



## PUBLIC DISCLOSURE

November 27, 2017

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank & Trust of Texas  
Charter Number 14898

321 North 15th Street  
Corsicana, TX 75110

Office of the Comptroller of the Currency  
Dallas Field Office  
225 E. John Carpenter Fwy, Suite 900  
Irving, TX 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: This institution is rated Satisfactory.**

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

**The Community Development Test is rated: Satisfactory.**

Summarize the major factors supporting the institution's rating.

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are inside the bank's assessment area (AA).
- The distribution of residential loans among borrowers of different income levels exhibits a reasonable penetration. The distribution of loans to businesses and farms of different sizes is excellent.
- Residential and farm loans are reasonably distributed across the low-and moderate-income (LMI) census tracts while the business loans reflect an excellent distribution.
- The overall level and responsiveness of community development (CD) lending, investments, and services is adequate.

## 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

Community National Bank & Trust of Texas (CNBT or bank) is an intrastate full-service community bank headquartered in Corsicana, Texas, located 58 miles south of downtown Dallas. CNBT was established in 1964. The bank is wholly owned by Community Bank Holding of Texas, Inc. (CBHT), a single-bank holding company, the primary mission of which is the ownership of CNBT. The previous CRA evaluation, dated December 1, 2014, assigned a “Satisfactory” rating to the bank.

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

CNBT is a full-service bank offering a full range of deposit and loan products and services as well as online and telephone banking for individuals and businesses. Small business and commercial lending are CNBT’s primary business focus. Within the residential real estate loan portfolio, the bank originates mortgage loans for sale on the secondary market. Deposit products and services include free online checking accounts and low-cost individual and business accounts.

As of September 30, 2017, net loans were 73 percent of CNBT’s total assets of \$667 million. The following table is a summary of CNBT’s loan portfolio. The bank’s tier one capital as of September 30, 2017 was \$60 million.

Community National Bank & Trust of Texas Loan Portfolio Summary		
Loan Category	Dollar Volume (\$000s)	Percentage
Commercial and Commercial Real Estate	264,796	54%
Residential Real Estate	91,917	19%
Agriculture and Ranch	54,977	11%
Construction and Other	69,057	14%
Consumer	11,024	2%
Total	491,771	100%

Source: September 30, 2017, Report of Condition

CNBT’s physical offices are its primary delivery system for retail products and services. In addition to its main office in Corsicana, the bank operates 12 full-service branches in Texas. Two of the branch offices are located in moderate-income census tracts, two are in middle-income tracts, designated as distressed by the federal banking agencies, and one is located in a middle-income geography that has been designated as underserved.



In January 2016, CBHT acquired StarBanc Holding Company which owned Star Bank of Texas, a \$142 million bank headquartered in Lake Worth, Texas. In April 2016, Star Bank of Texas was merged into CNBT. The transaction added three branch locations to CNBT in Burleson, Lake Worth and White Settlement, Texas which resulted in the AAs' footprint expanding to include Johnson and Tarrant Counties.

The main office and all branches each have an ATM with 24 hour access. Additionally, there are four standalone ATMs at local convenience stores in Fairfield and Corsicana. None of the ATMs are full-service (i.e., accepting check and cash deposits). Beginning October 2017, CNBT customers can access more than 55,000 ATMs nationally in the AllPoint ATM Network completely free of charge.

CNBT's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as small business owners throughout the bank's AAs. Hours are commensurate with those of competing banks. CNBT offers on-line banking through its web site, *mybanktx.com*. Bank customers can utilize on-line banking and the mobile app at no charge. Telephone banking and ATM services are available in English and Spanish. The main office and the branches either have employees who speak Spanish or can readily access employees at other bank locations as needed. CNBT offers secured and unsecured small dollar personal loans to qualified customers. The bank also offers start-up and working capital loans for small businesses as well as SBA loans.

CNBT has three assessment areas all located in Texas: the Navarro Non-MSA, the Dallas-Fort Worth MSA, and the Palo Pinto Non-MSA. See appendix B for a full discussion of the Navarro Non-MSA and the Dallas-Fort Worth MSA. The Palo Pinto Non-MSA consists of all of Palo Pinto County. The bank's major competitors are Citizens National Bank of Texas, Citizens State Bank and Citizens National Bank. CNBT is ranked 101st of the 543 FDIC-insured depository institutions operating in the state of Texas, holding a 0.07 percent deposit market share.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

CNBT is subject to the interagency Intermediate Small Bank (ISB) CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from December 1, 2014, the date of the prior PE, through November 27, 2017, the date of the current evaluation. We identified commercial and commercial real estate loans (business loans), farm loans and residential real estate loans as the bank's primary loan products. The Lending Test concentrated on lending activity from January 1, 2015 to December 31, 2016. As the 2017 census data was not available at the time of this CRA evaluation, our lending analysis does not include 2017 loan data. In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2015 and 2016.

In addition to the Lending Test, ISBs are evaluated under the Community Development Test. Our consideration of CD activity including loans, investments and services, extended from December 1, 2014 to our current evaluation date of November 27, 2017.

