



## PUBLIC DISCLOSURE

August 10, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank  
Charter Number 18054

401 West Texas Avenue, Suite 100  
Midland, TX 79701

Office of the Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289, Suite 108  
Lubbock, TX 79424

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

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

**The Lending Test is rated Satisfactory.**

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

Community National Bank (CNB) has a satisfactory record of meeting community credit needs based on the following:

- CNB's net loan-to-deposit ratio is reasonable with a quarterly average of 57 percent.
- A majority of CNB's loans are within the bank's assessment areas (AAs). About 88 percent of both the number and dollar volume of loans were made within the AAs.
- The distribution of loans made to businesses of different sizes and individuals of different income levels reflects an overall reasonable penetration for all AAs and all primary products.
- The geographic distribution of loans to small businesses and home mortgage loans reflects a reasonable dispersion throughout the AAs.
- CNB's community development performance demonstrates adequate responsiveness to the needs of its AAs through community development loans, qualified investments, and community development services.

## **Scope of Examination**

We evaluated CNB using the Intermediate Small Bank evaluation procedures, which include Lending and Community Development Tests. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. The Community Development Test evaluates the bank's responsiveness to identified needs in its AAs through lending, qualified investments, and services.

CNB has two AAs that consist of the Midland MSA AA and the Odessa MSA AA, both of which received full scope reviews.

The bank's predominant primary loan product for both AAs is commercial loans. Home mortgage loans, although much lower in volume, are also a primary loan product. Performance in the Midland MSA AA is weighted most heavily since it contains the majority of the bank's loans and deposits. Conclusions regarding the Lending Test are based on the origination of commercial and home mortgage loans originated in 2012 and 2013, which are evaluated against 2010 U.S. Census data. We previously validated the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) information for 2012 and 2013.

The evaluation period for the Community Development Test uses information from the previous CRA evaluation period, June 18, 2012, through August 10, 2015.

## Description of Institution

CNB is a \$1.1 billion intrastate institution headquartered in Midland, TX in the Permian Basin area of the state. The bank is a wholly owned subsidiary of Midland Bancshares, Inc., a one-bank holding company, which reported total assets of \$1.1 billion as of December 31, 2014.

CNB provides a wide range of traditional deposit and loan products. All branches offer full-service banking. Lobby and drive-up hours are set by each location to meet the needs of the area. CNB has ATMs at most branch locations to increase accessibility. CNB provides 24-hours access to personal and business online banking through its website [www.cnbtx.net](http://www.cnbtx.net). Services include account balance inquiries, funds transfer activities, bill pay, and other services. CNB offers 24-hour telephone banking, allowing customers to perform account balance inquiries and verification of direct deposits. The Basic Checking account and The Health Savings Account can be opened with as little as \$100 with no service charge or per item fee. CNB also offers commercial checking accounts that specifically benefit small farms and small business owners. Capital Advantage (formerly known as Business Manager) is a factoring program that allows start-up businesses and small business owners an avenue to manage cash flow.

CNB's Midland MSA AA, which is the bank's primary market area, contains nine of the bank's eleven offices, including the main office in downtown Midland, and eight of the ten automated teller machines (ATMs). CNB's Odessa MSA AA contains two of the bank's eleven offices and two of the ATMs. Both AAs include the entire MSA, which consists of contiguous census tracts and does not arbitrarily exclude any low- or moderate- income geographies. CNB has not opened or closed any branches since the last CRA evaluation in 2012.

As of June 30, 2015, CNB had total assets of \$1.13 billion, with net loans and leases comprising 60 percent of this total. CNB is primarily a commercial lender, consistent with its business strategy, and loan volumes are heavily concentrated in larger commercial and commercial real estate loans. CNB's Oil and Gas Department has increased lending due to the recent fracking activity in the oil and gas industry. CNB also has a Mortgage Department, which offers a 10-, 15-, 20- and 30-year mortgages with conventional, FHA, and VA financing. The following table reflects the composition of the loan portfolio as of June 30, 2015.

