



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**June 05, 2006**

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

**Citizens National Bank  
Charter Number 18265**

**420 Main Street  
Teague, Texas 75860**

**Comptroller of the Currency  
Mid-size Banks - Green  
440 South LaSalle Street, Ste. 2700  
Chicago, IL 60605**

**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.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the Citizens National Bank in Teague, Texas as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of June 5, 2006. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Citizens National Bank has a satisfactory record of meeting the credit needs of the community. The rating is based on the following "Performance Criteria":

- The average loan to deposit ratio of 97% meets the standards for satisfactory performance as the ratio is significantly heightened by loans purchased through the holding company;
- The majority of non-purchased loan originations are within the bank's assessment area;
- The distribution of consumer and residential loans demonstrates excellent penetration among families defined as low- and moderate-income; and
- Commercial loans show strong penetration to businesses and farms with revenues of less than \$1 million.

Lending and geographic data covers an evaluation period of three years from January 1, 2003 to December 31, 2005.

Citizens National Bank was assigned an overall rating of "*Satisfactory*" at the prior CRA examination conducted on November 19, 2001. At that time, the bank was subject to the Large Bank CRA guidelines due to the large asset size of its holding company (FBOP Corporation). In 2005, The Comptroller of the Currency (bank's supervisory agency) eliminated holding company size as a basis for review.

## DESCRIPTION OF INSTITUTION

Chartered in 1984, Citizens National Bank (CNB) is located in Teague, TX, situated within Freestone County, approximately 100 miles south of the Dallas/Ft. Worth metroplex. CNB is a wholly-owned subsidiary of the First Bank of Oak Park Corporation (FBOP), a large multi-bank holding company headquartered in Oak Park, Illinois. With a consolidated asset size of \$13 billion, FBOP owns seven other banks operating in Texas, California, Arizona and Illinois. CNB has no operating subsidiaries. CNB had no merger or acquisition activity during the evaluation period.

CNB is the only full-service commercial financial institution in the city of Teague, offering a full range of deposit services and loan products commensurate with the bank's size and resources. Deposit products include low-cost checking accounts. Loan products include residential mortgages offering lower fixed interest rates for low-income and first-time home buyers. CNB has one banking office with a drive-up facility located 1 mile east. The drive-up facility offers extended hours and the only automated teller machine.

Based on the bank's condition, size, and product offerings, there are no legal, financial, or other factors hindering the bank's ability to help meet the credit needs of the community. As of December 31, 2005, CNB's return-on-average-assets ratio (ROAA) is 1.71% and the Tier I leverage capital ratio is 10.91%. Total assets are \$71 million, gross loans are \$61 million, and total deposits are \$54 million. A large portion of the loan portfolio (\$40 million) is commercial real estate and multifamily residential real estate loans purchased from the holding company. Non-purchased consumer and residential loans comprise a significant portion of the bank's lending activities and is identified as a major credit need. As reflected in *Table I*, the loan portfolio is diversified as follows:

**Table I**

	\$ (000s)	%
<i>Loan Categories</i>		
Commercial Real Estate Loans	29,788	49%
Commercial Loans	1,798	3%
Residential Real Estate Loans	22,196	36%
Farm/Agriculture Loans	2,875	5%
Consumer Loans	4,650	7%
<b>Total</b>	<b>\$61,307</b>	<b>100%</b>

CNB is recognized as a leading sponsor of various community and civic activities throughout the bank's assessment area. Most recently, the bank was instrumental in underwriting the commission of a mural earmarking the city of Teague's centennial. Officers and employees are highly involved through memberships on various local boards and committees. The bank and several employees have received various awards in recognition of their contributions to the community.

## **DESCRIPTION OF THE ASSESSMENT AREA**

CNB has one assessment area, a non-metropolitan statistical area, defined as census tracts 9806 (upper-income) and 9807 (middle-income). These two census tracts closely conform to the boundaries of the Teague Independent School District. Neither census tract has a low - or moderate-income designation according to the data from the 2000 U. S. Census Bureau and Housing and Urban Development Agency (HUD). The assessment area complies with the legal requirement of including whole geographies and does not arbitrarily exclude low – moderate-income areas. Demographic and economic characteristics of the assessment area are reflected in *Table II* (page 4).

The city of Teague and the surrounding communities within the assessment area are considered rural. Local loan demand is stagnant which is not unusual for the size and location of the community. There are no master-planned residential subdivisions or retail/commercial areas. Population growth is low, but steady. Local economic conditions are considered good with unemployment at relatively low levels. The major employment sectors existing within and surrounding the assessment area are local oil and gas companies (including related industries), railroads, and Texas' major electrical power provider (TXU). The largest employer within the assessment area is the Teague Independent School District.

During the examination, we conducted an interview with a local organization with sufficient insight into the community's credit needs, specifically low- and moderate-income residents. The organization identified affordable housing and rural public transportation as significant needs in both Freestone County and neighboring Limestone County. Access to public transportation is needed to link disadvantaged individuals to minimum wage jobs in the cities of Mexia, Teague, and Fairfield.

