



PUBLIC DISCLOSURE

September 28, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Community National Bank
Charter Number 1368

4811 Route US 5, Derby, VT 05829

Office of the Comptroller of the Currency

99 Summer Street, Suite 1400

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.

Table of Contents

Overall CRA Rating.....	1
Description of Institution.....	2
Scope of the Evaluation.....	3
Discriminatory or Other Illegal Credit Practices Review.....	4
State Rating.....	5
State of Vermont.....	5
Lending Test.....	9
Community Development Test.....	10
Appendix A: Scope of Examination.....	A-1
Appendix B: Summary of State Rating.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The lending test is rated: Outstanding

The community development test is rated: Outstanding

The major factors that support this rating include:

- The Lending Test rating is based on Community National Bank's (CNB or bank) record of performance in meeting the credit needs of the assessment areas (AAs) through its lending activities during the evaluation period. The evaluation period for the lending test covers the bank's performance from January 1, 2017 through December 31, 2019.
- Considering the bank's size, financial condition, and credit needs of the AAs, the bank's loan-to-deposit (LTD) ratio is more than reasonable.
- A substantial majority of the bank's loans were originated within the delineated AAs.
- The bank exhibits excellent geographic distribution of home mortgage loans throughout the AAs.
- The bank exhibits reasonable distribution of loans to individuals of different income levels within its AAs.
- The Community Development (CD) Test rating is based on CNB's overall excellent responsiveness to community needs through qualified investments, CD services, and CD loans, taking into consideration the bank's capacity, as well as the needs and available opportunities for community development in the AAs.
- There were no complaints regarding the bank's performance in meeting the credit needs of its AAs.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's quarterly net LTD ratio is more than reasonable.

CNB's quarterly net LTD ratio averaged 93.3 percent over the previous 12 quarters since the last CRA examination evaluation period. The previous CRA performance evaluation (PE) is dated May 1, 2017 with the lending evaluation period ending December 31, 2016. During the preceding 12 quarters, CNB's LTD ratio ranged from a quarterly low of 86.3 percent to a quarterly high of 100.9 percent. CNB's LTD ratio compares favorably to other peer institutions of similar size, and geographic location. The peer group had a quarterly average net LTD ratio of 92.2 percent over the same period, ranging from a low of 73.4 percent to a high of 114.5 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs.

The bank originated 84.7 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank level, rather than the AA level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	50	83.3	10	16.7	60	8,558	83.9	1,641	16.1	10,199
2018	50	86.2	8	13.8	58	8,324	65.9	4,313	34.1	12,637
2019	50	84.7	9	15.3	59	7,768	80.9	1,840	19.1	9,607
Total	150	84.7	27	15.3	177	24,650	76.0	7,794	24.0	32,443

Source: Evaluation Period: 01/01/2017 - 12/31/2019 Bank Data.

Description of Institution

CNB is a \$737.4 million national bank headquartered in Derby, Vermont (VT). CNB is wholly owned by Community Bancorp, a registered bank holding company. Ownership of the national bank is the parent's major activity, and the holding company also has a one-third ownership interest in a state-chartered non-depository trust company, Community Financial Services Group. The bank's full service main office is located in Derby, VT with eleven additional full service branches located in Barre; Barton; Derby Line; Enosburg Falls; Island Pond; Lyndonville; Montpelier; Morrisville; Newport; St. Johnsbury; and Troy, Vermont and two loan production offices in Burlington, VT and Lebanon, NH. All branches are located within the bank's delineated AA with the full-service main office located in a middle-income geography. Of the other 11 branches, six full-service branches are in a middle-income geography with the remaining five located in moderate-income geographies. The bank did not close or open any branches during the evaluation period.

CNB is a full service, intrastate institution, offering a full array of residential, consumer, and commercial loan products, as well as traditional deposit, and non-deposit investment products and services. The bank's website, <https://www.communitynationalbank.com>, provides a listing and description of product offerings. CNB also provides its customers various means of account access, including telephone banking, online banking with bill pay options, and a mobile banking application. The bank operates automated teller machines (ATMs) at all branch locations. The loan portfolio is comprised primarily of commercial real estate loans, representing 29.3 percent of total loans as of December 31, 2019.