<b>Loan Portfolio Composition</b>		
<b>Loan Category</b>	<b>\$000s</b>	<b>%</b>
Commercial Real Estate and Commercial	525,299	77.46%
Residential Real Estate	80,118	11.81%
Agricultural Real Estate and Production	39,268	5.80%
Consumer	11,525	1.70%
Other	21,910	3.23%
<b>TOTAL</b>	<b>\$678,120</b>	<b>100.0%</b>

*Source: June 30, 2015 Report of Condition*

The bank's primary business focus is to provide a strong, locally owned, independent financial institution to serve customers in West Texas. CNB was rated "Satisfactory" at the previous CRA evaluation dated June 18, 2012. CNB has no legal or financial circumstances that impede the

bank’s ability to meet community credit needs. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## Description of Assessment Areas

The Midland MSA AA is the bank’s primary AA when considering the bank’s overall operations, branch network, lending and deposit levels, and deposit market share. Demographic and economic information for both of the AAs is reflected in the following table:

<b>Demographic and Economic Characteristics</b>		
<b>Assessment Area</b>	<b>Midland MSA AA</b>	<b>Odessa MSA AA</b>
<b><i>Population</i></b>		
Number of Families	35,366	33,389
Number of Households	49,122	47,653
<b><i>Geographies</i></b>		
Number of Census Tracts (CTs)	30	28
% Low-Income CTs	6.67	0.00
% Moderate-Income CTs	16.67	28.57
% Middle-Income CTs	50.00	42.86
% Upper-Income CTs	23.33	28.57
% N/A CTs	3.33	0.00
<b><i>Median Family Income (MFI)</i></b>		
2010 MFI for AA	\$71,186	\$56,084
2013 HUD-Adjusted MFI	\$65,100	\$52,300
<b><i>Economic Indicators</i></b>		
Unemployment Rate	2.61%	3.72%
2010 Median Housing Value	\$132,404	\$83,787
% of Households Below Poverty Level	12.14	16.14

*Source: 2010 Census data and updated HUD income data*

### Midland MSA AA

The city of Midland is the county seat and the largest city in Midland County. The main office and seven branches are located in Midland. According to the 2010 census, Midland County includes 27 census tracts (CTs) with a total population of 136,872 (155,830 estimated for 2014). In 2014, the Midland MSA expanded to include Martin County, which contains three CTs. The city of Stanton is the county seat and the largest city in Martin County. One full-service branch is located in Stanton.

Economic conditions are strong. Major employers include several large oil and gas companies, agricultural production, Midland and Stanton Independent School Districts, Midland Memorial Hospital, Sharyland Utilities, and the Cities of Midland and Stanton. Midland currently has one of the lowest unemployment rates in Texas at 2.9 percent.

The city of Midland is at the center of the 100-mile radius of the Permian Basin, and is considered the center of the area’s oil and gas industry. Due to the high level of economic

activity from the oil and gas industry, Midland has experienced severe shortages in both labor and housing. The oil and gas industries are able to pay higher wages, and therefore they have left local, non-oil related businesses in need of labor. Record prices of oil came early in 2008 approaching \$150 per barrel and settled around \$100 for several years. In the last quarter of 2014, oil prices declined to about \$50 per barrel, and even further since.

Hotels and motels have produced more revenue in the recent years due to the limited availability of housing and the increase in rental rates for apartments and houses. According to 2013 data, there are 53,097 housing units in the Midland MSA AA, of which 64.5 percent are owner-occupied, 28.0 percent are renter-occupied, and 7.5 percent are vacant. The median housing value is \$132,404. The housing market has been very tight, with few homes available and short marketing times. With the recent drop in oil prices, the housing shortage is beginning to ease, although average marketing period remains low at 3.1 months. Home prices increased from an average of \$200,000 in 2011 to \$250,000 in 2012, and remain at \$260,000 in 2014. Accordingly, there is a strong need for affordable housing. Apartment complexes have been at 98 to 100 percent occupancy with a waiting list. Rental rates have increased between 25 and 40 percent over the last few years, with the average cost of a one-bedroom apartment currently at \$1,150 per month. Rental rates are slowly decreasing with the addition of new construction and lower employment in the energy sector.

