



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

January 7, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Crockett National Bank  
Charter Number 17828

502 South Koenigheim  
San Angelo, Texas 76902

Office of the Comptroller of the Currency

10001 Reunion Place, Suite 250  
San Antonio, Texas 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 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."**

- Crockett National Bank's (CNB) lending performance reflects a satisfactory response to its community credit needs given its size, financial condition, the known credit needs within its assessment areas (AAs) and relevant competitive factors.
- The bank's quarterly loan-to-deposit (LTD) ratio since the last examination in July 2008 is outstanding and significantly exceeds local peer institutions at **97%**.
- The number of loans in the bank's designated AAs approximates **64%**, meeting the standard for satisfactory performance. However, CNB has made a significant dollar volume of loans outside its AAs (58%). Overall, the volume of loans within the AA is considered reasonable relative to the deposits within the AA. Most of the loans outside of the AA were generated by the bank's LPO, or the loans were in counties and cities adjacent to the AAs.
- CNB's distribution of business and agricultural loans in all AAs reflects a willingness to lend to businesses, farms, and ranches of all sizes and incomes, meeting the satisfactory standard.
- CNB's performance in residential lending to low- and moderate-income (LMI) borrowers needs improvement. The lending test showed loan distributions to LMI families below area demographics and from 2010 - 2012 there were no residential loans in Crockett County.
- CNB's geographic loan distribution meets satisfactory standards.

### **SCOPE OF EXAMINATION**

CNB was evaluated using Small Bank examination procedures which include a lending test. The lending test evaluates a bank's record of meeting the credit needs of its AAs through lending activities.

Our lending test for CNB focused on the bank's primary loan products, which in San Angelo and Crockett County were determined to be business, agricultural, and residential real estate loans. In the Austin area, our review focused on residential and business loans. The time period for evaluation included loans since the last CRA examination in July 2008, with an emphasis on loans originated between 2010 and 2012. The bank reports real estate loan information under the requirements of the Home Mortgage Disclosure Act (HMDA). HMDA data from 2010 - 2012 was tested and found to be reliable for years 2011 - 2012. HMDA data for 2010 contained a few errors and corrections were made during the examination.

This examination also included a limited review of the mortgage loans originated by CNB's newly acquired affiliate mortgage company in 2012.

### **DESCRIPTION OF INSTITUTION**

CNB was chartered in Ozona, Texas, and is a wholly-owned subsidiary of Crockett County National Bancshares, a one-bank holding company. On September 30, 2012, CNB reported total assets of \$425 million and Tier 1 capital of \$42 million. All of the bank's offices are located in Texas.

In addition to the head office in Ozona, the bank has 4 locations in San Angelo and a new full service branch in Austin. The largest full service office in San Angelo is located in a moderate income, downtown location and is referred to as the main San Angelo location. The other 3 branches in San Angelo offer only depository services. The bank’s only automated teller machine (ATM) is located at the motor bank on Koenigheim Street across the street from the main San Angelo location. Loan applications can be taken at the Ozona office, the downtown San Angelo location, the Austin location, and CNB’s San Antonio LPO, which was established in 2009.

Since the last examination, CNB closed 2 limited service branches in San Angelo, and an LPO in the Dallas/Fort Worth area. The bank’s branch office in Weatherford, Texas (Parker County) was sold in November 2010. The Austin LPO was officially established as a full service branch in 2012 and in May 2012, the bank acquired a controlling interest in an affiliated mortgage business, Gardner Financial Services, Ltd. in San Antonio, Texas.

On June 30, 2012, deposits from the Ozona office represented approximately 19% of CNB’s total deposits. Deposits from the San Angelo branches represented 80%, while Austin area deposits represented less than 2% of total deposits.

CNB customers may access their accounts through online, mobile, and telephone banking. Remote deposit capture services are also available and applications for new deposit accounts can be submitted online.

CNB’s business focus is primarily residential, ranch, and commercial lending throughout its Texas AAs. This strategy is reflected in its loan portfolio composition, which is summarized in the table below.

