



PUBLIC DISCLOSURE

October 02, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank at Brownwood
Charter Number 14273

1 Carnegie
Brownwood, TX 76801

Office of the Comptroller of the Currency

9003 Airport Freeway
Suite 275
North Richland Hills, TX 76180-9127

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, 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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The major factors supporting the rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are inside the bank's assessment area (AA).
- The distribution of residential real estate loans among borrowers of different income levels exhibits an excellent penetration. The distribution of loans to businesses of different sizes reflects an excellent penetration.
- The geographic distribution of residential real estate loans reflects an excellent dispersion across the low-and moderate-income (LMI) census tracts, while business loans reflect a reasonable dispersion across the LMI geographies.

Definitions and Common Abbreviations

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

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

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

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

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

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

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

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

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

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

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

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

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

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

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

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

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

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

Description of Institution

Citizens National Bank at Brownwood (CNB or bank) is a full-service community bank located in Brownwood, Texas, which is located approximately 140 miles northwest of Austin, Texas. CNB is wholly-owned by Brownwood Bancshares, Inc. (BBI), a one-bank holding company, the primary mission of which is the ownership of CNB. BBI is 100 percent owned by Citizens Financial Corporation of Brownwood, Inc., whose primary mission is the ownership of BBI. The previous CRA evaluation, dated November 15, 2011, assigned a “Satisfactory” rating to the bank.

There are no legal or financial impediments to CNB’s ability to meet the credit needs of its AA. We did not consider the activities of affiliates in this evaluation.

CNB is a full-service bank, offering a full-range of loan and deposit products, as well as online and telephone banking for individuals and businesses. As shown in the following table, the bank’s primary lending products include commercial, commercial real estate, and residential real estate loans. CNB also participates in government-guaranteed rural development loans as well as originating a number of residential mortgage loans that are sold into the secondary mortgage market.

As of June 30, 2017, net loans were 56 percent of CNB’s total assets of \$209 million. The following table is a summary of CNB’s loan portfolio. The bank’s Tier One Capital as of June 30, 2017 was \$26 million.

| Citizens National Bank at Brownwood Loan Portfolio Summary | | |
|---|--------------------------------|-------------------|
| Loan Category | Dollar Volume (\$000's) | Percentage |
| Commercial and Commercial Real Estate | 41,089 | 35% |
| Residential Real Estate | 32,437 | 27% |
| Agriculture and Ranch | 16,626 | 14% |
| Consumer | 15,192 | 13% |
| Construction and Other | 13,085 | 11% |
| Total Loans | 118,429 | 100% |

Source: June 30, 2017 Report of Condition.

CNB’s physical offices are its primary delivery system for retail products and services. In addition to its main office in Brownwood, the bank has a branch office also located in Brownwood. Both facilities are situated in moderate-income census tracts.

CNB did not engage in any merger or acquisition activity during the evaluation period or open or close any branches.

The main office has a drive-up facility with extended weekday hours to 6:00 p.m. and Saturday hours of 8:30 a.m. to 12:00 p.m. The branch office is located inside a Wal-Mart store. Its hours are Monday through Friday 10:00 a.m. to 7:00 p.m. and Saturday 10:00 a.m. to 4:00 p.m.

The main office and branch each have an ATM with 24 hour access. Additionally, there is an ATM at the front entrance of Heartland Mall in Brownwood and one at the Brownwood Regional Medical Center, both with 24 hour access. None of the ATMs are full-service (i.e., accepting check and cash deposits). For a fee, CNB customers can access more than 415,000 ATMs nationally in the Pulse network.

CNB's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as small business owners throughout the bank's AA. CNB offers on-line banking through its web site, *cnb-brownwood.com*. Bank customers can utilize on-line banking and the mobile app at no charge. Telephone banking in English and Spanish is available. ATM services are available in English and Spanish. The main office and the branch each have employees who speak Spanish. CNB offers secured and unsecured small dollar personal loans to qualified customers. The bank also offers start-up and working capital loans for small businesses.

