



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 7, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Crosbyton
Charter Number 8515**

**202 W. Main
Crosbyton, TX 79322**

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

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

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

Citizens National Bank of Crosbyton's (CNB) CRA performance is satisfactory. We based our conclusion on CNB's lending practices. We evaluated these practices by reviewing samples of the bank's primary loan products. The rating is based on the following findings:

- CNB's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area. The loan-to-deposit ratio averaged 37.75 percent during the evaluation period.
- A majority of the bank's loans, 77.42 percent by number and 86.34 percent by volume, are to borrowers who live or operate their businesses within the AA.
- CNB's distribution of loans to farms with gross revenues of less than \$1 million is reasonable. The bank has a reasonable penetration of loans to consumers in low- and moderate-income households.
- The geographic distribution of loans within the AA is excellent given CNB's business strategy and location.

DESCRIPTION OF INSTITUTION

CNB is a rural community bank in Crosbyton, Texas, which is approximately 45 miles east of Lubbock, Texas. CNB is an intrastate bank with one main office, with drive-up facilities. CNB is wholly owned by Citizens Bancshares, a one-bank holding company located in Crosbyton, Texas. Citizens Bancshares reported consolidated assets of \$34.9 million as of December 31, 2006.

As of December 31, 2006, CNB had total assets of \$34.8 million with 41 percent in the loan portfolio. The bank's primary loan products include farm loans (by dollar amount) and consumer loans (by number).

Loan Portfolio Composition as of June 30, 2007		
Loan Category	\$ (000)	%
Farm Loans	8,857	74.69
Real Estate Loans	2,663	22.46
Consumer Loans Loans	178	1.50
Other Loans	160	1.35
Total	11,858	100.00

Source: June 30, 2007 Report of Condition

Bank lobby and drive-through services are provided Monday through Friday. Based on its financial condition, the local economy, product offerings, and competition, CNB has the ability to meet the various credit needs in its community. The bank was rated "Satisfactory" at the last CRA examination in July of 2002.

CNB's business strategy is to provide outstanding banking services to customers in the panhandle of West Texas while increasing the long-term value of the owners' investment. No legal impediments or other factors hinder CNB's ability to provide credit in its AA. As of June 30, 2007, CNB's tier 1 capital equaled \$5.1 million representing 14.66 percent of adjusted average assets. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF CROSBY COUNTY

CNB has designated Crosby County as its assessment area (AA). Crosby County is in the South Plains region of central West Texas, approximately 45 miles east of Lubbock. Crosbyton is the largest city in Crosby County and the county seat. Smaller communities are also located within the AA including Lorenzo and Ralls. Specific demographic data and economic data for the Crosby County AA are listed below.

Demographic and Economic Characteristics of Crosby County AA	
Population	
Number of Families	1,865
Number of Households	2,520
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	66.67
% Middle-Income Census Tracts/BNA	33.33
% Upper-Income Census Tracts/BNA	0
Median Family Income (MFI)	
2000 MFI for AA	40,724
2007 HUD-Adjusted MFI	48,900
Economic Indicators	
Unemployment Rate	3.35
2007 Median Housing Value	35,756
% of Households Below Poverty Level	58.79

Source: 2000 Census data and HUD updated income data.

The bank's AA is comprised of three contiguous block-numbering areas (BNAs). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 2000 Census data, the AA has a total population of 7,072. There are 3,202 housing units in the AA, of which 54 percent are owner-occupied, 24 percent are renter-occupied, and 22 percent are vacant. Moderate-income families approximate 74 percent of the population, while middle- and upper-income families comprise the remaining 26 percent. There were no low-income families identified in the Census data. The local economy is based on agricultural-related activities and should benefit from record crop production in 2007. The largest non-agricultural employers within the AA include the Crosbyton Clinic/Hospital, Crosby County School District, and Crosbyton Seed

Company.

Competition is significant in the AA with three other banks, one credit union, and Ag Texas Farm Credit Services. Additionally, the AA is serviced by a Farm Service Agency office.