Banking competition is strong in the AA and includes national, regional, and community banks. As of June 30, 2014, CNB's deposit market share in the AA was 14 percent, ranking second among 17 financial institutions. Wells Fargo Bank N.A. (22 percent), Bank of America N.A. (13 percent), and Frost Bank (13 percent) have primary market share, along with CNB. About 93 percent of CNB's deposits are attributable to this AA.

As part of this CRA examination, we met with a community contact in Midland, TX to help ascertain AA credit needs. The community contact noted that there are several opportunities to participate in community service activities, including lending to new businesses and purchasing local bonds. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

#### Odessa MSA AA

The AA consists of Ector County, Texas. The city of Odessa is the county seat and the largest city in Ector County. CNB has two full-service branches in Odessa. According to the 2010 census, the AA includes 28 CTs with a total population of 137,130 (153,094 estimated for 2014). About 16 percent of AA households are below the poverty level.

Economic conditions are strong. The city of Odessa is located in the Permian Basin and is closely tied to the oil and gas industry. Along with the oil and gas companies, Ector County Independent School District, City of Odessa, and the hospitals currently are the major employers in the AA. Odessa currently has a very low unemployment rate of 3.8 percent. Odessa is also experiencing a severe housing shortage. According to 2013 data, there are 52,272 housing units in the AA, of which 61.5 percent are owner-occupied, 29.7 percent are renter-occupied, and 8.8 percent are vacant. The median housing value is \$83,787. Apartment complexes are 97 percent occupied with average rent for a 1-bedroom unit at \$870, and 2-bedroom units at \$1,220. The

average sales price of homes in Odessa has increased from \$144,000 in 2008 to \$152,000 in 2012, and is near \$200,000 in 2014.

Banking competition is strong in the AA and includes national, regional, and community banks. As of June 30, 2014, CNB's deposit market share in the AA was 2 percent, ranking 14<sup>th</sup> among 17 financial institutions. Frost Bank (17 percent), JPMorgan Chase Bank, N.A. (14 percent), and Prosperity Bank (12 percent) dominate market share. About 7 percent of CNB's deposits are attributable to this AA.

As part of this CRA evaluation, we met with a community contact in Odessa, TX to help ascertain AA credit needs. The community contact noted several opportunities to participate in lending that diversifies the economy. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average loan-to-deposit ratio is 57.27 percent in the last 13 quarters since the previous CRA evaluation. During that time, CNB's quarterly net loan-to-deposit ratio ranged from a low of 47 percent to a high of 63 percent. The average net loan-to-deposit ratio of six similarly situated banks with asset sizes between \$330 million to \$1.2 billion operating within one or more of the AAs for the same period was 63 percent.

Loan-to-Deposit Ratios		
Institution	Total Assets (\$000s) as of 3/31/15	Quarterly Average Loan-to-Deposit Ratio
<b>Community National Bank</b>	<b>1,176,980</b>	<b>57.27</b>
Commercial State Bank	576,394	71.33
First Capital Bank of Texas, N.A.	968,974	68.02
Security Bank	946,767	71.62
Southwest Bank	335,988	66.09
West Texas National Bank	1,059,888	54.54
West Texas State Bank	474,410	48.78

*Source: Reports of Condition from March 31, 2012 to March 31, 2015*

#### Lending in Assessment Areas

A majority of the CNB primary loan products were made inside the bank's AAs. We sampled 71 commercial loans and included all home mortgage loans originated or purchased in 2012 and 2013. About 88 percent of the number and dollar volume of loans were made within the bank's combined AAs. Results by loan category are depicted in the following table.

