



PUBLIC DISCLOSURE

February 07, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank
Charter Number 18054

500 West Illinois
Midland, TX 79701

Office of the Comptroller of the Currency

5001 West Loop 289
Suite 250
Lubbock, TX 79414

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

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

The lending test is rated: Satisfactory

The community development test is rated: Satisfactory

The major factors that support this rating include:

- Community National Bank's (CNB's) net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, local competition, and assessment area (AA) credit needs.
- CNB originated a substantial majority of loans to businesses and borrowers located within the AAs.
- CNB's loan portfolio reflects an overall reasonable distribution among businesses of different sizes and borrowers of different income levels.
- The geographic distribution of loans to businesses and home mortgage loans reflects an overall reasonable distribution given the bank's performance context, business strategy, and location.
- CNB's community development (CD) performance demonstrates adequate responsiveness to the needs of its AAs through CD loans, qualified investments, and CD services. The performance in Midland MSA AA was emphasized in the overall CD Test rating, as it represented the significant majority of the bank's activity.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio (LTD) is more than reasonable.

CNB's LTD ratio is based on the bank's average quarterly LTD ratio from March 31, 2019, through September 30, 2021, and calculated on a bank-wide basis. During the evaluation period, CNB's average LTD ratio was 73.12 percent, ranging from a low of 64.75 percent to a high of 83.03 percent. Three similarly situated banks had an average LTD of 68.88 percent. These institutions asset size ranged from \$1.42 million to \$1.58 million as shown below.

Institution	Total Assets (4000s) as of 9/30/21	Average Quarterly Loan-to-Deposit Ratio
Community National Bank	1,536,244	73.12%
West Texas National Bank	1,576,880	63.18%
Moody National Bank	1,552,643	74.99%
American Bank of Commerce	1,423,418	68.47%

Source: Report of Condition from 3/31/19 to 9/30/21

Lending in Assessment Areas

A substantial majority of the bank's loans are inside its assessment areas (AAs).

The bank originated and purchased 86.5 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. Loans inside the AA are considered part of the geographical distribution analysis under the Lending Test.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
HMDA Mortgages	1,237	86.3%	196	13.7%	1,433	332,670	80.7%	79,809	19.3%	412,479
Commercial	60	89.6%	7	10.4%	67	36,296	80.6%	8,733	19.4%	45,030
Subtotal	1,297	86.5%	203	13.5%	1,500	368,966	80.6%	88,542	19.4%	457,509

Source: 2019-2021 HMDA LARs and sample of commercial loans

Due to rounding, totals may not equal 100.0

Description of Institution

CNB is a \$1.7 billion intrastate institution headquartered in Midland, Texas in the Permian Basin area of the state. The bank is a wholly-owned subsidiary of Midland Bancshares, Inc., a one-bank holding company.

CNB offers a wide range of traditional loan and deposit products. All branches offer full-service banking. Lobby and drive-up hours are set by each location to meet the needs of the area. CNB has automated teller machines (ATMs) at seven branches and two stand-alone locations. CNB provides 24-hour access to personal and business online banking through its website www.cnbtx.net. Services include account balance inquiries, funds transfer activities, bill pay, and various financial education tools. Mobile banking via smartphone and account alerts via text or email are also offered.

CNB's Midland MSA AA, which is the bank's primary market area, contains nine of the bank's 13 offices, including the main office in downtown Midland, an office in Stanton, and eight of nine ATMs. CNB's Odessa MSA AA contains one of the bank's 13 offices and one ATM. Both AAs include the entire MSA, which consists of the whole county and contiguous census tracts. Since the previous CRA examination, CNB opened two new Loan Production Offices (LPO), in Dallas (2018) and Lubbock (2019). Since then, the Lubbock LPO was converted to a full-service branch and thus the Lubbock MSA is now a formally designated assessment area. CNB also has a mortgage production office in Odessa. There has been no merger or acquisition

activity that affected the scope of the bank's operations during the evaluation period. All AAs met the requirements of the CRA regulation and did not arbitrarily exclude any low- or moderate-income tracts.