CNB has one AA that includes all of Brown County, Texas. CNB is ranked second among depository institutions in the AA. The bank's major competitors are Texas Bank and Mills County State Bank. See appendix B for a full discussion of the AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

CNB is subject to the interagency Small Bank CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank's performance under the Lending Test. The evaluation period ranges from November 15, 2011, the date of the prior PE, through October 2, 2017, the date of the current evaluation. We identified commercial and commercial real estate loans (business loans) and residential real estate loans as the bank's primary loan products. The Lending Test concentrated on lending activity from January 1, 2015 to December 31, 2016. As the 2017 census data was not available at the time of this CRA evaluation, our lending analysis does not include 2017 loan data.

In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2015 and 2016.

Data Integrity

This evaluation is based on accurate data. To evaluate CNB's performance relative to business and residential lending, we selected a random sample of 30 residential loans and 30 business loans that were originated and purchased inside the AA during the 2015 through 2016 timeframe. CNB is not a HMDA reporter as its main office and branch are both in Brownwood, which is not located in an MSA.

Selection of Areas for Full-Scope Review

As previously noted, CNB has delineated one AA that includes all of Brown County, Texas. Consequently, we conducted a full-scope review of the AA. Please refer to appendices A and B for additional information on the AA.

Ratings

The bank's overall rating is based primarily on the bank's sole AA. As noted immediately above, the AA received a full-scope review.

Discriminatory or Other Illegal Credit Practices Review

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

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

Conclusions with Respect to Performance Tests

LENDING TEST

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

Loan-to-Deposit Ratio

CNB's LTD ratio is reasonable given the bank's size, location, local competition, and the credit needs of the AA. The LTD ratio is calculated on a bank-wide basis. This determination is based on the quarterly average LTD ratio of 65.51 percent from

December 31, 2011 through June 30, 2017. During this evaluation period, CNB's LTD ratio ranged from a low of 61.68 percent to a high of 72.81 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSIs). All are community banks with less than \$1 billion in assets that actively offer similar loan products and have branch locations in the AA.

The quarterly average LTD ratio for each SSI is listed in the following table. Please note that no ranking is intended or implied.

| Loan-to-Deposit Ratios | | |
|-------------------------------------|---|-------------------------------|
| Financial Institutions | Total Assets \$ (000's) (As of 6/30/2017) | Average Loan-to-Deposit Ratio |
| Citizens National Bank at Brownwood | 209,103 | 65.51% |
| Texas Bank | 458,508 | 85.10% |
| Mills County State Bank | 298,295 | 50.49% |

Source: Institution Reports of Condition from December 31, 2011 to June 30, 2017.

Lending in Assessment Area

As calculated on a bank wide basis, a majority of the number and dollar amount of CNB's loans were originated or purchased inside its AA. As depicted in Table 1 below, 89.55 percent of the number and 91.35 percent of the dollar amount of loans were originated or purchased inside the AA.

| Table 1 - Lending in AA | | | | | | | | | | |
|-------------------------|-----------------|--------|---------|-------|-------|---------------------------|--------|---------|-------|-------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (\$000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase | 19 | 90.48 | 2 | 9.52 | 21 | 1,630 | 91.59 | 149 | 8.41 | 1,779 |
| Home Improvement | 5 | 83.33 | 1 | 16.67 | 6 | 238 | 90.60 | 25 | 9.40 | 263 |
| Home Refinance | 6 | 100.00 | 0 | 0.00 | 6 | 316 | 100.00 | 0 | 0.00 | 316 |
| Business | 30 | 88.24 | 4 | 11.76 | 34 | 1,722 | 89.80 | 196 | 10.20 | 1,918 |
| Totals | 60 | 89.55 | 7 | 10.45 | 67 | 3,906 | 91.35 | 370 | 8.65 | 4,276 |

Source: Loan sample.

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

The borrower distribution of loans in the AA reflects excellent penetration.