## Data Integrity

This evaluation is based on data as follows:

- We tested Home Mortgage Disclosure Act (HMDA) data for residential real estate loans reported by the bank during the review period to verify the accuracy of data used for this evaluation. We found the data reliable to use for this evaluation.
- To evaluate CNBT's performance relative to business lending in the Navarro Non-MSA and the Dallas-Fort Worth MSA, we selected a minimum random sample of 40 business loans per AA that were originated and purchased during the review period. Due to the lower volume of lending in the Palo Pinto Non-MSA, we selected a random sample of ten business loans from that AA. Based on our testing of the sampled loans, we found the aggregate data reliable to use for this evaluation.
- To evaluate CNBT's performance relative to farm lending, we selected a random sample of farm loans that were originated and purchased during the review period. Sample sizes were based on lending volume as follows: 30 from the Navarro Non-MSA, seven from the Dallas-Fort Worth MSA, and three from the Palo Pinto Non-MSA. Based on our testing of the sampled loans, we found the aggregate data reliable to use for this evaluation.

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

As previously noted, CNBT has delineated three assessment areas all located in Texas: the Navarro Non-MSA, the Dallas–Fort Worth MSA, and the Palo Pinto Non-MSA. In April 2016, the Dallas-Fort Worth MSA was expanded to include Johnson and Tarrant Counties as a result of the Star Bank acquisition.

We conducted full-scope reviews of the Navarro Non-MSA and the Dallas-Fort Worth MSA. A full-scope review considers complete performance context information, quantitative factors and qualitative factors. The Navarro Non-MSA received the full-scope review because 56 percent of the bank’s deposits, 46 percent of its offices, and 60 percent of the number of originated and purchased HMDA-reported, business and farm loans are in that geography. Although the Dallas-Fort Worth MSA reflected respective figures of 29 percent, 38 percent and 34 percent, it also accounted for 49 percent of the dollar volume of loans compared to 47 percent for the Navarro Non-MSA. Consequently, it also received a full-scope review.

The Palo Pinto Non-MSA received a limited-scope review based on its figures of 15 percent, 16 percent and six percent, respectively. Limited-scope reviews consider primarily quantitative factors with performance context data limited to the comparable demographics.

The composition of the three AAs is detailed in Appendix A. Please refer to Appendix B for discussions of the two-full-scope AAs.

## **Ratings**

Ratings for this CRA evaluation are based primarily on the results of the full-scope areas. Of the two full-scope AAs, the Navarro Non-MSA received more weight on final ratings because this AA had the largest percentage of the bank’s deposits and number of loans. Further, a significant portion of the loans originated in the Dallas-Fort Worth MSA were granted by management of Star Bank prior to its April 2016 absorption into CNBT.

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

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

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

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

# Conclusions with Respect to Performance Tests

## LENDING TEST

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

### Loan-to-Deposit Ratio

CNBT’s LTD ratio is reasonable given the bank’s size, location, local competition, and the credit needs of the AAs. The LTD ratio is calculated on a bank-wide basis. This determination is based on the quarterly average LTD ratio of 74.27 percent from December 31, 2014 through September 30, 2017. During this evaluation period, CNBT’s LTD ratio ranged from a low of 66.74 percent to a high of 86.02 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSIs). With one exception, all are community banks with less than \$1 billion in assets that actively offer similar loan products and have branch locations in the AAs. The quarterly average LTD ratio for each SSI is listed in the following table.

Loan-to-Deposit Ratios		
Financial Institutions	Total Assets \$ (000’s) (As of 9/30/2017)	Average Loan-to-Deposit Ratio
Community National Bank & Trust of Texas	666,810	74.27%
Citizens National Bank of Texas (Waxahachie)	930,548	88.22%
Citizens State Bank (Buffalo)	899,970	16.09%
Citizens National Bank (Henderson)	1,707,150	56.88%

*Source: Institution Reports of Condition from December 31, 2014 to September 30, 2017.*

### Lending in Assessment Area

As calculated on a bank wide basis, a majority of the number and dollar amount of CNBT’s loans were originated or purchased inside its AAs. As depicted in the table below, 79.18 percent of the number and 62.71 percent of the dollar amount of loans were originated or purchased inside the AAs.

Table 1 - Lending in Combined AAs										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	161	55.71	128	44.29	289	26,559	56.58	20,379	43.42	46,938
Home Improvement	37	57.81	27	42.19	64	4,256	61.43	2,672	38.57	6,928
Home Refinance	46	58.97	32	41.03	78	8,187	61.31	5,167	38.69	13,354
Business	851	86.05	138	13.95	989	108,137	60.15	71,644	39.85	179,781
Farm	358	86.27	57	13.73	415	31,419	83.22	6,337	16.78	37,756
Totals	1,453	79.18	382	20.82	1,835	178,558	62.71	106,199	37.29	284,757

Source: Data reported under HMDA and bank aggregated data.

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

CNBT's overall borrower distribution of loans is reasonable. The borrower distribution of loans within both the Navarro Non-MSA and the Dallas-Fort Worth MSA is reasonable. The bank's performance in the Palo Pinto Non-MSA is generally consistent with the performance in the Navarro Non-MSA and the Dallas-Fort Worth MSA.

### Navarro Non-MSA

The borrower distribution of loans in the Navarro Non-MSA is reasonable. The distribution of home loans to borrowers reflects a reasonable penetration among borrowers of different income levels. The distribution of loans to small businesses and small farms is excellent.

