



PUBLIC DISCLOSURE

May 4, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number 5484

118 South Houston Street
Cameron, TX 76520

Office of the Comptroller of the Currency
San Antonio North Field Office
10001 Reunion Place Suite 250
San Antonio, TX 78216-4165

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 the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Major factors that support this rating include:

- The average quarterly loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of loans originate within the bank's assessment areas (AAs).
- Lending activities reflect reasonable penetration to borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the AAs.
- Community development (CD) activities reflect excellent responsiveness to CD needs.

Scope of Examination

We evaluated Citizens National Bank (CNB) using Intermediate Small Bank (ISB) evaluation procedures, which include Lending and Community Development Tests. The evaluation period covered January 2012 through May 2015. Our lending test focused on loan originations from January 1, 2012, through December 31, 2014. Our evaluation of CD activities included CD loans, investments, and services for the entire evaluation period.

We evaluated CNB's lending performance using primary loan products applicable in each AA including business loans, farm/agricultural loans, consumer loans, and residential loans as reported pursuant to the Home Mortgage Disclosure Act (HMDA). Some small business and small farm loans also qualified for CD purposes; but these loans were considered only under the lending test.

We tested the accuracy of the bank's HMDA data and found that while the bank reported income in a consistent manner in 2014, income did not always match the number used in the underwriting process. To evaluate borrower and geographic distribution, we selected a sample of loans for review. We also verified all CD loans, investments, and services submitted by management met the regulatory definition for CD and excluded any that did not meet the definition. We performed full scope reviews for the bank's largest market areas, Lee County, Milam County and the metropolitan statistical areas (MSAs) of Travis and Williamson Counties. We performed a limited scope review for the Falls County AA.

Description of Institution

Chartered in 1900, CNB is 100% owned by Central Texas Financial Corp. (CTFC), which is controlled primarily by one family. CTFC also owns an affiliated finance company, People's Finance Co., with locations in Caldwell, Cameron, and Giddings. We did not review affiliate activities during this evaluation.

CNB's main office, headquartered in Cameron, Texas, is located 75 miles northeast of Austin, Texas. In addition to the main office, CNB has seven full-service branches: 1 in Coupland, 1 in Giddings, 1 in Pflugerville, 2 in Rockdale, 1 in Round Rock, and 1 in Taylor. CNB has two limited service (drive-in) facilities; one in Cameron and one in Giddings.

The Coupland and Round Rock branches are new since the previous CRA evaluation in January 2012. CNB acquired the Coupland branch in September 2012 and opened the Round Rock branch in June 2013. Automated teller machine (ATM) services are available in each city except Coupland; however, it is located only eight miles from Taylor. CNB offers a full range of loan and deposit products and services, and provides an online deposit account opening process through its website (<https://www.cnbanktexas.com/>). Customers can access their accounts through telephone or Internet banking services. CNB also offers trust services and had total trust assets of \$77 million at year-end 2014.

CNB has total assets of \$411 million and AAs that span five counties. It faces competition from area banks, credit unions, finance companies, and local investment brokerage firms. Based on its financial condition, the local economy, product offerings, competition, and prior performance, CNB has the ability to meet the various credit needs in its AAs. No legal impediments or other factors hinder its ability to provide credit. At the last CRA examination in January 2012, the bank's CRA rating was "Satisfactory."

The bank's primary focus is to promote economic development in its AAs through lending programs. CNB's market niche is small business, residential, consumer and agricultural loans. The following table reflects a detailed breakdown of CNB's loan portfolio as of March 31, 2015.