As of December 31, 2019, CNB reported total assets of \$737.4 million, total deposits of \$615.8 million, and tier 1 capital of \$69.3 million. The loan portfolio totaled approximately \$607.4 million, or 82.4 percent of total assets.

The following table provides a summary of the loan mix:

Loan Portfolio Summary by Loan Product December 31, 2019	
Loan Category	% of Gross Loans and Leases
Other Real Estate (Commercial)	29.3
1-4 Family Residential Mortgages – Closed End	27.3
Commercial & Industrial	14.9
Municipals	9.2
Home Equity	6
Multifamily	5.6
Construction & Development	3.5
Secured by farmland	2.1
Other	1.5
Consumer	0.7
Total	100

Source: Federal Deposit Insurance Corporation (FDIC) Call Report, December 31, 2019

The bank has no financial or legal impediments in meeting the credit needs of its AAs. The bank was rated ‘Outstanding’ using Intermediate Small Bank (ISB) procedures during the previous CRA performance evaluation dated May 1, 2017.

Scope of the Evaluation

Evaluation Period/Products Evaluated

CNB was evaluated using ISB CRA Evaluation procedures, which entails evaluating the bank’s record in meeting the credit needs of its delineated VT-based AAs. We evaluated the bank’s record of lending and CD activities during the evaluation period.

The evaluation period for the lending test is January 1, 2017 through December 31, 2019. Our loan-to-deposit analysis timeframe LTD analysis, specifically the quarter ending March 31, 2017 through December 31, 2019. Our conclusions of the bank’s lending performance during the evaluation period are based on a single identified primary product type, specifically residential mortgage loans as reported via CNB’s Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). This product type accounted for the majority of lending activity occurring during our evaluation period. During the evaluation period, residential mortgage loan originations accounted for approximately 38.6 percent by number and 36.4 percent by dollar amount of all loan originations.

For the lending test, the bank’s performance during the evaluation period was compared to 2015 American Community Survey (ACS) US Census, 2019 Dun & Bradstreet (D&B), and 2019 HMDA Aggregate data, which serves as our primary comparator to the bank’s lending performance.

The evaluation period for the CD Test, including CD loans, investments/donations, and services, is May 1, 2017, the date of the previous CRA performance evaluation, through December 31, 2019.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of its AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is based on the State of Vermont rating.

The state rating is based on a full-scope and limited-scope review of the bank’s AAs. Home mortgage lending received the heaviest weighting in the performance assessment as home mortgage loans represented more than 38.6 percent of originations and purchases throughout the evaluation period.

The state rating is based on performance in all bank AAs. Refer to the “Scope” section under the state Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

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, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA 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 PE.

State Rating

State of Vermont

CRA rating for the State of Vermont: Outstanding

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

- The bank's LTD ratio is more than reasonable given the bank's size, financial condition, and AAs' credit needs.
- A substantial majority of the bank's loans were originated within the delineated AAs.
- The bank exhibits excellent geographic distribution of loans in the AAs.
- The bank exhibits reasonable distribution of loans to individuals of different income levels within the bank's AAs.
- There were no CRA complaints received by the bank or the OCC during the evaluation period of January 1, 2017 through December 31, 2019.
- Based on a full-scope review, the bank exhibits excellent responsiveness to CD needs in the state through CD loans, qualified investments, and CD services considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AAs.

Description of Institution's Operations in Vermont

CNB has two AAs for CRA evaluation purposes. The primary AA consists of the following counties: Orleans, Caledonia, Essex, Lamoille and Washington, all within the state of Vermont, and discussed in this PE as the non-MSA AA. The second AA includes Franklin County within the state of Vermont, which is part of the Burlington-South Burlington MSA (15540) and discussed in this PE as the MSA AA. The AAs meet the requirements of the CRA regulation and do not arbitrarily exclude any low- or moderate-income geographies.