#### *Residential Real Estate Loans*

The distribution of residential real estate loans among borrowers of different income levels is reasonable. While home refinance lending to moderate-income borrowers lags the percentage of families in that income level, the percentages of home purchase and home improvement loans to moderate-income borrowers are considered comparable. In each loan category, the bank's 1-4 family real estate lending to low-income borrowers lags the percentage of families in that income level. As 14 percent of the families in the AA live below the poverty level, this reduces the ability of the 20 percent of families in the AA that are low-income to qualify for residential loans. As low-income applicants typically have difficulty qualifying for residential real estate loans, we placed more weight on lending to the moderate-income borrowers. Please see the following table and the housing-related discussion in the market profile for the Navarro Non-MSA in Appendix B for details.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Navarro Non-MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.20	1.72	17.22	13.79	19.56	17.24	43.02	67.24
Home Improvement	20.20	0.00	17.22	13.04	19.56	30.43	43.02	56.52
Home Refinance	20.20	0.00	17.22	0.00	19.56	15.79	43.02	84.21

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

### *Business Loans*

The distribution of loans to businesses reflects an excellent penetration among businesses of different sizes. As illustrated in the table below, the percentage of loans by number to small businesses exceeds the percentage of small businesses in the AA. A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans was below the demographic, we placed the most weight on the number of loans originated or purchased.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Navarro Non-MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	80.99	4.74	14.27	100%
% of Bank Loans in AA by #	91.61	8.39	0.00	100%
% of Bank Loans in AA by \$	62.07	37.93	0.00	100%

Source: Bank aggregated data; Dun and Bradstreet data.

### *Farm Loans*

The bank's distribution of loans to farms of different sizes exhibits an excellent penetration. As depicted in the table below, 99 percent of the number of loans made by CNBT were to small farms in the AA. This exceeds the percentage of small farms that are reported in the AA of 96 percent. A small farm is defined as a farm with revenues of \$1 million or less.

<b>Table 2A - Borrower Distribution of Loans to Farms in Navarro Non-MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	95.82	1.90	2.28	100%
% of Bank Loans in AA by #	99.06	0.94	0.00	100%
% of Bank Loans in AA by \$	89.47	10.53	0.00	100%

Source: Bank aggregated data; Dun and Bradstreet data.

## **Dallas-Fort Worth MSA**

The borrower distribution of loans in the Dallas-Fort Worth MSA is reasonable. The distribution of home loans to borrowers reflects a reasonable penetration among borrowers of different income levels. The distribution of loans to small businesses and small farms is excellent.

### *Residential Real Estate Loans*

The distribution of home mortgage loans among borrowers of different income levels is reasonable. Home refinance lending to moderate-income borrowers exceeds the percent of families in that income category. The percentages of home purchase and home improvement loans to moderate-income borrowers are considered comparable at slightly below the demographic comparator. In each loan category, the bank's 1-4 family real estate lending to low-income borrowers lags the percentage of families in that income level. As ten percent of the families in the AA live below the poverty level, this reduces the ability of the 21 percent of families in the AA that are low-income to qualify for residential loans. As low-income applicants typically have difficulty qualifying for residential loans, we placed more weight on lending to the moderate-income borrowers. Please see the following table and housing-related discussion in the market profile for the Dallas-Fort Worth MSA in appendix B for details.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas-Fort Worth MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.40	0.00	17.43	16.00	19.72	18.67	41.46	65.33
Home Improvement	21.40	16.67	17.43	16.67	19.72	16.67	41.46	50.00
Home Refinance	21.40	0.00	17.43	26.32	19.72	26.32	41.46	47.37

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

### *Business Loans*

The distribution of business loans reflects an excellent penetration among businesses of different sizes. As depicted in the table below, the percentage of loans by number to small businesses exceeds the percentage of small businesses in the AA. Although the percentage by the dollar volume of loans is below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Dallas-Fort Worth MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	85.18	4.80	10.02	100%
% of Bank Loans in AA by #	86.30	13.70	0.00	100%
% of Bank Loans in AA by \$	71.58	28.42	0.00	100%

Source: Bank aggregated data; Dun and Bradstreet data



### *Farm Loans*

CNBT's distribution of loans to farms of different sizes exhibits an excellent penetration. As depicted in the table below, 97 percent of the number of loans made by the bank were to small farms in the AA. This exceeds the percentage of small farms that are reported in the AA.

<b>Table 2A - Borrower Distribution of Loans to Farms in Dallas-Fort Worth MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	95.82	2.37	1.82	100%
% of Bank Loans in AA by #	96.77	3.23	0.00	100%
% of Bank Loans in AA by \$	85.18	14.82	0.00	100%

Source: Bank aggregated data; Dun and Bradstreet data.

### **Limited-Scope AA**

Based on a limited-scope review, the bank's performance for borrower distribution of loans in the Palo Pinto Non-MSA is consistent with the overall performance of both the Navarro Non-MSA and the Dallas-Fort Worth MSA.

### **Geographic Distribution of Loans**

CNBT's overall geographic distribution of loans is reasonable. The geographic distribution of loans within both the Navarro Non-MSA and the Dallas-Fort Worth MSA are reasonable. The bank's performance in the Palo Pinto Non-MSA is generally consistent with the results of the Navarro Non-MSA and the Dallas-Fort Worth MSA reviews. We did not identify any material or unexplained gaps in our analysis of lending in the AAs.

### **Navarro Non-MSA**

The geographic distribution of loans in the Navarro Non-MSA is reasonable. The distribution of home mortgage and farm loans had a reasonable dispersion across the moderate-income census tracts while the business loans reflected an excellent distribution. There are no low-income census tracts and three moderate-income tracts in the AA. Further, seven of the ten middle-income census tracts in Navarro County were designated distressed by the federal banking agencies, and one of the ten middle-income tracts in Leon County was designated underserved.

