



PUBLIC DISCLOSURE

April 16, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lamar National Bank
Charter Number 17106

200 S. Collegiate Drive
Paris, Texas 75460-1097

Office of the Comptroller of the Currency

1800 NW Loop 281
Suite 306
Longview, Texas 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, 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 CRA Rating

The Lending Test is rated: Satisfactory.

- The institution has a reasonable loan-to-deposit ratio when compared to peer banks.
- A substantial majority of the institution's primary loan products are extended within the assessment area (AA).
- The distribution of loans represent reasonable penetration among borrowers of different income levels and businesses of different sizes given the performance context in which the bank operates.
- The geographic distribution of loans represents reasonable dispersion.
- There were no CRA related complaints.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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 Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

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

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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 MA/assessment area.

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. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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: 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 Metropolitan Statistical Area 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 a median family income 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 a median family income 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.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 as its primary purpose community development.

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

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

Tier One 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 a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Lamar National Bank (LNB) is a \$153 million, single-state institution and is wholly owned by Lamar Bancorporation, Inc., a single bank holding company. LNB serves Lamar County and operates from its main office located at 200 S. Collegiate Drive, Paris, TX and has branch locations in Reno, TX and Celina, TX. Drive-through facilities and Automated Teller Machines are maintained at these locations. In January 2018, LNB opened a new full-service branch located at 721 E Pecan St #100, Celina, TX, which is located in Collin County. Due to the recent opening, the scope of the examination will not include this branch location.

LNB is a full service institution and offers a variety of traditional loan and deposit products, and financial services. As of December 31, 2017, net loans totaled \$98.5 million and represented 64.38 percent of total assets. The following chart reflects the composition of the bank's loan portfolio.

Loan Category	\$(000)	%
Real Estate Loans	46,294	46.52%
Commercial Loans	30,016	30.16%
Individual Loans	8,115	8.15%
Agriculture Loans	15,074	15.15%
Other	13	0.01%
Total	99,512	100%

While the above chart addresses the overall distribution of the loan portfolio, our sample was based on the lending activities of the bank between January 1, 2016 and December 31, 2017. During this period, we determined that the primary lending products of the bank were commercial loans (38 percent by dollar amount) and consumer loans (57 percent by number).

There are no legal or financial impediments to LNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated December 28, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) is an assessment of LNB's ability to meet the credit needs of the communities in which it operates. LNB was evaluated under the Small Bank performance criteria, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

Conclusions regarding the institution's lending performance are based on commercial and consumer loans originated from January 1, 2016 to December, 31, 2017. Our sample included 22 consumer loans and 25 commercial loans.

Data Integrity

Not applicable. The institution is not a HMDA reporter

Selection of Areas for Full-Scope Review

We performed a full-scope review on the Lamar County AA.

Ratings

The institution's overall rating is based primarily on those areas that received full-scope reviews. Commercial loans represented 38.39 percent of the loan products by dollar amount and 20.68 percent by number. Although consumer loans represented only a small percentage by dollar at 12.56 percent, representation by number was significant at 57.23 percent.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank'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, and the Consumer Financial Protection Bureau, 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.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

LNB's performance under the lending test is satisfactory. The institution's loan-to-deposit (LTD) ratio is reasonable when compared to institutions near the AA, and a substantial majority of the lending occurred within the AA. Additionally, the distribution of loans geographically and to borrowers and businesses of different income levels is reasonable.

Loan-to-Deposit Ratio

The LTD ratio for LNB is reasonable given the institution's size, financial condition, and AA credit needs. The institutions quarterly average LTD ratio since the previous exam is 66.60 percent, compared to an average LTD ratio of 70.99 percent for similarly situated institutions.

Institution	Assets (as of 12/31/2017)	Average LTD Ratio
First Federal Community Bank	\$401,467	88.26%
Peoples Bank	\$138,435	80.84%
Liberty National Bank	\$285,733	43.87%
<i>Lamar National Bank</i>	<i>\$153,092</i>	<i>66.60%</i>
Average LTD		70.99%

Lending in Assessment Area

A substantial majority of the institution's lending activity is within the AA. We reviewed a sample of consumer and commercial loans originated in 2016 and 2017. Our findings indicate that 82.50 percent of number of loans were made within the bank's AA. The table below illustrates a breakdown of the institution's lending activity.

Lending in Lamar County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90.00%	2	10.00%	20	\$219	95.97%	\$9	4.03%	\$228
Consumer	15	75.00%	5	25.00%	20	\$318	52.02%	\$293	47.98%	\$611
Totals	33	82.50%	7	17.50%	40	\$537	63.98%	\$302	36.02%	\$839

Source: Sample of loans.

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

LNB's distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration given the overall demographics of the AA. More weight was given to the bank's efforts in areas with more lending opportunities.

The distribution of commercial loans is reasonable. The percentage of number of loans to businesses with reported revenues of \$1 million or less is 70 percent, compared to 81.60 percent of businesses in the AA with 12.80 percent of businesses not reporting revenues. The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Lamar County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.60%	5.60%	12.80%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0.00%	100%
% of Bank Loans in AA by \$	74.93%	25.07%	0.00%	100%

Source: Loan sample; Dun and Bradstreet data.

The distribution of consumer loans is reasonable. The percentage of loans to low- and moderate-income borrowers falls within a reasonable range below the demographic comparator for consumer loans. Opportunities to lend to low- and moderate-income households are limited with 19.14 percent of households in the AA below poverty level.

Borrower Distribution of Consumer Loans in Lamar 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
Loan Type								
Consumer Loans	25.52%	15.00%	16.27%	10.00%	17.26%	25.00%	40.94%	50.00%

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

LNB's overall geographic distribution of loans reflects reasonable geographic dispersion given the demographics of the AA.

The geographic distribution of commercial loans reflects reasonable dispersion. While the bank did not originate any business loans in the one moderate-income census tract in this AA, this is considered reasonable considering the AA did not include low-income CTs prior to 2017. Therefore, opportunities for the bank to make business loans in this census tract were very limited. LNB accomplished notable dispersion efforts in the

moderate-income geographies, representing 96 percent of the demographic comparator. Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Lamar 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
% of Total	9.69%	0.00%	31.09%	30.00%	33.96%	45.00%	25.25%	25.00%

Source: Loan sample; Dun and Bradstreet data.

The geographic distribution of consumer loans reflects reasonable dispersion. The percentage of loans in the low-income census tract falls within a reasonable range below the percentage of AA households, representing 64 percent of the demographic comparator. Although, the percentage of loans in moderate-income census tracts is significantly lower below the percentage of AA households and reflects poor dispersions, mitigating factors include a poverty rate of 29.82% for moderate CTs and high competition for consumer lending within the AA. In addition, middle-income CTs represent 41.67% of the AA which further limits lending opportunities in low- and moderate-income geographies.

Geographic Distribution of Consumer Loans in Lamar 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	7.79%	5.00%	25.77%	5.00%	44.11%	60.00%	22.33%	30.00%

Source: Loan sample; U.S. Census data.

Responses to Complaints

LNB has not received any CRA related complaints during this evaluation period.

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 metropolitan and nonmetropolitan areas 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	Lending Test (excludes CD loans): 01/01/16 to 12/31/17	
Financial Institution		Products Reviewed
Lamar National Bank (LNB) Paris, TX		Consumer Loans and Commercial Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Lamar County	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Lamar County

Demographic Information for Full-Scope Area: Lamar County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	8.33	33.33	41.67	16.67	0.00
Population by Geography	49,566	7.81	25.00	44.34	22.84	0.00
Owner-Occupied Housing by Geography	12,420	4.05	19.09	51.00	25.86	0.00
Businesses by Geography	3,065	9.69	31.09	33.96	25.25	0.00
Farms by Geography	186	1.08	10.75	71.51	16.67	0.00
Family Distribution by Income Level	13,281	21.59	18.61	20.37	39.44	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,338	11.46	34.06	42.36	12.12	0.00
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$52,076 = \$54,200 = 3,641 or 19.14%	Median Housing Value Unemployment Rate		= \$81,450 = 4.28%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2017 HUD updated MFI.

The AA meets the requirements of the regulation. Lamar County consists of the following cities: Paris, Toco, Roxton, Blossom, Reno, Sun Valley, and a portion of Deport. There are 12 census tracts located within the AA, including one low-income tract, four moderate-income tracts, five middle-income tracts, and two upper-income tracts. There are no census tracts that have been designated as distressed or underserved.

Lamar County has a total population of 49,566 based on U.S. Census data. The largest industries are manufacturing and retail trade. Major employers include Paris Regional Medical Center, Campbell Soup, Kimberly-Clark, and Turner Industries.

The level of competition in the AA is considered high, with several financial institutions, payday lenders, car dealers, and pawn shops. Major bank competitors include First Federal Credit Union, Liberty National Bank, and Peoples bank. Contact with the Finance Department of the City of Paris did not indicate any credit needs that were not being met by local financial institutions. Information obtained from the community contact indicates local banks are active in the community and are engaged in economic development activities.