



## **PUBLIC DISCLOSURE**

August 3, 2015

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

Classic Bank, National Association  
Charter Number 13731

102 North Houston  
Cameron, Texas 76520-3932

Office of the Comptroller of the Currency  
San Antonio North Field Office  
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 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.**

Major factors that support this rating include:

- The loan-to-deposit (LTD) ratio is more than 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 reasonable dispersion throughout the AAs.
- Community development (CD) lending activities reflect excellent responsiveness to CD needs.

### **SCOPE OF EXAMINATION**

We evaluated Classic Bank, National Association (Classic), using Small Bank evaluation procedures, which includes a lending test. Our evaluation focused on loan originations from January 1, 2012, to December 31, 2014. At the bank's request, we also reviewed community development (CD) lending activities since the previous examination in 2010. CD activities are optional for small bank evaluations. We excluded any CD loans that did not meet the regulatory definition of CD. We evaluated Classic's lending performance using primary loan products applicable in each AA including residential loans as reported pursuant to the Home Mortgage Disclosure Act (HMDA), and business and farm/agricultural loans.

We tested a sample of Classic's HMDA data and found it reliable. To evaluate business and agricultural loans, we selected a sample of at least 20 loans in each AA. We performed full scope reviews for all of the bank's AAs.

### **DESCRIPTION OF INSTITUTION**

Classic is an intrastate bank chartered in 1889, and headquartered in Cameron, Texas. Assets totaled approximately \$284 million as of March 31, 2015. Cameron Financial Corporation, a single-bank holding company, owns 100% of the bank. Classic has a total of six full-service locations, each offering automated teller machines (ATMs) and drive-through banking services.

Classic's main office, headquartered in Cameron, Texas, is located 75 miles northeast of Austin, Texas. The bank's drive-through location in Cameron is a stand-alone facility a few blocks from the main bank. These offices are located in a moderate-income census tract (CT). In addition to the main office, Classic has five full-service branches - one each in the cities of Rosebud, Giddings, Rockdale, Bastrop, and Liberty Hill. The branch in Liberty Hill, acquired in 2012, is new since the previous CRA evaluation in January 2010. In addition to the branch ATMs, Classic has two additional stand-alone ATMs in Giddings. The offices in Rockdale and Rosebud are located in distressed-middle-income areas. The bank offers a full range of deposit and loan product and services.

Classic 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, Classic has the ability to meet the various credit needs in its AAs. No legal impediments or other factors hinder the bank's ability to meet AA credit needs. The previous CRA examination, dated January 13, 2010, rated Classic "Satisfactory" under the Small Bank criteria.

Management's primary focus is to promote economic development in its AAs through lending programs. Classic's market niche is residential, business, and agricultural lending. Loans totaled \$181 million, approximately 64% of total assets. The following table reflects a detailed breakdown of Classic's loan portfolio as of March 31, 2015.

<b>Loan Category</b>	<b>\$000</b>	<b>%</b>
Real Estate - Residential (1-4)	48,017	26.52%
Commercial and Commercial Real Estate	50,683	27.99%
Agricultural Production and Farmland	39,426	21.77%
Construction Loans	16,080	8.88%
Obligations of Municipalities	14,190	7.84%
Consumer	8,640	4.77%
Real Estate - Multifamily (5 or more)	3,724	2.06%
Other	317	0.18%
<b>Total</b>	<b>\$181,077</b>	<b>100%</b>

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires a financial institution to define its AA for evaluation purposes. Classic's AAs include entire counties where branches are located, except Falls County, where Classic's AA includes only a portion of the county. For CRA analysis purposes, we combined the non-metropolitan counties and metropolitan counties separately into three AAs. We combined Milam and Lee Counties as one non-metropolitan statistical area (MSA), and Bastrop and Williamson Counties as an MSA. We evaluated the Falls County AA separately as this county was a non-MSA for most of the evaluation period, but in 2014, it was added to the Waco MSA.

