



PUBLIC DISCLOSURE

December 01, 2014

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 East John Carpenter Freeway, Suite 500, 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, 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.

Major factors that support this Satisfactory rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are within the bank's assessment areas (AAs).
- The distribution of residential loans to borrowers of different income levels exhibits a poor penetration. The distribution of loans to businesses and farms of different sizes reflects an excellent penetration.
- The bank's geographic distribution of residential loans to low- and moderate-income (LMI) census tracts reflects reasonable dispersion. The distribution of loans to businesses and farms across LMI geographies is excellent.
- The overall level and responsiveness of community development (CD) lending, investments, and services is adequate.

Scope of Examination

This Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from March 17, 2009, the date of the prior PE, through December 1, 2014, the date of the current evaluation. However, the Lending Test concentrated on activity from January 1, 2012 to September 30, 2014. In evaluating the bank's lending performance, the bank's primary loan products include business, agriculture, and residential lending with an emphasis on small business lending. We placed the most weight for rating the borrower distribution of loans on small business lending considering the bank's strategic focus is business lending.

Community National Bank & Trust of Texas (CNBT or bank) became subject to the interagency Intermediate Small Bank (ISB) CRA evaluation procedures on January 1, 2014 because the bank exceeded the ISB asset size threshold on December 31, 2012 and December 31, 2013. In addition to the Lending Test, ISBs are evaluated under the Community Development Test. Our consideration of CD activity - loans, investments and services - extended from January 1, 2014 to our current evaluation date of December 1, 2014. To ensure a complete review of CNBT's community responsiveness, we included in our evaluation any CD activities in which the bank was engaged dating back to the most recent PE of March 17, 2009.

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 2012 through September 30, 2014.

This evaluation is based on accurate data. We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages and business loan reports provided by the bank to verify the accuracy of data used for this evaluation. We also verified CD loans, investments, and services submitted by management to ensure they met the regulatory definition for CD. We excluded any items that did not meet the definition or purpose of CD.

We did not consider the activities of affiliates in this evaluation.

We conducted a full-scope review of the AA (assessment area) consisting of Navarro, Leon and Freestone Counties, a non-Metropolitan Statistical Area (Non-MSA) which considers complete performance context information, quantitative factors and qualitative factors. The Non-MSA AA received the full-scope review because most of CNBT's deposits (73 percent), loans analyzed (84 percent), and offices (55 percent) are in that geography. There are three other AAs; however, we performed limited reviews of these AAs and found no conspicuous gaps. Limited-scope reviews consider primarily quantitative factors with performance context data limited to the comparable demographics. These AAs are Ellis County that is part of the Dallas-Plano-Irving Metropolitan Division (Ellis AA), Parker County that is part of the Fort Worth-Arlington Metropolitan Division (Parker AA), and Palo Pinto County, a non-MSA (Palo Pinto AA). CNBT added the Parker and Palo Pinto AAs when it acquired First State Bank of Mineral Wells, Mineral Wells, Texas, on July 15, 2013.

Description of Institution

CNBT is a full-service community bank located in Corsicana, Texas, which is 55 miles south of downtown Dallas. It is wholly-owned by Community Bank Holdings of Texas, Inc., a one-bank holding company. The previous CRA evaluation, dated March 17, 2009, 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 including retail and CD loans, qualified investments, and CD service needs. Although the bank offers a full-range of loan and deposit services, its primary business focus is small business lending.

In 2010, CNBT acquired a branch in Red Oak, Texas located in Ellis County. In 2013, CNBT acquired First State Bank of Mineral Wells, Mineral Wells, Texas. As a result, the bank established two branch offices in Mineral Wells and one in Graford (Palo Pinto County) as well as a branch in Weatherford (Parker County). These transactions increased the number of branch offices to ten. CNBT did not close any branches during the evaluation period.

As of September 30, 2014, net loans were 63 percent of CNBT's total assets of \$497 million. The following table reflects CNBT's loan portfolio summary.

Community National Bank & Trust of Texas Loan Portfolio Summary		
Loan Category	Dollar Volume (in thousands)	Percentage
Commercial and Commercial Real Estate	153,864	49%
Residential Real Estate	61,378	20%
Agriculture	28,593	9%
Construction, Consumer and Other	69,332	22%
Total Loans	313,167	100.00%

Source: September 30, 2014 Report of Condition.