Loan Category	\$(000)	%
Real Estate (RE) Nonfarm Nonresidential	71,427	46.23%
RE Residential (1-4)	18,939	12.26%
RE Multifamily (5 or more)	16,906	10.94%
Commercial and Industrial	13,250	8.58%
Agricultural Production	12,212	7.91%
RE Farmland	9,420	6.10%
Construction Loans	5,350	3.46%
Obligations of Municipalities	3,481	2.25%
Consumer	3,137	2.03%
Other	362	.24%
Total	154,484	100%

Description of Assessment Areas

CNB's AAs include the rural non-MSA counties of Falls, Lee, and Milam, and the metropolitan areas of Travis and Williamson Counties. All census tracts (CTs) in the bank's AAs are contiguous. CNB's AAs do not arbitrarily exclude low- to moderate-income (LMI) geographies.

We combined Lee and Milam Counties as one AA. While Falls County is adjacent to Milam County, we evaluated it separately because prior to 2014 it was a rural non-MSA, but in 2014, it was added to the Waco MSA, which changed its median family income information and other demographic data. CNB includes only one census tract in Falls County in its AA. We combined Travis and Williamson Counties as both are part of the Austin-Round Rock MSA.

Milam and Lee Counties – Non-MSA

CNB has three full-service offices in Milam County, one in Cameron and two in Rockdale. Cameron is the county seat of Milam County. The branch office in Lee County is located in Giddings, Texas, the county seat of Lee County.

The FDIC's June 30, 2014 deposit market share report shows the largest percentage of bank deposits (47%) originate in Milam County with an additional 13% from Lee County. CNB ranked first out of seven other banks in this market with 26% of the deposit market share.

In 2013 and 2014, five of the seven CTs in Milam County were middle-income CTs considered distressed due to high poverty rates. There is one moderate-income and one upper-income CT. There are no low-income CTs in Milam County. The bank's branches in Milam County are located in moderate-income areas of Cameron and a distressed middle-income area in Rockdale.

In Lee County, three of the four CTs were upper-income and one was middle-income. The Giddings' branch is located in the middle-income CT.

According to the 2010 Census data, the population of Milam County is 24,747 and Lee County population is 16,612. Approximately 17% of the households in Milam County were below poverty level, which is much higher than 11.41% in Lee County.

Data from the Bureau of Labor and Statistics (BLS) reflects the average 2014 unemployment rate in Milam County was 6.2%, higher than the statewide average of 5.1% and approximately the same as the 2014 national average. Unemployment rates in Milam County have improved since the previous evaluation period when the unemployment rate reached a high of 11% in 2010. The higher unemployment rates in this AA resulted from the closure of a major regional employer, ALCOA, in 2009. Over 1,000 jobs were lost, leading to a decline in per-capita income, out-migration, an increase in poverty rates, and a lack of retail and real estate development. Drought conditions over more recent years also negatively affected the agricultural industry in this area, which provides approximately 20% of the jobs in Milam County. Major employers in

this area include: health care industries, local and state governments, a commercial builder, industrial fabrication, and a poultry farm. Census data reflects the median home value approximates \$84,000 and the 2014 updated HUD average median family income is \$51,600.

Unemployment rates in Lee County were much lower, averaging 4.0% in 2014. This area has benefitted from strong employment in the oil and gas industry during the evaluation period. Agriculture is also a leading industry within this county, as well as state and local governments and the Giddings State School, a Texas Youth Commission facility. The median home value in this area approximated \$114,000, while the average median family income is the same as Milam County.

Travis and Williamson Counties

CNB's AA includes all of Williamson County with branches in Coupland, Round Rock, and Taylor. The AA also includes portions of eastern Travis County near the bank's branch office in Pflugerville, Texas. Travis and Williamson Counties are part of the Austin-Round Rock MSA.

The FDIC's June 30, 2014 deposit market share report shows 28% of bank deposits originate from the Williamson County branches and 12% from the Travis County branch. Competition in this AA is very strong. The FDIC's June 30, 2014 market share report shows that are at least 50 financial institutions in this market. CNB's deposit market share is only 0.45%.

The bank's AA in this MSA includes 93 CTs. There are no low-income CTs, 16% are moderate-income, 51% middle-income and 33% are upper-income CTs. Two of the bank's branches in Round Rock and Taylor are in moderate-income CTs. The other branches in this AA are located in upper- and middle-income CTs.

