.00	
Killeen-Temple-Fort Hood	130	19,944	2.34	5.3	5.38	4.1	14.6	11.54	10.3	49.2	35.38	47.2	30.9	47.69	38.5	0.1	0.00	
Tyler	652	77,766	11.75	6.5	3.22	7.3	18.0	18.87	18.2	35.5	38.34	32.8	39.8	39.57	41.4	0.2	0.03	
Total	5,548	501,017	100	4.2	3.0	3.8	18.3	20.17	16.3	48.8	48.67	48.3	28.6	28.17	31.5	0.1	0.00	

Source: 2018 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

*Harrison County is now part of Longview AA

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2017-2019	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Non-MSA	2,768	198,582	49.89	6,764	81.6	84.36	43.2	4.9	15.61	13.5	0.0	
Longview	1,904	189,800	34.32	4,287	79.7	76.16	42.7	5.9	23.84	14.5	0.0	
Austin	77	9,879	1.39	3,891	87.1	65.00	41.8	3.9	35.00	9.0	0.00	
Bryan-College State	17	5,046	0.31	5,607	80.2	64.71	39.0	5.2	35.29	14.7	0.00	
Killeen-Temple-Fort Hood	130	19,944	2.34	6,189	83.8	66.15	40.6	3.7	33.08	12.6	1.00	
Tyler	652	77,766	11.75	5,342	83.1	66.10	40.8	5.5	33.90	11.4	0.00	
Total	5,548	501,017	100	32,080	82.7	70.33	41.5	4.8	29.50	12.5	0.16	
<i>Source: 2018 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i> <i>*Harrison County is now part of Longview AA</i>												