CNBT's branches are the primary delivery system for retail products and services. Branches are located in areas that make them accessible to bank customers. The bank's ATMs supplement the branches. Two of the branches are located in upper-income census tracts (CTs), six in middle-income CTs, and two in moderate-income CTs. Four of the middle-income branches are located in areas designated as distressed or underserved by the federal banking agencies. The Mineral Wells branch and its detached drive-up facility (two blocks distant) are both located in a moderate-income census tract. Lobby hours and drive-up hours are set to meet customer needs. The bank has six additional standalone ATMs.

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. Products and services offered include, but are not limited to the following:

- The bank offers a variety of checking accounts to accommodate customer needs. The *My Checking* account includes unlimited check writing, a *MasterCard* debit card and free online banking. The minimum opening deposit required is \$100. The monthly fee is waived if the customer is a full-time student 21 years of age or younger, is at least 55 years old, maintains a balance of \$600, or maintains a total banking relationship of \$50,000. For all others, a \$9 monthly service fee applies (or \$7 with *eStatements*).
- The *My Savings* account is the bank's basic savings program. It is designed to be suitable for a wide range of customers. It can be used as a starter account for children or students beginning to learn money management skills. It requires a minimum \$100 to open. There are no monthly service fees if the customer is a full-time student 21 years of age or younger, maintains a minimum balance of \$100, or maintains a total banking relationship of \$50,000 or more (including checking, savings, CDs, IRAs and loans). For all others, a \$5 quarterly service fees applies (or \$3 with *eStatements*).

- Business customers have access to a variety of business checking accounts. The *My Business Checking* account requires a \$100 minimum opening deposit. The fees include \$8 per month, \$0.08 per item deposited, \$0.35 per credit, and \$0.20 per debit. The *My Small Business Checking* account is designed for businesses that have fewer transactions and smaller balances. This savings program requires a \$100 minimum opening deposit. There are no monthly fees if the customer maintains a minimum balance of \$2,500. For all others, an \$8.50 monthly service fee applies.
- Check cashing of government and IRS checks for non-customers. Fees of \$10 or up to three percent.
- Low-cost (\$5) payroll check cashing for up to \$1,000 for several large local employers.
- *Visa* credit cards offered through CNBT.
- The bank offers free online banking and free mobile banking. With the mobile banking application, customers can check balances, transfer funds, view ATM and branch locations, view real-time account history, and contact the bank's Customer Service Center.
- Consumer loans and residential mortgages are also available including home equity loans.
- Commercial loans including Small Business Administration (SBA) 7(a) and 504 are offered to new business startups and existing businesses.
- In order to reach out to the diverse population in the AAs, CNBT has employees who can communicate in Spanish.

Description of Assessment Area(s)

CNBT has four AAs:

- Non-MSA AA consisting of Navarro, Freestone and Leon Counties,
- Palo Pinto AA that includes Palo Pinto County,
- Parker AA consisting of Parker County, and
- Ellis AA that includes Ellis County.

Demographic and economic information for each of the four AAs is reflected in the following table:

Demographic and Economic Data for the AAs				
Assessment Area	Non-MSA	Palo Pinto	Parker	Ellis
<i>Population</i>				
Number of Families	21,496	7,541	30,780	38,397
Number of Households	30,989	10,513	40,489	48,503
<i>Geographies</i>				
Number of Census Tracts	20	9	19	31
% Low-Income Census Tracts	0	0	0	9.68
% Moderate-Income Census Tracts	15.00	33.33	15.79	12.90
% Middle-Income Census Tracts	60.00	55.56	57.89	51.61
% Upper-Income Census Tracts	25.00	11.11	26.32	25.81
% N/A Census Tracts*	0	0	0	0
<i>Median Family Income (MFI)</i>				
2010 MFI for AA	\$51,965	\$48,473	\$72,364	\$68,725
2010 HUD-Adjusted MFI	\$50,500	\$50,500	\$65,500	\$69,000
<i>Economic Indicators</i>				
Unemployment Rate		4.3%	4.3%	4.5%
Navarro County	4.8%			
Freestone County	4.4%			
Leon County	4.5%			
2010 Median Housing Value	\$80,768	\$83,629	\$149,088	\$132,197
% Households Below Poverty Level		18.5	10.9	11.9
Navarro County	21.1			
Freestone County	15.6			
Leon County	17.7			
% Households Receiving SS	36.9	34.0	26.3	23.9
% Households Retired	19.7	17.4	17.4	14.2

*Geographies that have not been assigned an income classification.