According to the 2010 Census data, the population of the bank's AA is 457,513. The entire Austin-Round Rock MSA includes five counties with a population of 1.7 million. Approximately 12% of the households in the bank's AA were below poverty level.

Data from the BLS reflects the average 2014 unemployment rate for Travis County was 4.0% and 4.3% in Williamson County, which were both lower than the state average unemployment rate of 5.1%. During the evaluation period, the Austin-Round Rock MSA has ranked highly in numerous reports and lists for economic and job growth. Light commercial, retail, real estate, agri-business, materials and communication equipment manufacturing, technology industries, as well as state and local governments provide employment opportunities in this area. Major area employers include technology companies such as Dell, Inc., Samsung, IBM, National Instruments, AMD, and Emerson. The Sears Call Center, Round Rock Premium Outlet Mall, and health care industries are also major employers.

Census data reflects the median home value approximates \$174,000 and the 2014 updated HUD average median family income \$75,400.

Falls County

CNB's AA in Falls County includes one CT, a distressed area adjacent to Milam County. The bank's AA includes the community of Rosebud, Texas. Falls County is a rural non-MSA county; however, in 2014, the county was added to the Waco MSA. The bank does not have any branches in this AA, but does have several long-standing relationships with agricultural borrowers in this AA. The population of the bank's AA approximates 2,765. The area is distressed due to high poverty rates, which exceed 15%. The median home value is \$55,200 while the updated 2014 HUD median family income was \$54,100. Dunn & Bradstreet reports reflect 36 farms in the bank's AA and 121 other non-farm businesses.

Community Contacts

As part of this evaluation, we determined the community credit needs in CNB's AAs by reviewing the CRA Public Evaluations of other banks operating in the same areas and conducting two community contacts with local non-profit organizations focusing on economic development and community services. We determined that the most pressing credit need in the bank's AA is economic development, job creation, and affordable housing. Other identified needs include financial literacy.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated "Satisfactory."

Loan-to-Deposit Ratio

Based upon the bank's resources, financial capacity, competitive environment and other performance context factors, the bank's LTD ratio is reasonable and meets the standard for satisfactory performance.

CNB's quarterly average LTD ratio since the last CRA evaluation is reasonable at 35.13%. This ratio is slightly lower than the 39.5% in our previous CRA evaluation due to several factors. The dollar volume of the loan portfolio has increased \$43 million, but deposit growth has been stronger at \$69 million. This is due in part to a higher volume of local public funds and strong deposit growth in portions of the bank's AA such as Lee County. Since the previous evaluation period, the bank has acquired additional public funds that have averaged \$44 million over the past three years. CNB must purchase investment securities to pledge against these public funds and they are not available for lending. The average volume of public funds in the previous evaluation period was \$25 million, approximately half of the current volume. The bank's quarterly average LTD ratio would have approximated 48%, without public fund deposits, more in line with local peers and competitors, which averaged 44% over the evaluation period.

The banks used for comparative purposes are included in the table below. These banks all have branches and compete in the same markets as CNB and offer similar types of products and services.

BANK NAME	CITY	STATE	COUNTY	ASSETS (000s)	LTD Ratio
First Texas Bank	Georgetown	TX	WILLIAMSON	542,420	36.18
Union State Bank	Florence	TX	WILLIAMSON	485,677	39.21
Round Top State Bank	Round Top	TX	FAYETTE	442,414	46.2
<i>Citizens National Bank</i>	<i>Cameron</i>	<i>TX</i>	<i>MILAM</i>	<i>394,768</i>	<i>35.13</i>
R Bank	Round Rock	TX	WILLIAMSON	308,151	66.98
Classic Bank, National Association	Cameron	TX	MILAM	280,880	70.08
The City National Bank of Taylor	Taylor	TX	WILLIAMSON	192,860	40.24
First National Bank of Giddings	Giddings	TX	LEE	184,766	50.29
Buckholts State Bank, The	Buckholts	TX	MILAM	78,563	41.9
Schwertner State Bank	Schwertner	TX	WILLIAMSON	40,287	26.42
The Granger National Bank	Granger	TX	WILLIAMSON	33,733	23.77