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$000s	%
Residential Real Estate Loans	161,245	50%
Commercial and Industrial	9,434	3%
Commercial Real Estate Loans	34,362	11%
Construction & Land Development Loans	18,592	6%
Farmland/Ranch Loans	93,023	29%
Agricultural Production Loans	972	.3%
Consumer Loans and other	3,562	1%
<b>Total</b>	<b>321,190</b>	<b>100%</b>

*Source: Institution Consolidated Reports of Condition as of September 30, 2012*

On September 30, 2012, CNB reported net loans of \$317 million representing 76% of its average assets. Based on its financial condition, resources, the local economy and product offerings, CNB has the ability to meet the various credit needs of its community. No legal impediments or other factors hinder the ability to provide credit in its AA. CNB received a “Satisfactory” rating at its previous CRA examination in July 2008.

**DESCRIPTION OF ASSESSMENT AREA(S)**

CNB has 3 AAs that include Crocket County, the San Angelo MSA, and the Austin/San Marcos/Round Rock (Austin) MSA. Tom Green and Irion counties make up the San Angelo MSA; while the Austin MSA is comprised of Travis, Williamson, Bastrop, Hays, and Caldwell counties. The bank's

branches are located in these areas and the defined AAs meet the requirements of the CRA regulation. No LMI tracts are arbitrarily excluded.

**Crockett County Assessment Area**

The Crockett County AA includes the entire rural West Texas County with a population of approximately 3,179. Ozona is the county seat and the only town within the county. Crockett County borders Irion County, which is part of the San Angelo MSA. Ozona is approximately 83 miles southwest of San Angelo.

The county is considered to be an underserved area as defined by federal regulators due to the declining population trends and population density. There were no building permits in this area in 2011. Poverty rates in this area are approximately the same as the nationwide average of 14.3%; however, census data reflects that approximately 26% of the families in this area are low-income.

The local economy is supported by ranching, primarily sheep and goats and oil/gas exploration. Recently the hotel industry has also contributed significantly to the local economy by serving tourists, hunters, and workers in the oil/gas industry. Overall, the economy in this region is considered stable. There are only 2 financial institutions with offices in Crockett County.

Recent community contacts in the area have mentioned that the growing oil/gas industry has created a need for housing. CNB’s previous participation in government guaranteed residential loan programs was recognized. The table below summarizes demographic and economic information regarding Crockett County.

<b>Demographic Information and Economic Indicators - Crockett County Assessment Area</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	1	0	0	100	0
2000 Population	4,099				
2010 Population	3,719				
Owner-Occupied Housing by Geography	771	0	0	100	0
Businesses by Geography	297	0	0	100	0
Farms by Geography	39	0	0	100	0
Family Distribution by Income Level -2010 Census	1,011	25.82%	8.90%	25.82%	39.47%
Household Distribution by Income – 2010 Census	1,259	26.05%	10.48%	26.53%	36.93%
% Owner Occupied Properties		41%	Median Housing Value - 2000	\$48,900	
HUD-Adjusted MFI: 2012		\$49,300	Median Housing Value - 2010	\$60,800	
HUD-Adjusted MFI: 2011		\$48,600	Poverty Level – 2010 Census	14.14%	
HUD- Adjusted MFI: 2010		\$46,500	Unemployment Rate - (BLS) 2011	5.3%	

*Source: 2000, 2010 US Census Data and Bureau of Labor and Statistics (BLS)*

**Description of San Angelo MSA**

CNB’s San Angelo AA includes all of the census tracts and communities in Tom Green and Irion Counties. San Angelo is the county seat of Tom Green County, while Mertzon is the county seat for Irion County. The communities within these two counties comprise the entire San Angelo MSA. The

City of San Angelo has a population of 93,200 and accounts for over 80% of the MSA’s population. Tom Green County has shown a population growth of approximately 6% over the past decade, while Irion County has shown a 10% population decline.

Leading industries in the area include local, state and federal government positions, education, and medical related businesses. Top employers in the area include: Goodfellow Air Force Base, which specializes in intelligence and firefighter training; Shannon Healthcare Systems; San Angelo ISD; and Angelo State University, a member of the Texas Tech University system. The Concho River and a strong historic atmosphere in San Angelo attract local tourism. Recently San Angelo has experienced increased job growth related to oil/gas exploration and as a result, hotel occupancy rates have increased.