As of December 31, 2021, CNB had total assets of \$1.7 billion, with net loans and leases comprising 57 percent of this total and 61 percent of earning assets. Tier one capital totals 9.8 percent. CNB is primarily a commercial lender, consistent with its business strategy, and loan volumes are heavily concentrated in larger commercial and commercial real estate loans. Business lending includes commercial real estate, inventory, equipment purchase, operating, agricultural, and oil and gas investments. CNB's Oil and Gas Department has increased lending due to strong activity in the oil and gas industry in the Permian Basin. CNB also has a Mortgage Lending Department that offers 15-, 20-, and 30-year mortgages with Conventional, FHA, and VA financing for home equity loans, ARM loans, and interim construction loans. The following table reflects the composition of the loan portfolio as of December 31, 2021.

Loan Portfolio Composition		
Loan Category	\$000s	%
Commercial Real Estate and Commercial	758,944	76.7
Residential Real Estate	107,653	10.9
Agricultural Real Estate and Production	41,752	4.2
Consumer	14,202	1.4
Other	67,489	6.8
TOTAL	\$990,040	100.0

Source: December 31, 2018, Report of Condition

The last CRA evaluation was as of February 25, 2019, with CNB rated satisfactory overall and satisfactory on both the lending and community development tests.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The CRA evaluation period is January 1, 2019, through December 31, 2021. We evaluated CNB using the Intermediate Small Bank (ISB) evaluation procedures, which include Lending and Community Development Tests. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities using the following performance criteria: loan-to-deposit ratio, lending in the assessment area, borrower distribution, geographic distribution, and responses to CRA-related complaints. The Community Development Test evaluates the bank's responsiveness to the identified needs in its AAs through lending, qualified investments, and services.

The bank's predominant primary loan product for all AAs is commercial loans. Home mortgage loans, although much lower in volume, are also a primary loan product. To evaluate small business lending, we reviewed a random sample of loans originated from January 1, 2019, to December 31, 2021.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas 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

In determining overall conclusions for CNB, the rating was based on the bank’s performance in its only Rating Area, the state of Texas.

The state rating is based on performance in all bank AAs. Refer to the “Scope” section under each state and MMSA 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 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.

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.

State Rating

State of Texas

CRA rating for the State of Texas: Satisfactory¹

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

- CNB's net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, local competition, and assessment area (AA) credit needs.
- CNB originated a substantial majority of loans by number and dollar volume located within the AAs.
- CNB's loan portfolio reflects an overall reasonable distribution among businesses of different sizes and borrowers of different income levels.
- The geographic distribution of loans to businesses and home mortgage loans reflects an overall reasonable distribution
- CNB's community development (CD) performance demonstrates adequate responsiveness to the needs of its AAs through CD loans, qualified investments, and CD services.

Description of the Institution's Operations in Texas

As of December 31, 2020, CNB had three AAs within the state of Texas. These AAs include the Midland MSA AA, the Odessa MSA AA, and the Lubbock MSA AA. Refer to Appendix A for the geographies that make up the AAs.

CNB offers a wide range of traditional loan and deposit products. All branches offer full-service banking. CNB has ATMs at seven branches and two stand-alone locations to increase accessibility. CNB provides 24-hour access to personal and business online banking through its website. Services include account balance inquiries, funds transfer activities, bill pay, and various financial education tools. Mobile banking via smartphone and account alerts via text or email are also offered. CNB offers five different types of personal checking accounts with a \$100 minimum to open both Basic and Community Checking accounts. The Basic Checking account has no transaction limitations and no monthly service charge. Personal savings accounts include a traditional savings account and health savings account with \$100 minimums to open. CNB also offers commercial checking accounts including the following: Commercial Checking, Advantage Account, Money Market Plus Account, and Money Fund Index Account. Commercial savings accounts are also offered. The Basic Commercial Checking account can be

¹ This rating reflects performance within the State. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

opened with a little as \$300 with a minimal monthly fee and the Business Savings account can be opened with a little as \$100 with a minimal monthly fee to help serve small farm and small business owners. Lending services include personal loans, mortgage loans, business loans, and energy loans. Mortgage loans are locally processed from application through closing. CNB also offers Capital Advantage loans, which is a factoring program in which CNB advances working capital against a company's receivables.