High unemployment rates in the distressed areas of Milam County and Falls County were also a factor contributing to weaker loan demand in portions of the bank's AAs during this evaluation period. In 2014, CNB began offering longer-term fixed rate loans through a mortgage-banking program in which loans are underwritten for sale in the secondary market. This program is still relatively new, but in 2014, CNB originated and sold over \$800 thousand in mortgage loans that are not reflected in the LTD ratio.

CNB's actual LTD ratio has increased each quarter since fourth quarter 2013, reaching a high of 41.97% at year-end 2014.

Lending in Assessment Area

Lending in the bank's AAs is reasonable and meets the standard for satisfactory performance.

A substantial number of the bank's loans originate within its AAs. As reflected in the table below, CNB originated 80% of its loans in the bank's AAs. The dollar volume of loans within the AA is lower at 49%, but this is due primarily to larger out-of-area loans in portions of Travis County and several large out-of-area participations purchased.

Table 1 Lending in the Assessment Areas (2012-2014)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans (HMDA)	79	58.52	56	41.48	135	11,985	39.43	18,413	60.57	30,398
Business Loans	403	75.61	130	24.39	533	53,317	45.17	64,730	54.83	118,047
Agriculture/Farm Loans	439	77.70	126	22.30	565	33,607	56.99	25,358	43.01	58,965
Consumer Loans	705	88.46	92	11.54	797	5,976	82.23	1,291	17.77	7,267
Total	1626	80.10	404	19.90	2030	104,885	48.86	109,792	51.14	214,677

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

Overall, the bank’s distribution of loans to borrowers of different income levels and to businesses of different sizes is reasonable.

CNB’s penetration of loans to small businesses and small farms is excellent, exceeding the standard for satisfactory performance. Small consumer loan distributions in the bank’s largest market are also excellent among LMI borrowers. Residential lending performance is less than reasonable. In our analysis, we placed more emphasis on performance in CNB’s larger markets and we focused on small business, farm, and consumer lending performance, because these loans were considered responsive to the distressed AA needs, particularly in Milam County.

Milam and Lee Counties

The distribution of loans to borrowers of different income levels is excellent in Milam and Lee Counties. Our analysis for this AA focused on the bank’s primary loan products for the area, including business, agricultural loans, and consumer loans. We also reviewed the bank’s HMDA reportable loans.

Business Loans

As reflected in the table below, penetration among small businesses in this AA is excellent. Small businesses are those with less than \$1 million in annual revenue. The distribution of small business loans exceeds AA demographics in both number and dollar volume.

Table 2A Borrower Distribution of Loans to Businesses in Lee and Milam County Assessment Areas				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.16	3.71	26.14	100%
% of Bank Loans in AA by #	90.91	9.09	N/A	100%
% of Bank Loans in AA by \$	33.43	66.57	N/A	100%

Source: Business Loan sample (44); Dunn and Bradstreet data

Farm/Agricultural Loans

Penetration among small farms and agricultural related businesses in this AA is also excellent, exceeding AA demographics. As reflected in the table below, 100% of the agricultural loans sampled were to small farmers/ranchers.

Table 2A Borrower Distribution of Loans to Farms Lee and Milam County Assessment Areas (2012 - 2014)				
<i>Business Revenues (or Sales)</i>	<i>≤\$1,000,000</i>	<i>>\$1,000,000</i>	<i>Unavailable/ Unknown</i>	<i>Total</i>
% of AA Businesses	99.42	0.58	0.00	100%
% of Bank Loans in AA by #	100%	0.00	N/A	100%
% of Bank Loans in AA by \$	100%	0.00	N/A	100%

Source: Agricultural/Farm Loan sample (35); Dunn and Bradstreet data

Consumer Loans

Penetration among LMI income borrowers was also excellent, exceeding AA demographics.

