



## **PUBLIC DISCLOSURE**

October 12, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Citizens National Bank, National Association  
Charter Number 20184

2711 East Texas Street  
Bossier City, LA 71111

Office of the Comptroller of the Currency

1800 NW Loop 281 Suite 306, Longview, TX 75604-2516

**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.**

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is more than reasonable at 78.05 percent.
- A substantial majority of the bank's loans were originated within its designated assessment areas.
- The distribution of home loans by borrower income represents a reasonable penetration to low and moderate-income families.
- The geographic distribution of home loans and business loans represent a reasonable dispersion within low and moderate-income tracts.
- The level of qualified community development services, investments/donations, and loans represents adequate responsiveness to the assessment areas' community development needs.

## **Scope of Examination**

Citizens National Bank, National Association (Citizens NB) CRA performance was evaluated using the intermediate small bank procedures. Under these procedures, banks are subject to a lending test and a community development test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas through its lending activities. The community development test evaluates the bank's responsiveness to community development needs in its assessment areas (AAs) through community development lending, qualified investments/donations, and community development services.

Conclusions regarding the bank's lending performance were based on lending activity in the bank's Shreveport-Bossier City MSA AA and Claiborne Parish AA. The bank's primary loan products include 1-4 family mortgages and commercial loans. Our sample included all 1-4 family mortgages originated from January 1, 2014 to August 31, 2015. In addition, we reviewed a sample of eighty commercial loans originated during the same period.

The community development test included a review of investments, donations, and loans that meet the definition of community development. This test also included a review of delivery systems as well as retail and community development services provided in Citizens NB AAs. The evaluation period for the community development test covered November 13, 2012 through August 31, 2015.

## Description of Institution

Citizens NB is an intrastate bank headquartered in Bossier City, Louisiana. The bank had total assets of \$847 million, as of September 30, 2015 and is wholly owned by Citizens National Bancshares, Inc., a one bank holding company. Citizens NB is a full service community bank providing financial products and services to both consumers and businesses. The bank offers a wide array of loan and deposit products to its customers. In addition to its main office, Citizens NB has eleven other branch locations within the Shreveport-Bossier City MSA, along with two branch locations in the adjacent parish of Claiborne. The bank has automated teller machines (ATMs) located at each office, along with two stand-alone ATMs. There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. The bank was rated satisfactory during the prior Community Reinvestment Act (CRA) Examination dated November 13, 2012. As of June 30, 2015, the loan portfolio totaled \$574 million. The chart below reflects the distribution of loans by category.

| <b>Loan Category</b>            | <b>\$ (000)</b>  | <b>%</b>       |
|---------------------------------|------------------|----------------|
| Commercial Real Estate          | \$197,158        | 34.34%         |
| 1-4 Family Mortgages            | \$154,117        | 26.84%         |
| Commercial Loans                | \$108,438        | 18.89%         |
| Other Construction and land Dev | \$75,988         | 13.23%         |
| Residential Construction        | \$25,383         | 4.42%          |
| Consumer                        | \$11,267         | 1.96%          |
| Agricultural Loans              | \$1,844          | 0.32%          |
| <b>Total</b>                    | <b>\$574,195</b> | <b>100.00%</b> |

## Description of Assessment Area

Citizens NB has designated two assessment areas for evaluation under the CRA identified as Shreveport-Bossier City MSA AA and Claiborne Parish AA. Following is the demographic information for both AAs.

### Shreveport-Bossier City MSA AA

Citizens NB designated all of the Shreveport-Bossier City, LA metropolitan statistical area (MSA) as one of the bank's assessment areas. This MSA includes all of Bossier, Caddo, DeSoto, and Webster Parishes. The AA has a total of ninety-eight census tracts (CTs). Thirteen of the CTs are low-income, twenty-five are moderate income, thirty-six are middle-income, twenty-three are upper-income, and one is not designated. This assessment area meets the requirements of the CRA does not arbitrarily exclude any low or moderate-income geographies.