### **Lee and Milam Counties**

Classic has two full-service offices in Milam County and one full-service office in Lee County. The FDIC's June 30, 2014 report shows that Classic has a market share of 34% in Milam and 13% in Lee County. For the combined areas of Lee and Milam Counties, Classic had \$178 million in deposits with a market share of 23%. The majority of Classic's deposits (73%) are from this AA, with only \$66 million from outside the AA. Classic's market share in this combined area trails the market leader, Citizens National Bank by only 3%. First National Bank Giddings is a close third with 20% of market share.

In 2013 and 2014, the majority of Milam County was distressed with five of the seven CTs designated by the FFIEC as distressed due to high poverty rates. The majority of these distressed CTs were middle-income areas, but there was also a distressed upper-income CT in 2014, which included a portion of the city of Cameron. The remaining CTs included one moderate-income and one upper-income area. The moderate-income CT included the other portion of Cameron. There were no low-income CTs in Milam County. In Lee County, three of the four CTs were upper-income areas with one middle-income CT. There were no low- or moderate-income (LMI) CTs in Lee County. In 2014, four of the five middle-income CTs in the AA were distressed middle-income areas. The only middle-income CT that was not distressed was in Lee County.

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% 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 major regional employer, ALCOA, in 2009. Over 1,000 jobs were lost, leading to a decline in per-capita income, out-migration, 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 thousand and the 2014 updated HUD average median family income is \$51.6 thousand.

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 thousand, while the average median family income is the same as Milam County. Additional information on the combined AA is summarized in the following table below.

<b>Demographic Information for Lee and Milam Counties Assessment Areas</b>					
	<b>#</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>
Geographies (Census Tracts)	11	0%	9.09%	45.45%	45.45%
Population by Geography	41,369	0%	54.20%	38.88%	25.89%

Source: 2010 - 2014 Census Data

**Falls County**

Falls County, located in Central Texas, is mostly a rural non-MSA County; however, in 2014, the County was added to the Waco MSA. The largest town and county seat is Marlin, approximately 24 miles south of Waco. Classic’s Falls County AA includes only a portion of the County, consisting of all three rural CTs west of the Brazos River. The bank’s AA includes the communities of Rosebud, Lott, and Chilton. All three CTs in the bank’s AA are distressed middle-income CTs, as designated by the FFIEC, due to high poverty rates.

Classic has one full service branch in the Falls County AA, located in Rosebud, Texas, which is approximately 16 miles from the head office location in Cameron. Approximately 16% of the bank’s deposits are from this AA. According to the FDIC’s June 30, 2014 Deposit Market Share Report, Classic ranks third in Falls County with 17% of the deposit market share. The market leaders in this county both have two offices in Falls County.

Information from the Texas A&M Agri-Life Extension Office indicates that approximately 55% of the county economy is dependent on agriculture. The remaining 45% is derived primarily from local and county government, correctional institutions, educational institutions, nursing homes, hospitals, small businesses and independent manufacturers.

According to the 2010 Census data, the estimated population for the bank’s AA was 7,946. Population for the entire county approximates 18 thousand. Approximately 19% of the households in the AA had incomes below poverty level. The median home value approximates \$62 thousand while the updated 2014 HUD median family income is \$54 thousand. Updated Census data reflects that the homeownership rate for 2009 - 2013 was 72%. Data from the BLS shows that the average annual unemployment rates have ranged from 8.3% in 2011 to 5.6% in 2014. More recent 2015 data shows continued improvement. Additional information on the combined AA is summarized below.

<b>Demographic Information for Falls County Assessment Area</b>					
	<b>#</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>
Geographies (Census Tracts)	3	0%	0%	100%	0%
Population by Geography	7946	0%	0%	100%	0%

Source: 2010 - 2014 Census Data

**Bastrop and Williamson Counties**

Bastrop and Williamson Counties are the largest of the bank’s AAs. These counties are part of the Austin-Round Rock MSA. Classic has one full service branch in each of these counties. The branches are located in middle-income areas of Bastrop and Liberty Hill.

Classic’s deposit base in these counties represented only 11% of total bank deposits. Classic’s deposit market share as reported in the FDIC’s June 30, 2014 market share report was only 0.41%. Classic faces strong competition in this market from at least 35 other state and national

banks and savings institutions in this AA. Classic also faces strong competition from mortgage companies, credit unions and other non-bank lenders in the area.