Table 2B Borrower Distribution of Consumer Loans Lee and Milam County Assessment Areas (2012 – 2014)								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	20.52	34.09	16.27	29.55	17.59	18.18	45.61	18.18

Source: Sample of 20 Consumer Loans, 2014 U.S. Census data

Residential Loans

We also reviewed residential lending performance, including loans reported pursuant to HMDA. During the evaluation period, CNB made 21 HMDA reportable loans totaling \$2.5 million in this AA. These loans included two multi-family loans totaling \$1.9 million in Lee County that provided affordable housing to LMI tenants. The number of 1-4 family residential mortgage loan originations was small, limiting a meaningful analysis. The majority of HMDA reportable loans (62%) in this AA were to upper-income borrowers with non-owner occupied investment properties.

Travis and Williamson Counties

The distribution of loans to borrowers of different income levels in the Travis and Williamson County AA is reasonable. For our analysis, we focused on business and residential HMDA loans. We placed more emphasis on the bank’s primary product - small business loans.

Business Loans

As reflected in the table below, penetration among small businesses with annual revenues less than \$1 million is excellent, exceeding AA demographics in both number and dollar volume.

Table 2A Borrower Distribution of Loans to Businesses in Travis – Williamson County Assessment Areas (2012 - 2014)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.88	2.69	24.43	100%
% of Bank Loans in AA by #	88.57	11.43	N/A	100%
% of Bank Loans in AA by \$	76.93	23.07	NA	100%

Source: Loan sample; Dunn and Bradstreet data

Residential Loans

CNB’s residential loan distribution in this AA is centered in Williamson County. During the evaluation period, CNB originated 43 mortgage loans totaling \$8 million in Williamson County. Our sample of the HMDA loans revealed penetration among LMI borrowers is poor and below AA demographics. The majority of the bank’s HMDA loans in this AA are to upper-income individuals. A significant number of loans (31%) were to corporate or business entities and income information was not reported for HMDA purposes.

Table 2 Borrower Distribution of Residential Real Estate Loans Travis and Williamson County Assessment Area (2012 - 2014)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Loans	14.03	6.90	17.37	3.45	23.66	10.34	48.28	48.28

Source: Loan sample (29) included purchase, refinance, and home improvement; 2010 Census Data, Income was N/A on 9 loans (31.03% of sample)

Falls County

A significant majority of CNB’s loans in the Falls County AA is agricultural and/or farm related. All 22 of the loans sampled were to small farms with annual revenues less than \$1 million. The penetration of loans to borrowers of different income levels in Falls County is consistent with the business and farm loan distributions in the other AAs.

Geographic Distribution of Loans

The Bank’s lending performance reflects an excellent dispersion of loans throughout its AAs including LMI areas, exceeding the standards for satisfactory performance.

Milam and Lee Counties

The dispersion of loans in Milam and Lee Counties reflects an excellent percentage of loans in distressed middle-income and moderate-income areas consistent with AA demographics.

Business Loans

During 2012 - 2014, CNB originated 261 business loans totaling \$20 million in this AA. We sampled 44 business loans and the geographic distribution was consistent with AA demographics. The majority of the loans were in middle-income CTs, of which 52% were distressed middle-income CTs in Milam County. The percentage of loans in moderate-income CTs is just slightly below AA demographics. The majority of the sampled loans in upper-income areas were in Lee County and/or the distressed upper-income areas of Milam County. The table below summarizes the geographic distribution of business loans compared to AA demographics.