San Angelo also serves as a regional hub providing goods and services to a large rural geographic region in West Texas. Overall the economy has been relatively stable the past few years despite the nationwide downturn. Unemployment rates in the MSA have been lower than the state and national averages. Poverty rates in this AA, at 15.20%, are slightly higher than in the bank’s other AAs and the average nationwide poverty rates. Census data also reflects higher poverty rates within the city of San Angelo at 17.2%. The 2012 updated MSA median family income was \$55,700. LMI families represented 38% of all families in the MSA. Additional demographic information and economic indicators for the AA are summarized below.

Demographic Information and Economic Indicators for the San Angelo MSA						
	#	% Low	% Moderate	% Middle	% Upper	N/A
Geographies (Census Tracts) - 2010	26	3.85%	26.92%	38.46%	26.92%	3.85%
2000 Population	105,781					
2010 Population	111,823					
Owner-Occupied Housing by Geography – 2010	28,650	0	0		0	
Businesses by Geography - 2010	10,386	10.79%	16.54%	43.05%	29.31%	.31%
Farms by Geography	606	5.78%	7.76%	37.62%	48.84%	0%
Family Distribution by Income Level 2010 Census	28,202	19.95%	18.61%	22.37%	39.06%	0%
Household Distribution by Income Level – 2010 Census	42,084	21.10%	18.41%	19.16%	41.34%	0%
% Owner Occupied Properties		61%	Median Housing Value - 2000		\$64,591	
HUD-Adjusted MFI: 2012		\$55,700	Median Housing Value - 2010		\$97,465	
HUD-Adjusted MFI: 2011		\$55,000	Poverty Level – 2010 Census		15.20%	
HUD- Adjusted MFI: 2010		\$51,800	Unemployment Rate - Nov. 2012		4.8%	

Source: 2000, 2010 US Census Data and Bureau of Labor and Statistics (BLS)

In June 2012, CNB reported over \$242 million in deposits from the San Angelo area branches. Additional information provided by the bank indicates that approximately 35% of these deposits are associated with Dallas area shareholders, formerly of Ozona. When these out-of- area deposits are excluded, San Angelo MSA deposits approximate 47% of the bank’s total deposits. Competition in this AA is area is very strong with over 16 banks and savings institutions in the MSA.

Community contacts during this examination mentioned a need in the community for additional housing associated with the growing oil/gas industry. CNB’s participation in the city’s Neighbor Loan Program for affordable housing was highlighted. Recent contacts have also mentioned a need for

greater participation by area banks in small business lending. Overall, the contacts had favorable comments regarding community bank participation in the AA.

### Description of Austin MSA

CNB's Austin AA includes the entire Austin/Round Rock/San Marcos MSA. The bank's branch is located in Austin in the Southwestern portion of Travis County. This AA is large for one branch location; however, we found that the bank's loans and deposits are distributed throughout this entire AA. Competition in the Austin AA is very strong with over 70 financial institutions in this market. Deposits from CNB's Austin branch represent less than .5% of the total market share in this MSA. Demographic information and economic indicators for the AA are summarized in the table below.

Demographic Information and Economic Indicators for the Austin/Round Rock/San Marcos MSA						
	#	% Low	% Moderate	% Middle	% Upper	N/A
Geographies (Census Tracts)	350	10.29%	24.57%	35.14%	29.14%	.86%
2010 Population	1,716,289					
Owner-Occupied Housing by Geography – 2010	367,502	4.29%	18.40%	38.85%	38.45%	0%
Businesses by Geography - 2010	208,167	6.15%	17.89%	31.58%	44.32%	.06%
Farms by Geography	4,636	3.86%	21.01%	39.56%	35.55%	.02%
Family Distribution by Income Level 2010 Census	388,214	17.01%	18.18%	25.96%	38.17%	-
Household Distribution by Income Level – 2010 Census	620,073	20.11%	17.52%	22.48%	39.89%	-
% Owner Occupied Properties		54.35%	Median Housing Value - 2010	\$97,465		
HUD-Adjusted MFI: 2012		\$75,900	Below Poverty Level – 2010 Census	12.34%		
HUD-Adjusted MFI: 2011		\$74,900	Unemployment Rate - Nov. 2012	5.2%		
HUD-Adjusted MFI:2010		\$73,800				

Source: 2010 US Census Data and Bureau of Labor and Statistics (BLS)

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB's management has demonstrated satisfactory performance in meeting the credit needs of its AAs. In forming this conclusion we evaluated the following factors as described below.