<b>Lending in Midland and Odessa MSA AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	541	88	77	12	618	105,940	86	17,693	14	123,633
Home Improvement	119	88	17	12	136	4,030	86	678	14	4,708
Refinance	198	89	24	11	222	35,202	88	4,660	12	39,862
Commercial	62	87	9	13	71	49,071	92	4,382	8	53,453
Totals	920	<b>88</b>	127	12	1,047	194,243	<b>88</b>	27,413	12	221,656

Source: 2012-2013 HMDA LARs and a sample of small business loans.

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

The distribution of loans made to businesses of different sizes and individuals of different income levels reflects an overall reasonable penetration for all AAs and all primary products. Taking into account CNB's business strategy, we placed more emphasis on commercial loans (vs. home mortgages) and the Midland MSA AA (vs. the Odessa MSA AA).

#### Midland MSA AA

The distribution of loans to businesses reflects a reasonable penetration among businesses of different sizes. About 59 percent by number of commercial loans were made to businesses with gross annual revenues less than \$1 million, which is somewhat below demographic data showing that 69 percent of the area's businesses are considered small. During this time, the oil and gas economy was strong, and loans to borrowers directly and indirectly involved in oil and gas were typically to larger businesses and were larger in dollar amount. The following table shows the distribution of loans in this AA.

<b>Borrower Distribution of Loans to Businesses in Midland MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.47	4.63	25.90	100%
% of Bank Loans in AA by #	<b>59.38</b>	34.37	6.25	100%
% of Bank Loans in AA by \$	32.21	67.60	0.19	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of home mortgage loans reflects reasonable penetration among families of different income levels. The distribution of home purchase (23 percent) loans to moderate-income families reflects excellent performance, exceeding the demographic (17 percent). The distribution of home improvement (9 percent) and refinance (11 percent) loans to moderate-income families is reasonable, although below the demographic.

CNB has a reasonable penetration of home purchase and home improvement loans, and a poor penetration of refinance loans, to low-income borrowers. The distribution of home purchase (7 percent) and home improvement (10 percent) loans is significantly lower than the demographic (22 percent). However, this is reasonable given that 10 percent of families are below the poverty level, making it more difficult to qualify for a loan, particularly in this period of rapidly rising home prices. The following table shows the distribution of loans in this AA.

<b>Borrower Distribution of Residential Real Estate Loans in Midland MSA AA</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	22.48	<b>6.81</b>	16.55	<b>22.89</b>	20.12	19.89	40.85	50.41
Home Improvement	22.48	<b>9.74</b>	16.55	<b>8.85</b>	20.12	25.66	40.85	55.75
Refinance	22.48	<b>1.21</b>	16.55	<b>10.91</b>	20.12	19.39	40.85	68.49

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

Odessa MSA AA

The distribution of loans to businesses reflects a poor penetration among businesses of different sizes. About 33 percent of commercial loans by number originated to businesses with revenues less than \$1 million, which is significantly lower than demographic data showing that 71 percent of the area’s businesses are considered small. Similar to the Midland MSA AA, commercial loans in this AA are typically to larger businesses and in larger amounts. In addition, we were unable to obtain revenue information for 7 percent of the bank’s commercial loans, which may have affected sampling results. The following table shows the distribution of loans in this AA.

<b>Borrower Distribution of Loans to Businesses in Odessa MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.11	4.91	23.97	100%
% of Bank Loans in AA by #	<b>33.33</b>	60.00	6.67	100%
% of Bank Loans in AA by \$	15.61	83.71	0.68	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of home mortgage loans reflects reasonable penetration among families of different income levels. CNB has a reasonable penetration of home purchase and refinance loans to low-income borrowers. The distribution of home purchase (2 percent) and refinance (5 percent) loans is significantly lower than the demographic (24 percent). However, this is reasonable given that 14 percent of families are below the poverty level, making it more difficult to qualify for a loan, particularly in this period of rapidly rising home prices.

The distribution of home purchase (7 percent) and refinance (5 percent) loans to moderate-income families reflects poor performance, significantly below the demographic (16 percent). Data for home improvement loans is statistically insignificant, as there were only 9 such loans originated. The following table shows the distribution of loans in this AA.