As a part of this CRA examination, we utilized a community contact to ascertain AA credit needs. Midland continues to experience a housing shortage given the performance of the local oil and gas industry which continues to draw more and more people to the area seeking employment. In addition to this, it brings the opportunity for larger, more regional business to establish office space here; however, these larger businesses typically do not finance with local institutions rather keeping their relationships at much larger institutions.

Midland MSA AA

The AA consists of Midland and Martin Counties in Texas. The city of Midland is the county seat and the largest city in Midland County. The city of Stanton is the county seat and the largest city in Martin County. One full-service branch is located in Stanton. The main office and seven branches are located in Midland. According to the 2015 ACS census data, the Midland MSA includes 29 census tracts (CTs) with a total population of 151,290.

The city of Midland is at the center of the 100-mile radius of the Permian Basin and is considered the center of the area's oil and gas industry. Due to the high level of economic activity from the oil and gas industry, Midland has experienced severe shortages in both labor and housing- the former of which has taken an even larger toll from the COVID-19 pandemic. The oil and gas industry and related businesses are able to pay higher wages, and therefore continue to leave other local, non-oil related businesses in need of labor.

According to 2021 D&B data, there are 56,735 housing units in the geography with 35,449 owner-occupied units, 17,421 rental units, and 3,865 vacant units. The median housing value is \$179,570. The median family income in the MSA is \$82,297. Businesses total 17,739 and farms total 411. The majority of the AA population are located in middle- and upper-income census tracts at approximately 80 percent. Unemployment rates in Midland for 2021 totaled 2.41 percent.

Economic conditions are strong. Major employers include several large oil and gas production and service companies, Midland College, Midland County, Midland Memorial Hospital, Midland and Stanton Independent School Districts, and the cities of Midland and Stanton.

Banking competition is strong in the assessment area and includes national, regional, and community banks. As of June 30, 2021, CNB's deposit market share in the AA was 14.40 percent, ranking 3rd among 17 financial institutions in the market. Wells Fargo Bank, NA (16.03 percent), Frost Bank (15.44 percent), and Bank of America, NA (13.51 percent) continues to dominate the market share along with CNB. Approximately 72 percent of CNB's deposits are attributed to this AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Community NB Midland AA 2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	3.7	18.5	44.4	29.6	3.7
Population by Geography	151,290	3.1	17.3	45.1	34.5	0.0
Housing Units by Geography	56,735	2.7	14.3	45.7	37.3	0.0
Owner-Occupied Units by Geography	35,449	2.8	13.4	41.8	42.0	0.0
Occupied Rental Units by Geography	17,421	1.9	15.8	53.8	28.5	0.0
Vacant Units by Geography	3,865	5.5	15.7	44.8	34.0	0.0
Businesses by Geography	17,739	1.5	22.2	36.0	39.8	0.6
Farms by Geography	411	0.5	17.8	33.1	48.4	0.2
Family Distribution by Income Level	36,702	21.7	17.5	20.2	40.5	0.0
Household Distribution by Income Level	52,870	23.1	16.9	17.6	42.4	0.0
Median Family Income MSA - 33260 Midland, TX MSA		\$82,297	Median Housing Value			\$177,848
			Median Gross Rent			\$1,083
			Families Below Poverty Level			6.5%
<i>Source: 2015 ACS and 2020 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>						

Scope of the Evaluation in Texas

The OCC conducted a full-scope review of the Midland MSA AA and limited-scope reviews of the Odessa MSA AA and the Lubbock MSA AA. Performance in the Midland MSA AA is weighted most heavily since it accounted for the majority of the bank's branches, loans, and deposits. Lending activity in the limited-scope AAs was considered in the overall Lending Test conclusion. The tables in Appendix D contain lending data for full- and limited-scope AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

The bank's performance under the Lending Test in the state of Texas is rated satisfactory.