The entire Austin-Round Rock MSA provides employment opportunities for individuals in this AA. This MSA has experienced strong job growth and a robust real estate market over the evaluation period. Information from the Austin Chamber of Commerce reflects that the Austin-Round Rock MSA is among the best performing top 50 metropolitan areas in job growth.

Major employers in the area include technology companies such as Dell, Samsung, IBM, National Instruments, AMD, and Emerson. The Sears Call Center, Round Rock Premium Outlet Mall, and health care industries are also major employers. 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.

Data from the BLS reflects that average annual unemployment rates in Williamson County have ranged from 6.8% in 2011 to 4.3% in 2014. The most recent data in 2015 reflects a rate of 3.2% in June 2015. In Bastrop County, average unemployment rates were slightly higher over this same time ranging from 7.9% in 2011 to 4.8% in 2014. In June 2015, unemployment rates for Bastrop County were estimated to be 3.5%. Both Bastrop and Williamson Counties fare better than the state and national averages on the above key statistics.

According to the 2010 Census data, the estimated population for Bastrop County was 74 thousand; home ownership for the period 2009 - 2013 was 78.2%. The updated 2014 HUD median family income for the MSA was \$75.4 thousand. Census data reflects that 12.58% households are below poverty level in Bastrop County. The median home value is \$121 thousand. Portions of Bastrop County were declared major disaster areas in 2011 due to wildfires and in 2015 due to flooding.

The estimated population in Williamson County was 423 thousand; home ownership for the period 2009 - 2013 was 68.6%. The updated 2014 HUD median family income for this county is the same as Bastrop and the MSA at \$75.4 thousand. Households below poverty level in Williamson County were 6.01%. The median home value is \$174 thousand. Additional information on the combined AA is summarized below.

<b>Demographic Information for Bastrop and Williamson Counties Assessment Areas</b>					
	<b>#</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>
Geographies (Census Tracts)	99	0.00%	19.19%	52.53%	28.28%
Population by Geography	496,850	0.00%	19.19%	52.53%	28.28%

Source: 2010 - 2014 Census data

**Community Contacts**

As part of this evaluation, we determined the community credit needs in Classic’s AAs by reviewing the CRA Public Evaluations of other banks operating in the same areas and conducting three community contacts with local non-profit organizations focusing on economic

development and community services. We determined that the most pressing credit needs in the bank’s AA are economic development, job creation, and affordable housing. Another identified need includes financial literacy.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

The LTD ratio is more than reasonable and exceeds the standard for satisfactory performance, based upon the bank’s resources, financial capacity, competitive environment and other performance context factors.

Classic’s quarterly average LTD ratio since the last CRA evaluation is more than reasonable at 69.82%. This is an increase from the quarterly average of 56% reported during the prior CRA evaluation period. The bank’s LTD ratio is above average and ranks first compared to five other similarly situated institutions in the AA. LTD ratios for the other banks averaged 45.97% and ranged from a low of 37.58% to a high of 60.08%.

BANK NAME	CITY	STATE	COUNTY	ASSETS (000s)	LTD Ratio
<i>Classic Bank, National Association</i>	<i>Cameron</i>	<i>TX</i>	<i>MILAM</i>	<i>284,405</i>	<i>69.82</i>
First National Bank of Bastrop	Bastrop	TX	BASTROP	479,973	60.08
First National Bank of Giddings	Giddings	TX	LEE	181,826	51.25
Union State Bank	Florence	TX	WILLIAMSON	497,461	42.24
The City National Bank of Taylor	Taylor	TX	WILLIAMSON	191,230	38.69
Citizens National Bank	Cameron	TX	MILAM	410,895	37.58

**Lending in Assessment Area**

Lending in the bank’s AAs exceeds standard for satisfactory performance. Classic originated a substantial number of loans within its AAs. As reflected in the table below, 80% of the number and 66% of the dollar volume of loans originated in its AAs.