One community contact was conducted for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The contact indicated that the local economy will benefit from the 2007 record cotton production. The contact stated that there is a need for financing of low- and moderate-income housing. The community contact also indicated the local financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of CNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 38 percent since the prior CRA examination in July 2002. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 48 percent. However, the loan-to-deposit ratio for CNB is somewhat skewed by the number of loans that are made for less than a thousand dollars. From January 1, 2007 to September 11, 2007 the bank made 43 loans that averaged less than \$700.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the assessment area is listed below. CNB is primarily an agricultural lender and thus experiences cyclical loan demand. Since the last examination, the loan-to-deposit ratio has ranged from 26.72 percent to 51.93 percent. Please note no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$(000's) (As of 06/30/07)	Average Loan-to- Deposit Ratio
First National Bank of Floydada	80,399	42.45%
Citizens National Bank of Crosbyton	33,618	37.75%
The First State Bank of Abernathy	23,481	50.67%
Spur Security Bank	29,355	40.69%
Kent County State Bank, Jayton, Texas	23,335	71.18%

Source: Institution Reports of Condition from August 2002 to June 2007

Lending in Assessment Area

A majority of the bank's loans were made within its AA. In order to assess performance for these criteria, we reviewed 28 farm and 34 consumer loans originated between 2005 and September 2007.

Our analysis determined that 77 percent of the number of loans and 86 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following table.

Lending in the Assessment Areas

LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Farm	23	82.14	1,558	88.45%	5	18.52%	203	11.55%
Consumer	25	74%	193	72.0%	9	26%	74	28%
Total Reviewed	48	77.42%	1,751	86.34%	14	22.58%	277	13.66%

Source: Sample of loans used for CRA performance analysis.

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

CNB's loan portfolio reflects a reasonable distribution among individuals and families of various income levels (including low- and moderate-income) and farms of different sizes within their AA. To perform our analysis, we reviewed income information of 23 farms, and 25 consumer loans in the Crosby County AA.

Farm Loans - Based on 2007 Business Demographic Data, there are 121 farms within the Crosby County AA. Of this number, 98 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the farm purpose sample, 100 percent were to farms reporting annual revenues below \$1 million. This level is comparable to the assessment area information and reflects a satisfactory penetration of small farm loans. The following chart reflects the results of our selected sample of farm loans originated in this AA.

Borrower Distribution of Loans to Farms in Crosby County Assessment Area		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	98.35%	1.65%
% of Bank Loans in AA by #	100%	0.00%
% of Bank Loans in AA by \$	100%	0.00%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis reflects a reasonable penetration of consumer loans to low- and moderate-income households in the Crosby County AA. Based on 2000 Census Information, 48 percent of households in the AA are low- and moderate income. Our review determined that 56 percent of the number of consumer loans was made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following chart reflects the results of our selected sample of consumer loans originated in this AA.

Borrower Distribution of Consumer Loans in Crosby County Assessment Area								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	30.56%		17.74%		18.02%		33.69%	
LOANS	% of Number	% of Amount						
Total	24%	12.69%	32%	24.48%	32%	39.94%	12%	22.89%

Source: Loan sample; 2000 U.S. Census data.

Geographic Distribution of Loans

CNB's geographic distribution of loans within the census tracts is excellent given the bank's business strategy and locations. Our analysis included 23 farm and 25 consumer loans in the Crosby County AA. 2000 demographic information indicates that the moderate-income area is located in the central and eastern portion of Crosby County.

Farm Loans - The performance in the moderate-income census tracts exceeds the demographic composition of the AA. Our review determined that 100 percent of farm loans were located in moderate-income census tracts. The following chart reflects the results of our selected sample of farm loans originated in CNB's AA.

Geographic Distribution of Farm Loans in Crosby County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0.00%		68.29%		31.71%		0.00%	
LOANS	% of Number	% of Amount						
Total	0.00%	0.00%	100%	100%	0.00%	0.00%	0.00%	0.00%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans - Our analysis indicated that the geographic distribution of CNB's lending in the moderate-income census tract for consumer loans exceeds the demographic composition of Crosby County. Our review determined that 100 percent of consumer loans were located in moderate-income census tracts. The following chart reflects the results of our selected sample of consumer loans originated in Crosby County.

Geographic Distribution of Consumer Loans in Crosby County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0.00%		74.40%		25.60%		0.00%	
LOANS	% of Number	% of Amount						
Total	0.00%	0.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%

Source: Loan sample; 2000 U.S. Census data.

Responses to Complaints

No complaints relating to CRA performance have been received by CNB during the evaluation period. CNB has systems in place to ensure that complaints are addressed in a timely manner. .

Fair Lending or Other Illegal Credit Practices Review

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