#### Loan-to-Deposit Ratio

In evaluating the bank's LTD ratio, we compared CNB to similarly situated banks headquartered in and around the bank's AA. CNB's LTD ratio is outstanding, especially given its asset size, financial condition, and lending opportunities available in the AA. Since the last examination, the bank's LTD ratio has averaged **96.73%**.

The LTD ratio has ranged from a low of 86% in March 2011 to a high of 104% in September 2012. The LTD ratio in 2012 was higher than in prior periods due in part to the bank's acquisition of the affiliate mortgage company and the warehouse loans used by this affiliate to make new mortgage loans. Even when the warehouse loans are excluded, CNB's quarterly average LTD ratio still exceeds 80%. This level of performance is well above other banks in the area. As noted in the following table, CNB ranks first out of six other comparable banks in the area.

LOAN-TO-DEPOSIT RATIO COMPARISON		
<i>Institution</i>	<i>Assets as of 9/30/2012 (000's)</i>	<i>Average LTD Ratio %</i>
<b>Crockett National Bank</b>	<b>424,769</b>	<b>96.73%</b>
Texas State Bank, San Angelo	219,631	49.66%
Ozona National Bank, Ozona	209,352	60.45%
First Financial, National Association	447,284	43.91%
The First National Bank of Sonora, Sonora	342,019	73.27%
The First National Bank of Mertzton, Mertzton	275,805	22.75%
First National Bank of Ballinger, Ballinger	129,066	60.74%

### Lending in Assessment Area

During the evaluation period, CNB originated the majority of its residential, business, and agricultural related loans within the bank's AAs. Our analysis included all HMDA reportable residential loans and a sample of 140 commercial and agricultural related loans from 2010 - 2012.

The table below reflects that CNB originated **64%** of its loans in the AAs, with 42% of the dollar volume. This level of performance meets the satisfactory standard.

Table 1 Lending in Assessment Area (San Angelo MSA, Austin MSA, and Crockett County)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	144	55%	119	45%	263	20,795	29%	50,922	71%	71,717
Commercial	80	91%	8	9%	88	25,870	87%	3,958	13%	29,828
Farm/Ag RE Loans	34	65%	18	35%	52	5,256	25%	15,575	75%	20,831
<b>Totals</b>	<b>258</b>	<b>64%</b>	<b>145</b>	<b>36%</b>	<b>403</b>	<b>51,921</b>	<b>42%</b>	<b>70,455</b>	<b>58%</b>	<b>122,376</b>

Source: Data reported under 2010-2012 HMDA and Sample of Commercial and Ag Related Loans

While the above table reflects a substantial dollar volume of the bank's ranch loans as being out-of-area these were large loans concentrated among only 5 borrowers. CNB also had a significant dollar volume of out-of-area residential loans that were originated by the bank's LPO in San Antonio and the former LPO in Dallas. The out-of-area Dallas loans were considered reasonable in relation to the volume of deposits from this area. In addition to the loans sampled above, CNB's affiliate mortgage company originated 37 residential loans in the Austin AA totaling \$7.8 million since May 2012.

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

Overall, CNB's lending performance to borrowers of different incomes and to businesses of different sizes is reasonable. In two of the three AAs, residential lending performance was considered satisfactory. Improvements in residential lending are needed, however, in Crockett County. In all three AAs, the bank meets the satisfactory performance standards for commercial business lending.

Due to the AA demographics and reliance upon the ranching industry in the San Angelo and Crockett County MSAs, we evaluated the bank’s distribution of loans to small farmers and ranchers in these areas. The bank’s performance for these types of loans was outstanding in both AAs.

