Citizens National Bank



QUARTERLY REPORT

09.30.26

Your Trusted Financial Partner Since 1900

Member FDIC

EQUAL HOUSING LENDER

Energy

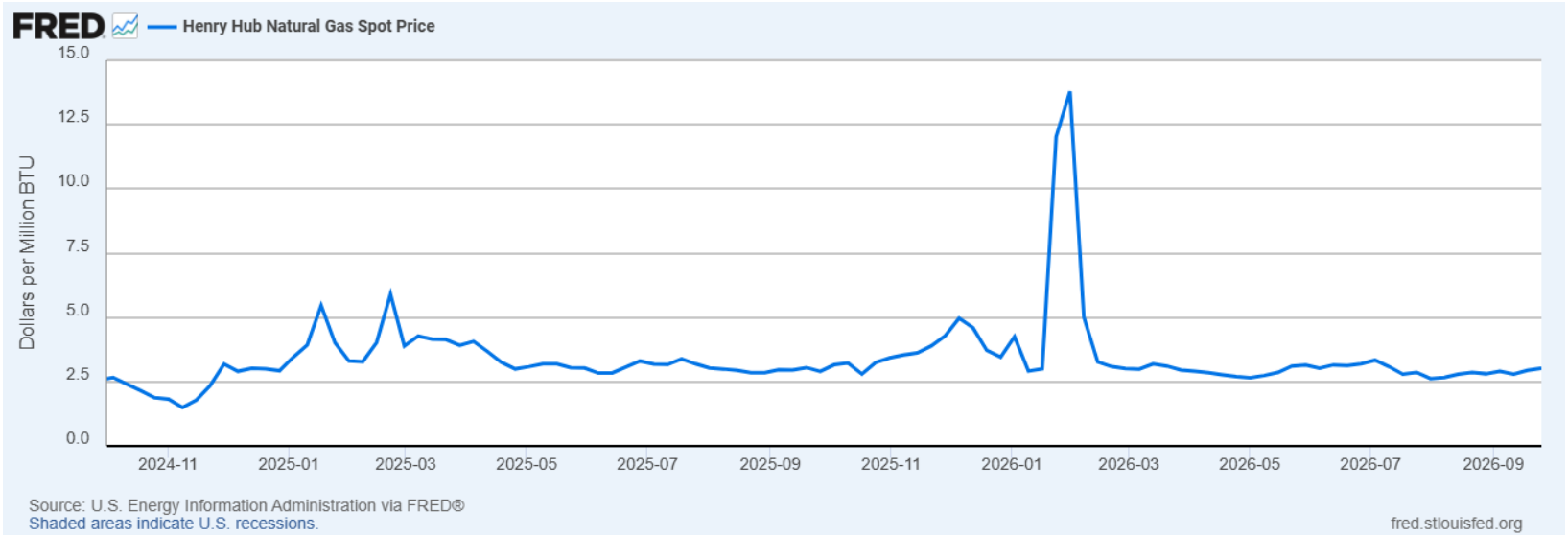
Austin-San Marcos

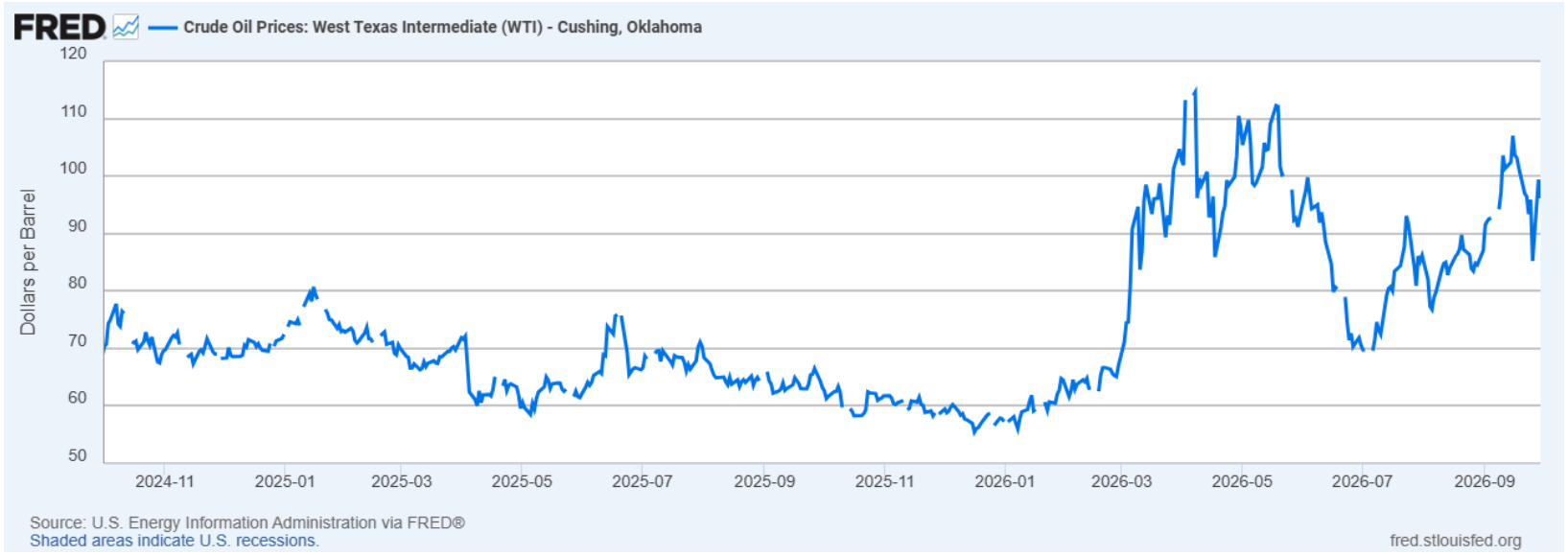
	Regular	Mid	Premium	Diesel
Current Avg.	$3.9227	$4.4076	$4.7788	$5.8052
Yesterday Avg.	$3.9231	$4.4047	$4.7757	$5.7881
Week Ago Avg.	$3.8011	$4.2720	$4.6475	$5.6466
Month Ago Avg.	$3.8528	$4.3271	$4.6786	$5.8392
Year Ago Avg.	$2.5900	$3.0749	$3.4335	$3.1131

HIGHEST RECORDED AVERAGE PRICE

	Price	Date
Regular Unleaded	$4.7001	6/14/22
Diesel	$5.9867	9/18/26

AAA Fuel Prices


FRED
Henry Hub Natural Gas Spot Price
Dollars per Million BTU
15.0
12.5
10.0
7.5
5.0
2.5
0.0
2024-11
2025-01
2025-03
2025-05
2025-07
2025-09
2025-11
2026-01
2026-03
2026-05
2026-07
2026-09
Source: U.S. Energy Information Administration via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org


FRED
Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma
Dollars per Barrel
120
110
100
90
80
70
60
50
2024-11
2025-01
2025-03
2025-05
2025-07
2025-09
2025-11
2026-01
2026-03
2026-05
2026-07
2026-09
Source: U.S. Energy Information Administration via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org

Economy

The Fed – Beige Book – October 14, 2026
Federal Reserve Bank of Dallas

Summary of Economic Activity
Economic activity in the Eleventh District expanded moderately over the reporting period. Growth picked up notably in the manufacturing sector but eased in the banking and nonfinancial services sectors. Energy activity and retail sales continued to increase. Employment grew modestly with moderate wage growth. Price growth was strong. Outlooks were mostly positive, though inflation and continued geopolitical and trade policy uncertainty remained headwinds.

Labor Markets
Modest employment growth continued over the past six weeks, though an acceleration was seen in the manufacturing and energy sectors. Some contacts noted that hiring frictions have persisted due to mismatches in what pay and benefits companies offer and what workers want. One staffing firm said they hired new recruiters to help manage their AI expansion process—citing the example of having AI agents conduct more than 180 hours of interviews in a two-day period and needing workers to review and make decisions. One accounting contact noted that some large accounting firms are delaying new employment contracts because they may not need as many entry-level employees as initially anticipated, partly due to efficiency gains from AI. Wage growth remained moderate. There were continued reports of data center construction driving up labor costs and drawing workers away from other industries.

Prices
Price pressures picked up, with strong growth over the reporting period. The higher price for diesel reigned supreme in terms of the most commonly cited factor driving up costs, impacting freight, agriculture, and airline prices as well as causing widespread margin compression across numerous industries. While retailers expressed notable concern regarding higher diesel prices, most noted it has not yet led to hikes in selling prices. Cost pressures remained elevated across the energy sector.