The Shreveport-Bossier City MSA has a combined population of 416,080. Numerous financial institutions compete in this market with Citizens NB having the fourth largest

deposit market share with 8.95 percent of the area deposits. The local economy is considered stable. Major employers include Barksdale Air Force Base, Bossier and Caddo Parish School Boards, State of Louisiana-Department of Civil Service, Willis Knighton Health System and numerous local casinos. Based on recent discussion with a representative of a local business group, the primary need within the assessment area is loans to fund start-up companies. This representative felt the local financial institutions were providing products and financing which help meet these needs. The following table provides details for the Shreveport-Bossier City MSA AA based on 2010 census data and 2015 FFIEC information.

| <b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF SHREVEPORT-BOSSIER CITY AA</b> |           |
|---|-----------|
| <i>Population</i>   |           |
| Number of Families  | 102,235   |
| Number of Households  | 157,799   |
| <i>Geographies</i>  |           |
| Number of Census Tracts/BNA   | 98        |
| % Low-Income Census Tracts/BNA  | 13.27%    |
| % Moderate-Income Census Tracts/BNA   | 25.51%    |
| % Middle-Income Census Tracts/BNA   | 36.73%    |
| % Upper-Income Census Tracts/BNA  | 25.47%    |
| % NA  | 1.02%     |
| <i>Median Family Income (MFI)</i>   |           |
| 2010 MFI for AA   | \$52,063  |
| 2015 FFIEC-Adjusted MFI   | \$57,700  |
| <i>Economic Indicators</i>  |           |
| Unemployment Rate   | 5.37%     |
| 2010 Median Housing Value   | \$109,547 |
| % of Households Below Poverty Level   | 17.56%    |

*Source: 2010 US Census and 2015 FFIEC data.*

**Claiborne Parish AA**

Citizens NB designated all of Claiborne Parish as the Claiborne AA. This parish is not a part of a MSA and includes the cities of Athens, Haynesville, Homer, Junction City, and Lisbon. The AA consists of five CTs, one of which is moderate-income and the remainder are designated as middle-income. This AA meets the requirements of the CRA and does not arbitrarily exclude any low or moderate-income geographies.

Claiborne Parish has a combined population of 17 thousand. Competition is strong in this area with several financial institutions located in this market. Citizens has the fourth largest market share with 9.52 percent of the area deposits. The area economy is somewhat stagnant and declining due to the impact from recent down turns in the oil

industry. Major employers include the Claiborne Parish School Board, Wade Correctional Center, and Ludlow Corporation. Based on a discussion with a representative of a local business group, the primary need within the assessment area is affordable housing. The following table provides details for the Claiborne AA based on 2010 census data and 2015 FFIEC information.

| <b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF CLAIBORNE PARISH AA</b> |          |
|--|----------|
| <i>Population</i>  |          |
| Number of Families   | 3,945    |
| Number of Households   | 5,890    |
| <i>Geographies</i>   |          |
| Number of Census Tracts/BNA  | 5        |
| % Low-Income Census Tracts/BNA   | 0.00%    |
| % Moderate-Income Census Tracts/BNA                                    | 20.00%   |
| % Middle-Income Census Tracts/BNA                                      | 80.00%   |
| % Upper-Income Census Tracts/BNA                                       | 0.00%    |
| <i>Median Family Income (MFI)</i>                                      |          |
| 2010 MFI for AA  | \$43,816 |
| 2015 FFIEC-Adjusted MFI  | \$48,500 |
| <i>Economic Indicators</i>   |          |
| Unemployment Rate  | 6.8%     |
| 2014 Median Housing Value  | \$64,750 |
| % of Households Below Poverty Level                                    | 26.08%   |

*Source: 2010 US Census and 2015 FFIEC data.*

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The bank's performance under the lending test is Satisfactory. The bank's loan-to-deposit ratio is more than reasonable and a substantial majority of the bank's loans were originated within its designated assessment areas. In addition, the distribution of loans by geography reflects a reasonable dispersion and the distribution of loans by borrower income level reflects a reasonable penetration throughout Citizens' assessment areas.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is more than reasonable at 78.05 percent. Other similarly situated financial institutions in the bank's assessment area had an average

loan-to-deposit ratio of 70.75 percent, ranging from a low of 42.96 percent to a high of 98.06 percent.

