



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 09, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kleberg First National Bank of Kingsville
Charter Number 12968

100 East Kleberg Avenue
Kingsville, TX 78364

Office of the Comptroller of the Currency

San Antonio South Field Office
10001 Reunion Place Suite 250
San Antonio, TX 78216-4133

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.

Kleberg First National Bank's (KFNB) CRA performance is satisfactory given its size, financial condition, and the known credit needs within its assessment areas (AAs). The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is satisfactory. Your LTD ratio averaged 74 percent since the prior evaluation. The banks in the AA have a high average of 97 percent and low average of 34 percent. KFNB LTD is reasonable in relation to the other institutions in the AA.
- Lending in the AA is outstanding as a substantial majority of KFNB's loans are inside the bank's AAs.
- KFNB's loan portfolio overall reflects a reasonable penetration of residential loans among families of various income levels, consumer loans among families of various income levels, and loans to businesses of different sizes.
- The geographic distribution of the bank's residential loans, consumer loans, and business loans, within the AAs, reflects a reasonable dispersion throughout the AAs.
- KFNB's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AAs, through CD loans, investments, and services.

Scope of Examination

The scope of the examination was to determine KFNB's performance under the Community Reinvestment Act. We evaluated the bank using Intermediate Small Bank (ISB) examination procedures, which includes a Lending Test and CD Test. The Lending Test evaluates the bank's record of meeting the identified credit needs of its AA through its lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services. We conducted a full-scope review of the AAs, Kleberg County (non-metropolitan area) AA and Nueces County (metropolitan area).

The examination focused on the bank's primary loan products, which include consumer loans and residential real estate loans. The residential real estate loans are the loans reported in the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). The evaluation period we reviewed was January 1, 2010 to December 31, 2011. In September 2012, we validated the integrity of the 2010 and 2011 HMDA data and concluded the data was reliable. To evaluate the bank's consumer and business loan performance, we reviewed a sample of loans originated in 2010 and 2011. The CD Test evaluation covers the period since the prior CRA examination evaluation. We verified CD loans, investments, and services submitted by management to ensure they met the CD regulatory definition.

Description of Institution

KFNB, a community bank, is headquartered in Kingsville, Texas (Kleberg County), approximately 50 miles southwest of Corpus Christi, Texas (Nueces County). KFNB is an intrastate financial institution with \$420 million in assets as of June 30, 2012. KFNB is retail-oriented with its primary market focus on residential real estate and indirect dealer loans for new and used vehicles. The following table depicts the composition of the loan portfolio at December 31, 2011.

Loan Category	\$ (000)	%
Consumer Loans	58,516	26.71%
Residential Real Estate Loans	49,924	22.79%
Commercial Real Estate Loans	45,138	20.60%
Commercial and Industrial Loans	28,164	12.86%
Real Estate Construction	12,512	5.71%
Real Estate Multifamily	9,057	4.13%
Farmland Real Estate Loans	7,690	3.51%
Agricultural Loans	7,228	3.30%
Other Loans	809	0.4%
Total	219,038	100%

On October 18, 2012, the bank had one main office, ten branches, one drive-in facility, and fifteen automated teller machines (ATMs). The main office and drive-in facility is located in Kingsville. Four branches are stand-alone located in Corpus Christi. Five branches are located in grocery stores (HEB) and one branch is located in the Kingsville Wal-Mart. Four of the HEB branches are in Corpus Christi with the fifth located in Kingsville. All branches located in the grocery stores and Wal-Mart are open seven days a week with convenient banking hours. The main office is open Monday thru Friday, and offers banking hours similar to other businesses located in downtown Kingsville. The drive-thru facility and Corpus Christi branches are open Monday thru Friday.

As of June 30, 2012, KFNB had total assets of \$429 million. Net loans totaled \$212 million and represented 49 percent of total assets. KFNB has the ability to meet the credit needs in its AA. We assigned a "satisfactory" rating at the previous CRA evaluation dated February 15, 2007. We did not identify any legal or other impediments that limit the ability of KFNB to meet credit needs in its AA.

KFNB is wholly owned by Kleberg Delaware, Inc., which operates as a subsidiary of Kleberg and Company Bankers, Inc. KFNB's business strategy is to continue to provide the community with their various loan and deposit products.