Conclusions for Area Receiving a Full-Scope Review.

Based on a full-scope review, the bank's lending performance in the Midland MSA AA is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the Midland MSA AA.

Home Mortgage Loans

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

Midland MSA AA

The geographic distribution of home mortgage loans by geography is reasonable as the percentage of CNB's mortgage loans is near the percentage of owner-occupied housing units located within the low- income census tracts. CNB exceeds the aggregate lending in the AA to low-income geographies. CNB is below the percentage of owner-occupied housing units in moderate-income census tracts but exceeds the aggregate lending in moderate-income census tract.

Small Loans to Businesses

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

Midland MSA AA

CNB's geographic distribution of loans to small businesses within the census tracts reflects poor distribution within the AA for the evaluation period. Lending in low-income census tracts exceeds both income and demographic comparators during the evaluation period. Lending to moderate-income census tracts is substantially below both income tract and demographic comparators for the Midland AA.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Home Mortgage Loans

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

Midland MSA AA

The distribution of home mortgage loans in the Midland MSA AA reflects reasonable distribution among borrowers of different income levels. The percentage of home mortgage loans to low-income borrowers was substantially below the percentage of low-income families and equal to the aggregate lending in the AA. The percentage of home mortgage loans to moderate-income borrowers exceeded the percentage of moderate-income families and was below the aggregate lending in the AA.

CNB's distribution to low-income borrowers in the Midland MSA AA is reasonable given there is only one low-income census tract within the AA.

Small Loans to Businesses

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

Midland MSA AA

The bank's distribution of small loans to businesses was reasonable during the evaluation period. The percentage of bank loans to businesses with gross annual revenue of \$1 million or less was below the percentage of those businesses but exceeded the aggregate lending in the AA.

Responses to Complaints

CNB did not receive any CRA related complaints during the evaluation period.

Conclusions for Areas Receiving Limited Scope Reviews

Odessa MSA AA

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

The AA consists of Ector County, Texas. The city of Odessa is the county seat and the largest city in Ector County. The city of Odessa is located in the Permian Basin and is also closely tied to the oil and gas industry. CNB has one full-service branch in Odessa. According to 2015 ACS Census Data, the AA includes 28 census tracts with a total population of 149,557. Housing units by geography total 55,357 with 33,733 owner-occupied units, 17,135 rental units, and 4,489 vacant units. The median family income in the AA is \$64,450. Households in the AA below the poverty level total 13 percent. The majority of the AA population are located in middle- and upper-income census tracts at approximately 75 percent.

Economic conditions are strong. Major employers include several large oil and gas companies, Ector County Independent School District, Medical Center Hospital, Odessa Regional Medical Center, the City of Odessa, and Ector County.

Banking competition is strong in the AA and includes national, regional, and community banks. As of June 30, 2021, CNB's deposit market share in the AA was 2.9 percent, ranking 15th among 22 financial institutions in the market. Complex Community (10.3 percent), Prosperity Bank (9.5 percent), American Momentum Bank (9.2 percent), Frost Bank (9 percent), JPMorgan Chase Bank, NA (8.5 percent), and Southwest Bank (8.1 percent) dominate market share. Approximately 9 percent of CNB's deposits are attributed to this AA.

Lubbock MSA AA

Based on limited-scope reviews, the bank's performance under the Lending Test in the Lubbock AA is consistent with the bank's overall performance under the Lending Test in the full scope area. Significant weight was not placed on the Lubbock AA as this is a newly designated AA and lending within this AA is nominal in comparison to Midland and Odessa.

The AA consists of Lubbock and Crosby Counties in Texas. The city of Lubbock is the county seat and largest city in Lubbock County. The city of Crosbyton is the county seat and largest city in Crosby County. One full-service branch is located in Lubbock which serves both Lubbock and Crosby counties. The branch was previously designated as a Loan Production Office but was converted to a full-service branch in August 2020. There is no branch in Crosby County. According to the 2015 ACS census data, the Lubbock MSA includes 68 census tracts with a total population of 290,782.

