



PUBLIC DISCLOSURE

November 28, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Crockett National Bank
Charter Number 17828

3503 Paesanos Parkway
San Antonio, TX 78231

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with the safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Factors that support the rating include:

- The quarterly average loan-to-deposit (LTD) ratio is more than reasonable given Crockett National Bank's (CNB) size, its financial condition, known credit needs of its assessment areas (AAs) and local competition.
- A majority of home mortgage loans, CNB's primary lending product, originated inside the AAs.
- The distribution of loans reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects reasonable dispersion within the AAs.
- Community development (CD) performance demonstrates adequate responsiveness to CD needs.

Scope of Examination

We used interagency Intermediate Small Bank CRA procedures that included a lending test and a CD test to evaluate CNB's performance. The lending test evaluates a financial institution's lending activity to assess its performance in meeting credit needs within its AAs. The CD test evaluates a financial institution's CD lending, investments, and services to assess its responsiveness to CD needs within its AAs. The evaluation period covers August 28, 2013, the date of the previous Performance Evaluation (PE), through November 28, 2016, the start date of the current evaluation.

The lending test focused on activity from January 1, 2014, through December 31, 2015. We analyzed lending activity during this timeframe and identified residential mortgage loans, specifically home purchase loans, as the primary lending product. The CD test covers CD activity related to loans, investments, and services, and focused on activities from the prior PE date to the current evaluation start date.

We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages to verify the accuracy of reported data and found it reliable to use for this evaluation. To evaluate CD activities, we verified information bank management provided for CD loans, investments, and services to ensure it met the regulatory definition of CD. We excluded from our analysis any item that did not meet the definition or purpose of CD.

To evaluate the borrower and geographic distributions of loans, we used the demographics and geographies related to the 2010 Census as it applied to 2014 and 2015. The 2015 Office of Management and Budget (OMB) Metropolitan Area geographic

boundary revisions (*OMB Bulletin No. 15-01*) became effective for CRA purposes on July 15, 2015. The changes did not affect the counties included in the metropolitan statistical areas (MSAs) used to delineate CNB's AAs. However, bank management redefined the AAs between 2014 and 2015 to exclude counties previously included in the AAs. As such, this CRA Performance Evaluation (PE) contains separate analyses of geographic and borrower distributions for the 2014 and 2015 evaluation periods.

Description of Institution

CNB, a full-service, intrastate bank is wholly owned by Crockett County National Bancshares, a one-bank holding company. Originally chartered in Ozona, Texas, the bank moved its headquarters to San Antonio in 2015. CNB operates six locations in Texas; the headquarters office and one branch in San Antonio, two branches (one with a motor bank) in San Angelo, one branch in Austin, and one branch in Ozona. Each location has convenient customer hours from Monday through Friday, with one San Angelo branch and the motor bank also open on Saturday morning. CNB has two automated teller machines (ATMs) - one located at the San Antonio Broadway branch and one located at the San Angelo Motor Bank. CNB also has two loan production offices (LPOs) - one in San Antonio and one in New Braunfels.

The June 20, 2016 FDIC Summary of Deposits report reflects deposits from the San Angelo branches represent 78% of total CNB deposits; Ozona branch deposits represent 14%; Austin branch deposits represent 8%; and San Antonio branch deposits represent less than 1%.

In San Antonio, the headquarters office is located in an upper-income census tract (CT) and the branch is in a moderate-income CT. In San Angelo, one branch with the motor bank is located in a middle-income CT and one branch is in an upper-income CT. The Austin branch is located in an upper-income CT. The Ozona branch is located in a middle-income CT.

Since the last evaluation, CNB has opened a main office in 2013 and one branch in San Antonio in 2016, and four LPOs (New Braunfels 2013, Georgetown 2014, San Antonio 2015, and San Antonio 2016). In addition, CNB closed two San Angelo branches in 2015, the Georgetown LPO in 2015, and relocated a San Antonio LPO in 2016.

CNB offers a variety of traditional loan and deposit products and services. CNB has several delivery systems, including an after-hour call service, a toll-free number, and contacting the bank directly during regular business hours. Telephone banking provides 24-hour banking services to customers for balance inquiries, rate information, funds transfer capabilities, and location/hours information. In addition, customers can access the bank's website (<http://www.crockettnationalbank.com>) to pay bills, access/use mobile banking applications, make loan payments, transfer funds, and access secure messaging capabilities. As of September 30, 2016, CNB reported total assets of \$619.7 million. Net loans totaled \$541.6 million representing 87% of total assets and 116% of total deposits.

As shown in the following table, residential loans comprise the majority of the loan portfolio, followed to a lesser degree by agricultural/farm loans and business loans.

Loan Portfolio Composition as of September 30, 2016		
<i>Category</i>	<i>Dollar Volume (in 000's)</i>	<i>Percentage of Total Portfolio</i>
Residential Loans	\$248,372	46%
Agricultural / Farm Loans	\$151,430	28%
Business (Commercial) Loans	\$141,308	26%
Consumer Loans	\$503	0%
<i>Total Net Loans:</i>	<i>\$541,613</i>	<i>100%</i>

Source: September 30, 2016 Call Report; Consumer Loans represent 0.09% of loan portfolio

Based on its financial condition and size, there are no legal, financial, or other factors that inhibit CNB's ability to meet credit needs in its AA. CNB's current business strategy is to continue offering residential loans as its primary loan product. At the prior CRA examination, dated August 28, 2013, we evaluated CNB's performance using interagency Small Bank CRA procedures and assigned an overall Satisfactory rating to the bank's lending performance.

Description of Assessment Areas

CNB management has defined four distinct AAs: the San Antonio AA, the San Angelo AA, the Austin AA, and the Ozona AA. The AAs meet regulatory requirements, do not reflect discrimination, and do not arbitrarily exclude any LMI geographies. We performed full-scope reviews in all four AAs.

Description of the San Antonio Assessment Area

CNB's charter is in the San Antonio-New Braunfels AA that includes 390 CTs in Bexar County and Comal County. Thirty-six CTs (9%) are designated low-income, 118 (30%) are moderate-income, 114 (29%) are middle-income, 118 (30%) are upper-income, and four have no income designation. The bank has excluded Kendall County from this AA starting in 2015 due to lack of business operations.

This AA has a competitive banking environment with USAA leading the deposit market share at 66%, followed by Frost Bank at 8% and Wells Fargo at 4%. CNB has a negligible market share with 0% based on FDIC's deposit market share report dated June 2016.

CNB has one full-service branch, a deposit-taking ATM, and an LPO in this AA. The charter bank is located in an upper-income CT. A deposit-taking ATM is currently in process to be a full-service branch and is located in a moderate-income CT. The LPO in New Braunfels is located in a middle-income tract. Major employers include the military bases, HEB Grocery, USAA, Frost Bank, Bill Miller BBQ, CPS Energy, Rackspace, and Valero Corporation. There is a new push around the airport location for expansion.

According to the US Bureau of Labor Statistics (BLS) the seasonally adjusted unemployment rate for San Antonio MSA is 4.9% which is lower than national and state averages. The HUD-adjusted median family income for 2015 is \$63,400.

Demographic Information and Economic Indicators San Antonio-New Braunfels Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (CTs)	390	9.23%	30.26%	29.23%	30.26%
2015 Population	1,469,845				
Owner-Occupied Housing by Geography	687,953	4.91%	25.21%	32.06%	37.81%
Businesses by Geography	125,486	5.18%	22.36%	29.56%	42.63%
Farms by Geography	2,762	3.84%	16.26%	29.36%	50.51%
Family Distribution by Income Level -2010 Census	507,377	5.78%	26.02%	34.81%	33.39%
% Owner Occupied Properties	58.78%	40.30%	48.90%	59.31%	70.63%
HUD-Adjusted MFI: 2015		\$63,400	Median Family Income		\$63,400
HUD- Adjusted MFI: 2014		\$58,800	Median Housing Value		\$207,600
HHS Poverty Level		15.43%	Unemployment Rate - (BLS)		4.9%

Source: 2010 US Census Data, HUD data and Bureau of Labor and Statistics (BLS) - 4 CTs have no income designation

We discussed the needs of the community and the bank’s performance with a small business development organization and a neighborhood affordable housing service. One contact stated that the MSA has had moderate growth and has major government related employment. Both contacts identified lack of affordable housing for single-family and multi-family dwellings particularly in the inner city LMI geographies. They stated the current credit standards of banks make it challenging for LMI individuals to obtain credit. They identified opportunities for financial institutions to partner with builders of affordable homes and stated that overall, banks are meeting the credit needs of the community.

Description of the San Angelo Assessment Area

San Angelo is about 225 miles west of Austin. CNB defines Tom Green County as the San Angelo MSA. San Angelo is the county seat of Tom Green County.

The City of San Angelo had a population of 93,200 based on 2010 Census and was estimated to be 100,450 in July 2015. Tom Green County has shown a population growth of 7.1% from April 2010 to July 2015 based on Census data. The City of San Angelo accounts for 80% of the MSA’s population.

There are 25 CTs in this MSA in Tom Green County - 1 is a low-income tract, 7 are moderate-, 10 are middle- and 6 fall in the upper-income tract. One CT has no income designation as the airport is located in this CT. Irion County has one upper-income CT. CNB included both Tom Green and Irion Counties in their AA for 2014 and considered only Tom Green County in 2015 due to lack of business operations in Irion County.

Based on FDIC’s deposit market share report as of June 2016, CNB ranks third with 15%. First Financial Bank with 25% and Wells Fargo with 17% are market leaders in this MSA. CNB’s main branch is located in this MSA with one additional drive-thru location. Based on the FDIC’s deposit market share report as of June 2016, CNB reported over \$356 million in deposits from San Angelo area branches. The bank ranked third in total deposit market share with 15%, behind First Financial Bank (25%) and Wells Fargo (17%).

San Angelo serves a regional hub in providing goods and services to a large rural geographic region in West Texas. The economic conditions and outlook remain good due to the positive trend in the health/trade/transportation/utilities sectors. Overall, the economy has remained relatively stable. The Concho River and a strong historic presence attract local tourism.

Major employers include: Frontier communications, Performant Recovery Inc., Shannon Medical Center, Angelo State University and Goodfellow Air Force Base. This MSA has seen increased job growth in defense and telecommunication sectors; however, there has been a downturn in the oil and gas industry.

The unemployment rate has remained around 4.5% for years 2014 to 2016, typically below the state and national average. Poverty rates in this AA is at 15.20%, slightly higher than the state average.

As noted in the following table, 4% is comprised of low-income population and 28% is moderate-income. The HUD-adjusted median family income (MFI) for 2015 for this AA is \$61,200.

Demographic Information and Economic Indicators San Angelo Assessment Area						
	#	% Low	% Moderate	% Middle	% Upper	N/A
Geographies (CTs) – 2010 data	25	4.00%	28.00%	40.00%	26.92%	4.00%
2010 Population	110,224					
2015 Population (Estimate)	118,105					
Owner-Occupied Housing by Geography – 2010	28,134	1.31%	25.73%	44.47%	28.49%	0.00%
Businesses by Geography - 2010	7928	10.94%	16.01%	44.36%	28.38%	0.32%
Farms by Geography	545	4.77%	6.24%	35.41%	53.58%	0.00%
Family Distribution by Income Level 2010 Census	28,202	1.78%	27.78%	43.42%	27.03%	0.00%
% Owner Occupied Properties		61%	Median Housing Value		\$97,880	
HUD-Adjusted MFI: 2015		\$61,200	HHS Poverty Level		15.20%	
HUD-Adjusted MFI: 2014		\$56,100	Unemployment Rate - Sept. 2016		4.5%	

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

We discussed the community needs and CNB’s performance with a county organization who supports farmers and ranchers in the community, a neighborhood service department and a local community service organization. They stated slowdown in the oil and gas sector and shortage for affordable housing. The need is growing due to the increase in population. The contact stated that banks could do more to support non-profit organizations that help to provide affordable housing. CNB was highlighted as one of the few banks providing mortgage loans to the clients of the city’s new construction program for affordable housing. Another community contact stated that local banks are supportive and remain as top lenders for agricultural activities and that the loans to livestock ranchers tend to be longer term than for row crops.

Description of the Austin AA

CNB defines Travis County as its AA in this MSA. Travis County is located in South Central Texas and Austin is the county seat. Travis County comprises of 218 CTs: 35 are designated low-income; 55 are moderate-; 58 are middle-; 67 are upper-income; and 3 have no income designation. The county includes several communities, the largest are the cities of Austin, Pflugerville, Round Rock, Lakeway, and Manor. The AA meets regulatory requirements; does not arbitrarily exclude any LMI geographies; and does not reflect discrimination. The following table reflects information specific to the AA.

Demographic Information and Economic Indicators Austin –Round Rock Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (CTs)	218	16%	25%	27%	31%
Population by Geography	1,024,266	17%	24%	24%	33%
Owner-Occupied Housing Units by Geography)	205,503	8%	20%	27%	46%
Businesses by Geography	161,290	6%	18%	31%	45%
Farms by Geography)	3,798	4%	21%	38%	37%
Family Distribution by Income Level	223,380	15%	22%	25%	39%
Household Distribution by Income Level	390,862	15%	23%	27%	34%
Census Median Family Income (MFI)--Census	\$79,592	Median Housing Value			\$228,291
HUD – Adjusted MFI: 2014	\$75,400	Households Below Poverty Level			13.97%
HUD – Adjusted MFI: 2015	\$76,800	Unemployment Rate (%)--BLS			3.40%

Source: 2010 US Census Data and Bureau of Labor and Statistics (BLS); 3 CTs have no income designation

CNB has one full-service branch located in an upper-income CT in Austin. Competition in the Travis County AA is very strong with 69 financial institutions in this market. The FDIC’s Deposit Market Share Report as of June 2016 reflects CNB at a minimal 0.09% with Wells Fargo leading at 20% followed by Bank of America at 19% and JP Morgan Chase at 16%.

According to the US Bureau of Labor Statistics, this AA reflected a lower unemployment rate of 3.40% compared to both the state and national averages.

Service jobs is the largest industry for employment at 53% followed by retail trade at 11%, and finance, insurance, and real estate at 9%. Of the 165,088 total businesses in Travis County, 91% are single location businesses, 73% of businesses report four or fewer employees, and 75% report revenues of less than \$500 thousand.

We discussed the community needs and CNB’s performance with one community contact who stated that Austin’s economy has been seeing more of commercial lending activities. Affordable housing continues to be a need and since the land values are high, it remains a challenge for LMI borrowers.

Description of the Ozona AA:

Crockett County, which makes up the Ozona AA in its entirety, is designated as an underserved remote rural county by federal regulators. The county is not adjacent to a micro- or metropolitan statistical area, and contains a town of 2,500 or more residents.

The Crockett County AA includes the entire rural West Texas County with a population of approximately 3,719. Ozona is the county seat and the only town within the county. Crockett County borders Irion County. Ozona is approximately 83 miles southwest of San Angelo.

As defined by federal regulators, the county is considered to be an underserved area due to the declining population trends and population density. The poverty rate has declined to 13.7% from 14.3%. There were no building permits in this area in 2015.

The local economy continues to be supported by ranching and oil and gas exploration. Hotel and food services industry contribute to the local economy by serving tourists, hunters, and workers in the oil and gas industry. Construction and retail trade also has a presence in the local economy. Overall, the economy in this AA remains stable. There are only 2 financial institutions with offices in Crockett County and CNB has 46% deposit market share as of June 2016.

In discussing the community needs relative to the bank’s performance, the community’s rural development organization stated that there is a need for affordable housing for local industries and services for attracting and retaining employees.

Demographic Information and Economic Indicators Crockett County Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (CTs)	1	0.00%	0.00%	100%	0.00%
2000 Population	4,099				
2010 Population	3,719				
Owner-Occupied Housing by Geography	771	0.00%	0.00%	100%	0.00%
Businesses by Geography	218	0.00%	0.00%	100%	0.00%
Farms by Geography	22	0.00%	0.00%	100%	0.00%
Family Distribution by Income Level - 2010 Census	1,011	23.44%	10.29%	22.85%	43.42%
% Owner Occupied Properties		41%	Median Housing Value		\$60,800
HUD-Adjusted MFI: 2015		\$54,700	HHS Poverty Level		14.14%
HUD- Adjusted MFI: 2014		\$53,800	Unemployment Rate - (BLS) 2016		4.9%

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

Conclusions with Respect to Performance Tests

LENDING TEST

CNB’s performance under the lending test is Satisfactory.

Loan-to-Deposit Ratio

CNB's quarterly average LTD ratio is more than reasonable given its size, local competition, and credit needs within the AA, and meets the standards for outstanding performance. During the evaluation period, the LTD ratio ranged from a low of 98% to a high of 119% with a quarterly average of 109%. To assess CNB's performance, we compared its quarterly average LTD ratio to six similarly situated institutions. As reflected in the following table, the average LTD ratios for the six institutions ranged from 19% to 88% (no ranking intended or implied). The overall quarterly average LTD ratio for the six institutions is 64%.

Institution	Total Assets (\$000's) As of 09/30/2016	Average Quarterly LTD Ratio As of 09/30/2016
Crockett National Bank	619,665	109%
The Bank of San Antonio	622,858	88%
Vantage Bank Texas	496,960	85%
Lone Star Capital Bank NA	243,811	74%
Ozona National Bank	232,612	63%
Texas State Bank	246,701	54%
The First National Bank of Mertzton	317,716	19%

Source: Quarterly Call Report data from Sept. 30, 2013 through Sept. 30, 2016

Lending in Assessment Area

CNB originated a majority of loans inside its AA, meeting the standard for satisfactory performance. The following table reflects the percentages, by number and dollar volume, of loans originated inside the AA.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	190	54%	159	46%	349	\$61,252	44%	\$79,134	56%	\$140,386
Refinancing	17	46%	20	54%	37	\$9,117	40%	\$13,518	60%	\$22,635
Totals:	207	54%	179	46%	386	\$70,369	43%	\$92,652	57%	\$163,021

Source: 2014 and 2015 HMDA data

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

The distribution of loans represents reasonable penetration to individuals of different income levels. For the distribution of residential loans, we compared loans reported under HMDA to demographic data from the 2010 Census. Home purchase loans represented the largest percentage of the loan portfolio during the evaluation period. As such, we weighted home purchase loan performance more heavily in our conclusion. Since a significant majority of deposits (78% as of June 30, 2016) originate in the San Angelo AA, we also weighted performance in this AA more heavily in our conclusion.

Performance in the San Angelo Assessment Area

The distribution of loans reflects reasonable penetration to LMI borrowers in this AA. As noted in the Description of the San Angelo AA section, the AA changed between 2014 and 2015. In 2014, the AA included both Irion County and Tom Green County. In 2015, the AA did not include the one CT in Irion County because the bank had no branches and a limited number of deposits and loans originating in Irion County.

As shown in the following table, the distribution of loans to low-income borrowers in 2014 is lower than demographic data and reflects poor penetration. The distribution of loans to moderate-income borrowers in 2014 is somewhat lower than demographic data and reflects reasonable penetration. CNB originated 25 home purchase loans and 2 home refinancing loans in this AA in 2014.

Borrower Distribution of Residential Loans in San Angelo Assessment Area - 2014								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	22	8	18	12	19	4	41	76
Refinancing	22	0	18	0	19	0	41	100
Totals:	22	7	18	11	19	4	41	78

Source: 2014 HMDA data, 2010 Census data

As shown in the following table, the distribution of loans to low-income borrowers in 2015 exceeds demographic data and reflects excellent penetration. The distribution to moderate-income borrowers in 2015 is near to demographic data and reflects reasonable penetration. CNB originated 17 home purchase loans and 1 home refinancing loan in this AA in 2015.

Borrower Distribution of Residential Loans in San Angelo Assessment Area - 2015								
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	22	29	18	18	19	18	41	35
Refinancing	22	0	18	0	19	0	41	100
Totals:	22	28	18	17	19	17	41	38

Source: 2015 HMDA data, 2010 Census data

Performance in the San Antonio Assessment Area

The distribution of loans to LMI borrowers in this AA reflects poor penetration. As noted in the Description of the San Antonio AA section, the AA changed between 2014 and 2015. In 2014, the AA included Bexar County, Comal County, and Kendall County. In

2015, bank management excluded Kendall County because CNB had no branches and a limited number of deposits and loans originating in Kendall County.

As shown in the following table, the distribution of loans to low-income borrowers in 2014 is significantly lower than demographic data and reflects very poor penetration. The distribution of loans to moderate-income borrowers in 2014 is significantly lower than demographic data and reflects very poor performance. CNB originated 21 home purchase loans and 3 home refinancing loans in this AA in 2014.

Borrower Distribution of Residential Loans in San Antonio Assessment Area - 2014								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23	5	17	5	19	14	41	76
Refinancing	23	0	17	0	19	0	41	100
Totals:	23	4	17	4	19	13	41	79

Source: 2014 HMDA data, 2010 Census data

As shown in the following table, in 2015, the distribution of loans to low-income borrowers is somewhat lower than demographic data and reflects reasonable penetration. The distribution to moderate-income borrowers is lower than demographic data and reflects poor penetration. CNB originated 19 home purchase loans in this AA in 2015.

Borrower Distribution of Residential Loans in San Antonio Assessment Area - 2015								
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	16	17	5	19	21	41	58

Source: 2015 HMDA data, 2010 Census data

Demographic data reflects the AA, which includes Bexar County and Comal County, had a median housing value of \$137,729 at the 2010 Census. By December 2016, the median listing price for homes in these two counties had risen to \$280,595 (www.zillow.com). This value, coupled with an adjusted median family income of \$58,800 for 2014 and \$63,400 for 2015, could make it difficult for LMI borrowers to qualify for residential loans. LMI borrowers and organizations that help these borrowers obtain financing, face challenges from current industry credit standards for affordable housing. In addition, the AA has a highly competitive banking environment with numerous financial institutions offering home purchase loans and other home mortgage loan products that limits CNB's lending opportunities in this AA.

Performance in the Austin Assessment Area

Overall, the distribution of loans to LMI borrowers reflects very poor penetration in this AA. As noted in the Description of the Austin AA section, the AA changed between 2014 and 2015. In 2014, the AA included all five counties in the Austin-Round Rock MSA. For 2015, bank management included only Travis County in the AA. The other four counties were excluded because CNB had no branches and a limited number of deposits and loans originating in these counties.

As shown in the following table, the distribution of loans to low-income borrowers in 2014 is significantly lower than demographic data and reflects very poor penetration. The distribution of loans to moderate-income borrowers in 2014 is significantly lower than demographic data and reflects very poor performance. CNB originated 16 home purchase loans and 1 home refinancing loan in this AA in 2014.

Borrower Distribution of Residential Loans in Austin Assessment Area - 2014								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	22	0	17	0	20	13	41	87
Refinancing	22	0	17	0	20	0	41	100
Totals:	22	0	17	0	20	12	41	88

Source: 2014 HMDA data, 2010 Census data

As shown in the following table, the distribution of loans to low-income borrowers in 2015 is significantly lower than demographic data and reflects very poor penetration. The distribution of loans to moderate-income borrowers in 2015 is significantly lower than demographic data and reflects very poor performance. CNB originated 10 home purchase loans and 1 home refinancing loan in this AA in 2015.

Borrower Distribution of Residential Loans in Austin Assessment Area - 2015								
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	24	0	17	0	18	0	41	100
Refinancing	24	0	17	0	18	0	41	100
Totals:	24	0	17	0	18	0	41	100

Source: 2015 HMDA data, 2010 Census data

Demographic data reflects the AA that included just Travis County had a median housing value of \$228,291 at the 2010 Census. By December 2016, the median housing value had risen to \$297,700 (www.zillow.com). This value, coupled with an adjusted MFI of \$75,400 for 2014 and \$76,800 for 2015, could make it difficult for LMI borrowers to qualify for residential loans. In addition, LMI borrowers and organizations that help these

borrowers obtain financing, face challenges from current industry credit standards for affordable housing. In addition, this AA has a highly competitive banking environment with numerous financial institutions offering home purchase loans and other home mortgage loan products that limit CNB's lending opportunities in this AA.

Performance in the Ozona Assessment Area

The primary lending product in this AA is business loans. However, CNB originated only ten loans to businesses during the evaluation period in this AA. The number of loans is too small to provide a meaningful analysis. However, we noted internal bank reports reflect a majority of the loans were to small businesses (defined as businesses with annual revenues of \$ 1million or less). CNB originated only one residential loan during the evaluation period in this AA.

There are limited business lending opportunities in this AA. Updated Census data reflects the number of businesses and the number of farms declined by 26% and 43%, respectively, since the previous CRA evaluation in 2013. In addition, the high percentage of low-income families (23%), along with the percentage of households below the poverty level (14%), limit home mortgage lending opportunities.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. We weighted home purchase loan performance more heavily in our conclusion since home purchase loans represented the largest percentage of the loan portfolio during the evaluation period. Since a significant majority of deposits (78% as of June 30, 2016) originated in the San Angelo AA, we weighted performance in this AA more heavily in our conclusion.

Performance in the San Angelo Assessment Area

The geographic distribution of loans reflects excellent dispersion in this AA. As reflected in the following table, the percentage of loans to borrowers in low-income CTs in 2014 exceeds the percentage of owner-occupied housing in low-income CTs. The percentage of loans to borrowers in moderate-income CTs in 2014 is near to the percentage of owner-occupied housing in the moderate-income CTs.

Geographic Distribution of Residential Loans in San Angelo Assessment Area - 2014								
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	4	26	21	44	50	29	25
Refinancing	1	0	26	0	44	0	29	100
Totals:	1	3	26	20	44	47	29	30

Source: 2014 HMDA data, 2010 Census data

As reflected in the following table, the percentage of loans to borrowers in low-income CTs in 2015 exceeds the percentage of owner-occupied housing in low-income CTs. The percentage of loans to borrowers in moderate-income CTs in 2014 is near to the percentage of owner-occupied housing in the moderate-income CTs.

Geographic Distribution of Residential Loans in San Angelo Assessment Area - 2015								
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	11	26	22	45	50	28	17
Refinancing	1	0	26	0	45	100	28	0
Totals:	1	10	26	21	45	53	28	16

Source: 2015 HMDA data, 2010 Census data

Performance in the San Antonio Assessment Area

The geographic distribution of loans reflects poor dispersion in this AA. As reflected in the following table, CNB did not originate any home purchase loans in low-income CTs in 2014 in this AA. The percentage of loans to borrowers in moderate-income CTs in 2014 is lower than the percentage of owner-occupied housing in the moderate-income CTs.