Table 3A Geographic Distribution of Business Loans Lee and Milam County Assessment Areas (2012 - 2014)								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	0.00	0.00	12.51	11.36	53.38	56.82	34.11	31.82

Source: Sample of Business Loans, D & B data

Farm/Agricultural Loans

During 2012 - 2014, CNB originated 346 farm or agricultural related loans totaling \$17 million in this AA. We sampled 35 loans and found an excellent distribution of loans in all areas, particularly distressed areas. The distribution of loans in moderate- and middle-income CTs was excellent, significantly exceeding AA demographics. Approximately 86% of the loans in middle-income CTs were in distressed areas and 50% of the loans in upper-income areas were in distressed CTs. The following table summarizes the geographic distribution of farm and agricultural related loans as compared to AA demographics.

Table 3A Geographic Distribution of Farm Loans Lee and Milam County Assessment Areas (2012 - 2014)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans
Farms	0.00	0.00	6.38	22.86	44.35	60.00	49.28	17.14

Source: Sample of Agricultural/Farm loans, Dunn& Bradstreet data

Consumer Loans

During 2012 - 2014, CNB originated 615 small consumer loans totaling \$5 million in this AA. We sampled 44 loans and found an excellent distribution of loans in all areas, particularly distressed areas. The distribution of loans in moderate- and middle-income CTs was excellent, exceeding AA demographics. Approximately 71% of the loans in middle-income CTs were in distressed areas. The table below summarizes the geographic distribution of consumer loans as compared to AA demographics.

Table 3B Geographic Distribution of Consumer Loans Lee and Milam County Assessment Areas (2012 - 2014)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	8.64	13.64	47.56	47.73	43.80	38.64

Source: Sample of Consumer Loans, 2010 Census Data

Travis and Williamson Counties

The distribution of business loans in Travis and Williamson Counties reflects excellent dispersion, particularly in moderate-income areas exceeding the standard for satisfactory performance. Residential loan distributions are reasonable.

Business Loans

During 2012 - 2014, CNB originated 139 business loans totaling \$33 million in this AA. We sampled 30 loans and found that CNB originated 27% of its loans in moderate-income CTs, exceeding AA demographics. There are no low-income CTs in the bank's AA. Loan distributions in middle- and upper-income CTs were consistent with AA demographics. The following table summarizes the geographic distribution of business loans compared to demographics in the Travis-Williamson County AA.

Table 3A Geographic Distribution of Business Loans Travis – Williamson County Assessment Areas (2012 - 2014)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	0.00	0.00	15.38	26.67	47.82	46.67	36.80	26.67

Source: Sample of Business Loans, Dunn & Bradstreet data

Residential Loans

Residential loan distribution in this AA is reasonable. CNB has no residential loans in the portions of Travis County designated as its AA due in part to loan officer turn-over in the Travis County branch and the small size of the bank's Travis County AA. CNB does have residential loans in other nearby areas of Travis County. Management is evaluating expansion of the Travis County AA. The majority of CNB's residential loans in this AA are centered in Williamson County. Our loan sample reflected reasonable dispersion throughout this portion of its AA. The distribution of loans in moderate-income areas of Williamson County was 30%, which reflects an excellent dispersion, exceeding AA demographics. The majority of loan originations were in middle-income CTs, which is consistent with AA demographics as reflected in the table below.

Table 3 Geographic Distribution of Residential Real Estate Loans Travis and Williamson County Assessment Areas (2012 - 2014)								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase and Refinance	0.00	0.00	10.04	44.83	51.26	51.72	38.70	3.45

Source: Sample (29) HMDA Loans; 2010 U.S. Census data

Falls County

We did not perform a geographic loan distribution analysis in CNB's Falls County AA since the AA consisted of only one distressed middle-income CT. Throughout the evaluation period, all portions of this county were either distressed middle-income areas, moderate- or low-income areas.

Responses to Complaints

The bank has not received any complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development (CD) Test is rated Outstanding.

When considering CNB's financial resources and economic challenges in the distressed areas of its largest markets, the bank's CD performance demonstrates an excellent responsiveness to CD needs in its AAs through a combination of CD loans, investments, and services.