The full scope non-MSA AA includes all tracts in Orleans, Caledonia, Essex, Lamoille, and Washington counties. The AA contains 49 census tracts and 11 of the bank's 12 branches. There are no low-income tracts, nine moderate-income tracts (18.4 percent), 32 middle-income tracts (65.3 percent), and eight upper-income tracts (16.3 percent). Of the middle-income tracts, 13, or 40.6 percent, are designated as underserved nonmetropolitan middle-income geographies by the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC). Population size, density, and dispersion indicate the area's population is sufficiently small, thin, and distant from a population center that the tracts are likely to have difficulty financing the fixed costs of meeting essential community needs. Five tracts in Lamoille County and eight tracts in Orleans County are underserved middle-income tracts.

The non-MSA AA's 148,524 persons live predominately in middle-income census tracts with 16.2 percent located in moderate-income tracts and 15.1 percent located in upper-income tracts. The majority of the AA population, 59,132 are located in the 19 census tracts in Washington County, followed by 31,012 persons in the 10 census tracts in Caledonia County, 27,146 persons in the 10 census tracts in

Orleans County, 25,027 persons in the 7 census tracts in Lamoille County and 6,207 in the 3 census tracts in Essex County.

The AA includes 80,731 total housing units of which 45,398 or 56.23 percent are owner-occupied. The remaining units are rental units (15,478 or 19.17 percent) or vacant units (19,855 or 24.59 percent). Owner-occupied housing units (OOHU) in moderate-income tracts represents 13.9 percent of OOHU.

The AA median housing value totals to \$196,056. The AA includes 37,770 families with a median family income (MFI) of \$64,849 (based on the 2015 ACS Census updated in 2016 by the Federal Financial Institutions Examining Council (FFIEC). Low- and moderate-income families represent 20.5 percent and 18.4 percent of all families living in the AA, respectively. Low-income families earn less than 50 percent of the MFI or \$32,425. Moderate-income families earn less than 80 percent of the MFI or \$51,879, but no less than 50 percent of the MFI.

The AA includes 60,876 households, 8.0 percent of which are living below the poverty level. Households in the AA living below the poverty level total to 4,870.

The AA includes 14,076 businesses and 864 farms, the majority of which report revenues of \$1 million or less.

Please refer to Table A 1 for demographic information of the bank’s non-MSA AA during the 2017-2019 evaluation period:

Table A 1 – Demographic Information of the Assessment Area						
Assessment Area: Derby_2019 Full Scope non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	49	0.0	18.4	65.3	16.3	0.0
Population by Geography	148,524	0.0	16.2	68.7	15.1	0.0
Housing Units by Geography	80,731	0.0	15.6	66.5	18.0	0.0
Owner-Occupied Units by Geography	45,398	0.0	13.9	69.6	16.5	0.0
Occupied Rental Units by Geography	15,478	0.0	19.7	65.4	15.0	0.0
Vacant Units by Geography	19,855	0.0	16.0	60.2	23.8	0.0
Businesses by Geography	14,076	0.0	12.5	65.0	22.5	0.0
Farms by Geography	864	0.0	9.8	76.3	13.9	0.0
Family Distribution by Income Level	37,770	20.5	18.4	22.4	38.6	0.0
Household Distribution by Income Level	60,876	24.9	16.3	18.0	40.8	0.0
Median Family Income Non-MSAs - VT		\$64,849	Median Housing Value			\$196,056
			Median Gross Rent			\$811
			Families Below Poverty Level			8.0%

*Source: 2015 ACS Census and 2019 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.*

The limited scope Burlington – South Burlington MSA AA includes all tracts in Franklin county. The MSA AA contains four census tracts and one of the bank's 12 branches. There are no low- or upper-income tracts, two moderate-income tracts (50.0 percent), and two middle-income tracts (50.0 percent).

Please refer to Table A 2 for demographic information of the bank's Burlington – South Burlington MSA AA during the 2017- 2019 evaluation period:

Table A 2 – Demographic Information of the Assessment Area						
Assessment Area: Derby_2019 Limited Scope B-SB VT MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	50.0	50.0	0.0	0.0
Population by Geography	18,454	0.0	42.8	57.2	0.0	0.0
Housing Units by Geography	8,752	0.0	43.2	56.8	0.0	0.0
Owner-Occupied Units by Geography	5,519	0.0	40.4	59.6	0.0	0.0
Occupied Rental Units by Geography	1,487	0.0	59.0	41.0	0.0	0.0
Vacant Units by Geography	1,746	0.0	38.7	61.3	0.0	0.0
Businesses by Geography	1,081	0.0	46.5	53.5	0.0	0.0
Farms by Geography	196	0.0	29.1	70.9	0.0	0.0
Family Distribution by Income Level	5,034	27.6	25.7	24.1	22.6	0.0
Household Distribution by Income Level	7,006	26.8	17.5	22.8	32.9	0.0
Median Family Income MSA - 15540 Burlington-South Burlington, VT MSA		\$82,811	Median Housing Value			\$182,462
			Median Gross Rent			\$856
			Families Below Poverty Level			6.5%
<i>Source: 2015 ACS Census and 2019 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The local economy in northeastern Vermont has been relatively stable during the evaluation period. Per Moody's Analytics, the unemployment rate for the state of Vermont has steadily declined to 2.4 percent as of year-end 2019. The primary economic drivers for the area are educational and healthcare services, retail trade, construction, manufacturing, agriculture, tourism and forestry/wood related products. Major employers in northeastern Vermont include University of Vermont Medical Center, University of Vermont, GlobalFoundries, Rutland Regional Medical Center, Shaw's Supermarkets Inc., Keurig Green Mountain Inc., and Central Vermont Medical Center.

Competition for loans and deposits within the AAs is moderate. Per FDIC deposit data as of June 30, 2019, there are nine financial institutions with 58 offices within the counties of the AAs. Major competitors include a mix of community banks and branches of regional banks. As of June 30, 2019, CNB held \$529.1 million in deposits, which amounted to a 14.84 percent deposit market share within the counties of the AAs. The largest market share belongs to TD Bank, National Association at 20.21 percent.

In assessing the bank's performance, we contacted a local community group to obtain further performance context relative to the bank's delineated -non-MSA AA. The community contact is a non-profit affordable housing and community development corporation, providing affordable housing and other community services to those populations within CNB's non-MSA AA. Our community contact noted increasing demand on housing costs and a limited job market which provides local banks many opportunities to participate in the provision of community and financial services to those populations most in need. Our community contact noted local community banks are active participants in assisting with CD needs and are proactive in developing relationships and assisting with community agencies.

Scope of Evaluation in Vermont

We completed a full-scope review of the non-MSA AA and a limited-scope review of the MSA AA. The majority of the bank's deposits, lending activity, and physical presence are in the non-MSA AA. The volume of lending and deposit activity in the limited scope MSA AA was not significant. The AAs' delineation is considered appropriate as it meets the regulatory definition by consisting of wholly contiguous political subdivisions, contains all the bank's branch locations, the entirety of the customer deposit base, and does not arbitrarily exclude any low- or moderate-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT

LENDING TEST

The bank's performance under the Lending Test in Vermont is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's lending performance in the state of Vermont is excellent.

Distribution of Loans by Income Category of the Geography

The bank exhibits excellent geographic distribution of loans in the non-MSA AA, based on an adequate distribution of home mortgage loans among geographies of different income levels, given performance context.

Home Mortgage Loans

The bank's geographic distribution of home mortgage loans within the non-MSA AA is considered excellent for moderate-income geographies when considering performance context, mainly the significant competitive factors and demographic barriers that can limit the bank's opportunity to lend. There were no conspicuous gaps identified within CNB's non-MSA AA.

There were no owner-occupied housing units in low income tracts for the non-MSA AA in the evaluation period. The number of loans originated in moderate-income geographies is in line with the percent of owner-occupied housing units and exceeded the peer aggregate percentage. This performance is considered excellent for the income classifications given the bank's position within the market and comparable dispersion of home mortgage lending relative to the percentage level of owner-occupied housing units within the non-MSA AA.

Market competition for homes is significant within the non-MSA AA. According to the 2019 Peer Mortgage Market Share Data, lending within the AA is largely dominated by nationwide institutions. CNB competed with 68 lenders within the AA and the top 10 institutions account for approximately 66 percent of the overall market share within the AA.

Refer to Table O in the state of Vermont section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations

Distribution of Loans by Income Category of the Borrower

The bank exhibits a reasonable distribution of home mortgage loans to individuals of different income levels in the non-MSA AA.

Home Mortgage Loans

The bank's borrower distribution of home mortgage loans within the non-MSA AA is considered reasonable for lending to both low- and moderate-income populations, when considering market competition in the AA, inherent demographic barriers, and offered product lines. Overall, the borrower

distribution of home mortgage loans reflects reasonable penetration amongst individuals of different income levels. The percentage of loans to low-income borrowers was well below the percentage of low-income families; however, the percentage was in line with the peer aggregate. The percentage of loans to moderate-income borrowers is below the percentage of moderate-income families and peer aggregate data. This performance is considered reasonable when considering CNB's position within this significantly competitive market and the lack of affordability for home ownership. The median housing value is \$196,056 and the average median family income is \$64,849. Low-income families earn less than 80 percent of the median income or \$32,425. Moderate-income families earn less than 50 percent of the median income or \$51,879. As a result, the cost of housing is six times low-income family earnings and three times moderate-income family earnings. This lack of affordability limits the opportunity to originate home mortgage loans to low- and moderate-income borrowers.

Market competition for homes is significant within the non-MSA AA. According to the 2019 Peer Mortgage Market Share Data, lending within the AA is largely dominated by nationwide institutions. CNB competed with 69 lenders within the AA and the top 10 institutions account for approximately 71 percent of the overall market share within the AA.

Refer to Table P in the state of Vermont section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

Responses to Complaints

There were no CRA or FL related complaints received by the bank or the agency since the previous CRA ISB PE nor were there any noted complaints occurring during the evaluation period.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the Lending Test in the MSA AA is consistent with the bank's overall performance under the Lending Test in the full scope area.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of Vermont is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank exhibits excellent responsiveness to CD needs in the state through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

Number and Amount of Community Development Loans

The level of CD lending demonstrates excellent responsiveness. During the evaluation period, the bank made seven qualified CD loans totaling to \$6.6 million or 9 percent of tier 1 capital as of December 31, 2019. The loans benefit Orleans county, which comprise portions of the bank's delineated AA. CNB provided funding primarily to businesses located in moderate-income and underserved middle-income

geographies that enabled them to stabilize the local economy and retain jobs. CNB also provided funding to health organizations that serve the local communities in which the bank is located and target low- and moderate-income individuals.

The highlights of the bank’s CD loans are as followed:

- Approximately \$5.2 million in funding through two separate loans to a local nonprofit community hospital to promote economic development. The hospital is located in a moderate-income census tract.
- Approximately \$257,000 in funding through two separate loans to a purchase a local general store to retain jobs and stabilize the local economy. The general store is located in an underserved census tract.

Number and Amount of Qualified Investments

The bank demonstrates excellent responsiveness based on the level of CD investments and donations considering the bank’s capacity and the volume of competition. New and prior period qualified CD investments and donations totaled approximately \$3.7million, or 5 percent of tier 1 capital as of December 31, 2019. This was comprised of 19 CD investments and 122 donations/grants to various CD organizations located within the surrounding community. During the evaluation period, CNB made 10 new investments totaling \$2.7 million. Prior period investments outstanding as of May 1, 2017, totaled \$815,000 in nine investments. Both new and prior period investments support affordable housing projects in the non-MSA AA, an identified need, or support community services in the non-MSA AA.

The highlights of the bank’s CD investments are as followed:

- A balance of \$915,000 on an investment to a housing fund for the purpose of providing housing for low- to moderate-income individuals. The investment supports the rehabilitation of three properties, or 23 affordable housing units.
- A balance of \$408,666 on an investment to support housing for low- to moderate-income individuals. The development will rehabilitate the 12-unit affordable housing project.
- A balance of \$190,000 to support a down payment assistance program to first-time homebuyers.