Source: 2010 Census data; HUD.

Non-MSA AA

This AA includes 20 CTs across three entire counties – ten in Navarro County, seven in Freestone County, and three in Leon County. 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, Blooming Grove, Oak Valley, Fairfield and Buffalo. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Six of the bank's 11 offices are in this AA. According to the June 30, 2014 *FDIC Deposit Market Share Report*, 17 banks operate 35 branches within the AA. CNBT is ranked second overall holding 20.3 percent of the total market share.

Major employers in the Corsicana area include *Russell Stover Candies, Inc.* (candy manufacturing and outlet store), *Home Depot Distribution Center* (building materials), and *Kohl's* (distribution center and call center). Other major employers include *True Value Distribution Center* (hardware), *Firestone Building Products* (roofing products), *Guardian Industries Corporation* (float glass manufacturing), *Collin Street Bakery* (foods manufacturing and outlet store), *Oil City Iron Works* (castings), *Lance Foods Manufacturing* (snack foods), *Corsicana Bedding* (bedding and furniture), *Mobil Pipeline Company* (pipeline), and *JELD-WEN, Inc.* (windows and doors). *Navarro College*, *Corsicana ISD*, and the *City of Corsicana* also employ local residents.

The AA's outlying economy continues to be fairly stable, centering in agribusiness, oil and gas field operations, and farms and ranches. Of the total number of businesses and farms in the AA, 69 percent have 1-4 employees and 72 percent earn less than \$500,000 of annual revenue. Almost ten percent of the AA's businesses are located in the moderate-income CTs.

As noted in the demographic data table, of the 20 CTs there are no low-income CTs and three or 15 percent are moderate-income geographies. All of the seven middle-income CTs in Navarro County are designated as distressed by the federal banking agencies based on a poverty level exceeding 20 percent. Leon County is comprised of three middle-income CTs all of which are designated as underserved based on their rural location.

Palo Pinto AA

This AA consists of Palo Pinto County that includes the city of Mineral Wells located 35 miles west of Fort Worth, Texas. The population of Palo Pinto County is 27,889 including the cities of Graford and Gordon. The bank has three branches in the AA representing 27 percent of its offices. The AA contains three moderate-income CTs and no low-income geographies. The area's economy includes numerous businesses ranging from oil and gas equipment manufacturers to cable producers. The largest employers are *Mineral Wells ISD*, *Palo Pinto General Hospital*, *Baker Hughes*, and *Walmart*. The county's 4.3 percent unemployment rate compares favorably to the 4.8 and 5.8 percent unemployment rates for the State of Texas and the United States, respectively. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Parker AA

The AA includes Parker County that is part of the Fort Worth-Arlington Metropolitan Division. CNBT has one branch in the AA. The population of this area is 116,927 and includes the cities of Weatherford, Aledo, and Brock. There are no low income CTs but three moderate-income CTs. The major employers in this area are local school districts, *Triumph Aerostructures*, *Walmart Super Center* and *Brookshire Grocery*. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

Ellis AA

The AA includes Ellis County that is part of the Dallas-Plano-Irving Metropolitan Division. It contains 31 CTs, three of which are low-income and four moderate-income CTs. The population is 149,610. The City of Waxahachie is the county seat and the largest city in the AA. The bank's sole branch is located in Red Oak. Major employers include *Waxahachie ISD, Walgreen Company, Dart Container Corporation,* and *Walmart* Super Center. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

We determined the community credit needs in the AAs by reviewing CRA Performance Evaluations of other banks operating in the same AAs, conducting discussions with management, considering the demographics of the AAs, and gathering input from community contacts. We determined the most pressing credit needs in the AAs are small business and farm lending, affordable housing, and consumer lending.

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. This determination is based on the quarterly average LTD ratio of 69.35 percent from March 31, 2008¹ through September 30, 2014. During this evaluation period, CNBT's LTD ratio ranged from a low of 62.42 percent to a high of 76.82 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSIs). With the exception of Citizens National Bank of Henderson, all are community banks less than \$1 billion in assets. All of the SSIs 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. Please note that no ranking is intended or implied.

¹ Although the prior CRA Evaluation was as of March 17, 2009, due to the merger of Corsicana NB and its sister bank, FNB Fairfield, on May 19, 2008 the scope of the 2009 evaluation encompassed the timeframe of June 2003 through March 31, 2008. Given the combined assets only represented six months of the 2009 evaluation period it was determined that the exclusion of data post-merger was appropriate and thus included in this evaluation.