| Institution                                       | Assets (000s) (as of 06/30/15) | Average LTD Ratio |
|---|--------------------------------|-------------------|
| <b>Citizens National Bank, N.A., Bossier City</b> | <b>\$832,264</b>               | <b>78.05</b>      |
| Home Federal Bank, Shreveport                     | \$370,131                      | 98.06             |
| Citizens Bank & Trust Company, Vivian             | \$145,629                      | 71.15             |
| Mbl Bank  | \$297,857                      | 70.85             |
| Community Bank of Louisiana                       | \$427.625                      | 42.96             |
| <b>Average Loan to Deposit Ratio</b>              |                                | <b>70.75</b>      |

### Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its assessment area. Our initial sample included all residential loans along with forty commercial loans that were originated during 2014 and 2015. Eighty-nine percent of loans by number were originated within the bank's assessment area, while eighty-eight percent by dollar amount was originated within the bank's assessment area. The breakdown by loan category is detailed in the following table.

| <b>Lending in Citizens NB AA</b> |                 |       |         |       |       |                  |       |         |       |         |
|----------------------------------|-----------------|-------|---------|-------|-------|------------------|-------|---------|-------|---------|
| Loan Type                        | Number of Loans |       |         |       |       | Dollars of Loans |       |         |       |         |
|                                  | Inside          |       | Outside |       | Total | Inside           |       | Outside |       | Total   |
|                                  | #               | %     | #       | %     |       | \$               | %     | \$      | %     |         |
| Home Purchase                    | 285             | 89.62 | 33      | 10.38 | 318   | 53,747           | 87.92 | 7,388   | 12.08 | 61,135  |
| Home Improvement                 | 33              | 82.50 | 7       | 17.50 | 40    | 1,415            | 84.93 | 251     | 15.07 | 1,666   |
| Refinance                        | 253             | 91.34 | 24      | 8.66  | 277   | 46,057           | 91.42 | 4,321   | 8.58  | 50,378  |
| Loans to Businesses              | 30              | 75.00 | 10      | 25.00 | 40    | 5,728            | 74.24 | 1,988   | 25.76 | 7,716   |
| Totals                           | 601             | 89.04 | 74      | 10.96 | 675   | 106,947          | 88.46 | 13,948  | 11.54 | 120,895 |

Source: Loan sample and data reported under HMDA

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

The distribution of home loans by borrower income represents a reasonable penetration to low and moderate-income families. In addition, the distribution of loans to businesses of different sizes represents an excellent penetration to businesses with revenues of \$1 million or less.

**Shreveport-Bossier City MSA AA**

The distribution of home loans by income level represents a reasonable penetration to low and moderate-income families within the Shreveport-Bossier City MSA. While the percentage of home loans to low-income families is less than the AA’s demographics, the percentage of home loans to moderate-income families is near to the AA’s demographics. In addition, the 2010 census data reflects that the median housing cost in the Shreveport-Bossier City MSA was \$109.5 thousand while a low-income family earns less than \$28.8 thousand based on the FFIEC updated 2015 median family income. Moreover, 17.56 percent of the households in this AA live below the poverty level. Finally, competition for home mortgage products is strong with numerous banks, mortgage companies and financial institutions vying for these products. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers. Refer to the following chart for details.

| <b>Borrower Distribution of Residential Real Estate Loans in Shreveport-Bossier City 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   | 23.59            | 1.52                 | 16.38            | 11.82                | 18.65            | 21.21                | 41.38            | 51.21                |
| Home Improvement  | 23.59            | 14.71                | 16.38            | 11.76                | 18.65            | 17.65                | 41.38            | 47.06                |
| Refinance   | 23.59            | 2.48                 | 16.38            | 8.87                 | 18.65            | 11.35                | 41.38            | 56.02                |