### *Residential Real Estate Loans*

The bank's geographic distribution of residential real estate loans in the AA demonstrates a reasonable dispersion throughout the census tracts of different income levels. As detailed in the table below, while the level of home improvement and home refinance loans originated in the moderate-income census tracts was excellent compared to the percentage of owner-occupied housing in those geographies, the level of home purchase loans lagged the demographic. Relative to lending in the middle-

income census tracts where eight of the ten geographies are either distressed or underserved, favorable comparisons to the demographic are noted for home purchase and home refinance loans. This represents a reasonable overall distribution of loans.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Navarro Non-MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	13.06	4.92	57.84	59.02	29.10	36.07
Home Improvement	0.00	0.00	13.06	20.83	57.84	50.00	29.10	29.17
Home Refinance	0.00	0.00	13.06	15.00	57.84	60.00	29.10	25.00

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

### *Business Loans*

Business loans originated by the bank during the review period reflect an excellent geographic dispersion. As detailed in Table 3A below, the percentage of loans to businesses made in the moderate-income tracts exceeds the percentage of businesses located in those geographies.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Navarro Non-MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/	% of Number of Loans	% of A Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00	0.00	12.73	15.45	63.00	56.51	24.27	28.04

Source: Bank aggregated data; Dun and Bradstreet data.

### *Farm Loans*

Farm loans originated by the bank during the review period reflect a reasonable geographic dispersion. As detailed in the table below, the percentage of loans to farms made in the moderate-income tracts is slightly below the percentage of farms located in those geographies but still considered comparable.

<b>Table 3A - Geographic Distribution of Loans to Farms in Navarro Non-MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0.00	0.00	10.65	9.12	60.84	46.23	28.52	44.65

Source: Bank aggregated data; Dun and Bradstreet data.

## **Dallas-Fort Worth MSA**

The geographic distribution of loans in the Dallas-Fort Worth MSA is reasonable. The distribution of home mortgage and farm loans reflects a reasonable dispersion across the LMI census tracts while the business loans reflected an excellent distribution. There are 54 low-income census tracts and 99 moderate-income tracts representing 8.51 percent and 26.44 percent, respectively, of the total tracts in the AA. Of the AA's 163 middle-income census tracts, none are designated by the federal banking agencies as distressed or underserved.

### *Residential Real Estate Loans*

The bank's geographic distribution of home loans in the AA demonstrates a reasonable dispersion throughout the LMI census tracts. As noted in the table below, in the low-income census tracts, home improvement lending significantly exceeds the percentage of owner-occupied housing in those geographies. Although home purchase and refinance lending lagged the demographic, less than four percent of the AA's owner-occupied housing is located in the low-income tracts. The percentage of home refinance loans originated in the moderate-income census tracts exceeds the percentage of owner-occupied housing in those geographies while home purchase and improvement lending are below the demographic comparator. This represents a reasonable overall distribution of residential lending.

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	3.76	1.16	19.14	13.95	41.53	53.49	35.57	31.40
Home Improvement	3.76	12.50	19.14	12.50	41.53	50.00	35.57	25.00
Home Refinance	3.76	0.00	19.14	20.00	41.53	55.00	35.57	25.00

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

### *Business Loans*

Business loans originated by the bank during the review period reflect an overall excellent geographic dispersion. As detailed in the table below, CNBT's lending to businesses located in the moderate-income census tracts exceeds the percentage of businesses located in those geographies. Although the percentage of loans to businesses made in the low-income census tracts is below the percentage of businesses located in those geographies, lending opportunities are limited as only five percent of the AA's businesses are located in the low-income tracts. Further, as 26 percent of the census tracts in the AA are moderate-income and only nine percent are low-income, we placed more weight on the bank's performance in the moderate-income geographies.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Dallas-Fort Worth MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	5.13	2.62	20.04	26.82	36.94	40.23	37.75	30.32

Source: Bank aggregated data; Dun and Bradstreet data.

### *Farm Loans*

Farm loans originated by CNBT during the review period reflect a reasonable overall geographic dispersion. The percentage of loans to farms made in the moderate-income tracts exceeds the percentage of farms located in those tracts. Although no loans were made in the low-income census tracts, only three percent of the farms in the AA are located there. This limits the lending opportunities in the low-income geographies.

<b>Table 3A - Geographic Distribution of Loans to Farms in Dallas-Fort Worth MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	3.19	0.00	15.93	19.35	44.19	58.06	36.68	22.58

Source: Bank aggregated data; Dun and Bradstreet data.

### **Limited-Scope AA**

Based on a limited-scope review, CNBT's performance for geographic distribution of loans in the Palo Pinto Non-MSA is consistent with the overall performance of both the Navarro Non-MSA and the Dallas-Fort Worth MSA.

### **Responses to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The bank's overall responsiveness to the community development needs of the AAs through CD lending, qualified investments, and CD services is adequate.

Our conclusion is based on CNBT's performance context, full scope reviews of the Navarro Non-MSA and the Dallas-Fort Worth MSA, and a limited scope review of the Palo Pinto Non-MSA. In the Dallas-Fort Worth MSA, the bank has significant competition from other financial institutions resulting in less CD investment opportunities. Additionally, the bank has not operated in Tarrant and Johnson Counties in the Dallas-Fort Worth MSA for the full evaluation period. Further, due to its size, CNBT's predecessor bank, Star Bank of Texas, was not subject to the Community Development Test as part of its previous CRA evaluations. In the Palo Pinto Non-MSA there are limited opportunities for CD lending and qualified investment due to its rural nature.