<b>Borrower Distribution of Residential Real Estate Loans in Odessa MSA AA</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	24.43	<b>2.24</b>	15.69	<b>7.46</b>	19.16	29.10	40.72	61.20
Home Improvement	24.43	<b>0.00</b>	15.69	<b>28.57</b>	19.16	71.43	40.72	0.00
Refinance	24.43	<b>5.26</b>	15.69	<b>5.26</b>	19.16	31.58	40.72	57.90

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

### Geographic Distribution of Loans

The geographic dispersion of loans is reasonable, with loans to small businesses reflecting excellent dispersion in the Midland MSA AA and reasonable dispersion in the Odessa MSA AA. Home mortgage loans reflect reasonable dispersion in the Midland MSA AA and poor dispersion in the Odessa MSA AA. Taking into account CNB’s business strategy, we placed more emphasis on commercial loans (vs. home mortgages) and the Midland MSA AA (vs. the Odessa MSA AA).

#### Midland MSA AA

The geographic distribution of loans to small businesses reflects excellent dispersion. About 28 percent of commercial loans were originated in moderate-income CTs, which exceeds the demographic of 27 percent. Commercial lending in low-income CTs is poor, but the demographic is very low, indicating that there are few small businesses in these CTs. The following table summarizes the distribution of loans in this AA.

<b>Geographic Distribution of Loans to Businesses in Midland MSA AA</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
	2.43	<b>0.00</b>	26.87	<b>28.12</b>	39.13	18.75	30.44	53.13

Source: Indicate source, i.e., loan sample or data collected by bank; D & B data.

The geographic distribution of home mortgage loans reflects reasonable dispersion. Dispersion of home purchase (2 percent) and home improvement (4 percent) loans in low-income CTs was reasonable, although below the demographic (5 percent). Dispersion of refinance loans in low-income CTs was poor. Dispersion of home purchase (12 percent), home improvement 9 percent), and refinance (8 percent) loans in moderate-income CT was reasonable, although below the demographic (14 percent). The following table shows the distribution of loans in this AA.

Geographic Distribution of Residential Real Estate Loans in Midland MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.63	<b>1.97</b>	14.34	<b>11.61</b>	51.15	50.37	29.87	36.05
Home Improvement	4.63	<b>3.51</b>	14.34	<b>8.77</b>	51.15	55.26	29.87	32.46
Refinance	4.63	<b>1.10</b>	14.34	<b>7.69</b>	51.15	46.15	29.87	45.06

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

Odessa MSA AA

The geographic distribution of loans to small businesses reflects reasonable dispersion. Ten percent of commercial loans were originated in moderate-income CTs, which is reasonable although below the demographic of 18 percent. There are no low-income CTs in the AA. The following table summarizes the distribution of loans in this AA.

Geographic Distribution of Loans to Businesses in Odessa MSA AA								
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
	0.00	0.00	17.80	<b>10.00</b>	45.44	50.00	36.76	40.00

Source: Indicate source, i.e., loan sample or data collected by bank; D & B data.

The geographic distribution of home mortgage loans reflects poor dispersion. There are no low-income CTs in the AA. Dispersion in moderate-income tracts during this period was poor for home purchase (10 percent) and refinance (5 percent) loans, both of which were significantly lower than the demographic (22 percent). Data for home improvement loans is statistically insignificant, as there were only nine such loans originated. The following table shows the distribution of loans in this AA.

Geographic Distribution of Residential Real Estate Loans in Odessa MSA AA								
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	21.89	<b>9.72</b>	48.01	28.47	30.09	61.81
Home Improvement	0.00	0.00	21.89	<b>22.22</b>	48.01	11.11	30.09	66.67
Refinance	0.00	0.00	21.89	<b>5.00</b>	48.01	20.00	30.09	50.00

Source: Data reported under HMDA

## **Responses to Complaints**

There have been no complaints related to the bank's CRA performance during this evaluation period, which has a neutral effect on the bank's overall performance.