Number and Amount of Community Development Loans

Qualified CD loans are those that meet the definition of CD as defined in the CRA regulation and do not include loans considered under the Lending Test. CNB originated numerous small business and farm loans supporting economic growth and job retention in its AAs; however, these loans were all evaluated under the Lending Test.

Lee and Milam Counties

CNB has originated an excellent level of CD loans in the Milam and Lee County AAs. During the evaluation period, the bank made 16 CD loans totaling \$8.8 million. Two of these loans totaling \$936 thousand provide affordable housing for LMI individuals; five loans support economic development (four of these five loans support revitalization in distressed areas of Milam County). The remaining nine loans total \$197 thousand and support essential community needs. The volume of CD loans represented 22% of CNB's capital.

Several CD loans in this AA were particularly responsive to community needs. One loan relationship involved three loans totaling \$6.8 million for financing commercial property of a former seating manufacturer in Cameron, Texas. CNB's financing facilitated a complex new market tax credit (NMTC) investment transaction and the re-opening of a major employer in this distressed community. CNB's loans and the NMTC investment brought over 100 jobs back to Cameron.

Another example of CNB's responsiveness is reflected in its \$400 thousand participation in a loan to improve the hospital within this distressed community. The loan helped to prevent the hospital from closing.

Travis and Williamson Counties

CNB's CD lending performance in the Travis and Williamson County AA is also excellent. During the evaluation period, the bank made two CD loans totaling \$7.3 million. These loans supported economic development and permanent job creation in moderate-income areas. The volume of CD loans in this AA represented 18% of the bank's capital.

Falls County

CNB did not originate any CD loans in the Falls County AA; but, all of the loans in this AA support farming and agriculture in this distressed area. The bank's farm loans were all evaluated under the Lending Test.

Other Loans

In addition to the CD loans originated within its AA, CNB originated an affordable housing loan totaling \$220 thousand in southern Travis County. CNB also purchased a community development loan totaling \$3.4 million, which provides housing and essential medical and nursing home facilities for LMI individuals in Texas.

Number and Amount of Qualified Investments

Considering the needs and opportunities in its AAs, CNB's performance meets satisfactory standards. Investments, deposits, membership shares, or grants that have CD as their primary purpose, are defined as "qualifying investments" in the CRA regulation. Investments support community services that target LMI families and individuals.

Lee and Milam Counties

The level of qualified investments in Lee and Milam counties is adequate. CNB has 24 current period investments in the form of donations totaling \$5.6 thousand to various non-profit organizations, providing essential services to LMI individuals in the distressed areas of Milam County. Donations supported educational programs for farmers and financial literacy in local schools where the majority of students are economically disadvantaged.

CNB also donated \$300 thousand to the local economic development board in support of economic development and permanent job creation within the city of Cameron. Investments in Lee County were minimal. There are no qualified prior period investments in this AA.

Travis and Williamson Counties

The level of qualified investments in Travis and Williamson Counties meets the standard for satisfactory performance. The bank has 12 current period investments in the form of donations to non-profit organizations totaling \$4.8 thousand that provide medical, educational and childcare services to LMI individuals. CNB also has two current period municipal bond investments totaling \$705 thousand that provide improvements to schools and classrooms in the moderate-income areas of Taylor, in Williamson County, where the majority of students are economically disadvantaged. There are no qualified prior period investments in this AA.

Falls County

CNB's performance in this limited scope AA is weaker than in the full scope AAs. CNB did not have any CD investments in this AA.

Other Investments

CNB has 13 current period municipal investments in Texas schools outside its AAs totaling \$4 million where the proceeds were used to fund new classrooms and other improvements to local schools in which the majority of students are economically disadvantaged. CNB has 15 prior period investments in Texas with a similar purpose totaling \$3.2 million.