As noted previously, the period for evaluating CD activities is December 1, 2014 to November 27, 2017.

### **Number and Amount of Community Development Loans**

The level of CD lending in both the Navarro Non-MSA and the Dallas-Fort Worth MSA reflect an excellent responsiveness to CD needs. The level of CD lending in the Palo Pinto Non-MSA is not consistent with either full scope AA.

#### **Navarro Non-MSA**

The level of CD lending in the Navarro Non-MSA reflects excellent responsiveness to CD needs. CNBT originated a \$3.2 million loan to a large manufacturing company to relocate and expand its facilities through the purchase of an existing manufacturing plant located in a middle-income CT in northeast Corsicana. The federal banking agencies designated the tract as distressed based on its level of poverty. The loan promotes economic development through the creation of more than 80 new permanent jobs. Additionally, the plant helps revitalize and stabilize this geography that is adjacent to another distressed middle-income CT as well as a moderate-income tract. With this one loan, the bank made a positive impact on the CD credit needs of the AA.

#### **Dallas-Fort Worth MSA**

The level of CD lending in the Dallas-Fort Worth MSA reflects excellent responsiveness to CD needs. CNBT originated five CD loans in the AA totaling \$7.7 million. Following is how the bank deployed loan proceeds to make a positive impact on the credit needs of the AA by promoting economic development.

- CNBT originated two CD loans during the review period totaling \$3.5 million to two separate franchise restaurant owners that created and retained permanent

jobs for lower-wage workers in low- and moderate-income census tracts in Tarrant County, Texas.

- The bank originated two CD loans to one borrower totaling \$2.7 million for expansion, remodeling, and working capital for a small feed store in west Fort Worth, Texas. The activity promotes economic development through permanent job creation and the retention of low-wage workers in a moderate-income census tract.
- CNBT originated a loan in the amount of \$1.5 million to a manufacturing company located in a low-income census tract of Ellis County, Texas to purchase a vacant 61,000 square foot building. Proceeds promote economic development and assist in permanent job creation and the retention of low-wage jobs in a low-income geography.

### **Limited Scope AA**

The level of CD lending in the Palo Pinto Non-MSA is not consistent with the results of the Navarro Non-MSA or the Dallas-Fort Worth MSA. Fewer opportunities were available due to the rural characteristics of the AA including a total population of 28,000, no low-income CTs and only three moderate-income tracts. As noted previously, the AA accounts for only 15 percent of the bank's total deposits as of September 30, 2017 with a limited branch distribution.

### **Broader Statewide**

CNBT originated an SBA 504 Program loan in the amount of \$573,000 that met the CD eligibility definition. The loan to a Lubbock, Texas area franchise restaurant owner helped facilitate economic development through the creation and retention of permanent jobs for lower-wage workers, and benefited a broader statewide area that includes the bank's AAs.

### **Product Innovation and Flexibility**

With its 2016 acquisition of Star Bank of Texas, CNBT adopted a special-purpose mortgage program that had been successfully offered to the community by the former bank for over twenty years. The program known as the STAR 15-Year Mortgage offers small-dollar mortgage loans in amounts up to \$85,000 at competitive rates to borrowers who may not otherwise qualify for traditional mortgage programs. From January 1, 2015 through November 1, 2017, 41 loans totaling \$2,715,676 were originated under this program.

## **Number and Amount of Qualified Investments**

The level of qualified investments in both the Navarro Non-MSA and the Dallas-Fort Worth MSA reflect an adequate responsiveness to CD needs. The level of qualified investments in the Palo Pinto Non-MSA is not consistent with either full-scope AA.

### **Navarro Non-MSA**

The level of qualified investments in the Navarro Non-MSA reflects an adequate responsiveness to the CD needs of the AA.

The bank made \$210,000 of cash and in-kind donations during the evaluation period:

- \$89,000 to qualifying non-profit community agencies and organizations, including \$24,000 to the United Way of Navarro County that distributes the funds to more than a dozen local non-profit organizations that exist primarily to serve LMI individuals and families.
- CNBT donated approximately 2.4 acres of land adjacent to its branch office in Leon County, Texas to the City of Buffalo, Texas. The land, valued at \$121,000, will be used by the city to construct a new city hall and civic center for benefit of local residents. This donation serves to revitalize and stabilize an underserved remote rural middle-income census tract.

### **Dallas-Fort Worth MSA**

The level of qualified investments in the Dallas-Fort Worth MSA reflects an adequate responsiveness to the CD needs of the AA.

The bank purchased a \$345,000 bond from the Alvarado Independent School District to raze the outdated junior high school, construct a new junior high school, as well as perform renovations on the existing high school. Both campuses have a majority of their students designated economically disadvantaged as determined under the guidelines of the U.S. Department of Agriculture's National School Lunch Program. The new facility will house additional classrooms, computer labs, science labs, library with a computer research lab, cafeteria, and an access control system for campus security. Renovations to the high school will include additions for the school's growing career/tech and college dual credit programs. These will include health sciences classrooms, a health science mock hospital lab, audio/visual compute labs and TV studio, and a college dual credit classroom and lecture rooms. The bond's primary purpose is to finance community development as the proceeds will primarily benefit a low- and moderate-income student population.

Additionally, CNBT donated \$2,000 to the Ronald McDonald House of Fort Worth as an “Essentials Club Room Sponsor”. With this level of sponsorship, the bank directs its funds to help fund lodging expenses for LMI families accompanying seriously ill or injured children undergoing medical treatment.