Description of Assessment Area(S)

KFNB's AA includes Kleberg County (non-metropolitan area) and Nueces County (metropolitan area). The counties are located adjacent to each other. We evaluated performance separately for each county due to the significant differences in demographic information, notably increased housing costs, and adjusted median family income in Nueces County. The following table provides additional information for each county.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA		
	<i>Kleberg County</i>	<i>Nueces County</i>
<i>Population</i>		
Number of Families	7,829	80,043
Number of Households	10,918	110,316
<i>Geographies</i>		
Number of Census Tracts/BNA	5	64
% Low-Income Census Tracts/BNA	0 %	12.50 %
% Moderate-Income Census Tracts/BNA	20 %	23.44 %
% Middle-Income Census Tracts/BNA	80 %	35.94 %
% Upper-Income Census Tracts/BNA	0 %	28.13 %
<i>Median Family Income (MFI)</i>		
2000 Census MFI	\$ 36,380	\$ 40,551
2010 HUD-Adjusted MFI	\$ 46,500	\$ 51,900
2011 HUD-Adjusted MFI	\$ 48,600	\$ 53,500
<i>Economic Indicators</i>		
Unemployment Rate	6.13 %	4.64 %
2011 Median Housing Value	\$ 52,385	\$ 71,969
% of Households Below Poverty Level	25.54 %	16.79%

Kleberg County

The Kleberg County AA includes the cities of Kingsville, Ricardo, Rivera, Loyola Beach, and surrounding communities. Kleberg County consists of one moderate-income and four middle-income census tracts. They have no low- or upper-income census tracts. The AA designation meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The local economy is stable. Principal industries in Kleberg County include services and retail trade. Major employers include the Naval Air Station, the local university, the local independent school district, and the hospital. Other major employers include Wal-Mart, King Ranch, and the Celanese Corporation plant.

We contacted a local nonprofit economic development official who indicated that affordable housing (single-family and multi-family) were the major needs in the community. The contact indicated that there are no large construction companies in the local area and they are not willing to travel in from other areas. The contact also indicated that high school students and college freshman need some financial education.

The contact indicated that KFNB is the dominant financial institution in Kingsville. They further stated that KFNB is extremely community oriented. The local area institutions have done a good job in meeting the needs of the community by providing scholarships to high school students and providing funds for large construction projects.

Nueces County

During the last CRA examination, KFNB's holding company purchased First Commerce Bank (FCB) of Corpus Christi on January 7, 2007. The merger resulted in total combined assets of approximately \$320 million, and added three additional branches in Nueces County. This AA designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts.

The 2000 census changed the demographics of Nueces County resulting in the addition of San Patricio County and Aransas County to the Corpus Christi Metropolitan Area (CCMA). A majority of deposit and loan activities originates in Kleberg or Nueces County, therefore, the Board and management did not include San Patricio or Aransas County in the AA.

Competition for loan and deposit customers is strong in the AA. The strongest competition comes from branch offices of large community, mid-sized and large/multinational banks. The major competitors for both loans and deposits are American Bank, N.A., Bank of America, Wells Fargo Bank, N. A., and Frost National Bank. Except for American Bank, N.A., these institutions have headquarters outside of the AA. Other competition comes from the numerous credit unions and mortgage companies, which serve the area.

The population growth since the 2000 census has been modest increasing from 313 thousand to 343 thousand in 2011. Nueces County contains 64 census tracts including eight that are designated as low-income, 15 moderate-income, 23 middle-income, and 18 upper-income census tracts.

The local economy remained stable through the roughest part of the economic downturn. The area has seen a small benefit from the Eagle Ford Shale drilling. The area is diverse with employment sources from key industries including oil and gas, local government, health care, local education institutions, and area military installations. The largest employers include the Corpus Christi Independent School District, the City of Corpus Christi, the Christus Spohn Medical System, H.E.B, and the U.S. Army Depot.