Manufacturing
Texas manufacturing activity accelerated further over the past couple of months, with a sharp pickup in production and demand. Recent strength spanned both durables and nondurable goods manufacturing, and it goes beyond AI or semiconductor-related growth. One machinery manufacturer noted that oil companies were spending money at a much higher rate than expected. Gulf Coast refinery and petrochemical activity remained elevated. Outlooks continued to improve, though optimism waned somewhat from mid-year, with contacts citing increasing costs and uncertainty over continuing tariff and trade negotiations and disruptions in the Middle East.

Retail Sales
Retail sales rose over the reporting period, with contacts characterizing sales as solid. However, auto sales softened further in September, as affordability issues and weak consumer sentiment restrained demand. There were some reports of lower-income customers being more cautious with spending. Inventory levels were generally the right size, and most retailers reported normal supply chain operations. Overall, contacts maintained a positive outlook for retail sales for the remainder of the year.

Nonfinancial Services
Growth in nonfinancial services activity abated over the past six weeks. Revenue growth was primarily seen in transportation and administrative services. Airlines reported strong demand despite higher ticket prices, though one contact noted some weakness in demand from the lowest-income strata. Transportation contacts reported lower import volumes for ocean freight but higher export volumes. Air freight demand in North America is high due to semiconductor and AI demand, and volumes for small parcel delivery increased over the reporting period. Activity in leisure and hospitality was fairly flat, and health care and professional and business services activity weakened. Overall outlooks improved, with some contacts expressing sentiment that business and consumers have adjusted to inflation and uncertainty and are ready to move forward.

Construction and Real Estate
Activity in the housing market continued to be weak. Contacts noted that conditions remained challenging, and builders' margins remained under pressure from rising materials and labor costs. There were scattered reports of layoffs, and outlooks remained dim.

Apartment demand remained solid, vacancy rates improved, and year-over-year rent declines have moderated, though concessions remained elevated. Class C properties, however, were facing challenges amid softer demand at the lower end of the market. Office leasing activity remained moderate and was concentrated in top-tier assets. Industrial demand was characterized as healthy, though year-over-year rent growth was mixed. New construction activity for data centers has tempered due to a regulatory pause implemented by the state of Texas, which has frozen permits sought by data centers until their impact on electric grid reliability and on the state's water resources is audited. Data center developers are still finding it difficult to locate qualified workers, such as electricians and technicians, and building costs continue to rise for projects already underway. Water usage by AI data centers has become more efficient, as developers increasingly adopt closed-loop systems and liquid plate cooling. Meanwhile, public opposition remains a significant concern, potentially discouraging investment or delaying projects.

Financial Services
Loan volume and demand continued to grow but at a slower pace in September. Loan volume growth was driven by consumer and industrial and commercial real estate loans.

Credit standards and terms tightened and loan pricing increased. Overall loan performance improved further. Bankers' outlooks turned pessimistic, with contacts citing the ongoing Mideast conflict, elevated inflation and the increase in the federal funds rate. Contacts overall expect a slight decline in loan demand six months from now, as well as worsening loan performance.

Energy

Growth continued in Eleventh District oil and gas activity over the past six weeks, though increases in the rig count were modest. Respondents to the Dallas Fed Energy Survey reported increases in both oil and natural gas production in the third quarter. Contacts noted sharp cost pressures from wages and benefits, fuel, and materials. Most Dallas Fed Energy Survey respondents anticipate that it will take until the end of the second quarter 2027 or beyond for crude oil exports from the Persian Gulf to return to normal levels. Thus, most contacts expect oil prices over the next year to remain well above the average breakeven price needed to profitably drill new wells, but there is elevated uncertainty regarding their price outlooks. Increased cash flow is largely being directed towards investor returns and capital expenditures. Outlooks improved, with particular optimism among exploration and production firms.