Extent to Which the Bank Provides Community Development Services

CNB provides an adequate level of CD services through its branches, products, services, and activities with local organizations that support CD and services to LMI individuals.

Qualified CD services must meet the definition of "community development" in the CRA regulation and must be related to providing financial services to LMI individuals or to organizations serving LMI individuals.

Lee and Milam Counties

The bank's CD services were adequate for the Lee and Milam County AA. CNB's main office in Cameron (Milam County) is located in a moderate-income area and the drive-through location is in an upper-income distressed area. The bank's branch office and drive-through location in Rockdale (Milam County) are both located in a distressed middle-income area. Bank locations in these distressed areas assist in the economic stabilization of the area. The CNB office and drive-through location in Giddings (Lee County) are located in the area's only middle-income CT, all other CTs in this County are upper-income. Overall, CNB offices are reasonably accessible to LMI individuals in the AA. The bank offers a variety of consumer, commercial, and agricultural/farm loans and services as described in the CRA Public File.

Bank officers provide financial skills as Board members of several non-profit civic organizations in Milam and Lee Counties that provide essential services to LMI individuals in the AA. One such organization, Cameron Rotary Club, raised funds and matching grants to open a Community Learning Center in Cameron. The center provides learning opportunities for adults and students in basic computer skills and literacy. As a Board member on the Rotary Club, a bank officer has also supported fund raising efforts for the local thrift store and food pantry. CNB officers participate in financial literacy courses at Rockdale schools and Career Day at Cameron High School. A bank officer also serves as Treasurer on the Cameron Industrial Foundation, which was established to bring jobs to Cameron and Milam Counties by bringing new business to the AA.

Travis and Williamson Counties

The bank's CD services were adequate for the Travis and Williamson County AA. CNB's office in Pflugerville (Travis County) is located in an upper-income area. Two of the branch locations in Williamson County are located in moderate-income CTs of Taylor and Round Rock. The remaining branch office in Williamson County is in Coupland, TX, which is in a rural middle-income CT. Overall, CNB offices are reasonably accessible to LMI individuals in the AA. The bank offers a variety of consumer, commercial, and agricultural/farm loans and services as described in the CRA Public File.

Bank officers have provided financial literacy and educational programs to high school students in Taylor and to elementary students in Coupland and Pflugerville where the majority of students are economically disadvantaged. Bank officers also serve in non-profit civic organizations in Williamson County supporting essential needs of LMI individuals through organizations such as the Shepherd's Heart Food Pantry and Thrift Store, and the Round Rock Leadership School, which is renovating an emergency children's shelter. Bank officers have provided financial expertise to organizations such as the Taylor Salvation Army and the Taylor Economic Development Board.

Falls County

CNB's CD services in this county are limited. CNB's closest banking location is in Cameron, which is approximately twenty miles from this distressed rural area.

Responsiveness to Community Development Needs

CNB's CD activities as a whole demonstrate excellent responsiveness to the needs and opportunities in its AAs. We placed more emphasis on performance in the larger markets, full scope AAs. The bank is aware of and responsive to affordable housing and economic development needs in its AAs primarily through its lending and investment performance. Community contacts ranked economic development as one of the most pressing needs in the distressed areas. CNB's CD loans in Cameron have supported economic development through job retention and creation. CNB's involvement in economic development and loans to local economic development organizations in most all of its AAs further demonstrate its responsiveness to AA needs.

CNB's branch locations are accessible to all individuals and businesses within its AAs, with 50% of its branches located in either moderate-income areas or distressed middle-income areas. Full service operations are available at most locations, with ATMs available at either the main bank or drive-through location in each city. The Coupland branch location does not have an ATM; but the bank does offer full service operations in this location Monday –Friday from 9:00 AM – 3:00 PM. CNB also offers an account in which nationwide ATM fees are refunded up to \$25.00. CNB's Internet banking features further support accessibility to banking services by allowing customers to access their accounts, transfer funds, and pay bill remotely.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs