



## **PUBLIC DISCLOSURE**

January 07, 2019

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

The Citizens National Bank of Hillsboro  
Charter Number 4900

200 E. Elm Street  
Hillsboro, TX 76645

Office of the Comptroller of the Currency  
Dallas Field Office  
225 E John Carpenter Fwy. Suite 900  
Irving, Texas 75062

**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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **Overall CRA Rating:**

**The Lending Test is rated: Satisfactory.**

The Citizens National Bank of Hillsboro (CNB or bank) lending performance is satisfactory given its size, financial condition, and the credit needs of the Assessment area (AA).

- The bank's loan-to-deposit ratio is reasonable given its size, financial condition and the credit needs of its assessment area (AA).
- The bank originated a substantial majority of its loans within its AA.
- The distribution of loans to borrowers of different income and businesses of different sizes reflects reasonable penetration.
- The bank's distribution of loans to low- and moderate-income geographies reflects excellent dispersion.
- The bank has not received any CRA related complaints during the evaluation period.

## Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Description of Institution

CNB is a \$170 million community bank, chartered in 1893 and headquartered in Hillsboro, Texas. It is a wholly owned subsidiary of Hillsboro Bancshares, Inc. CNB is located between Waxahachie and Waco on Interstate 35.

CNB offers a full range of products and services with a focus on commercial, residential, and consumer lending. Customers can access the banks services and products through multiple delivery channels including, but not limited to, visiting a branch, online banking services at ([www.cnbhillsboro.com](http://www.cnbhillsboro.com)), mobile banking, the telephone and/or the mail. In addition to the main office, CNB operates one other branch also located in Hillsboro. The bank owns two automatic teller machines located at each office in Hillsboro.

As of September 30, 2018, total assets were \$170 million, tier 1 capital was \$23.1 million, and the Tier 1 Leverage ratio was 13.40 percent.

The bank was rated “satisfactory” during the prior CRA evaluation dated October 1, 2014. There are no legal or financial impediments to CNB’s ability to meet the credit needs of its AA.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

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

The scope of the evaluation covered the time period from October 2, 2014, the date of the prior Performance Evaluation (PE), to January 7, 2019, the date of the current evaluation. We identified the primary loan products, based on the September 30, 2018 Call Report, as 1-4 family residential loans, commercial real estate loans, and commercial & industrial loans.

<b>Loan Type</b>	<b>\$ (000s)</b>	<b>% of Total Loans</b>
1-4 Family Residential	\$11,994	31.2%
CRE	\$10,140	26.4%
Commercial & Industrial	\$7,382	19.2%
Consumer	\$5,538	14.4%
Agriculture and all other	\$3,338	8.8%
<b>Total</b>	<b>\$38,392</b>	<b>100%</b>

*Source: September 30, 2018 Report of Condition*

In evaluating the loan-to-deposit ratio, we used a comparison of four similarly situated banks over the prior 23 quarters. These banks were selected for analysis based on their proximity and similar size to CNB.

The Lending Test concentrated on lending activity from January 1, 2015 to December 31, 2017. In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2015, 2016 and 2017.

### **Selection of Areas for Full-Scope Review**

CNB has one AA, which includes all of Hill County. The bank has properly defined its AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole census tracts, does not arbitrarily exclude LMI census tracts, and includes the census tracts where the bank offices are located and the majority of its loans are originated. The AA does not reflect illegal discrimination.

### **Ratings**

Ratings for this CRA evaluation are based on the results of the full-scope review of the bank's AA.

### **Discriminatory or Other Illegal Credit Practices Review**

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

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

# Conclusions with Respect to Performance Tests

## LENDING TEST

The bank’s performance under the Lending Test is rated “Satisfactory”.

### Loan-to-Deposit Ratio

CNB’s LTD ratio is reasonable given the bank’s size, location, local competition, and the credit needs of the AA. The average quarterly LTD ratio from December 31, 2014 through September 30, 2018 was 25.06 percent. During this evaluation period, CNB’s LTD ratio ranged from a low of 19.8 percent to a high of 28.87 percent. The similarly situated institutions (SSI) shown below had LTD ratios ranging from 23 percent to 67 percent. The average LTD ratio among all SSI and CNB is 38 percent. This reflects the low loan demand within Hill County, which is not located within an MSA.

All SSIs are community banks with less than \$1 billion in total assets that actively offer similar loan products and have branch locations in the AA. The average quarterly LTD ratio for each SSI is listed in the following table.