**Crockett County**

**Residential Loans**

During the assessment period, CNB did not report any residential loans in the Crockett County AA. The bank’s performance in this area needs improvement; however, opportunities in this area are limited and the high percentage of low- income families does present challenges for CNB.

**Business and Farm Loans**

The bank’s distribution of business, farm and ranch loans in the Crockett County AA reflects an excellent distribution among small entities with revenues less than \$1 million. As reflected in the chart below, over 97% of our sampled loans in Crockett County were to farmers, ranchers, or small businesses with revenues less than \$1million.

<b>Borrower Distribution of Loans to Farms in Crockett County Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm Businesses	97.44%	0.00%	2.56%	100%
% of Bank Loans in AA by #	96%	4%		100%
% of Bank Loans in AA by \$	78%	22%		100%

<b>Borrower Distribution of Loans to Businesses in Crockett County Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	55.56%	3.70%	40.74%	100%
% of Bank Loans in AA by #	100%			100%
% of Bank Loans in AA by \$	100%			100%

*Source: Loan sample; 2012 Dunn and Bradstreet data.*

**San Angelo MSA**

CNB’s level of lending to borrowers of different incomes and to businesses of different sizes within the San Angelo MSA is reasonable when considering originations for home purchases and the volume of loans to small businesses, farms and ranches.

**Residential Loans**

The tables below reflect that CNB has originated home purchase loans to families of all income levels; although, loans for home improvement and refinancing are concentrated among middle- and upper-income families. Home purchase loans for LMI are below AA demographics; however the bank’s performance for this loan type is more reasonable, especially when considering the high poverty rates in this AA.

The following tables show that 7% of CNB’s home purchase loans in 2010 - 2011 were to low-income families with an additional 12% in 2012. This level of performance is slightly below AA demographics with approximately 19% of the AA families considered low-income.

The bank’s home purchase loan distribution to moderate-income families was 14% in 2010 - 2011 and 12% in 2012. This level of performance is more reasonable, but also slightly below AA demographics, with 18% of the families considered moderate- income.

Table 2 – 2010 - 2011 Borrower Distribution of Residential Real Estate Loans in San Angelo MSA Assessment Area								
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 Purchase	19.37	7.04	18.37	14.08	22.73	18.31	39.53	52.11
Home Improvement	19.37	0.00	18.37	0.00	22.73	25.00	39.53	75.00
Refinance	19.37	3.85	18.37	7.69	22.73	26.92	39.53	42.31

Source: Data reported under HMDA; 2000 U.S. Census data.

Table 2 - 2012 Borrower Distribution of Residential Real Estate Loans in San Angelo MSA Assessment Area								
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 Purchase	19.95	11.76	18.61	11.76	22.37	5.88	39.06	70.59
Home Improvement	19.95	0	18.61	0	22.37	0	39.06	0
Refinance	19.95	0	18.61	0	22.37	0	39.06	100

Source: Data reported under HMDA; 2010 U.S. Census data.

CNB’s willingness to lend to borrowers of all income levels is further evidenced by its participation in the San Angelo area Neighbor Loan Program. This program is part of a city housing initiative to provide long-term residential LMI individuals. The program offers up to 30-year financing and lower down payment requirements. Loan amounts must be equal to or less than the median home value for Tom Green County and borrower income must be less than the updated HUD median family income. Borrower qualifications are also more flexible, allowing the bank to consider higher debt to income ratios. Since the previous examination in July 2008, CNB has originated \$1 million in Neighbor Loan Program loans.

**Business and Farm Loans**

Our sample of business and agricultural loans in the San Angelo MSA reflects an excellent distribution of loans to small farmers and ranchers and a reasonable distribution of loans to small businesses.

The following table below reflects that 98% of AA farms/ranches have annual revenues of \$1 million dollars or less. Comparatively, 90% of the number and 97% of the dollar amount of agricultural loans sampled in the San Angelo MSA AA were made to farmers/ranchers with annual revenues of \$1 million dollars or less.

Distribution of Loans to Farms/Ranches in the San Angelo MSA Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms/Ranches	98.18%	1.65%	0.17%	100%
% of Bank Loans in AA by #	90%	10%		100%
% of Bank Loans in AA by \$	97%	3%		100%

Source: Loan sample; 2012 Dunn and Bradstreet data.

The next table further illustrates that 70% of AA businesses have annual revenues of \$1 million dollars or less. The number of business loans in our sample compared favorably to AA demographics with 78% of the loans to small businesses. Although the dollar volume of loans to small businesses was significantly lower than AA demographics at 23%, there are other factors that warrant consideration. Approximately 90% of the sampled loans to larger businesses were attributed to only two local used automobile businesses, both of which have less than 25 employees. If these two loans are excluded, the dollar volume of loans to larger businesses would be only 23%, which is more in line with AA demographics. Also noteworthy, in the sampled loans, the average size of small business loans was only \$59 thousand.

Distribution of Loans to Businesses in the San Angelo MSA Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.21%	3.26%	26.53%	100%
% of Bank Loans in AA by #	<b>78%</b>	<b>22%</b>		100%
% of Bank Loans in AA by \$	23%	77%		100%

Source: Loan sample; 2012 Dunn and Bradstreet data.

## Austin MSA

### Residential Loans

As shown in the tables below, approximately 17% of the AA families are low-income and 18% are considered moderate-income. CNB’s home purchase loan distribution to low-income families at 8% is below AA demographics. Distribution among moderate-income families, however, is more closely aligned to AA demographics with a 15% distribution. CNB has not made any home improvement loans or refinanced any home loans in this AA; however, when considering the size of this AA, the bank’s one location, and the fact that the branch was not officially established until 2012, overall performance is considered reasonable.

2012 HMDA Borrower Distribution of Residential Real Estate Loans in Austin-Round Rock-San Marcos MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Purchase	17.70	7.69	18.18	15.38	25.96	0.00	38.17	69.23
Home Improvement	17.70	0.00	18.18	0.00	25.96	0.00	38.17	0.00
Refinance	17.70	0.00	18.18	0.00	25.96	0.00	38.17	100.00

Source: Data reported under 2012 HMDA; 2010 U.S. Census data.

### **Business Loans**

The bank's distribution of business loans in the Austin MSA reflects an excellent dispersion among small businesses. The Table below illustrates that 71% of the AA businesses have revenues of \$1 million or less. In our sample of AA business loans, 90% of the number and dollar volume of the bank's loans were to small businesses with revenues of \$1 million or less.

<b>Borrower Distribution of Business Loans in Austin-Round Rock-San Marcos MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.78%	2.76%	26.46%	100%
% of Bank Loans in AA by #	90%	10%		100%
% of Bank Loans in AA by \$	92%	8%		100%

*Source: Loan sample; 2012 Dunn and Bradstreet data.*

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

CNB's performance in lending to borrowers and businesses in different geographies meets the standards for satisfactory performance. Our analysis for borrower geographic distribution included residential and business loans in the San Angelo and Austin MSAs.

Crockett County was not evaluated for geographic loan distribution as the entire area is categorized as an underserved middle-income area and a geographic analysis would not be meaningful. Also, loan distribution to farms and ranches in the San Angelo MSA was not considered meaningful as most of these loans are all located in the rural areas of AA counties.

When considering AA demographics the bank's residential and business loan distribution in the San Angelo MSA was reasonable and the bank's performance in the Austin MSA exceeded satisfactory standards.

### **San Angelo MSA**

#### **Residential Loans**

The bank has no residential loans in low-income areas; however, AA demographics must be considered when evaluating the bank's performance. Census data shows that only 1% all owner-occupied residential units are located in low-income census tracts. Also, of the 26 census tracts in this AA, there is only 1 low-income tract, with less than 800 households. When considering AA demographics, the bank's opportunities are limited in the one low-income area.

Lending performance in moderate-income areas is reasonable, although slightly below comparable AA demographics. High poverty rates of 46% in moderate-income census tracts also presents challenges for lending opportunities.

The table below reflects the bank's loan distribution among all geographic areas (census tracts) of the AA. Overall, when considering the AA demographics, loan distribution was considered reasonable.