Agriculture

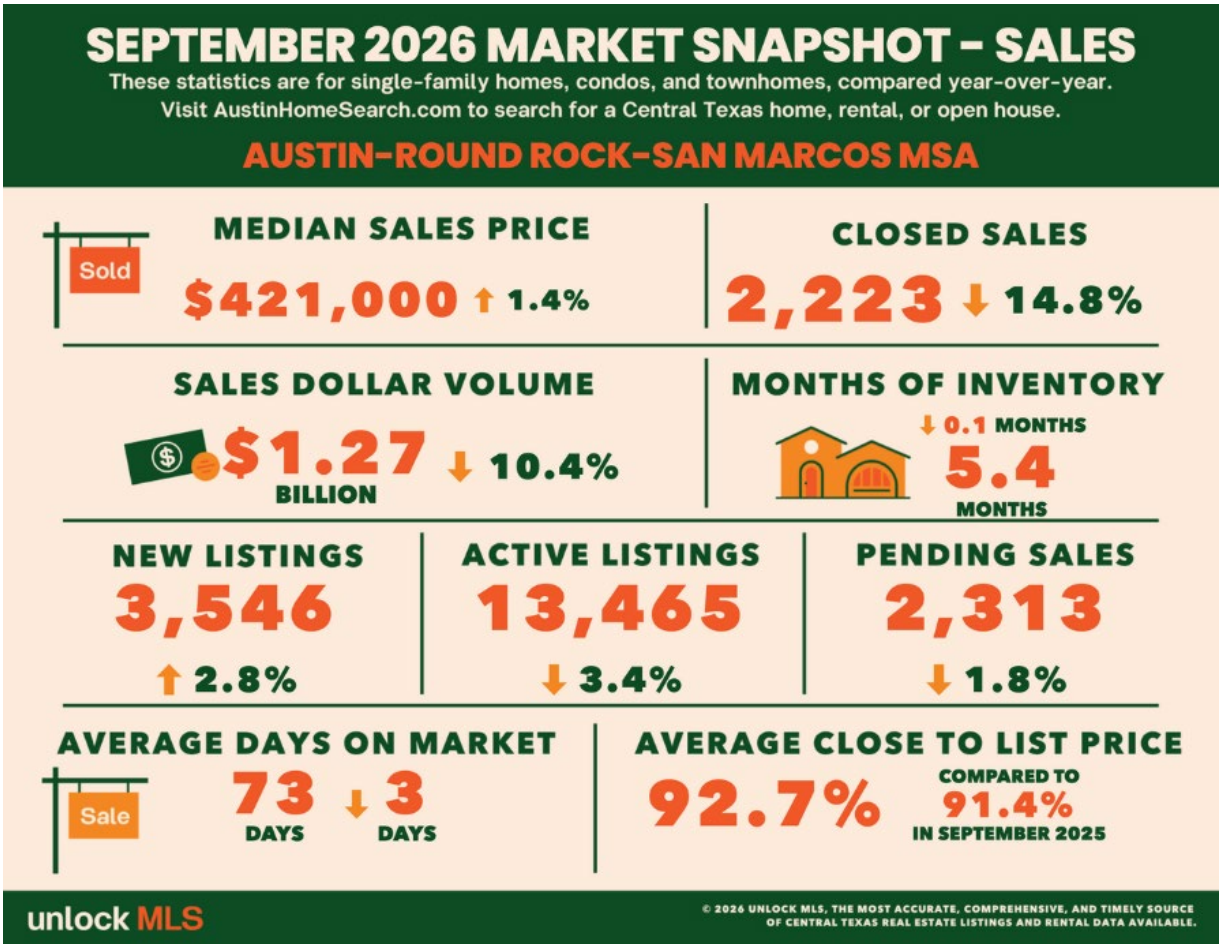
Drought conditions worsened significantly across much of the District in September, though wide spread and heavy rainfall in early October helped paint a more favorable production picture going forward, supported by the expectation that an El Niño weather pattern will bring cooler and wetter weather this fall and winter. Contacts expressed optimism for the farm outlook, with strong production prospects and solid grain prices, though there is concern over high input costs—fertilizer prices are up 10 to 25 percent from a year ago and diesel prices have nearly doubled. Cattle prices remained elevated amid continued tight supplies, but they declined over the reporting period and are lower than a year ago. Imports of Mexican cattle have resumed, after more than a yearlong ban due to New World screwworm concerns, though any impact to beef prices won't likely be seen for several months.

Community Perspectives

Nonprofits reported that cost inflation was squeezing margins and household finances among lower-income consumers. Tightening eligibility rules and stricter oversight in the Supplemental Nutrition Assistance Program (SNAP) are pushing food insecurity higher, and high utility costs from late summer heat was a top stressor on lower-income household budgets. While state childcare subsidies are critical for many lower-income parents, contacts note chronic supply constraints and expect a reduced budget next year. Nonprofits anticipate higher demand for basic needs assistance with no corresponding increase in resources, placing stress on both service providers and the communities they serve. Some contacts were seeing people use credit cards to supplement income, as well as retirees returning to the labor market to drive for rideshare apps to make ends meet.