<b>Loan-to-Deposit Ratios</b>		
<b>Financial Institutions</b>	<b>Total Assets \$ (000’s) (As of 9/30/2018)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>The Citizens National Bank of Hillsboro</b>	<b>170,474</b>	<b>25.06%</b>
The State National Bank in West	75,688	23.60%
Pointwest Bank	100,379	38.48%
First Security State Bank	113,793	37.52%
The First State Bank	147,387	67.39%

*Source: Institution Reports of Condition from December 31, 2014 to September 30, 2018.*

### Lending in Assessment Area

The bank originated a substantial majority of its loans within its AA. A substantial majority of commercial loans originated in 2015, 2016, and 2017 were inside the bank’s AA. A majority of 1-4 family residential loans originated in those same years were inside the AA. To assess performance, we reviewed 40 commercial loans and 40 1-4 family residential loans originated in 2015 and 2016, as well as 20 commercial loans and 20 1-4 family residential loans originated in 2017. In total, 92.5 percent of the number of loans and 78 percent of the dollar amount reviewed were originated inside the AA. Please see the following table for details.

<b>Table D - Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Commercial</b>	<b>58</b>	<b>96.67</b>	<b>2</b>	<b>3.33</b>	<b>60</b>	<b>2,029</b>	<b>96.9</b>	<b>65</b>	<b>3.1</b>	<b>2,094</b>
<b>1-4 Family</b>	<b>53</b>	<b>88.33</b>	<b>7</b>	<b>11.67</b>	<b>60</b>	<b>3,491</b>	<b>70.1</b>	<b>1,489</b>	<b>29.9</b>	<b>4,980</b>
<b>Total</b>	<b>111</b>	<b>92.5</b>	<b>9</b>	<b>7.5</b>	<b>120</b>	<b>5,520</b>	<b>78</b>	<b>1,554</b>	<b>22</b>	<b>7,074</b>

*Source: Evaluation Period: 1/1/2015 - 12/31/2017 Bank Data  
Due to rounding, totals may not equal 100.0*

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

The distribution of loans to borrowers of different incomes and businesses of different sizes reflects reasonable penetration, given the demographics of the AA.

*Residential Real Estate Loans*

CNB’s distribution of residential home loans in the AA reflects reasonable penetration to low- and moderate-income borrowers. Lending to moderate-income borrowers is reasonable. We included in our conclusion the assessment of excellent penetration in middle-income census tracts, of which six of seven have been deemed distressed or underserved. The bank’s lending in 2015 through 2017 to low-income borrowers reflects poor penetration as the sampled loans are lower than the percentage of low-income households in the assessment area. Census data reflects that 11.3 percent of households in 2016 and 15.8 percent of households in 2017 were below the poverty level. These households are typically unable to meet credit underwriting standards. Please see Table P in Appendix C and the housing-related discussion in the market profile in Appendix B for details.

*Business Loans*

The distribution of loans to businesses of different sizes reflects excellent penetration of loans to businesses that are small (businesses with annual revenues less than or equal to \$1 million). The percentage of the bank’s loans, based on both number and dollar volume, exceeds the percentage of businesses with annual revenues of \$1 million or less in the AA as noted in Table R, in Appendix C. Of commercial loans reviewed, 90 percent were \$100,000 or less. Loan size often loosely correlates to the size of the business.

## **Geographic Distribution of Loans**

CNB's overall geographic distribution of loans reflects excellent dispersion throughout AA. The distribution of home mortgage loans in LMI census tracts is excellent, while the distribution of loans to businesses in LMI census tracts is reasonable.

### *Residential Real Estate Loans*

The geographic distribution of loans in the AA is excellent. The distribution of home mortgages to both low- and moderate-income census tracts throughout the review period exceeded the demographic comparator for all periods reviewed. Additionally, during all three years, all but one of the seven middle-income census tracts were designated as distressed or underserved. Please see Tables O in Appendix C for details.

### *Business Loans*

The geographic distribution of loans in the AA is reasonable. The distribution of loans to small business in both low- and moderate-income census tracts exceeded the percent of businesses within the census tract.

While loans to small businesses in 2015 and 2016 in moderate-income census tracts were lower than the percent of business in those tracts, CNB's penetration in middle-income census tracts was 40 percent. All of Hill County's middle-income census tracts in 2015 and 2016 were deemed distressed or underserved. Please see Tables Q in Appendix C for details.