### **Limited Scope AA**

The level of qualified investments in the Palo Pinto Non-MSA is not consistent with the results of the full-scope AAs. As discussed in the Community Development Loan section, fewer opportunities were available due to the rural characteristics of the AA.

### **Broader Statewide**

In response to flood disaster relief for the Houston area and the Major Disaster Declaration declared by the Federal Emergency Management Agency on August 25, 2017 (Hurricane Harvey), the bank donated \$11,000 to the American Red Cross in September 2017.

### **Extent to Which the Bank Provides Community Development Services**

The level of CD services in the Navarro Non-MSA reflects an excellent responsiveness to CD needs. The level of CD services in the Dallas-Fort Worth MSA reflects an adequate responsiveness to CD needs. CD services performance in the limited scope AA is not inconsistent with the adequate responsiveness demonstrated in the Dallas-Fort Worth MSA.

### **Navarro Non-MSA**

The level of CD services in the Navarro Non-MSA reflects an excellent responsiveness to the CD needs of the AA. Thirteen bank employees provided their expertise to seventeen CD organizations within the AA. All thirteen employees served in leadership roles for these organizations, either on the board, as treasurer, or as a committee member. This equates to 100 percent of engaged employees serving in leadership positions within the AA.

CD service occurrences are categorized below into the four CD criteria that either benefit LMI individuals, families or geographies. Included are a few of the CD organizations that bank staff assisted in their mission:

- Affordable housing (11) - Navarro County Housing Authority.
- Community services (408) - Corsicana Education Foundation, Salvation Army, Texas Council of Child Welfare Boards, Navarro Regional Hospital, United Way of Navarro County, YMCA of Corsicana, and Boys and Girls Club.



- Economic development (48) - Fairfield Chamber of Commerce and Fairfield Economic Development Corporation.
- Revitalization or stabilization (12) - Corsicana Convention & Visitor's Bureau.

### **Dallas-Fort Worth MSA**

The level of CD services in the Dallas-Fort Worth MSA reflects an adequate responsiveness to CD needs. Four bank employees provided their expertise to four CD organizations within the AA. All four employees served in leadership roles for these community organizations.

Following is a listing of the CD criteria, the number of occurrences, and the CD organizations that bank staff assisted:

- Community services (37) - Center of Hope.
- Economic development (60) - Waxahachie Chamber of Commerce, White Settlement Chamber of Commerce, and Northwest Tarrant Chamber of Commerce.

### **Limited Scope AA**

CD services performance in the limited scope AA is not inconsistent with the adequate responsiveness demonstrated in the Dallas-Fort Worth MSA. An officer of the bank in the Palo Pinto Non-MSA is a director of the City of Mineral Wells Community Development Corporation (CDC). The CDC works with the city toward advancing its economic development through commercial, industrial or manufacturing projects.

### **Responsiveness to Community Development Needs**

The bank demonstrates an overall adequate responsiveness to the community development needs of its AAs. The bank has invested time, personnel resources, and financing commitment to CD activities that benefit small businesses, community organizations, LMI individuals and LMI geographies within its AAs.

### **Navarro Non-MSA**

The bank reflects an excellent responsiveness to the CD needs of this AA. The board has identified economic development, revitalization and stabilization, affordable housing, and basic community services such as child/youth care and health care as its CD goals.

### **Dallas-Fort Worth MSA**

The bank reflects an adequate responsiveness to the CD needs of this AA. The board has identified economic development and basic community services such as child/youth and family care, technical training and health care as its CD goals.

### **Limited Scope AA**

Overall performance in the Palo Pinto Non-MSA is consistent with the adequate responsiveness in the Dallas-Fort Worth MSA.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): 01/01/2015 – 12/31/2016 Community Development Test: 12/01/2014 – 11/27/2017	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Community National Bank & Trust of Texas (CNBT or bank) Corsicana, Texas	Commercial Loans Commercial Real Estate Loans Residential Real Estate Loans Agriculture and Livestock Loans Community Development Loans Qualified Investments Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
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>
Texas		
Navarro Non-MSA	Full-Scope	Navarro and Freestone Counties and CT #9501.00 in Leon County.
Dallas-Fort Worth MSA	Full-Scope	Ellis, Johnson, Parker and Tarrant Counties.
Palo Pinto Non-MSA	Limited-Scope	Palo Pinto County.

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

### Navarro Non-MSA

Demographic Information for Full-Scope Area: Navarro Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	18	0.00	16.67	55.56	27.78	0.00
Population by Geography	74,243	0.00	17.30	55.90	26.81	0.00
Owner-Occupied Housing by Geography	32,576	0.00	13.06	57.84	29.10	0.00
Businesses by Geography	4,030	0.00	12.73	63.00	24.27	0.00
Farms by Geography	263	0.00	10.65	60.84	28.52	0.00
Family Distribution by Income Level	18,636	20.20	17.22	19.56	43.02	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,974	0.00	21.14	60.37	18.50	0.00
Median Family Income	\$52,354	Median Housing Value		\$80,744		
FFIEC Updated Median Family Income for 2016	\$52,400	Navarro Co. unemployment rate		3.1%		
		Freestone Co. unemployment rate		5.2%		
Households Below the Poverty Level	15.87%	Leon Co. unemployment rate		5.2%		

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

CNBT has delineated the Navarro Non-MSA AA as all of Navarro County (ten census tracts), all of Freestone County (seven census tracts) and one census tract in Leon County which is adjacent to and immediately southeast of Freestone County. These three counties are contiguous. The bank has properly defined its AA in accordance with the technical requirements of the regulation. Three of the 18 census tracts are moderate-income, ten are middle-income and five are upper-income. There are no low-income census tracts in the AA. Of the ten middle-income census tracts in the AA, the federal banking agencies have designated the seven middle-income tracts in Navarro County as distressed based on poverty and the Leon County tract as underserved due to its remote rural location.