Residential Real Estate Loans

The distribution of home mortgage loans among borrowers of different income levels reflects excellent penetration. As detailed in Table 2 below, in each loan category, the bank's 1-4 family real estate lending to moderate-income borrowers exceeds the percentage of families in that income level. Although CNB's home purchase lending (10.53 percent) lags the percentage of low-income families (20.74 percent) and no home refinance loans to low-income borrowers were present, home improvement lending approximated the demographic. As 12 percent of the families in the AA live below the poverty level, this reduces the ability of the 21 percent of families in the AA that are low-income to qualify for residential loans. This reflects a reasonable level of lending to low-income borrowers.

| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
|-----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase | 20.74 | 10.53 | 18.54 | 26.32 | 19.62 | 21.05 | 41.11 | 42.11 |
| Home Improvement | 20.74 | 20.00 | 18.54 | 20.00 | 19.62 | 40.00 | 41.11 | 20.00 |
| Home Refinance | 20.74 | 0.00 | 18.54 | 33.33 | 19.62 | 16.67 | 41.11 | 50.00 |

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

Commercial Loans

The distribution of business loans reflects an excellent penetration among businesses of different sizes. As depicted in Table 2A below, the percentage of loans by number to small businesses (83.33 percent) exceeds the percentage of small businesses in the AA (79.04 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (66.96 percent) is slightly below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
|------------------------------|--------------|--------------|---------------------|-------|
| % of AA Businesses | 79.04 | 5.08 | 15.88 | 100% |
| % of Bank Loans in AA by # | 83.33 | 16.67 | 0.00 | 100% |
| % of Bank Loans in AA by \$ | 66.96 | 33.04 | 0.00 | 100% |

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects a reasonable dispersion. We did not identify any material or unexplained gaps in our analysis of lending in the AA.

Residential Real Estate Loans

The bank's geographic distribution of home loans in the AA demonstrates an excellent dispersion throughout the moderate-income CTs. There are no low-income CTs in the AA. As detailed in Table 3 below, in the home improvement and refinance loan categories, the bank's 1-4 family real estate lending originated in the moderate-income census tracts exceeds the percentage of owner-occupied housing units in those geographies. The home purchase loan category approximated the demographic.

| Table 3 - Geographic Distribution of Residential Real Estate Loans in AA | | | | | | | | |
|--|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| 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 | 0.00 | 0.00 | 11.72 | 10.53 | 59.71 | 52.63 | 28.57 | 36.84 |
| Home Improvement | 0.00 | 0.00 | 11.72 | 40.00 | 59.71 | 20.00 | 28.57 | 40.00 |
| Home Refinance | 0.00 | 0.00 | 11.72 | 33.33 | 59.71 | 50.00 | 28.57 | 16.67 |

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

Commercial Loans

Business loans originated by the bank during the review period reflect an overall reasonable geographic dispersion. As shown in Table 3A below, the percent of the bank's loans to businesses in the moderate-income CTs is below the percent of businesses located in those geographies. All three of the moderate-income geographies are in the City of Brownwood and include most of the downtown area. The downtown businesses are well established in the area and typically do not require ongoing financing. This somewhat mitigates the bank's reduced level of business lending in the moderate-income CTs.

| Table 3A - Geographic Distribution of Loans to Businesses in AA | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Business | 0.00 | 0.00 | 30.16 | 16.67 | 42.65 | 53.33 | 27.19 | 30.00 |

Source: Loan sample; Dun and Bradstreet data.

Responses to Complaints

No CRA-related complaints were made against the bank during this evaluation period.

Appendix A: Scope of Examination

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

| | | |
|---|---------------------------------------|---|
| Time Period Reviewed | Lending Test: 01/01/2015 – 12/31/2016 | |
| Financial Institution | | Products Reviewed |
| Citizens National Bank at Brownwood (CNB or bank) Brownwood, Texas | | Commercial Loans Commercial Real Estate Loans Residential Loans |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| N/A | | |
| List of Assessment Areas and Type of Examination | | |
| Assessment Area | Type of Exam | Other Information |
| Texas Non-MSA | Full-Scope | Brown County |