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 AA	9	815	10	2,668	19	100	3,483	100	-	--

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

In addition, the level of qualifying donations is high, with 122 donations totaling approximately \$199,000. Many of the donations were to organizations that focus on food and basic needs, affordable

housing, and job training, all identified needs in the AA. While the actual level of bank donations made was higher, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

The bank's level of CD services in its non-MSA AA is excellent. The bank board of directors, bank executive officers, and bank employees serve as board members, committee members, and volunteers for several other organizations in the AA. These organizations support matters such as affordable housing, financial literacy, behavioral health, public education, and other economic development projects in the AA.

A sample of CD services are highlighted below:

- An employee serves on the advisory board for a non-profit organization that provides technical assistance to small businesses and start-ups, including those to LMI clients.
- An employee serves as treasurer for a non-profit foundation that provides an avenue of personal discovery and outdoor recreational opportunities to Northeastern Kingdom children, primarily geared towards LMI families.
- An employee is a member of the Board of Trustees and Finance Committee for a non-profit health center, which provides medical services to the community and provides financial assistance for LMI individuals.
- An employee volunteers with a non-profit group providing food security within in the community by helping prepare quarterly and annual financial statements.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the CD Test in the MSA AA is consistent with the bank's overall performance under the CD Test in the full scope area.

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 MSA and non-MSA 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 – (01/01/2017 to 12/31/2019) Community Development Test - (05/01/2017 to 12/31/2019)	
Bank Products Reviewed:	HMDA-reportable, residential mortgage loans Community Development-eligible loans, investments/donations, and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None reviewed.		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Vermont		
FS Non-MSA AA	Full-scope	<ul style="list-style-type: none"> • Caledonia County • Essex County • Lamoille County • Orleans County • Washington County
Derby_2019 LS B-SB VT MSA	Limited-scope	<ul style="list-style-type: none"> • Franklin County

Appendix B: Summary of State Rating

RATINGS Community National Bank			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Community National Bank	Outstanding	Outstanding	Outstanding
MMSA or State:			
Vermont	Outstanding	Outstanding	Outstanding

(*) The Lending Test and Community Development Test carry equal weight 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, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA 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/assessment area.

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. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts 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 (CD): 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; 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 a bank's record of meeting the credit needs of its entire community, including low- and moderate-income areas, 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, 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 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), 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 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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 census tract 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/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. 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 (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, 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: 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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 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 a median family income 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 metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank 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 are treated 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/assessment area. 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 PE.

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 bank 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 bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2017-19**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% 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
Derby_2019 FS non-MSA AA	138	23,514	92.0	3,913	0.0	0.0	0.0	13.9	13.8	11.4	69.6	82.6	61.3	16.5	3.6	27.3	0.0	0.0	0.0
Derby_2019 LS B-SB VT MSA	12	1,136	8.0	565	0.0	0.0	0.0	40.4	91.7	36.6	59.6	8.3	63.4	0.0	0.0	0.0	0.0	0.0	0.0
Total	150	24,650	100.0	4,478	0.0	0.0	0.0	16.8	20.0	14.6	68.5	76.7	61.6	14.7	3.3	23.9	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower **2017-19**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Derby_2019 FS non-MSA AA	138	23,514	92.0	3,913	20.5	6.5	6.6	18.4	8.0	18.0	22.4	18.1	23.2	38.6	47.1	40.8	0.0	20.3	11.4
Derby_2019 LS B-SB VT MSA	12	924	24.0	565	27.6	25.0	16.8	25.7	25.0	31.0	24.1	8.3	22.7	22.6	41.7	18.9	0.0	0.0	10.6
Total	150	24,650	100.0	4,478	21.4	8.0	7.9	19.3	9.3	19.6	22.6	17.3	23.1	36.7	46.7	38.0	0.0	18.7	11.3

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%