## **Responses to Complaints**

We reviewed all complaints filed during the evaluation period. There were no CRA related complaints received.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test : 01/01/2015 – 12/31/2017	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The Citizen National Bank of Hillsboro (CNB or bank) Hillsboro, Texas		Commercial Loans/Commercial Real Estate Loans Residential Real Estate Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Hillsboro Non-MSA	Full-Scope	Hill County

## Appendix B: Community Profiles for Full-Scope Areas

### Hill County

Table A – Demographic Information of the Assessment Area						
Assessment Area: Citizens NB of Hillsboro						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	18.2	54.5	27.3	0.0
Population by Geography	35,089	0.0	12.0	50.7	37.2	0.0
Housing Units by Geography	15,907	0.0	9.2	55.2	35.6	0.0
Owner-Occupied Units by Geography	9,939	0.0	7.7	56.2	36.1	0.0
Occupied Rental Units by Geography	3,049	0.0	19.1	43.2	37.8	0.0
Vacant Units by Geography	2,919	0.0	3.9	64.3	31.8	0.0
Businesses by Geography	1,902	0.0	14.1	46.8	39.1	0.0
Farms by Geography	164	0.0	0.6	56.7	42.7	0.0
Family Distribution by Income Level	9,088	19.4	18.2	17.7	44.7	0.0
Household Distribution by Income Level	12,988	22.7	16.4	18.2	42.7	0.0
Median Family Income Non-MSAs - TX		\$47,817	Median Housing Value			\$85,092
			Median Gross Rent			\$645
			Families Below Poverty Level			11.3%
<i>Source: 2010 U.S. Census and 2016 Dun &amp; Bradstreet Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

2010 census data and 2016 Dun & Bradstreet data shows eleven census tracts in Hill County. During the census review no low-income census tracts were identified in the AA, and moderate-income census tracts comprised 18.2 percent of the AA. The population of the county is roughly 35,000 people, with 12 percent of the population located in moderate-income census tracts. Family distribution by income level shows 19.4 percent of families in the AA are considered low-income families and 18.2 percent of families are considered moderate-income families. The median family income for the MSA is \$47,817, and the median housing value is \$85,092. Median gross rent is \$645 per month. There are 11.3 percent of families that live below the poverty level.

**Table A – Demographic Information of the Assessment Area**

**Assessment Area: Citizens NB of Hillsboro**

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	11	9.1	18.2	63.6	9.1	0.0
Population by Geography	34,923	6.1	15.3	67.4	11.2	0.0
Housing Units by Geography	16,134	4.7	14.4	70.9	10.0	0.0
Owner-Occupied Units by Geography	9,318	3.8	10.0	74.8	11.4	0.0
Occupied Rental Units by Geography	3,584	7.6	29.9	55.6	6.9	0.0
Vacant Units by Geography	3,232	4.2	9.7	76.8	9.3	0.0
Businesses by Geography	1,912	10.0	14.6	62.3	13.1	0.0
Farms by Geography	166	0.6	4.2	74.1	21.1	0.0
Family Distribution by Income Level	8,911	23.7	16.8	19.4	40.2	0.0
Household Distribution by Income Level	12,902	25.0	17.3	16.3	41.3	0.0
Median Family Income Non-MSAs - TX		\$52,076	Median Housing Value			\$86,969
			Median Gross Rent			\$640
			Families Below Poverty Level			15.8%
<i>Source: 2015 ACS Census and 2017 Dun &amp; Bradstreet Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The 2015 census data and 2017 Dun & Bradstreet data shows that there are eleven census tracts in Hill County. Low-income census tracts comprise 9.1 percent of the AA, and moderate-income census tracts comprise 18.2 percent of the AA. The population of the county is nearly 35,000 people, with 6.1 percent located in low-income census tracts and 15.3 percent of the population located in moderate-income census tracts. Family distribution by income level shows 23.7 percent of families in the AA are considered low-income families and 16.8 percent of families are considered moderate-income families. The median family income for the MSA is \$52,076, and the median housing value is \$86,969. Median gross rent is \$640 per month. There are 15.8 percent of families that live below the poverty level.

The bank’s main office and branch locations are displayed below:

<b>Branch Locations</b>			
<b>County/Office Name</b>	<b>Facility Type</b>	<b>Census Tract Number</b>	<b>Census Tract Income Level</b>
Hill County/ Hillsboro Branch (2)	Main Branch & ATM Branch & ATM	9610.00	Moderate
<i>Source: 2010 U.S. Census Data updated through 2016.</i> <i>*Designated by federal banking agencies as underserved.</i> <i>#Designated by federal banking agencies as distressed.</i>			

CNB has delineated Hill County (eleven census tracts) as the bank's AA. The city of Hillsboro is the county seat of Hill County. One of the eleven census tracts is low income, two tracts are moderate-income, seven are middle-income and one is upper-income. In 2017, six of the seven middle income census tracts were designated as distressed or underserved nonmetropolitan middle-income geographies by federal banking agencies.

Hill County is in north central Texas located between Waxahachie and Waco on Interstate 35, approximately 62 miles southwest of Dallas. Its largest city is Hillsboro with a population of 8,456 per the 2010 census data. Hillsboro expands 10.3 square miles. The city of Hillsboro depends on the employers of the Hillsboro outlet mall, which attracts out-of-town people to local hotels and restaurants for employment. The next largest employers in the AA are Hillsboro ISD, Hill College, and Hill County.