We contacted a federally funded and locally funded housing program representative who indicated that primary needs included affordable housing programs. The contact indicated opportunities to invest in community development exist in the Corpus Christi area. The contact disclosed that small business owners need financial education on running a business. The contact indicated large banks generate the majority of the mortgage loans. They also indicated KFNB generates some mortgage loans but not as many as they have historically; however, the volume of mortgage loans is not what it used to be.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is Satisfactory. KFNB's LTD ratio is reasonable with a substantial majority of the bank's loans originated within its designated AAs. The distribution of these loans by borrower income level, size of business, and by geography reflects reasonable penetration and dispersion.

Loan-to-Deposit Ratio

KFNB's LTD ratio is reasonable and meets the standards for satisfactory performance, given its asset size, financial condition, and lending opportunities in the AA. Since the prior CRA examination, the LTD has decreased from 84 percent at March 31, 2007 to 61 percent at June 30, 2012. The high percentage on March 31, 2007 comes from the acquisition of First Commerce Bank in the first quarter of 2007, in which the bank received almost \$89 million in loans and \$85 million in deposits. The significant decline is from stagnant loan demand due to the economic downturn and an influx of deposits from the oil and gas activity in the surrounding area. The average LTD ratio over the past 22 quarters was 73 percent, which is consistent with the 78 percent average reported at the prior examination.

We did not identify any similarly situated financial institutions in the AAs. There are 19 financial institutions in the market. The majority of the institutions have either larger total assets or fewer total assets, and the majority of the branches are outside the AAs. No other community banks headquarter in Kleberg County. We noted four financial institutions headquartered in Nueces County. One of the four institutions has total assets much larger than KFNB. The remaining three institutions have fewer total assets and branches located outside the AA of KFNB. Although KFNB does not have any specific comparable peer banks, we noted the majority of the banks in the market area experienced a decrease in their LTD ratio.

Lending in Assessment Area

KFNB originates a substantial majority of its loans in the AA and meets the standards for outstanding performance. We reviewed a sample of residential, consumer, and business loans that originated in 2010 and 2011. The following table reflects the distribution of loans by number and dollar volume, in and out of the AA.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	311	82.06	68	17.94	379	\$48,368	81.29	\$11,133	18.71	\$59,501
Home Improvement	24	85.71	4	14.29	28	\$1,536	86.73	\$235	13.27	\$1,771
Refinance	80	87.91	11	12.09	91	\$11,022	81.77	\$2,457	18.23	\$13,479
Consumer	15	75.00	5	25.00	20	\$160	59.70	\$108	40.30	\$268
Business	22	73.33	8	26.67	30	\$3,835	60.22	\$2,533	39.78	\$6,368
Totals	452	82.48	96	17.52	548	\$64,921	79.77	\$16,466	20.23	\$81,387

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

Overall, KFNB demonstrates a reasonable penetration of loans to borrowers of different incomes, and an outstanding distribution of loans to businesses of different sizes. We used samples in Kleberg County and Nueces County to evaluate performance for consumer loans, residential loans, and business loans. The following narratives and tables document our findings.

Consumer Loans

KFNB demonstrates reasonable distribution of consumer loans to borrowers of different income levels. In Kleberg County, approximately 44 percent of the households have low- or moderate-income levels. We found 16 percent of the loans in our sample originated to low- or moderate-income borrowers. In Nueces County, 40 percent of the households have low- or moderate-income levels. We found 20 percent of the sampled loans originated to low- or moderate-income borrowers. The following tables reflect the results of our consumer loan samples.

Borrower Distribution of Consumer Loans in Kleberg Co AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	31.00	2.22	12.62	13.33	17.11	20.00	39.27	64.44

Source: Loan sample; U.S. Census data.

Borrower Distribution of Consumer Loans in Nueces Co AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.59	6.12	15.72	14.29	17.73	32.65	41.95	46.94

Source: Loan sample; U.S. Census data.

Residential Loans

KFNB demonstrates reasonable performance in the distribution of residential loans to low- and moderate-income individuals. Households below the poverty level represent 26 percent of the total households in Kleberg County, and 17 percent of the total households in Nueces County. These levels could inhibit potential borrowers from qualifying for residential loans as the level of annual income based on the 2011 HUD-adjusted median family income for low-income households is less than \$24,310 in Kleberg County, and less than \$26,750 in Nueces County. In addition, the 2011 median housing value is \$52 thousand in Kleberg County and \$72 thousand in Nueces County. The following tables reflect the results of our residential loan samples.