<b>Lending in the Assessment Areas (2012 - 2014)</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans (HMDA)	272	79	71	21	343	\$23,128	64	\$13,182	36	\$36,310
Business Loans	43	72	17	28	60	\$2,768	68	\$1,288	32	\$4,056
Agricultural/Farm Loans	22	100	0	0	22	\$2,287	100	0	0	\$2,287
Total	338	80	87	20	425	\$28,230	66	\$14,423	34	\$42,653

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

Overall, the distribution of loans to borrowers of different income levels and to businesses of different sizes is reasonable. Classic's penetration of loans to small businesses and small farms is excellent, exceeding the standard for satisfactory performance. Residential lending is reasonable. In our analysis, we placed emphasis on performance in larger markets and small business/farm performance in distressed AAs in Milam and Falls Counties.

### Lee and Milam Counties

The distribution of loans to borrowers of different income levels is reasonable in the Lee and Milam Counties AAs. Our analysis focused on the bank's primary loan products for this AA, business and HMDA reportable real estate loans.

#### Business Loans

As reflected in the table below, penetration among small businesses in this AA is reasonable. Small businesses are those with less than \$1 million in annual revenue. The distribution of small business loans exceeds AA demographics in number. However, by dollar volume, the bank has a 52.1% distribution to small business.

<b>Borrower Distribution of Loans to Businesses in Lee and Milam County Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	70.16	3.71	26.14	100%
% of Bank Loans in AA by #	80.00	20.00	0.00	100%
% of Bank Loans in AA by \$	52.10	47.90	0.00	100%

Source: 2014 Dunn & Bradstreet; a sample of 20 business loans

#### Residential Loans

The dispersion of residential loans to LMI borrowers in Lee and Milam Counties is poor. The number of residential loans to both low- and moderate-income borrowers was below AA demographics. However, as reflected in the table below, the percentage of home improvement loans to moderate-income borrowers was more reasonable, exceeding AA demographics. Higher poverty rates and the lack of new development in Milam County also contributed to the bank's performance in this AA.

The following table shows the distribution of residential loan products among borrowers of different income levels as compared to the percentage of families in each income category.



Borrower Distribution of Residential Real Estate Loans in Lee and Milam Counties Assessment Areas								
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	17.57	2.47	16.71	6.17	17.27	17.28	48.45	64.20
Home Improvement	17.57	2.15	16.71	18.28	17.27	19.35	48.45	58.06
Refinancing	17.57	0.00	16.71	3.45	17.27	27.59	48.45	62.07
<b>Total</b>	<b>17.57</b>	<b>1.97</b>	<b>16.71</b>	<b>11.33</b>	<b>17.27</b>	<b>19.70</b>	<b>48.45</b>	<b>61.08</b>

Source: 2012 - 2014 HMDA data and 2010 US Census  
Income information was not available on 5.91% of the bank's loan originations.

## Bastrop and Williamson Counties

The distribution of loans to borrowers of different income levels in the Bastrop and Williamson County AA is reasonable. For our analysis, we focused on business and residential HMDA loans.

### Business Loans

As reflected in the table below, loan penetration among small businesses in this AA is reasonable. The distribution of sampled small business loans exceeds AA demographics in number. However, by dollar volume, the bank has a 65.77% distribution of small business loans. This dispersion is reasonable, as there were only a few large loans in our sample, which contributed to the higher dollar volume of loans to larger businesses.

Borrower Distribution of Loans to Businesses in Bastrop and Williamson Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.19	2.63	24.18	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	65.77	34.23	0.00	100%

Source: 2014 Dunn & Bradstreet; sample of 20 business loans

### Residential Loans

The dispersion of residential loans to LMI borrowers in Bastrop and Williamson Counties is reasonable. Classic had no originations to low-income borrowers in Bastrop and Williamson Counties; however, residential loan originations to moderate-income borrowers exceeded AA demographics. In aggregate, when considering the strong competition in this AA and the limited number of branches in these larger counties, the distribution of loans to LMI borrowers is reasonable.

The following table shows the distribution of residential loan products among borrowers of different income levels as compared to the percentage of families in each income category.