2010-2011 Geographic Distribution of Residential Real Estate Loans in San Angelo MSA Assessment Area								
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	0.93	0.00	15.85	14.08	54.08	57.75	29.15	28.17
Home Improvement	0.93	0.00	15.85	0.00	54.08	50.00	29.15	50.00
Refinance	0.93	0.00	15.85	7.69	54.08	53.85	29.15	28.46

Source: Data reported under HMDA; U.S. Census data.

2012 Geographic Distribution of Residential Real Estate Loans in San Angelo MSA Assessment Area								
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	1.31	0.00	25.73	17.65	44.47	58.82	28.49	23.53
Home Improvement	1.31	0.00	25.73	0.00	44.47	0.00	28.49	0.00
Refinance	1.31	0.00	25.73	0.00	44.47	100.00	28.49	0.00

Source: Data reported under HMDA; U.S. Census data.

**Business Loans**

In our sample of 50 business loans in the AA, we found that CNB’s business loans are reasonably distributed throughout all areas of the community. Loans in the low-income areas are below AA demographics, but loan distribution in moderate-income areas is very close to AA demographics. The table reflects the percentage of AA businesses in each area compared to the percentage of loans originated by CNB in each area. The table shows that CNB originated 6% of its loans in low-income tracts, which is below comparable AA demographics of 11%. CNB’s distribution of loans in moderate-income areas was 14%, which is also slightly below AA demographics of 17%. The majority of the bank’s loans are in middle-income areas, which is where the majority of AA businesses are located.

Geographic Distribution of Loans to Businesses in San Angelo MSA Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans
Businesses	10.79	6%	16.54	14%	43.05	70%	29.31	10%

Source: Loan sample; Dunn and Bradstreet data.

**Austin MSA**

**Residential Loans**

CNB’s home purchase loans in the Austin MSA are fairly evenly distributed throughout the entire AA. As reflected in the following table, 31% of the bank’s loans are in low-income areas. This level of

performance is excellent, exceeding comparable AA demographics of 4%. In moderate-income areas, the bank reported 15% of its AA loans, which is slightly below AA demographics of 18%. The bank did not have any home improvement loans in this AA and 100% of the home refinances were in upper-income areas. When considering the bank’s performance in financing home purchases in low- and moderate-income areas, the bank meets satisfactory standards.

2012 Geographic Distribution of Residential Real Estate Loans in Austin-Round Rock-San Marcos MSA								
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	4.29	30.77	18.40	15.38	38.85	23.08	38.45	30.77
Home Improvement	4.29	0.00	18.40	0.00	38.85	0.00	38.45	0.00
Refinance	4.29	0.00	18.40	0.00	38.85	0.00	38.45	100.00

Source: Data reported under HMDA; U.S. Census data.

**Business Loans**

Our sample of 10 business loans in the Austin MSA reflects an outstanding distribution of loans in all areas of the MSA. The bank has an excellent distribution in low- and moderate-income areas, exceeding AA demographics. As reflected in the Table below, 10% of the loans sampled were in low-income areas, which compares favorably to AA demographics of 6%. In moderate- income areas, the bank’s loan distribution was 30%, also comparing favorably to AA demographics of 18%.

Geographic Distribution of Loans to Businesses in Austin-Round Rock-San Marcos MSA Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans
Businesses	6.15	10%	17.89	30%	31.58	40%	44.32	20%

Source: Loan sample; Dunn and Bradstreet data.

**COMMUNITY DEVELOPMENT SERVICES**

Since the previous examination in July 2008, CNB has been involved in supporting several organizations that benefit low- and moderate-income individuals and families in its AAs. Particularly noteworthy are the bank’s monetary donations to the San Angelo Habitat for Humanity Program totaling \$40,000, the Tom Green County Hunger Initiative totaling \$20,000, and the Concho Valley United Way totaling \$12,500. The bank has also contributed to the local YMCA expansion project and disaster relief in Bastrop County. Since the last examination, CNB has contributed over \$91,000 towards community development services.

## **RESPONSES TO COMPLAINTS**

CNB has not received any complaints or public comments regarding its CRA performance during this evaluation period.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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