*Source: data reported under HMDA; U.S. Census data. Income NA for 14.24% of home purchases, 8.82% of home improvements, and 21.28% of refinanced loans.*

The distribution of loans to businesses represents an excellent penetration to businesses with revenues of \$1 million or less. The percentage of loans made to businesses with revenues of \$1 million or less exceeds the percentage of small businesses located in the Shreveport-Bossier City MSA. Refer to the following table for details.

| <b>Borrower Distribution of Loans to Businesses in Shreveport-Bossier City MSA AA</b> |              |              |                     |       |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses  | 55.12        | 2.81         | 42.07               | 100%  |
| % of Bank Loans in AA by #  | 63.33        | 36.67        | 0.00                | 100%  |
| % of Bank Loans in AA by \$   | 44.98        | 55.02        | 0.00                | 100%  |

*Source: Loan sample; Dun and Bradstreet data.*

**Claiborne Parish AA**

The distribution of home loans represents a reasonable penetration to low and moderate-income families. Home improvement loans to low-income families and home purchase loans to moderate-income families exceeded the AA demographics. In addition, while lending to low-income families for home purchases and refinancing is

less than the percentage of low-income families, the 2010 census data reflects that the median cost of housing in Claiborne Parish was \$64.7 thousand while a low-income family earns less than \$24 thousand based on the FFIEC updated 2015 median family income. Furthermore, approximately 26 percent of the households in Claiborne Parish live below the poverty level. Finally, competition for home mortgage products is strong with numerous bank, mortgage companies and financial institutions vying for these products. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers. Refer to the following chart for details.

| <b>Borrower Distribution of Residential Real Estate Loans in Claiborne Parish AA</b> |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level  | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
|  | % 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  | 24.89            | 13.33                | 18.08            | 20.00                | 17.79            | 26.67                | 39.24            | 40.00                |
| Home Improvement   | 24.89            | 36.36                | 18.08            | 9.10                 | 17.79            | 18.18                | 39.24            | 36.36                |
| Refinance  | 24.89            | 11.11                | 18.08            | 0.00                 | 17.79            | 22.22                | 39.24            | 66.67                |

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

The distribution of loans to businesses represents an excellent penetration to businesses with revenues of \$1 million or less. The percentage of loans made to small businesses exceeds the percentage of small businesses located in Claiborne Parish. Refer to the following table for details.

| <b>Borrower Distribution of Loans to Businesses in Claiborne Parish AA</b> |              |              |                         |       |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/<br>Unknown | Total |
| % of AA Businesses   | 58.24        | 2.59         | 39.17                   | 100%  |
| % of Bank Loans in AA by #   | 85.00        | 15.00        | 0.00                    | 100%  |
| % of Bank Loans in AA by \$  | 65.80        | 34.20        | 0.00                    | 100%  |

Source: Loan sample; Dun and Bradstreet data.

### Geographic Distribution of Loans

The geographic distribution of home loans and business loans represent a reasonable dispersion within low and moderate-income tracts.

### Shreveport-Bossier City MSA AA

The distribution of home loans represents a reasonable dispersion within low and moderate-income tracts. The percentage of home loans originated in low and moderate-income tracts are near to the demographics of the AA.



| <b>Geographic Distribution of Residential Real Estate Loans in Shreveport-Bossier City MSA AA</b> |                                |                      |                                |                      |                                |                      |                                |                      |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level   | Low                            |                      | Moderate                       |                      | Middle                         |                      | Upper                          |                      |
| Loan type   | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Home Purchase   | 4.43                           | 1.21                 | 17.83                          | 10.00                | 41.54                          | 31.52                | 36.20                          | 57.27                |
| Home Improvement  | 4.43                           | 2.94                 | 17.83                          | 17.65                | 41.54                          | 44.12                | 36.20                          | 35.29                |
| Refinance   | 4.43                           | 1.77                 | 17.83                          | 13.83                | 41.54                          | 35.82                | 36.20                          | 48.58                |