Housing / Construction & Demographics

September 2026 Central Texas Housing Report



AUSTIN, Texas — According to the September and 2026-Q3 Central Texas Housing Report released by Unlock MLS, rising mortgage rates weighed on the Austin-Round Rock-San Marcos MSA housing market in September, slowing sales activity as higher monthly payments created additional affordability challenges for buyers. Closed sales declined 14.8% year over year to 2,223 sales, while the median sales price increased 1.4% to $421,000. Pending sales declined just 1.8% to 2,313, suggesting some buyers remained engaged despite higher borrowing costs.

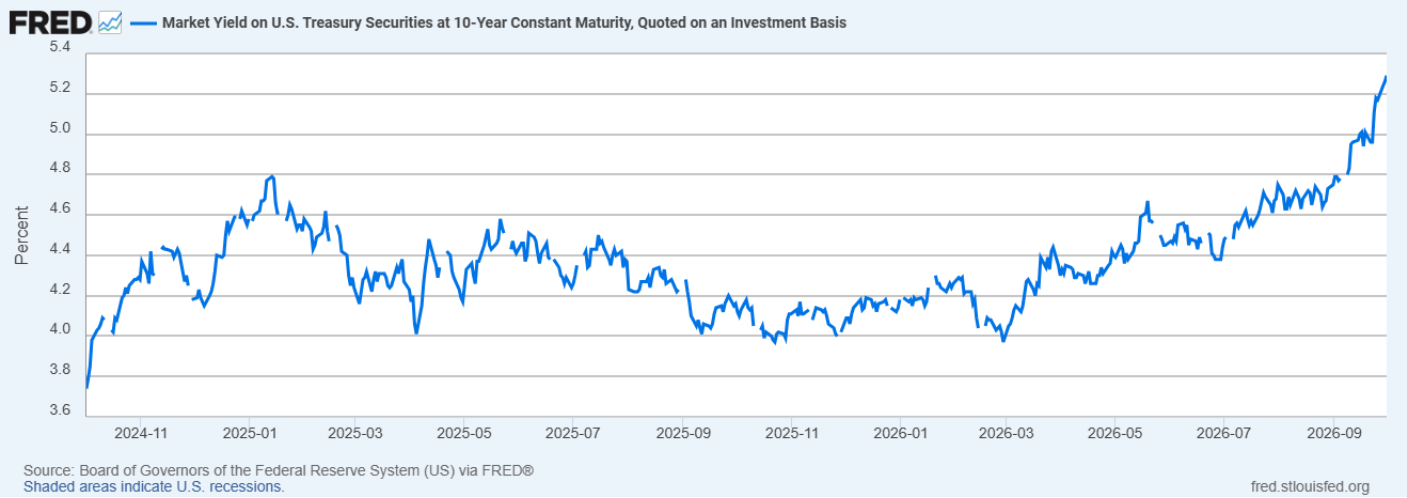
Homes also closed at an average of 92.7% of their original list price, compared to 91.4% a year earlier, reflecting closer alignment between buyers and sellers in closed transactions. While September's sharper decline highlights the immediate pressure of rising rates, third-quarter figures provide a broader view of market activity, with closed sales declining 2.4% year over year to 7,748 and the median sales price decreasing 2.3% to $420,000.

Source Link: Unlock MLS: [September 2026 Central Texas Housing Report]

Capital Markets

As of 09/30/26 mortgage interest rate levels for conventional, conforming fixed rate 30-year mortgage loans, was 7.50% according to TIB. The U.S. 10 Year Treasury closed at 5.29%. The S&P 500 closed at 7,651.54.





Projects

GEORGETOWN (*Austin Business Journal*) – Amazon.com Inc. plans to construct a 249,000-square-foot sorting and sub-same-day delivery warehouse at Gateway35 Industrial Park in Georgetown. The $48 million project is expected to begin construction in August 2026 and be completed by July 2027. The facility will include robotics sorting, specialty storage, office space, and support areas, further expanding Amazon's significant Central Texas logistics footprint.

TAYLOR (*Austin Business Journal*) – Samsung Electronics announced it will break ground on a second semiconductor fabrication plant in Taylor before year-end 2026. The new facility is expected to come online in 2030 and is part of Samsung's broader $55 billion Central Texas investment strategy. The company has already developed approximately 4 million square feet at the campus and plans continued expansion to support advanced semiconductor manufacturing.