Loan-to-Deposit Ratios		
Financial Institutions	Total Assets \$ (000's) (As of 9/30/2014)	Average Loan-to- Deposit Ratio
Community National Bank & Trust of Texas	\$497,355	69.35%
Citizens National Bank - Henderson	\$1,307,917	57.69%
Citizens State Bank - Buffalo	\$711,980	27.40%
Citizens National Bank of Texas - Waxahachie	\$644,603	93.30%
Vintage Bank - Waxahachie	\$187,006	82.50%
Ennis State Bank	\$148,820	88.26%
The First State Bank - Rice	\$131,212	59.76%
Incommons Bank, N.A. - Mexia	\$104,112	75.60%

Source: Institution Reports of Condition from March 31, 2008 to September 30, 2014.

Lending in Assessment Areas

The majority of the number and dollar amount of CNBT's loans were originated inside its AAs. As depicted in Table 1 below, 73 percent of the number and 53 percent of the dollar amount of loans were originated inside the AAs. Almost 78 percent of the number of the business loan originations or purchases occurred inside the AAs.

In our analysis, we included all 1-4 family real estate loans CNBT originated or purchased from January 1, 2012 through September 30, 2014 that are reported under the requirements of the HMDA, as well as all small business and farm loans originated or purchased during the same period.

Table 1 - Lending in Combined AAs										
Loan Type	Number of Loans					Dollars of Loans (\$000's omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	163	56.99	123	43.01	286	17,201	47.09	19,324	52.91	36,525
Home Improvement	38	67.86	18	32.14	56	2,553	65.09	1,369	34.91	3,922
Home Refinance	79	79.00	21	21.00	100	13,010	80.10	3,233	19.90	16,243
Business	703	77.51	204	22.49	907	59,437	48.75	62,473	51.25	121,910
Agriculture	324	72.16	125	27.84	449	9,793	66.61	4,908	33.39	14,701
Total	1,307	72.69	491	27.31	1,798	101,994	52.76	91,307	47.24	193,301

Source: Data reported under HMDA; bank loan data.

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

The borrower distribution of loans in the Non-MSA AA is reasonable. CNBT’s performance relative to the Palo Pinto, Ellis, and Parker AAs is generally consistent with the results of the Non-MSA AA full-scope review.

Residential Mortgage Loans

CNBT’s distribution of residential loans to LMI borrowers is poor. As detailed in Table 2 below, in each category in the AA, the bank’s 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers lagged the percentage of families in those income levels.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-MSA 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	20.36	2.83	17.18	9.43	19.56	18.87	42.89	68.87
Home Improvement	20.36	11.43	17.18	5.71	19.56	17.14	42.89	65.71
Home Refinance	20.36	0.00	17.18	9.52	19.56	15.87	42.89	74.60

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

Business Loans

CNBT’s distribution of loans to businesses of different sizes exhibits an excellent penetration. As illustrated in Table 2A for the AA below, the percentage of loans by number to small businesses (87 percent) is excellent compared to the percentage of small businesses in the AA (72 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (63 percent) was below the demographic, we placed the most weight on the number of loans originated or purchased.

Table 2A - Borrower Distribution of Loans to Businesses in Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.30	2.81	24.89	100%
% of Bank Loans in AA by #	86.50	4.62	8.88	100%
% of Bank Loans in AA by \$	63.26	21.42	15.32	100%

Source: Data collected by bank; Dun and Bradstreet data.

As detailed in Table 2C below for the AA, 85 percent of the number of loans to businesses originated by CNBT was in amounts of \$100,000 or less. Almost 95 percent of the number of loans did not exceed \$250,000. Loan size often loosely correlates to the size of the business. This is indicative of a bank successfully servicing the credit needs of small businesses.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Non-MSA AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	477	85.03	13,075	33.69
\$100,001 - \$250,000	54	9.63	8,210	21.15
\$250,001 - \$500,000	21	3.74	7,722	19.89
\$500,001 - \$1,000,000	6	1.07	4,598	11.85
Over \$1,000,000	3	.53	5,210	13.42

Source: Data collected by bank.

Farm Loans

CNBT's distribution of loans to farms of different sizes exhibits an excellent penetration. As illustrated in Table 2Ai below for the AA, almost 100 percent of the number of loans made by the bank were to small farms.