## **COMMUNITY DEVELOPMENT TEST**

CNB's performance under the Community Development (CD) Test is rated Satisfactory. CNB shows adequate responsiveness to CD needs in its AAs through CD loans, qualified investments, and provision of CD services.

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

The level of CD lending reflects an adequate responsiveness to CD needs of the AAs. CNB originated 65 qualifying CD loans during the evaluation period totaling \$14.3 million, with all but eight loans benefiting the bank's AAs.

In the Midland MSA AA, CNB originated 47 loans totaling \$8.7 million during the evaluation period. The majority of these loans were for interim construction of affordable housing in low- and moderate-income tracts. Due to the housing shortage and inflated housing costs, affordable housing provided by these loans had an average home value of less than \$200,000, which is affordable given the AA's median family income. CNB originated loans for the purchase and renovation of apartment complexes that provide affordable housing for low- and moderate-income individuals. The bank also originated working capital loans to non-profit organizations that primarily serve low- and moderate-income individuals by providing senior services, health services, education, social services, and affordable housing.

In the Odessa MSA AA, CNB originated 10 loans totaling \$1.2 million during the evaluation period. The majority of these loans were for affordable housing, particularly to apartment complexes supporting rentals that were below market rates.

Eight additional loans totaling \$4.3 million were made outside CNB's AAs during the evaluation period. The majority of these loans were made in surrounding counties that contain underserved or distressed CTs for revitalization or stabilization as well as permanent job creation. As an example, CNB was part of a community-wide project with other area institutions originating a loan for \$8,500,000 to the Midland County Fresh Water District to construct a water pipeline from the T Bar Ranch located in Winkler and Loving Counties to Midland County, providing water to Midland for the next 30-50 years, which is essential to future growth. The financing of the water project will help retain businesses that employ local residents, including low- and moderate-income individuals, attract new businesses that create job opportunities, and help to ensure the continued construction of affordable housing.

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

The level of qualified investments and CD donations reflects an adequate responsiveness to CD needs of the AAs. CNB made 41 qualified investments and donations totaling \$4.3 million during the evaluation period.

In the Midland MSA AA, CNB made 31 qualified investments, grants, and donations totaling \$3.8 million. This reflects adequate responsiveness to AA needs. Qualified investments totaling \$3.5 million specifically benefited low- or moderate-income individuals or supported organizations whose major purpose is revitalizing areas within the AA.

The level of CD donations and investments reflects a poor responsiveness to CD needs in the Odessa MSA AA. This included four donations totaling \$14,500. CNB also made six investments totaling \$438,000 to a qualifying minority-owned Community Development Financial Institution, which does not directly benefit either AA.

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

CNB's provision of CD services reflects an adequate responsiveness to AA needs. CNB provided CD services to 10 organizations totaling 1,995 service hours of financial services to agencies and organizations engaged in CD activity.

The majority of service hours (1,923 or 96 percent) occurred in the Midland MSA AA due to the larger number of employees in that AA, reflecting adequate responsiveness. The bank has met this need primarily by providing financial services through bank employees' financial expertise. CD activities are responsive to the needs of low- and moderate-income individuals through community-based groups. For example, CNB employees volunteered 901 hours from 2013-2015 preparing free income tax returns for low- and moderate-income individuals through the IRS-sponsored Volunteer Income Tax Assistance (VITA) program. Remaining hours were provided in the Odessa MSA AA, which reflects poor responsiveness to AA needs.

Retail services are reasonably accessible. CNB has eleven full-service branches and ten ATMs. One branch is located in a low-income CT, two of the branches are located in moderate-income CTs, five are located in middle-income CTs, and three are in upper-income CTs. All ATMs, with the exception of one, are co-located at the branches. That ATM is at the Midland-Odessa Airport, which is a NA-income CT. Telephone and Internet banking are also available.

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

CNB demonstrated adequate responsiveness to CD needs, particularly through lending expertise to originate CD loans that are responsive to AA affordable housing needs.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's 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.

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