Borrower Distribution of Residential Real Estate Loans in Kleberg Co AA								
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	28.01	1.64	15.88	14.75	17.59	11.48	38.52	67.21
Home Improvement	28.01	7.69	15.88	0.00	17.59	15.38	38.52	69.23
Refinance	28.01	0.00	15.88	5.56	17.59	27.78	38.52	66.67

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

Borrower Distribution of Residential Real Estate Loans in Nueces Co AA								
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	22.72	3.60	16.60	14.00	19.41	26.80	41.27	54.40
Home Improvement	22.72	0.00	16.60	9.09	19.41	9.09	41.27	81.82
Refinance	22.72	1.61	16.60	12.90	19.41	24.19	41.27	59.68

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

Business Loans

KFNB demonstrates reasonable distribution of loans to small businesses. In Kleberg County, we found that 76 percent of business loans in our sample originated to businesses with annual revenues less than \$1 million. Furthermore, the percentage of loans by dollar amount represented 92 percent. In Nueces County, we found that 66 percent of the loans in our sample originated to businesses with annual revenue less than \$1 million.

In making the comparison, we noted that almost 31 percent of the businesses in Kleberg County and 33 percent of the businesses in Nueces County did not report revenue information. The following tables compare the loan sample to the percentage of businesses in the AA.

Borrower Distribution of Loans to Businesses in Kleberg Co AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.25%	1.62%	31.13%	100%
% of Bank Loans in AA by #	76.00%	24.00%	0%	100%
% of Bank Loans in AA by \$	92.15%	7.85%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses in Nueces Co AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.36%	2.42%	33.21%	100%
% of Bank Loans in AA by #	65.71%	34.29%	0%	100%
% of Bank Loans in AA by \$	48.74%	50.36%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

Overall, KFNB demonstrates reasonable dispersion performance in the geographic distribution of residential loans and outstanding performance to consumer loans and business loans. The following narratives document our findings.

Consumer Loans

KFNB demonstrates excellent geographic distribution of consumer loans in Kleberg County. There are no low-income census tracts in this county. The percentage of loans in moderate-income tracts exceeds the percentage of households located in those tracts. In addition, two of the middle-income census tracts are included on the 2012 list of “distressed” census tracts due to the poverty levels in these tracts. As such, KFNB receives positive consideration for originating loans in these tracts. In Nueces County, KFNB demonstrates excellent performance in the geographic distribution of consumer

loans. The percentage of loans in low-income tracts is slightly below the percentage of households located in those tracts. The percentage of loans in moderate-income tracts exceeds the percentage of households located in those tracts. The following tables provide documentation of our findings.

Geographic Distribution of Consumer Loans in Kleberg Co AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	18.73	20.00	81.27	80.00	0	0

Source: Loan sample; U.S. Census data.

Geographic Distribution of Consumer Loans in Nueces Co AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	7.02	6.12	24.83	32.65	37.40	26.53	30.75	34.69

Source: Loan sample; U.S. Census data.

Residential Loans

KFNB demonstrates reasonable geographic distribution of residential loans in Kleberg County. There are no low-income census tracts in this county. The percentage of home purchase and refinance loans in moderate-income tracts is less than the percentage of households located in those tracts. However, as previously noted, two of the middle-income census tracts are included on the 2012 list of “distressed” census tracts due to the poverty levels in these tracts. As such, KFNB receives positive consideration for originating loans in the tracts. In Nueces County, KFNB demonstrates reasonable performance in the geographic distribution of loans. The percentage of residential loans in low-income tracts is nominal. Low-income tracts make up only 13 percent of total tracts in Nueces County. The percentage of residential loans in moderate-income tracts is less than the percentage of households located in those tracts. The following tables provide documentation of our findings.

