



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 13, 2012

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

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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:

- Citizens National Bank (CNB) demonstrates satisfactory responsiveness to the credit needs of its assessment area. The bank's loan-to-deposit ratio is more than reasonable and a substantial majority of the bank's loans were within its designated assessment area. The distribution of these loans by geography and by borrower income level reflects a reasonable penetration to all areas and income levels.
- The level of qualified community development services, investments, and loans represents adequate responsiveness to identified community development needs. CNB's delivery systems are reasonably accessible to individuals of different income levels and throughout its assessment area.

Scope of Examination

Conclusions regarding the bank's lending performance are based on a sample of the bank's primary lending products which include residential mortgage and commercial loans for the years 2010 and 2011. For the community development test, the evaluation period runs from the ending date of the last CRA evaluation period to the stated date of the current CRA examination. This test includes a review of the investments, services and loans provided in the bank's assessment area that meet the definition of community development.

The bank's primary assessment area includes Bossier and Desoto Parishes and specific tracts in Caddo Parish, which includes most of the Shreveport metropolitan statistical area (MSA). The bank has also recently added the non-metropolitan parishes of Claiborne and Webster, east of the Shreveport MSA and additional tracts in Caddo Parish. The area included in the Shreveport MSA was selected for a full scope review due to the location of the bank's headquarters and the number of branch locations. The Claiborne and Webster and parts of Caddo Parishes were not included in the scope of this review due to the recent addition to the bank's assessment area.

Description of Institution

CNB, headquartered in Bossier City, Louisiana, is an intrastate financial institution with \$655 million in assets. The bank is wholly owned by Citizens National Bancshares, Inc., a one bank holding company. In November 2011, CNB merged with Citizens Bank and Trust of Springhill and expanded its service area to include additional tracts in Caddo Parish and the non-metropolitan parishes of Claiborne and Webster. CNB now operates 15 full service branches and 18 automatic teller machines located throughout the Northeast Louisiana area.

CNB's philosophy is to be a full service institution by providing a wide array of financial services to consumers and commercial businesses. CNB is retail oriented and offers a large variety of deposit and loan products. As of September 30, 2012, the bank's net loans represented 69 percent of total assets. The following chart reflects the distribution of the bank's loan portfolio:

| Loan Category | \$ (000) | % |
|-------------------------------|-----------------|---------------|
| Commercial Real Estate Loans | 220,565 | 46.74 |
| Commercial Loans | 69,492 | 14.73 |
| Residential Real Estate Loans | 164,472 | 34.86 |
| Consumer Loans | 17,336 | 3.67 |
| Total | 471,865 | 100.00 |

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. CNB's Tier 1 Capital level is \$63 million representing 9.80 percent of adjusted average assets as of September 30, 2012. The bank's CRA performance was last evaluated as of November 30, 2009, with the overall level of performance rated "Satisfactory."

Description of Assessment Area

Shreveport MSA

The Shreveport MSA consists of Caddo, Bossier and Desoto Parishes. The bank has elected to include all of Bossier and Desoto Parish and specific census tracts (CT) in Caddo Parish. This area includes Shreveport and Bossier City as well as several smaller adjacent communities. There are 68 census tracts included in the assessment area with 6 low-income CTs, 19 moderate income CTs, 21 middle-income and 22 upper-income CTs. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate income geographies.

The following table provides a description of the Shreveport MSA assessment area based on 2000 census data and 2011 Department of Housing and Urban Development information.

| DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA | |
|---|----------|
| <i>Population</i> | |
| Number of Families | 80,736 |
| Number of Households | 117,322 |
| <i>Geographies</i> | |
| Number of Census Tracts/BNA | 68 |
| % Low-Income Census Tracts/BNA | 8.82% |
| % Moderate-Income Census Tracts/BNA | 27.94% |
| % Middle-Income Census Tracts/BNA | 30.88% |
| % Upper-Income Census Tracts/BNA | 32.35% |
| <i>Median Family Income (MFI)</i> | |
| 2000 MFI for AA | \$40,445 |
| 2011 HUD-Adjusted MFI | \$54,300 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 4.83% |
| 2000 Median Housing Value | \$76,647 |
| % of Households Below Poverty Level | 16.66% |

The Shreveport MSA AA has a total population of 304,101. Numerous other institutions compete in this market with CNB having the fifth largest market share of deposits with 7 percent of the area deposits. The area economy is considered stable to growing. Major employers include Barksdale Air Force Base, Caddo Parish School Board, LSU Health Sciences Center, Willis Knighton Health System and the local gaming casino industry. Based on a recent contact with a local business group, the primary need within the assessment area is for residential and commercial loans. This contact felt the local financial institutions were providing products and financing which help meet these needs. The contact also noted the lack of affordable housing and noted the local financial institutions offer products that help meet these needs.