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

The geographic distribution of loans to businesses represents a reasonable dispersion within low and moderate-income tracts. The distribution of loans originated in low-income tracts is near to the percentage of businesses located in low-income tracts, while the percentage of business loans originated in moderate-income tracts exceeds the percentage of businesses located within moderate-income tracts. Please refer to the following table for details.

| <b>Geographic Distribution of Loans to Businesses in Shreveport-Bossier City 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 |
| Businesses  | 11.55              | 8.34                 | 22.67              | 35.00                | 36.13              | 28.33                | 29.55              | 28.33                |

*Source: Loan sample; Dun & Bradstreet data. NA is 0.10%*

### **Claiborne Parish AA**

The distribution of home loans represents a reasonable dispersion within moderate-income tracts. Home improvement loans and refinancings exceed the percentage of owner occupied housing in the moderate-income tract. In addition, while there were no home purchase loans originated in a moderate-income tract, housing stock is limited, with only 699 single family homes located in this geography. Finally, competition for home mortgage products is strong with numerous bank, mortgage companies and financial institutions vying for these products. Please refer to the following table for details:

| Geographic Distribution of Residential Real Estate Loans in Claiborne 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                 | 12.50                          | 0.00                 | 87.50                          | 100.00               | 0.00                           | 0.00                 |
| Home Improvement   | 0.00                           | 0.00                 | 12.50                          | 18.18                | 87.50                          | 81.82                | 0.00                           | 0.00                 |
| Refinance  | 0.00                           | 0.00                 | 12.50                          | 22.22                | 87.50                          | 77.78                | 0.00                           | 0.00                 |

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

The geographic distribution of loans to businesses represents a reasonable dispersion within moderate-income tracts. The distribution of loans originated in the moderate-income tract is near to the percentage of businesses in the tract. Please refer to the following table for details.

| Geographic Distribution of Loans to Businesses in Claiborne 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                 | 18.18              | 15.00                | 81.82              | 85.00                | 0.00               | 0.00                 |

Source: Loan sample; Dun & Bradstreet data.

### Responses to Complaints

The bank did not receive any complaints or public comments regarding CRA performance during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test is adequate. The bank has provided a satisfactory level of community development services, investments and loans in its assessment areas.

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

Citizens NB has an adequate level of community development loans in its assessment areas. During this evaluation period, the bank originated ten loans totaling approximately \$3.9 million that qualified as community development.

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

Citizens NB has provided an adequate level of community development investments and donations in its assessment areas. During this evaluation period, the bank purchased one qualified investment totaling \$962 thousand and made donations totaling \$190 thousand to qualifying entities.

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

Citizens NB has provided an adequate level of community development services throughout its assessment area. The delivery systems of the bank are reasonably accessible to all geographies and individuals of different income levels. The bank operates fourteen banking offices that are conveniently located throughout the assessment area, including one branch site that is located in a low-income tract and three branch sites that are located in moderate-income tracts. Additionally, a wide range of financial services are provided at each branch and are consistent throughout the bank's branch network. The bank offers ATMs at branch locations along with three stand-alone ATMs, one of which is located in a moderate-income tract. In addition, the bank offers telephone and Internet banking services, ACH deposits, and low cost checking accounts.

Citizens NB has provided a reasonable level of community development services throughout its assessment areas. These include providing financial literacy programs to local schools and organizations. Additionally, bank officers are active in numerous local organizations that promote community development and serve in financial leadership roles that benefit the organization.

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

The bank has demonstrated an adequate responsiveness to community development needs in its assessment area. CNB is one of the primary lenders and depository banks in the area, offering products and services which meet the needs of all individuals and geographies, regardless of income levels. Additionally, CNB officers and employees are actively involved in community organizations as well as organizations designed to retain and establish businesses in the area that are vital in providing jobs and stability to the local economy.

## **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 or Federal savings association's 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 assessment area by an affiliate whose loans have been considered as part of the bank's or FSAs lending performance.

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