The bank's main office and branch locations are displayed below. Of CNBT's 13 offices, six are in this AA.

<b>Branch Locations</b>			
<b>County/Office Name</b>	<b>Facility Type</b>	<b>Census Tract Number</b>	<b>Census Tract Income Level</b>
Freestone County: Fairfield	Branch & ATM	0003.00	Middle
Streetman	Branch & ATM	0001.00	Upper
Leon County: Buffalo	Branch & ATM	9501.00*	Middle
Navarro County: Corsicana	Branch & ATM	9707.00#	Middle
Corsicana	Main Office & ATM	9708.00#	Middle
Frost	Branch & ATM	9704.00	Upper
<i>Source: 2010 U.S. Census Data updated through 2016.            *Designated by federal banking agencies as underserved.            #Designated by federal banking agencies as distressed.</i>			

The City of Corsicana is the county seat and the largest city in the AA with a population of 23,770 at the 2010 Census. Several other cities are located in the AA including Frost, Streetman, Fairfield and Buffalo.

The Corsicana area's major private employers include commercial, retail, energy, and medical businesses. Some of these major employers include Russell Stover Candies, Inc., Watkins Construction Co., LLC, Navarro Regional Hospital, Walmart Super Center, Kohl's Distribution Center, True Value Hardware and Collin Street Bakery. Corsicana's leading public service sector employers include Corsicana Independent School District, Navarro College, Navarro County, and City of Corsicana. Many workers commute from neighboring rural areas and smaller towns. Outside of the city of Corsicana, the economy is centered in agribusiness and oil and gas field operations.

Although major employers in the Corsicana area remain strong with no material business departures, the number of smaller businesses and farm employers across the AA has declined over the past few years. Many of the businesses were centered in oil and gas field operations and supporting businesses. The fall in oil and gas prices over the past three years has curtailed demand for services and new construction. As provided by Dun & Bradstreet, the number of businesses in the AA fell 30 percent from 5,796 in 2013 to 4,030 in 2016. The number of farms experienced a 38 percent decline from 426 to 263 during the same time period. The bulk of the decrease occurred in revenues. This steady decline in businesses and farms contributed to a lower overall loan demand in the AA.

According to the Bureau of Labor Statistics, the October 2017 unemployment rates are 3.1 percent for Navarro County and 5.2 percent for both Freestone and Leon Counties. Due primarily to the availability of private and public sector jobs in the Corsicana area, Navarro County compares favorably to the state of Texas and U.S. unemployment rates of 3.5 percent and 4.1 percent, respectively. Employment in Freestone and Leon Counties is more reliant on smaller employers.

Low-income households outnumber the percentage of moderate-income households in the AA, 22.53 percent to 15.72 percent. While almost 16 percent of households in the AA live below the poverty level, 20.97 percent and 16.80 percent of those households are located in moderate-income and middle-income geographies, respectively. Low-income families represent 20.20 percent of the AA compared to moderate-income at 17.22 percent.

The median value of housing in the AA is \$80,744 and housing stock is on average 39 years old. In moderate-income geographies, the average value of housing is \$61,545 and an average of 43 years old, compared to \$75,355 and 38 years in middle-income geographies. Older housing often has higher maintenance costs and frequently requires significant repairs to meet code requirements, while also often less energy efficient resulting in higher utility costs. Higher property taxes further increase the costs of home ownership. These factors, the previously discussed lower overall loan demand, and other factors such as the down payment requirement for traditional mortgage loan financings pose an obstacle for access to homeownership opportunities for LMI families, particularly the low-income applicants.

The AA is a moderately competitive banking environment. According to the June 30, 2016 FDIC Deposit Market Share Report, 16 banks operate 31 branches within the AA. CNBT is ranked first overall holding 25 percent of the total market share followed by Citizens State Bank with 23 percent.

As part of this performance evaluation, we conducted an interview with a management official of a non-profit organization that encourages and promotes the business climate in the City of Corsicana and Navarro County. The official stated the credit needs of LMI residents and small business owners in Corsicana and Navarro County are largely being met by the local banks, either directly or through government lending programs such as those sponsored by the SBA. Current lending opportunities for local banks include lending to construct affordable housing for LMI individuals, families and seniors; to stabilize specific residential neighborhoods via the In-Fill Program initiated by the City of Corsicana; and to construct local housing and provide permanent financing for middle-income millennials that are employed in the city but commute from smaller communities in the surrounding area.