**Table II**

<b>Demographic and Economic Characteristics of Assessment Area</b>	
Population	
Number of Families	1,751
Number of Households	2,475
Geographies	
Number of Census Tracts	2
# Low-Income Census Tracts	0
# Moderate-Income Census Tracts	0
# Middle-Income Census Tracts	1
# Upper-Income Census Tracts	1
<i>Median Family Income (MFI)</i>	
*2000 non-MSA statewide MFI	\$36,380
2005 HUD-Adjusted MFI	\$42,000
Economic Indicators	
Unemployment Rate	2%
2000 Median Housing Value	\$53,619
% of Households Below Poverty Level	14%

\* MSA - Metropolitan Statistical Area

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The conclusions for the performance criteria are based on the bank's non-purchased lending activities for the period from January 1, 2003 to December 31, 2005.

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

Citizen National Bank's loan-to-deposit ratio is reasonable and commensurate with its size, competition, available resources, lending activities, as well as the demographics of the assessment area. The loan-to-deposit ratio averaged 97% for the last 12 quarters (2003 - 2005). As of December 31, 2005, the bank's loan to deposit ratio is 111%. CNB's loan-to-deposit ratio performance is significantly heightened by loans purchased through the holding company with funding provided by borrowings and deposits generated via an affiliated bank's money desk. With the exclusion of the purchased loans, the loan-to-deposit ratio is 48.55%. The lending levels compare favorably with other local-area competing financial institutions.

### **Lending in Assessment Area**

A majority of the bank's non-purchased lending activity is within its assessment area. For the evaluation period of January 1, 2003 to December 31, 2005, CNB continued to gather and compile its lending data for each year's loan originations (required under Large Bank CRA exam guidelines). We verified the integrity of this data through transactional testing of consumer, business, farm, and residential loan originations. We found the data to be reliable. As illustrated in *Table III*, 81% of the number and 83% of the dollar volume of consumer, business, and farm loan originations are extended within the assessment area. As reflected in *Table IV*, for residential loan originations, 91% of the number and 88% of the dollar volume are within the assessment area.

**Table III**

<b>Consumer, Business, &amp; Farm Loan Originations 2003 - 2005</b>						
<b>Loan Type</b>	<b>Total Loan Originations</b>		<b>Within the Assessment Area</b>			
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Consumer	1,723	10,875	1,375	80%	9,170	84%
Business	175	5,601	149	85%	4,257	76%
Farm	429	5,848	349	81%	5,046	86%
<b>Grand Total</b>	<b>2,327</b>	<b>22,324</b>	<b>1873</b>	<b>80%</b>	<b>18,473</b>	<b>83%</b>

**Table IV**

<b>Volume of Residential Loans Originations 2003 - 2005</b>						
<b>Product</b>	<b>Total Originations</b>		<b>Within the Assessment Area</b>			
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Purchase	114	7,153	104	91%	6,381	89%
Refinance	22	1,170	20	91%	1,019	87%
Home Improvement	19	631	17	89%	515	82%
<b>Grand Total</b>	<b>155</b>	<b>8,954</b>	<b>141</b>	<b>91%</b>	<b>7,915</b>	<b>88%</b>

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

CNB has an excellent record of lending to borrowers of different incomes and to business and farms of different sizes within the assessment area. As illustrated in *Table V*, 56% of the number of residential and consumer loans were extended to low- and moderate-income borrowers. This is favorable in relation to 36% of families within the assessment area defined as low – and moderate-income. The income level categories are defined based on the HUD 2005 statewide non-MSA adjusted median family income of \$42,000.

As depicted in *Table VI*, of the business loan originations, 96% of the number and 66% of the dollar volume were extended to small business borrowers. *Table VII* (page 7) illustrates that 100% of the number and dollar volume of the farm loan originations were to small farm operations. Small businesses and small farms are defined as those with gross annual revenues of one million dollars or less.

**Table V**

<b>Lending to Borrowers by Income Level 2003 – 2005</b>								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Income Level by Family	19%		17%		15%		49%	
Loan Type	#	%	#	%	#	%	#	%
Residential	7	5%	21	15%	26	18%	87	62%
Consumer	489	36%	334	24%	255	18%	297	22%
<b>Grand Total</b>	<b>496</b>	<b>33%</b>	<b>355</b>	<b>23%</b>	<b>281</b>	<b>19%</b>	<b>384</b>	<b>25%</b>

**Table VI**

<b>Lending to Businesses of Different Sizes 2003 – 2005</b>								
Revenue Ranges	<\$100M		\$100-\$250M		\$250M-\$1MM		\$1MM<	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
<b>Loans to Businesses</b>	142	2,367	3	440	0	0	4	1,450

**Table VII**

**Lending to Farms of Different Sizes  
2003 – 2005**

Revenue Ranges	<\$100M		\$100-\$250M		\$250M-\$1MM		\$1MM<	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
<b>Loans to Farms</b>	347	4,725	2	321	0	0	0	0

**Geographic Distribution of Loans**

Within the bank’s assessment area, there are no low- or moderate-income census tracts. In addition, the assessment area is limited to two census tracts. Therefore, a geographic distribution loan analysis would not be meaningful.

**Responses to Complaints**

Since the last review, neither Citizens National Bank or The Comptroller of the Currency received any complaints regarding the bank’s lending practices.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.