HUTTO (*Austin Business Journal*) – Blue Origin is evaluating Hutto for a proposed 1.3 million-square-foot manufacturing, research and development, warehouse, and logistics campus. The project carries an estimated capital investment exceeding $650 million and could create more than 2,000 jobs with average annual salaries of approximately $88,000. Local officials recently approved incentives as the company considers Texas and Florida locations.

MILAM COUNTY (*Austin Business Journal*) – Riot Platforms has signed a 20-year lease agreement with artificial intelligence company Anthropic at its former Alcoa site near Rockdale. The lease covers 191 megawatts of data center capacity and is valued at approximately $9.1 billion, with expansion options that could increase the value to $16.1 billion. The agreement further establishes the Sandow Lakes site as a major AI and data center hub in Central Texas.

MILAM COUNTY (*Austin Business Journal*) – Bitdeer Technologies has invested more than $100 million to expand operations at the former Alcoa site near Rockdale, where it now owns and operates approximately 255 acres. The expansion reflects growing demand for data center infrastructure and adds momentum to the ongoing redevelopment of the Sandow Lakes megasite into a major technology and industrial campus.

Office

CBRE

FIGURES | AUSTIN OFFICE | Q3 2026

Waterline delivery lifts vacancy even as absorption stays positive

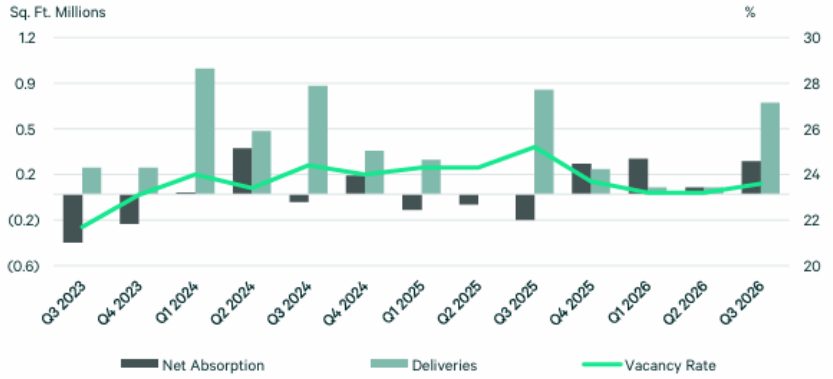
▲28.5%	▲23.6%	▲253.4	▲703.2	▼177.0	▼$50.65
Availability Rate	Vacancy Rate	KSF Net Absorption	KSF Construction Delivered	KSF Under Construction	Direct Avg. Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

In Q3 2026, the market recorded solid occupancy gains even as vacancy and availability edged higher. Net absorption totaled 253,000 sq. ft., lifting year-to-date net absorption to 577,000 sq. ft., yet vacancy rose 40 basis points quarter-over-quarter to 23.6%, and availability increased 150 bps to 28.5%. This uptick was triggered by the delivery of the Waterline Tower in the CBD, which added over 700,000 sq. ft. of vacant and available Class A space to the market. Strip out that one building and underlying market conditions remained steady in Q3 2026. Class B tightened, asking rates remained relatively stable, and the development pipeline has thinned to its lowest level in more than 10 years, limiting new supply pressure. Meanwhile, tenant demand continues to grow, reaching 5.1M SF as of Q3 2026, a 45% year-over-year increase. Leasing activity softened to 590,000 sq. ft. from 1.06 million sq. ft. in Q2, but the expanding demand pool suggests occupiers remain active. With asking rents stable and little new supply on the horizon, the market is positioned to absorb existing vacancy gradually.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



CBRE Research

CBRE RESEARCH

© 2026 CBRE, INC.

Link to full article and report.

Industrial

FIGURES | AUSTIN INDUSTRIAL | Q3 2026

CBRE

Strong occupier demand supports market rebalancing

Vacancy Rate	SF Leasing Volume	SF Net Absorption	SF Construction Delivered	SF Under Construction	Direct Avg. Asking Lease Rate
▶19.3%	▲3.5M	▼1.2M	▼0.9M	▲6.7M	▼$11.57