## Dallas-Fort Worth MSA

Demographic Information for Full-Scope Area: Dallas-Fort Worth MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	435	8.51	26.44	38.39	26.44	0.23
Population by Geography	2,226,505	6.69	24.29	39.51	29.51	0
Owner-Occupied Housing by Geography	508,807	3.76	19.14	41.53	35.57	0
Businesses by Geography	157,965	5.13	20.04	36.94	37.75	0.15
Farms by Geography	3,634	3.19	15.93	44.19	36.68	0
Family Distribution by Income Level	548,133	21.40	17.43	19.72	41.46	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	212,820	11.55	36.09	38.53	13.82	0
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$70,557 = \$69,471 = 11.64%	Median Housing Value Unemployment Rate			= \$151,456 #	

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

The Dallas-Fort Worth MSA was expanded by CNBT in conjunction with its absorption of Star Bank of Texas in April 2016. The AA now consists of Tarrant and Johnson Counties in addition to its original geographies of Parker and Ellis Counties to form CNBT's largest geographic AA. The bank delineates only a portion of the U.S. Census Dallas-Fort Worth-Arlington, TX MSA as its AA. Parker, Tarrant and Johnson Counties are part of the Fort Worth-Arlington, TX Metropolitan Division (MD) and Ellis County is part of the Dallas-Plano-Irving, TX MD. The bank has properly defined its AA in accordance with the technical requirements of the CRA regulation.

The AA is comprised of 435 CTs with the following characteristics: 37 low-income, 115 moderate-income, 167 middle-income, 115 upper-income, and one non-income classified. Low- and moderate-income tracts represent almost 35 percent of the total geography. Of the AA's 167 middle-income census tracts, none are designated by the federal banking agencies as distressed or underserved. The bank's branch office 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>
Parker County: Weatherford	Branch & ATM	1402.00	Middle
Johnson County: Burleson	Branch & ATM	1302.14	Middle
Tarrant County: White Settlement Lake Worth	Branch & ATM Branch & ATM	1142.07 1104.01	Middle Moderate
Ellis County Red Oak	Branch & ATM	0602.06	Middle
<i>Source: 2010 U.S. Census Data updated through 2016.</i>			

The AA includes the major cities of Weatherford, Fort Worth, Burleson, Arlington, Waxahachie, Cleburne, and Ennis. According to 2010 U.S. Census data, the AA has a population of 2.2 million. Owner-occupied housing units represent 59.98 percent of total housing in the AA, while rental occupied housing units represent another 31.02 percent. Only 3.76 percent of the owner-occupied housing exists within low-income geographies, compared with 19.14 percent in moderate-income areas. Low-income households outnumber the percentage of moderate-income households in the AA, 22.72 percent compared to 16.79 percent. While almost 12 percent of households in the AA live below the poverty level, 33 percent and 19 percent of those households are located in low-income and moderate-income geographies, respectively. Low-income families represent 21.40 percent of the AA compared to moderate-income at 17.43 percent.

The median value of housing in the AA is \$144,353 and housing stock is on average 34 years old. In low-income geographies, the average value of housing is \$65,088 and an average of 51 years old, compared to \$90,070 and 44 years in moderate-income geographies. Older housing often has higher maintenance costs and frequently requires significant repairs to meet code requirements, while also often less energy efficient resulting in higher utility costs. Higher property taxes further increase the costs of home ownership. These and other factors such as the down payment requirement for traditional mortgage loan financings pose an obstacle for access to homeownership opportunities for LMI families, particularly the low-income applicants.

According to the Bureau of Labor Statistics, the October 2017 unemployment rates are 2.8 percent for Parker and Ellis Counties and 3.0 percent for Johnson and Tarrant Counties. All compare favorably to the state of Texas and U.S. unemployment rates of 3.5 percent and 4.1 percent, respectively.



The AA is a very competitive bank environment filled with branch offices of large national and regional banks, community banks, and credit unions. According to the June 30, 2016 FDIC Deposit Market Share Report, there a total of 71 banks operating 555 branches within the AA. With a total of five branches in the AA, CNBT is ranked 36th overall in total market share of 0.38 percent and deposits totaling \$162 million. Holding the top three spots are JPMorgan Chase Bank, National Association; Wells Fargo Bank, National Association; and Bank of America, National Association, with deposit market shares approaching 18 percent, 16 percent, and 12 percent, respectively.

According to the Moody's Analytics Report for July 2017, job growth in the Fort Worth-Arlington, TX MD remains moderately above the national average. Core manufacturing is the leading industry due to the production at Lockheed Martin of the F-35 fighter jet. The company has hired more than 500 workers in the area of aircraft and avionics mechanics, painters, and material handlers. Government employment has also contributed where growth in construction jobs has waned. Recent performance in the Dallas-Plano-Irving, TX MD reflects a short-term slowing of the economy after a multiyear period of job growth. Nonetheless, core professional services continue to rise at an above-average pace. Medical and professional fields reflect good growth with ongoing capital expenditures.

Homebuilding is projected to accelerate over the coming year as developers are encouraged by house price appreciation. With over 9 percent appreciation, Fort Worth has been the leader in the state, well above Dallas and Austin and nearly twice the national average. A diversified manufacturing base, and lower business and living costs relative to Dallas will help support above-average gains for the Fort Worth area. The labor force is still rising, and the single-family mortgage market continues to grow with the relocation of many corporate headquarters into the Dallas-Fort Worth metropolitan area.

A community contact interview with a management official of the City of Burleson conducted at a recent CRA evaluation of another local financial institution indicated that current lending opportunities for local banks include affordable housing lending to LMI individuals and families, small business startup loans, and working capital and expansion loans to existing businesses.

Another community contact interview with a local non-profit organization in Tarrant County indicated second chance banking products, small loans, and financial planning initiatives would be of benefit and encourage underprivileged low income individuals to enter the traditional banking system. More institutions could help in alleviating financial illiteracy in low income areas. The contact's organization is actively promoting savings instead of borrowing, and to this end, it would be beneficial for financial institutions to tailor savings products to low income individuals.