Geographic Distribution of Residential Real Estate Loans in Kleberg Co 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	22.34	6.56	77.66	93.44	0.00	0.00
Home Improvement	0.00	0.00	22.34	23.08	77.66	76.92	0.00	0.00
Refinance	0.00	0.00	22.34	5.56	77.66	94.44	0.00	0.00

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

Geographic Distribution of Residential Real Estate Loans in Nueces Co 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	4.68	0.40	24.99	8.80	35.81	32.40	34.52	58.40
Home Improvement	4.68	0.00	24.99	18.18	35.81	45.45	34.52	36.36
Refinance	4.68	0.00	24.99	11.29	35.81	29.03	34.52	59.68

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

Business Loans

KFNB demonstrates excellent geographic distribution of business loans in Kleberg County. There are no low-income census tracts in this county. The percentage of loans in moderate-income tracts is in line with the percentage of businesses located in those tracts. As noted previously, two of the middle-income census tracts are included on the 2012 list of “distressed” census tracts due to the poverty levels in the tracts. As such, KFNB receives positive consideration for originating loans in the tracts. In Nueces County, KFNB demonstrates excellent performance in the geographic distribution of loans. The percentage of loans in low-income and moderate-income tracts exceeds the percentage of businesses located in those tracts. The following tables provide documentation of our findings.

Geographic Distribution of Loans to Businesses in Kleberg Co 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
Businesses	0.00		18.96	12.00	81.04	88.00	0.00	

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans to Businesses in Nueces Co 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
Businesses	11.06	11.43	20.89	31.43	34.19	48.57	33.86	8.57

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

No complaints exist regarding the bank’s CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

KFNB’s overall performance under the CD test is satisfactory. The bank provided an adequate level of CD loans, services, and investments in its AAs.

Number and Amount of Community Development Loans

KFNB originated two loans totaling \$7.4 million, which qualified as CD loans during this evaluation period. Based on full-scope reviews of the Kleberg County AA, and the Nueces County MSA AA, the bank made an adequate level of CD loans. They were to provide financing for a small business, and support long-term job creation for low- to moderate-income individuals.

The bank made the loans to businesses located in the Nueces County MSA AA. Lending to small businesses was identified as a credit need in the community.

Number and Amount of Qualified Investments

KFNB had four qualifying investments in its two AAs. Based on full-scope reviews of the Kleberg County AA, and the Nueces County MSA AA, the bank has an adequate level of qualified CD investments. They were for the benefit of small businesses, job creation, and other community services.

In the Nueces County MSA AA, the bank issued a grant totaling \$5 thousand to the Texas A&M Corpus Christi Foundation. The funds were for scholarships specifically targeted for low- to moderate-income individuals.

In the Kleberg County AA, the bank made one investment totaling \$825 thousand for the construction of a school. The project will serve children in the community, including low- to moderate-income individuals, and creates long-term job opportunities.

The bank also made a \$1 thousand grant to benefit underserved youth and a \$150 thousand investment for small business financing. The organizations serve a broader regional area that has the potential to benefit the bank's AAs.

Extent to Which the Bank Provides Community Development Services

KFNB had seven qualifying services in its two AAs. Based on full-scope reviews of the Kleberg County AA, and the Nueces County MSA AA, the bank provides an adequate level of CD services. Several bank employees provide financial services by serving on the Board and different committees for various organizations. These were for the benefit of small businesses, health care services for low- to moderate-income individuals, and programs for at risk youth.

In the Nueces County MSA AA, a bank employee led a workshop providing financial guidance for the benefit of small businesses in the area.

In the Kleberg County AA, a bank employee provides financial expertise by serving as Treasurer for the local chapter of an international organization. The organization focuses on helping underserved children. Several bank employees also provided financial literacy classes to students at the local high school. The majority of the student population is low- to moderate-income individuals.

The bank's employees provide financial services on the Loan Committee and Board of two micro-lenders. One organization lends for CD purposes, and the other focuses on small business lending. A bank employee provides financial services on the Board of a foundation with the mission of providing health care services to individuals with little or no access. These organizations serve a broader regional area that benefit both of the bank's AAs.

The bank also provides financial services to low- to moderate-income individuals through branches located in low- to moderate-income areas in both AAs.

Responsiveness to Community Development Needs

KFNB demonstrates adequate responsiveness to CD needs in its AAs. The bank's CD activities benefit small businesses and various needs for low- to moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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