Geographic Distribution of Residential Loans in San Antonio Assessment Area – 2014								
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	5	0	25	9	32	22	38	69
Refinancing	5	0	25	0	32	0	38	100
Totals:	5	0	25	8	32	19	38	73

Source: 2014 HMDA data, 2010 Census data

The geographic distribution of loans reflects poor dispersion in this AA. As reflected in the following table, CNB did not originate any home purchase loans in low-income CTs in 2015 in this AA. The percentage of loans to borrowers in moderate-income CTs in 2015 is lower than the percentage of owner-occupied housing in the moderate-income CTs.

Geographic Distribution of Residential Loans in San Antonio Assessment Area – 2015								
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	5	0	25	10	32	20	38	70

Source: 2015 HMDA data, 2010 Census data

Performance in the Austin Assessment Area

The geographic distribution of loans reflects reasonable dispersion in this AA. As reflected in the following table, the percentage of loans to borrowers in low-income CTs in 2014 exceeds the percentage of owner-occupied housing in low-income CTs. CNB did not originate any loans in moderate-income CTs in 2014.

Geographic Distribution of Residential Loans in Austin Assessment Area – 2014								
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	6	18	0	39	41	39	53
Refinancing	4	0	18	0	39	0	39	100
Totals:	4	6	18	0	39	39	39	55

Source: 2014 HMDA data, 2010 Census data

The geographic distribution of loans reflects reasonable dispersion in this AA. As reflected in the following table, CNB did not originate any home purchase loans in low-income CTs in 2015 in this AA. The percentage of loans to borrowers in moderate-income CTs in 2015 is near the percentage of owner-occupied housing in the moderate-income CTs.

Geographic Distribution of Residential Loans in Austin Assessment Area - 2015								
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	7	0	20	18	27	0	46	82
Refinancing	7	50	20	0	27	0	46	50
Totals:	7	8	20	15	27	0	46	77

Source: 2015 HMDA data, 2010 Census data

Performance in the Ozona Assessment Area

An analysis of the geographic distribution of loans would not be meaningful due to the limited number of loans originated in this AA. However, Crockett County, which makes up the Ozona AA in its entirety, is designated as an underserved remote rural county by federal regulators. During the evaluation period CNB originated ten business loans and one home purchase loan in this AA.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

CNB's CD performance demonstrates adequate responsiveness to CD needs of its AAs through CD loans, qualified investments and CD services, as appropriate, considering its capacity and the need and availability of such opportunities for CD in CNB's AAs.

Because a significant majority of deposits (78 as of June 30 2016) originated in the San Angelo AA, we weighted performance in this AA more heavily in our conclusion.

Number and Amount of Community Development Loans

The level of CD lending reflects adequate responsiveness to CD needs of the AA's. During the evaluation period, CNB originated 14 commercial loans totaling \$7.4 million and made 39 donations totaling \$501 thousand that met the definition of CD. CNB did not make any qualified investments during the evaluation period.

Performance in the San Angelo Assessment Area

CNB originated two loans totaling \$203 thousand to La Gran Familia, an entity that owns apartment complexes renting primarily to LMI families. CNB also originated two loans totaling \$132.5 thousand to Myers Drug, Inc., a pharmacy located in the only low-income CT in the AA. Loan proceeds were used to renovate the facility, which contributed to a city-wide plan to revitalize the aging downtown area. The pharmacy services the Concho Valley area and provides certain free health monitoring services to customers and prescription delivery services to homebound residents.

Performance in the San Antonio Assessment Area

CNB originated 7 loans totaling \$1.06 million that funded activities for revitalization or stabilization of LMI geographies. A \$200 thousand loan was made to LiftFund (previously Accion Texas, Inc.), a designated CD financial institution and a recognized U.S. Small Business Administration 504 CD Corporation. The loan is a zero-percent interest forgivable loan whereby CNB forgives the annual \$50 thousand payment as it becomes due each year. Forgiving the payment allows LiftFund to utilize these funds as needed to contribute to economic development of small businesses.

Performance in the Austin Assessment Area

CNB originated 3 loans totaling \$6.05 million to the Austin Affordable Housing Corporation, a non-profit subsidiary of the Housing Authority of the City of Austin. Loan proceeds were used to refinance and renovate two apartment complexes with a total of 331 units for affordable housing to LMI individuals and families.

Performance in the Ozona Assessment Area

CNB did not originate any CD loans in this AA.

Number and Amount of Qualified Investments

Qualified investments, donations, and grants reflect reasonable responsiveness. CNB did not make any equity or debit investments in any of the AAs during the evaluation period. CNB made 39 qualifying donations totaling \$501 thousand in its AAs.