The county's 5.05 percent unemployment rate is high in comparison with the 3.7 percent and 3.9 percent unemployment rates for the State of Texas and the United States, respectively.

Low-income households are slightly higher than the percentage of moderate-income households in the AA, at 25 percent compared to 17.3 percent. Low-income individuals represent 6.1 percent of the AA compared to moderate-income at 15.3 percent.

The AA is a moderately competitive banking environment. According to the June 30, 2017 FDIC Deposit Market Share Report, 7 banks operate 10 branches within the AA. CNB is ranked second overall holding 25.6 percent of the total market share trailing Citizens State Bank with a total asset size over \$750 million and market share of 42 percent.

As part of this examination, we contacted a local organization within the community. The organization is a type A corporation under Texas law, which is supported by a one-eighth cent sales tax collected by the City of Hillsboro. The corporation's primary purpose is industrial recruitment and retention. Type A revenue can be used to fund buildings, land, equipment and targeted infrastructure. The interviewee stated local financial institutions are responsive to the needs of the community.

## Appendix C: Tables of Performance Data

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																	<b>2015-2016</b>		
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
	40	2,691	100	0	2.5	0	7.7	35	3.6	56.2	15	55.7	36.1	47.5	40.7	0	0	0	
<b>Total</b>	40	2,691	100	0	2.5	0	7.7	35	3.6	56.2	15	55.7	36.1	47.5	40.7	0	0	0	

Source: 2010 U.S Census; 01/01/2015 - 012/31/2016 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

<b>Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																	<b>2017</b>		
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
	20	1,452	100	3.8	5	0.3	10	30	13.5	74.8	30	76.2	11.4	35	10	0	0	0	
<b>Total</b>	20	1,452	100	3.8	5	0.3	10	30	13.5	74.8	30	76.2	11.4	35	10	0	0	0	

Source: 2010 U.S Census; 01/01/2017 - 12/31/2017 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																<b>2015-2016</b>		
Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
Assessment Area:	#	\$	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
	40	2,691	100	19.4	10	4.3	18.2	10	12	17.7	30	19.9	44.7	50	42.3	0	0	0
<b>Total</b>	40	2,691	100	19.4	10	4.3	18.2	10	12	17.7	30	19.9	44.7	50	42.3	0	0	0

Source: 2010 U.S. Census; 01/01/2015 - 12/31/2015 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																<b>2017</b>		
Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
Assessment Area:	#	\$	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
	20	1,452	100	23.7	0	4.2	16.8	15	9.3	19.4	30	24.1	40.2	55	44.4	0	0	0
<b>Total</b>	20	1,452	100	23.7	0	4.2	16.8	15	9.3	19.4	30	24.1	40.2	55	44.4	0	0	0

Source: 2010 U.S. Census; 01/01/2017 - 12/31/2017 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>												<b>2015-2016</b>	
<b>Assessment Area:</b>	<b>Total Loans to Small Businesses</b>			<b>Low-Income Tracts</b>		<b>Moderate-Income Tracts</b>		<b>Middle-Income Tracts</b>		<b>Upper-Income Tracts</b>		<b>Not Available- Income Tracts</b>	
	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>
	40	1,156	100	0.00	0	13.4	5	46.2	40	40.4	55	0	0
<b>Total</b>	40	1,156	100	0	0	13.4	5	46.2	40	40.4	55	0	0

Source: 2015 Dun & Bradstreet Data; 01/01/2015 - 12/31/2016 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>												<b>2017</b>	
<b>Assessment Area:</b>	<b>Total Loans to Small Businesses</b>			<b>Low-Income Tracts</b>		<b>Moderate-Income Tracts</b>		<b>Middle-Income Tracts</b>		<b>Upper-Income Tracts</b>		<b>Not Available- Income Tracts</b>	
	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>% Businesses</b>	<b>% Bank Loans</b>
	20	55	100	10	15	14.6	15	62.3	50	13.1	20	0	0
<b>Total</b>	20	55	100	10	15	14.6	15	62.3	50	13.1	20	0	0

Source: 2017 Dun & Bradstreet Data; 01/01/2017 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>										<b>2015-2016</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
	40	1,156	100	427	80.3	97.50	36.3	4.2	2.5	15.6	0
<b>Total</b>	40	1,156	100	427	80.3	97.50	36.3	4.2	2.5	15.6	0
<i>Source: 2016 D&amp;B Data; 01/01/2015 - 12/31/2016 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>											

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>										<b>2017</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
	20	555	100	406	80.2	100	42.1	4.4	0	15.4	0
<b>Total</b>	20	555	100	406	80.2	100	42.1	4.4	0	15.4	0
<i>Source: 2017 D&amp;B Data; 01/01/2017 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>											