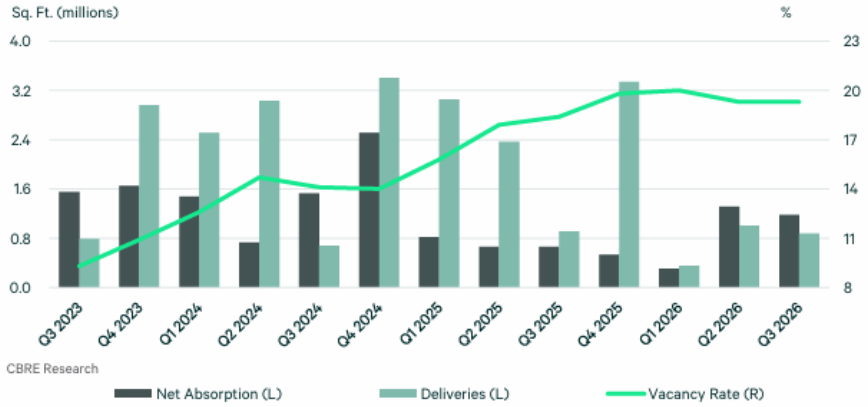
Note: Arrows indicate change from previous quarter.

Market Overview

In Q3 2026, the Austin industrial market continued to show signs of stabilizing after a prolonged period of rising vacancy and availability. Net absorption reached 1.22 million sq. ft. in Q3 2026, but the impact on vacancy was muted by the delivery of 918,000 sq. ft. of new space, nearly 95% of which entered the market vacant. From Q3 2023 to Q3 2026, the vacancy rate increased by 10.0 percentage points driven by waves of speculative developments, the majority of which delivered vacant. Despite broader market challenges, demand for large-format space fueled a strong leasing recovery, with year-to-date volume reaching 9.77 million sq. ft., surpassing the full-year leasing totals recorded in both 2024 and 2025. Although the construction pipeline has declined by 6.46 million sq. ft. since Q3 2023, developers remained active in Q3 2026, breaking ground on eight buildings totaling 1.21 million sq. ft. The new starts suggest a more selective development environment rather than a pullback in confidence, particularly amid strengthening demand for large-format space. Average asking rents fell by 2.1% year-over-year, reflecting modest downward pricing pressure despite ongoing leasing.

As the market enters the final quarter of 2026, much of the 9.77 million sq. ft. leased year-to-date is expected to translate into future absorption, supporting further occupancy gains. With the construction pipeline remaining well below its 2023 peak, future supply pressures should continue to ease, supporting a gradual rebalancing of market conditions.

Historical Net Absorption, Deliveries, and Vacancy



*As of Q3 2024, the CBRE Research statistical methodology for Austin has been adjusted to exclude Owner/User industrial properties. As of Q3 2024, the CBRE Research statistical methodology for Austin Industrial has been adjusted to ensure alignment with the market and peer market comparisons. As such, consistent historical/pre-Q3 2024 statistics for new or substantially adjusted submarkets are not available and historical metrics reported for these areas will not sum to historical Austin market totals.

CBRE RESEARCH

© 2026 CBRE, INC.

[Link to full article and report.]

CNB Commercial Lenders



Joe Mahan,
Branch President
Cameron, TX - 254.697.7086

Picture Coming Soon.

Craig Snow,
Market President
Rockdale, TX – 512.430.6316



Ryan Stiba,
Branch President
Taylor, TX - 512.352.4304



Kelli Higgins,
SVP, Commercial Banker
Giddings, TX – 979.212.8324



Jonathan Kamenicky,
Branch President
Pflugerville, TX - 512.218.5110



Brad Hickman,
Lending Officer
Pflugerville, TX - 512.218.5112



Brian Cauthorn,
Branch President
Round Rock, TX - 512.218.5150



Claudia Conroy,
Market President
Killeen, TX - 254.870.4743

Picture Coming Soon.



Dawn Robertson,
SVP / Sr. Commercial Lender
Brenham, TX – 979.421.8104

Kaden Dugger,
Senior Commercial Lender
Cedar Park, TX – 512.982.5992



Jim Kruse,
Market President
Brenham, TX – 979.421.8186

About Citizens National Bank

We are a $700 million asset community financial institution and have been proudly serving Central Texas since 1900. That experience is what sets Citizens National Bank apart. A Cameron, TX based financial institution with ten branches across Central Texas including Milam, Lee, Williamson, Travis, Bell, and Washington counties. From Cameron to Cedar Park and several towns in between, we know and are active in each of our communities, making us better able to meet the banking needs of the communities we serve. Additional information can be found at cnbanktexas.com.

Contact a lender for a copy of this report.