Table 2Ai - Borrower Distribution of Loans to Farms in Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.52	0.74	0.74	100%
% of Bank Loans in AA by #	99.05	0.63	0.32	100%
% of Bank Loans in AA by \$	96.31	3.09	0.60	100%

Source: Data collected by bank; Dun and Bradstreet data.

As illustrated in Table 2D for the AA below, 96 percent of the number of loans to farms originated by CNBT were in amounts of \$100,000 or less. Loan size often loosely correlates to the size of the business. This is indicative of a bank successfully servicing the credit needs of small farms.

Table 2D - Borrower Distribution of Loans to Farms by Loan Size in Non-MSA AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	302	95.87	5,783	59.84
\$100,001 - \$250,000	11	3.49	2,082	21.54
\$250,001 - \$500,000	1	.32	500	5.17
Over \$500,000	1	.32	1,300	13.45

Source: Data collected by bank.

Geographic Distribution of Loans

The geographic distribution of loans within the Non-MSA AA is reasonable. There are no low-income CTs in the Non-MSA AA. CNBT's performance relative to the Palo Pinto, Ellis, and Parker AAs is generally consistent with the results of the Non-MSA AA full-scope review.

Residential Mortgage Loans

CNBT’s geographic distribution of residential loans reflects reasonable dispersion. In Table 3 for the AA below, the percentage of the home improvement and refinance loans originated in the moderate-income CTs exceeds the percent of owner occupied housing while the home purchase loans lag the demographic. This represents a reasonable overall distribution of residential lending.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Non-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	11.09	6.90	64.18	60.34	24.72	32.76
Home Improvement	0.00	0.00	11.09	13.89	64.18	63.89	24.72	22.22
Home Refinance	0.00	0.00	11.09	13.64	64.18	60.61	24.72	25.76

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

Business Loans

CNBT’s geographic distribution of business loans reflects excellent dispersion. As detailed in Table 3A for the AA below, the percent of the bank’s loans to businesses in the moderate-income CTs (13.5 percent) exceeds the percent of businesses located in those geographies (9.7 percent).

Table 3A - Geographic Distribution of Loans to Businesses in Non-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
Businesses	0.00	0.00	9.73	13.50	69.00	56.13	21.26	30.37

Source: Data collected by bank; Dun and Bradstreet data.

Farm Loans

CNBT’s geographic distribution of farm loans reflects excellent dispersion. As depicted in Table 3Ai below, the percent of the bank’s farm loans in the moderate-income geographies (12.1 percent) surpasses the percent of farms in those CTs (7.4 percent).

Table 3Ai - Geographic Distribution of Loans to Farms in Non-MSA AA								
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	7.42	12.06	71.24	50.16	21.34	37.78

Source: Data collected by bank; Dun and Bradstreet data.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

CNBT's responsiveness to the community development needs of the AAs through CD lending, investments, and services is adequate. Our conclusion is based on the bank's level of activity and performance context.

CNBT demonstrates an adequate responsiveness to the CD needs of the AAs through the use of CD loans, qualified investments, and CD services considering the bank's capacity and financial condition, and the need and availability of such opportunities in the AAs. The bank centers its CD efforts primarily in qualified lending, donations and services.

As noted previously, the evaluation period starts on the date the bank became subject to the Community Development Test (January 1, 2014) and extends to the date of the current CRA evaluation (December 1, 2014). To ensure a more complete review of CNBT's community responsiveness, we included in our evaluation any CD activities in which the bank was engaged dating back to the most recent PE of March 17, 2009.

Number and Amount of Community Development Loans

Considering the needs and opportunities in the Non-MSA AA, and CNBT's performance context and capacity, the bank's performance is excellent relative to CD lending.

During the evaluation period, CNBT originated 17 CD loans totaling \$4.1 million that directly benefit the Non-MSA AA. Through its portfolio of CD loans, the bank is supporting:

- Affordable housing for LMI families and individuals,
- Economic development of moderate-income CTs and middle-income geographies that are distressed or underserved, and
- Revitalization and stabilization of a distressed middle-income area.

Examples of CD loans originated by CNBT include:

- Thirteen loans totaling \$800,000 in conjunction with the Texas Department of Housing and Community Affairs (TDHCA) Home Grant Program. Under this program, eligible residential properties that are typically in poor condition are razed for new construction. In return for the renovation, the low- or moderate-income homeowner agrees to maintain the property, pay property taxes and hold property insurance. CNBT provided \$800,000 of interim financing for the construction of 13 homes. The contractor performed under agreements with the cities of Corsicana and Fairfield to construct homes under contracts with TDHCA.