<b>Borrower Distribution of Residential Real Estate Loans in Bastrop and Williamson Counties</b>								
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	15.80	5.88	18.37	17.65	23.68	23.53	42.16	47.06
Home Improvement	15.80	0.00	18.37	25.00	23.68	50.00	42.16	18.75
Refinancing	15.80	0.00	18.37	14.29	23.68	14.29	42.16	57.14
<b>Total</b>	<b>15.80</b>	<b>2.50</b>	<b>18.37</b>	<b>20.00</b>	<b>23.68</b>	<b>32.50</b>	<b>42.16</b>	<b>37.50</b>

Source: 2012 - 2014 HMDA data and 2010 US Census.

Income information was not available on 7.5% of the bank's loan originations.

## Falls County

The distribution of loans to borrowers of different income levels in Falls County AA is reasonable. A significant majority of loans in this AA is agricultural and/or farm related. For our analysis, we focused on farm and residential HMDA loans.

### Agricultural/Farm Loans

The majority of Classic's loan originations (95%) sampled in this AA was to farms with annual revenues less than \$1 million. The dollar volume of loans made to small farms is much lower (46%), but this percentage is misleading as the sample included one large farm operating line of credit. The average loan size was only \$51 thousand, when excluding the large line of credit. The bank's performance is reasonable in comparison to AA demographics.

<b>Borrower Distribution of Loans to Farms in Falls County Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	100.00	0.00	0.00	100%
% of Bank Loans in AA by #	95.45	4.55	0.00	100%
% of Bank Loans in AA by \$	46.51	53.49	0.00	100%

Source: 2014 Dunn & Bradstreet; sample of 22 loans

### Residential Loans

The overall distribution of residential loans to LMI borrowers in Falls County is reasonable. Classic's total residential loan volume to low-income borrowers was below AA demographics, although home improvement loan originations were just slightly below standards as reflected in the table below. Classic's residential loan originations to moderate-income borrowers were approximately the same as AA demographics. Classic significantly exceeded AA demographics in home improvement lending to moderate-income borrowers.

The following table shows the distribution of residential loan products among borrowers of different income levels as compared to the percentage of families in each income category.

<b>Borrower Distribution of Residential Real Estate Loans in Falls County Assessment Area</b>								
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	23.00	13.04	20.75	17.39	20.08	21.74	36.18	47.83
Home Improvement	23.00	20.00	20.75	40.00	20.08	0.00	36.18	40.00
Refinancing	23.00	0.00	20.75	0.00	20.08	100.00	36.18	0.00
<b>Total</b>	<b>23.00</b>	<b>13.79</b>	<b>20.75</b>	<b>20.69</b>	<b>20.08</b>	<b>20.69</b>	<b>36.18</b>	<b>44.83</b>

Source: 2012 - 2014 HMDA data and 2010 US Census  
Income information was available on all HMDA loan originations in this AA.

## Geographic Distribution of Loans

Overall, Classic's lending performance reflects a reasonable dispersion of loans throughout its AAs including moderate and distressed areas, meeting the standard for satisfactory performance. We placed the most weight on performance in Lee and Milam Counties, its largest market. Loans in moderate- and distressed middle-income areas of this AA were excellent. Loan distribution in Bastrop and Williamson Counties was reasonable, primarily due to excellent business loan distribution.

We did not perform a geographic loan distribution analysis in the Falls County AA since the AA consisted only of distressed middle-income CTs. The number of loans, however, in the Falls County AA demonstrates an excellent responsiveness to AA needs.

## Lee and Milam Counties

The dispersion of loans in Lee and Milam Counties reflects an excellent dispersion throughout the AA. In 2013 and 2014, five of the seven CTs in Milam County were middle-income CTs considered distressed due to high poverty rates. There was also one moderate-income and one upper-income CT in Milam County. There are no low-income CTs in Milam County. In Lee County, three of the four CTs were upper-income and one was middle-income. There are no low-income CTs in Lee County.

## Business Loans

Classic's dispersion of business loans in moderate-income CTs and in the distressed middle-income areas of Milam County is excellent, exceeding the satisfactory standard for geographic loan distribution. As reflected in the table below, Classic's loan dispersion in moderate-income CTs exceeds the AA demographics. Classic also exceeded AA demographics in middle-income CTs and the majority of loans in middle-income CTs (66%) were in the distressed middle-income areas of Milam County.