Appendix B: Community Profiles for Full-Scope Areas

CNB AA

| Demographic Information for Full-Scope Area: CNB AA | | | | | | |
|---|----------|---|-----------------|---------------|--------------|------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 12 | 0.00 | 25.00 | 50.00 | 25.00 | 0.00 |
| Population by Geography | 38,106 | 0.00 | 17.94 | 53.86 | 28.20 | 0.00 |
| Owner-Occupied Housing by Geography | 9,826 | 0.00 | 11.72 | 59.71 | 28.57 | 0.00 |
| Businesses by Geography | 2,185 | 0.00 | 30.16 | 42.65 | 27.19 | 0.00 |
| Farms by Geography | 140 | 0.00 | 5.71 | 54.29 | 40.00 | 0.00 |
| Family Distribution by Income Level | 9,375 | 20.74 | 18.54 | 19.62 | 41.11 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 3,682 | 0.00 | 21.92 | 57.69 | 20.39 | 0.00 |
| Median Family Income | \$48,574 | Median Housing Value Unemployment Rate | | | | \$77,587 4.2% |
| FFIEC Updated Median Family Income for 2016 | \$52,400 | | | | | |
| Households Below the Poverty Level | 17.86% | | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, 2016 FFIEC updated MFI and Bureau of Labor Statistics.

The AA includes 12 CTs that comprise all of Brown County, which is not located in an MSA. Of the 12 CTs, three are moderate-income, six are middle-income and three are upper-income. The City of Brownwood is the county seat and the largest city in the AA with a population of 19,288 at the 2010 Census. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

As previously noted, the main office and branch are located in Brownwood. Both facilities are situated in moderate-income census tracts. According to the June 30, 2016 FDIC Deposit Market Share Report, six banks operate 13 branches within the AA. CNB is ranked second overall, holding 34.77 percent of the total market share. Texas Bank is ranked first with 40.42 percent of the deposit market. Additionally, there are two active credit unions based in Brownwood.

The economic conditions for the City of Brownwood and Brown County are generally stable and improving. The unemployment rate has hovered in the low four percent range since December 2014, comparing favorably with the State of Texas and U.S. figures. For August 2017, Brown County's unemployment rate was 4.2 percent compared to 4.5 percent for Texas and 4.4 percent for the U.S. However, as shown in

the above table, 18 percent of households in the AA live below the poverty level. None of the middle-income CTs in the AA have been designated as distressed or underserved.

No major employers closed and/or relocated during our review period. Businesses are finding it difficult to locate qualified employees. Brownwood is the site of large manufacturing companies such as Kohler, Superior Essex, and the 3-M Company as well as the home of major employers such as Brownwood Independent School District, the City of Brownwood, Brownwood Regional Medical Center and Howard Payne University. Many workers commute from neighboring rural areas and smaller towns such as Early, Coleman, May, Blanket, Zephyr, Bangs and Comanche. Outside of Brownwood, agricultural livestock operations are the dominant industry.

The residential market is stable and slightly improving as the demand for newer housing is exceeding the supply. Total housing units in the AA numbered 18,169 and are broken down as follows: 9,826 owner-occupied units (54.08 percent of total housing), 3,733 occupied rental units (20.55 percent), and 4,610 vacant units (25.37 percent). As shown in the above table, 11.72 percent (1,152) of the AA's 9,826 owner-occupied units were in the three moderate-income CTs. Approximately, 25 percent of the housing in the moderate-income geographies is vacant as is 29 percent of the housing in the middle-income CTs. See the paragraph immediately below for a discussion of the level of vacant housing.

As part of this performance evaluation, we conducted an interview with a management official of a Brownwood non-profit organization that encourages and promotes the business climate in Brown County. The official stated the credit needs of LMI residents and small business owners in Brownwood and Brown County are largely being met by the local banks, either directly or through government lending programs such as USDA and SBA programs. The official indicated there is a need for newer market rate apartments for residents who either qualify for income-restricted housing, which is not available, or whose income moderately exceeds those limits. A significant percentage of the area's housing units are vacant, owing in large part to the advanced age and deteriorating condition of many of the rental properties in the moderate- and middle-income geographies. Per the official, this excess housing inventory is somewhat hindering the construction of new affordable housing stock.