- A \$2.5 million loan to construct a convenience store in a moderate-income CT that will create permanent jobs for lower-wage workers and serve area residents.
- A \$30,000 loan to convert a foreclosed building into a daycare center. The business will help revitalize a distressed middle-income geography.

Performance in Limited Scope AAs

Although performance in the three limited-scope AAs is not consistent with the excellent responsiveness in the Non-MSA AA, there are mitigating performance context factors. CNBT established the Palo Pinto and Parker AAs in July 2013 due to its acquisition of First State Bank of Mineral Wells. First State Bank was not previously subject to the Community Development Test. Although no CD loans for the Ellis AA were identified, this AA accounts for only two percent of CNBT's deposits.

CD Lending Outside the Assessment Area

CNBT originated five loans totaling \$2.6 million that met the CD eligibility definition. These included two SBA 504 loans totaling \$1.8 million to an Austin area franchise restaurant owner that created permanent jobs for lower-wage workers. The three remaining loans were in moderate-income geographies near the bank's AAs. One loan financed affordable housing for LMI tenants and two provided permanent jobs for lower-wage workers at retail businesses. We gave positive consideration to these CD lending activities considering the bank has met the CD needs in its defined AA.

Number and Amount of Qualified Investments

Considering the needs and opportunities in the Non-MSA AA and CNBT's performance context and capacity, the bank's performance is adequate relative to qualified investments. CNBT had a total of \$63,000 in qualified investments in this AA during the evaluation period all of which were contributed through charitable donations.

Approximately 40 donations were made to CD organizations. Noteworthy donation amounts included:

- United Way of Navarro County - \$16,000
- Navarro College Needs Based Scholarship Program - \$10,000
- Corsicana Education Foundation - \$4,000

CNBT made qualified investments to CD organizations that primarily provided community services targeted to LMI families and individuals.

Performance in Limited Scope AAs

Performance in the limited scope AAs (Palo Pinto, Parker and Ellis) was not inconsistent with the adequate responsiveness in the Non-MSA AA. CNBT made five cash donations totaling \$3,000 to qualified CD organizations in the Ellis AA, three totaling \$1,300 in the Palo Pinto AA, and one for \$1,000 in the Parker AA.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, CNBT exhibited an adequate responsiveness to the CD service needs of the Non-MSA AA. CNBT meets the CD service needs of the AA through volunteer activities by its directors, officers and employees, many on a continuing basis to the organizations. Bank staff served as directors and committee members, and provided strategic planning, loan underwriting, fundraising, budgeting, and marketing expertise.

Board members, officers and employees actively donate their financial and leadership skills to a variety of organizations with a CD purpose. Examples include:

- Navarro Community Foundation provides financial support to organizations in Navarro County for projects, building, education and a better way of life.
- YMCA Y-Mentors Program provides one-on-one mentoring to at-risk children from low-income families.
- Corsicana Housing Authority provides affordable housing inventory.
- Community Service, Inc. provides financial and energy assistance to poverty level population in Navarro County.
- Salvation Army of Navarro County provides food, medication, temporary shelter and a clothing store for residents.
- Frost Community Center provides a local food pantry and helps with utility bills for low-income residents.
- Christmas in Action provides home repair and maintenance for the elderly and individuals who cannot afford to maintain their homes through an income-based application process.

Performance in Limited Scope AAs

Performance in the limited scope AAs was not inconsistent with the adequate responsiveness in the Non-MSA AA.

Responsiveness to Community Development Needs

The volume and responsiveness of CNBT to the CD needs of the AA is adequate. The Board has identified financing for small business startups and existing businesses, farms and ranches; economic development and revitalization/stabilization of LMI geographies; affordable housing for LMI families and individuals; and community services as its primary CD goals. The bank has allocated dollars and manpower resources to achieve those goals through its:

- banking products to assist small business owners and LMI individuals;
- financial support of non-profit CD organizations through cash donations;
- active participation and leadership in providing financial management and oversight of these organizations whose purpose includes economic development, affordable housing and community services;
- CD loans and investments; and
- participation in local, state, and federal lending and grants programs to facilitate economic development and affordable housing.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a 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.