The city of Lubbock is in the northwestern part of the state and ecologically is part of the southern end of the High Plains. The area is the largest contiguous cotton-growing region in the world. Major employers include Texas Tech University, Covenant Health System, Lubbock Independent School District, University Medical Center, United Supermarkets, the City of Lubbock, and Lubbock County.

Banking competition is strong in the AA and includes national, regional, and community banks. As of June 30, 2021, CNB's deposit market share in the AA was 0.1 percent. PlainsCapital Bank (19.7 percent), City Bank (17.2 percent), Wells Fargo NA (9.8 percent), Prosperity Bank (8.4 percent), and First Bank & Trust (8.2 percent) dominate the market share. Less than 1 percent of CNB's deposits are attributed to this AA.

COMMUNITY DEVELOPMENT TEST

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

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review in the Midland AA, the bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s).

Number and Amount of Community Development Loans

Refer to the Community Development Loan table below for the facts and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

The bank originated a total of 42 loans in an amount of \$9.34 million in qualified, community development loans during the evaluation period. Of the \$9.34 million in loans, \$7.63 million was originated in the Midland AA and \$1.71 million was originated in the Odessa AA. No loans were provided for the Lubbock AA; however, this is reasonable as this was a new AA. A majority of loans were for affordable housing in low- and moderate-income census tracts. In addition, loans that promote economic development, provide services to LMI individuals, and revitalize or stabilize low- or moderate-income geographies were also made. Qualification was also granted to several Paycheck Protection Program (PPP) loans as these were made to organizations whose services are targeted towards low- and moderate-income individuals or were located in a low-to-moderate income geography and funds retained jobs for those employees.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Midland	38	90.48%	\$7,633	81.74%
Odessa	4	9.52%	\$1,706	18.27%
Lubbock	0	0.00%	\$0	0.00%

Number and Amount of Qualified Investments

The bank made a total of \$9.62 million in qualified investments and donations. Of this total, \$6.40 million were made within the assessment area entirely to local colleges whose statistics show they serve a majority of students receiving financial aid services. The remaining \$3.22 million in qualified investments were out of the assessment areas and used for the purchase of TX municipal bonds for schools with a majority of students on free or reduced lunch as well as CDs purchased in minority-owned financial institutions, community development financial institutions (CDFIs), or low-income credit unions. All qualified donations were to organizations providing services to low- and moderate-income individuals.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Midland			43	\$5,921	43	63.24%	\$5,921	61.52%		
Odessa			5	\$756	5	7.35%	\$756	7.86%		
Lubbock			4	\$8	4	5.88%	\$8	0.08%		
Out of AA			16	\$2,939	16	23.53%	\$2,939	30.54%		

Extent to Which the Bank Provides Community Development Services

The bank performed a total of 1,897 community development service hours for 13 different organizations. Most of the hours performed benefited both the Midland and Odessa AAs as many of these organizations serve both Counties as they are contiguous. A majority of service hours were to MARC which is a non-profit aimed at providing assistance and life lessons to adults and children with intellectual disabilities- to include job training, financial literacy, and resources for residential living. A significant portion of service hours also continue to be dedicated to the IRS sponsored Volunteer Income Tax Assistance program. Other services included providing financial literacy to low- and moderate-income individuals and sitting on Boards and committees of organizations whose services are targeted towards low- and moderate-income individuals.

Conclusions for Areas Receiving Limited Scope Reviews

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

CNB originated 4 qualified loans specific to the Odessa MSA totaling \$1.71 million or 18 percent of total qualified loans by volume. Qualified investments totaled \$756 thousand or 8 percent of total qualified investments by volume. Qualified services to the Odessa MSA are consistent with overall performance; however, many of the program's services are provided to serve both the Midland and Odessa MSA given their contiguous geographies so a breakdown was not performed, but in total we qualified 1,671 service hours for the Midland and Odessa MSAs.