Performance in the San Angelo Assessment Area

CNB made 24 donations totaling \$104.5 thousand to numerous organizations providing CD services to LMI individuals, families, and geographies. Organizations include, but are not limited to: Galilee Community Development Corporation, Habitat for Humanity of San Angelo, Children's Hunger Fund, Sierra Vista UMC- Children's Bed Project, Meals for the Elderly, and United Way of Concho Valley. During the evaluation period, CNB donated \$24.6 thousand to the Galilee Community Development Corporation (CDC). CNB is a participating lender with the San Angelo Affordable Housing Assistance program headed by the City of San Angelo and the Galilee CDC. The program assists LMI individuals and families with the purchase of an affordable home. CNB waives its typical origination fees and offers a 30-year fixed rate loan product.

Performance in the San Antonio Assessment Area

CNB made 11 donations totaling \$369 thousand to several organizations in this AA. Organizations include, but are not limited to: LiftFund (previously known as Accion Texas), Local Initiative Support Corp. LISIC, and Neighborhood Housing Service Inc. During the evaluation period, CNB made donations totaling \$180 thousand to LiftFund, an entity that provides education, loan services, and other related small business services to the San Antonio and Austin areas. CNB made two donations of \$50 thousand each to the Local Initiative Support Corp (LISIC) and the Neighborhood Housing Services, Inc., organizations that provide affordable housing to LMI individuals and families.

Performance in the Austin Assessment Area

CNB made 3 donations totaling \$27 thousand in this AA. The largest donation in total, \$20 thousand, was made to the Business & Community Lenders of Texas. This organization provides financial education; small business loans and services; and down payment assistance to LMI homebuyers in the Austin area. 00

Performance in the Ozona Assessment Area

CNB made one donation of \$250 to the Ozona Women's League. The donation helped to provide playground equipment in an underserved middle-income geography.

Extent to Which the Bank Provides Community Development Services

The level of CD services reflects adequate responsiveness to CD needs of the AA. CNB meets these needs through the volunteer activities of bank officers and employees to organizations that provide community service, affordable housing, and economic development. Bank staff served as committee members and provided fund raising, financial education, and marketing expertise.

Performance in the San Angelo Assessment Area

CD services in this AA include several bank officers who offer financial and fundraising expertise. A bank officer sits on the Board of Directors for the Galilee CDC. He helps with fundraising activities and provides oversight of grant fund distributions. In addition, members of the bank's mortgage team offer financial expertise by serving as interviewers for applicants at Rust Street Ministries. The team helps LMI applicants establish budgets and identify financial needs. Other organizations where bank employees offer services include: Concho Valley Home for Girls, Habitat for Humanity, Meals for the Elderly, United Way of Concho Valley, and the Go and Do the Same Ministry.

Performance in the San Antonio Assessment Area

CD services in this AA focus on activities of CNB CRA Officer Dahlia Garcia. She actively participates with several organizations that provide affordable housing and community services. CRA Officer Garcia provides financial expertise as a member of the Loan Review Committee for LiftFund; a member of the Local Advisory Board for the City of San Antonio Housing Incentive Program; and a fundraising member of the San Antonio Advocates Boxing Youth Committee. In addition, she provides financial education through classes and meetings held by Alamo Community Group and Neighborhood Housing Services. CRA Officer Garcia also met with Senator Jose Menendez of Texas District 26 and State Representative Donna Campbell to discuss the need for affordable housing and education in the San Antonio area.

Performance in the Austin Assessment Area

During the evaluation period, CNB did not provide any CD services in this AA.

Performance in the Ozona Assessment Area

During the evaluation period, CNB did not provide any CD services in this AA.

Responsiveness to Community Development Needs

CNB demonstrates adequate responsiveness to meeting CD needs in the AA as evidenced by the level of CD loans and CD services. In addition, the bank offices are readily accessible to all portions of the population, including LMI individuals.

Performance in the San Angelo AA

In addition to the level of CD loans, services and donations in this AA, CNB has three branches. Two of three branches are located in middle-income geographies in downtown San Angelo along main roadways. One of these branches also has an ATM. The third branch is located in an upper-income geography and is readily accessible.

Performance in the San Antonio AA

In addition to the level of CD loans, services and donations in this AA, CNB has two branches. One branch with an ATM is located in a moderate-income geography. The second branch is located in an upper-income geography. Both branches are located along main roadways and are readily accessible.

Performance in the Austin AA

CNB has one branch located in an upper-income geography in this AA. It is located along major roadways and is readily accessible.

Performance in the Ozona AA

CNB has one branch with a drive-through facility located in a middle-income geography in this AA. The county is designated as underserved due to its remote rural location. The branch is readily accessible to the population in this AA.

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.