Geographic Distribution of Loans to Businesses in Lee and Milam Counties								
Census Tract Income Level	Low %		Moderate %		Middle %		Upper %	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	0.00	0.00	12.51	15.00	53.38	60.00	34.11	25.00

Source: 2010 Census data; sample of 20 business loans

### Residential Loans

Similarly, Classic's residential loan distribution in the Lee and Milam County AA is excellent. As reflected in the table below, the dispersion of loans in moderate-income CTs is approximately the same as AA demographics. The number of refinanced mortgage loans in moderate-income areas significantly exceeds AA demographics. The majority of Classic's loans are in the middle-income CTs, just slightly exceeding AA demographics. Of the loans in middle-income CTs, the majority (51%) are in the distressed middle-income CTs of Milam County.

Geographic Distribution of Residential Real Estate Loans in Lee and Milam County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied	% of Number of Loans	% of AA Owner-Occupied	% of Number of Loans	% of AA Owner-Occupied	% of Number of Loans	% of AA Owner-Occupied	% of Number of Loans
Home Purchasing	0.00	0.00	7.07	2.47	45.13	60.49	47.79	37.04
Home Improvement	0.00	0.00	7.07	6.45	45.13	50.54	47.79	43.01
Refinancing	0.00	0.00	7.07	20.69	45.13	51.72	47.79	27.59
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>7.07</b>	<b>6.90</b>	<b>45.13</b>	<b>54.68</b>	<b>47.79</b>	<b>38.42</b>

Source: 2012 - 2014 HMDA; 2010 Census data

### **Bastrop and Williamson Counties**

Overall, the distribution of loans in Bastrop and Williamson Counties reflects a reasonable dispersion. Moderate-income tracts were the focus as there are no low-income tracts in these counties. Business loans exceeded the standard for satisfactory performance while residential loan distributions were poor.

### Business Loans

CNB originated 20% of its business loans in moderate-income CTs, exceeding AA demographics. The following table summarizes the geographic distribution of business loans compared to demographics in the Bastrop - Williamson County AA.

Geographic Distribution of Loans to Businesses in Bastrop and Williamson Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	0.00	0.00	17.66	20.00	53.50	75.00	28.84	5.00

Source: 2010 Census data; sample of 20 business loans

### Residential Loans

Residential loan distribution in this AA is poor. The distribution of loans in moderate-income areas of Williamson and Bastrop Counties is significantly below AA demographics. Classic's performance in this AA is affected to some extent by strong competition and the geographic location of its branch location in Williamson County, which is located in a middle-income CT, far from moderate-income tracts. The majority of loan originations were in middle-income CTs, which is consistent with AA demographics as reflected in the table below.

Geographic Distribution of Residential Real Estate Loans in Bastrop and Williamson Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied	% of Number of Loans	% of AA Owner-Occupied	% of Number of Loans	% of AA Owner-Occupied	% of Number of Loans	% of AA Owner-Occupied	% of Number of Loans
Home Purchasing	0.00	0.00	14.82	5.88	56.21	94.12	28.97	0.00
Home Improvement	0.00	0.00	14.82	6.25	56.21	93.75	28.97	0.00
Refinancing	0.00	0.00	14.82	0.00	56.21	100.00	28.97	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>14.82</b>	<b>5.00</b>	<b>56.21</b>	<b>95.00</b>	<b>28.97</b>	<b>0.00</b>

Source: 2012 - 2014 HMDA and 2010 Census data

### **Other Lending Activities**

During the evaluation period, Classic originated six community development loans totaling \$5.4 million and representing 19% of bank capital. These loans met the definition of community development as defined by the CRA regulation and included loans to municipalities and economic development organizations within the bank's AAs. One loan provided funds to a rural city in a distressed area for infrastructure improvements. Other loans provided financing for improvements to three schools and for classroom renovations. These schools were in distressed areas and/or the majority of students were economically disadvantaged. Classic also provided funding to two economic development entities with the purpose of creating permanent jobs, including jobs for LMI individuals. These CD loans demonstrate Classic's commitment and responsiveness to its local communities.

### **Responses to Complaints**

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

**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 AA 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.