Based on a limited-scope review the bank's performance under the CD Test in the Lubbock AA is weaker than the bank's overall performance under the CD Test in the full scope area(s). However, important to note this is a newly designated AA.

No loans were submitted for review within this MSA. We qualified \$8 thousand in investments/donations within this MSA. Qualified services performed totaled 226 service hours within this MSA.

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

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:	(1/01/2019 to 12/31/2021)	
Bank Products Reviewed:	Home mortgage, small business, community development loans, qualified investments, community development services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Midland MSA AA	Full-Scope	Midland and Martin Counties
Odessa MSA AA	Limited Scope	Ector County
Lubbock MSA AA	Limited Scope	Lubbock County

Appendix B: Summary of MMSA and State Ratings

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

(*) 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 LMI 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 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 bank 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 bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- 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 bank 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																2019-2021		
	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
Community NB Lubbock AA	52	23,719	4.2	2.5	7.7	1.2	16.4	13.5	7.4	38.2	38.5	41.2	42.9	40.4	50.3	0.0	0.0	0.0
Community NB Midland AA	838	235,182	67.7	2.8	2.5	1.3	13.4	6.3	5.9	41.8	31.0	35.8	42.0	60.1	56.9	0.0	0.0	0.0
Community NB Odessa NB	347	73,769	28.1	1.6	1.4	1.0	21.4	5.8	7.4	42.7	19.6	24.9	34.3	72.0	66.6	0.0	0.0	0.0
Total	1,237	332,670	100.0	2.4	3.9	1.2	16.9	8.5	6.9	40.3	29.7	36.4	40.4	57.5	55.5	0.0	0.0	0.0

Source: 2015 U.S Census; 01/01/2019 - 01/01/2021 Bank 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																2019-2021		
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
Community NB Lubbock AA	52	23,719	4.20	22.1	1.9	1.9	16.4	7.7	9.6	19.5	13.5	23.1	41.9	32.7	55.8	0	46.2	100
Community NB Midland AA	838	235,182	67.74	21.7	5.7	5.7	17.5	18.5	24.2	20.2	22.9	47.1	40.5	41.1	89.3	0	10.9	100
Community NB Odessa	347	73,769	28.05	21.8	5.8	5.8	17.3	19.9	25.6	20.5	26.2	51.9	40.4	38.6	90.5	0	9.5	100
Total	1,237	332,670	100.0	21.9	4.5	4.5	16.9	15.4	19.8	20	20.9	40.7	41.2	37.8	78.5	0	22.2	100
<i>Source: 2015 U.S Census; 01/01/2019 – 12/31/2021 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																		

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																2019-2021		
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	Aggregate
Community NB Lubbock AA	20	12,775	33.3	3.6	5.0	2.9	15.8	0.0	13.4	36.1	35.0	35.4	44.4	60.0	48.3	0.1	0.0	0.0
Community NB Midland AA	20	10,922	33.3	1.6	5.0	2.2	22.7	5.0	19.8	36.6	25.0	36.2	38.4	65.0	41.5	0.7	0.0	0.4
Community NB Odessa AA	20	12,599	33.3	1.4	5.0	0.9	22.0	25.0	21.4	33.3	40.0	36.1	43.3	30.0	41.5	0.0	0.0	0.0
Total	60	36,296	100.0	2.5	5.0	2.3	19.2	10.0	17.1	35.7	33.3	35.8	42.3	51.7	44.7	0.2	0.0	0.1
<i>Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>																		

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues

2019-21

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
Community NB Lubbock AA 2021	20	12,775	33.3	8,031	86.1	55.0	35.1	3.9	45.0	10.0	0.0
Community NB Midland AA 2021	20	10,922	33.3	5,404	84.4	75.0	34.5	5.4	20.0	10.3	25.0
Community NB Odessa AA 2021	20	12,599	33.3	3,562	81.9	55.0	26.6	5.7	20.0	12.3	5.0
Total	60	36,296	100.0	16,997	84.7	61.7	33.1	4.7	28.3	10.6	10.0

Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%