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 strong and a substantial majority of the bank's loans were within its designated assessment areas. The distribution of these loans by geography and by borrower income level reflects a reasonable penetration throughout the assessment areas.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of CNB is more than reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 80.15 percent since the prior CRA examination in November 2009. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 54.14 percent.

| Institution | Assets (000s) | Average LTD Ratio |
|-------------------------------------|---------------|-------------------|
| Citizen National Bank, Bossier City | \$653,341 | 80.15% |
| First National Bank of Benton | \$55,447 | 43.76% |
| Citizens Bank and Trust of Vivian | \$150,642 | 76.06% |
| Community Bank of Louisiana | \$325,217 | 42.60% |

Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed all residential loans and a sample of 20 commercial loans which originated during 2010 and 2011. The breakdown by loan category is illustrated in the following table.

| Lending in Shreveport –Bossier MSA AA | | | | | | | | | | |
|---------------------------------------|-----------------|-------|---------|-------|-------|------------------|-------|---------|-------|-----------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase | 367 | 83.98 | 70 | 16.02 | 437 | 57,994 | 82.49 | 12,312 | 17.51 | 70,306 |
| Home Improvement | 53 | 88.33 | 7 | 11.67 | 60 | 1,807 | 89.77 | 206 | 10.23 | 2,013 |
| Refinance | 432 | 81.66 | 97 | 18.34 | 529 | 78,180 | 83.77 | 15,148 | 16.23 | 93,328 |
| Commercial | 17 | 85.00 | 3 | 15.00 | 20 | 817,456 | 92.13 | 69,859 | 7.87 | 887,315 |
| Totals | 869 | 83.08 | 177 | 16.92 | 1,046 | 955,437 | 90.74 | 97,525 | 9.26 | 1,052,962 |

Source: Data reported under HMDA, Loan Sample.

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

CNB’s distribution of loans by borrower income level is reasonable given the overall demographics of the bank’s assessment areas. Lending to low and moderate income borrowers for residential loans is less than the percentage of low and moderate income families in the assessment area. Based on 2000 census data, the median cost of housing in the Shreveport MSA was \$77 thousand while a low-income person earns less than \$27 thousand based on the HUD updated 2011 median family income. Information provided by the Northwest Louisiana Association of Realtors, reflects housing costs rose 77 percent between 2000 and 2010 with an average sales price of over \$174 thousand. Approximately 17 percent of the households in the assessment area live below the poverty level with unemployment rates as of July 2012 at 6.4 percent and 8.1 percent in Bossier and Caddo Parish respectively. According to community contacts, low income housing stock is very limited. Furthermore, 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.

The distribution of home purchase loans by borrower income level is reasonable. The percentage of loans to low and moderate-income borrowers is less than the percentage of low- and moderate income families and is reflective of the factors discussed above.

| Borrower Distribution of Residential Real Estate Loans in Shreveport –Bossier 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 | 22.20 | 5.58 | 15.86 | 7.11 | 19.36 | 15.23 | 42.58 | 57.36 |
| Home Improvement | 22.20 | 1.75 | 15.86 | 10.53 | 19.36 | 19.30 | 42.58 | 61.40 |
| Refinance | 22.20 | 3.82 | 15.86 | 7.01 | 19.36 | 16.56 | 42.58 | 56.48 |

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

The bank’s distribution of loans to small businesses is reasonable. The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses with revenues of \$1 million or less in each of the AA's reviewed.

| Borrower Distribution of Loans to Businesses Shreveport –Bossier MSA | | | | |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses | 56.69 | 1.62 | 41.69 | 100% |
| % of Bank Loans in AA by # | 70.00 | 30.00 | 0.00 | 100% |
| % of Bank Loans in AA by \$ | 69.91 | 30.09 | 0.00 | 100% |

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

CNB’s distribution of loans by income level of the geography is reasonable. The distribution of loans in low-income tracts is near to the percentage of owner-occupied housing units in the low-income tracts. The distribution of loans in the moderate-income tracts is less than the percentage of owner-occupied housing units in the moderate-income tracts.

| Geographic Distribution of Residential Real Estate Loans in Shreveport –Bossier MSA | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| 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 | 3.86 | 1.52 | 19.12 | 7.87 | 30.45 | 25.38 | 46.58 | 65.23 |
| Home Improvement | 3.86 | 3.51 | 19.12 | 14.04 | 30.45 | 19.30 | 46.58 | 63.16 |
| Refinance | 3.86 | 2.55 | 19.12 | 7.86 | 30.45 | 24.84 | 46.58 | 64.76 |

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

The geographic distribution of loans to businesses is excellent. The percentage of business loans made in the low-income tracts is near to the percentage of businesses in these tracts. The percentage of business loans made in the moderate-income tracts exceeds the percentage of businesses located in these tracts.

| Geographic Distribution of Loans to Businesses in Shreveport –Bossier MSA | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 | 5.96 | 5.00 | 21.48 | 35.00 | 30.15 | 15.00 | 42.41 | 45.00 |

Source: Loan sample, Dun and Bradstreet

Responses to Complaints

There have been no CRA related complaints received during this evaluation process.

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

CNB has an adequate level of community development loans in its assessment areas. During this evaluation period, the bank had three loans totaling approximately \$1.4 million that qualified as community development. The bank also provides loans to cities and communities in its assessment areas to provide city services and equipment.

Number and Amount of Qualified Investments

CNB has provided an adequate level of community development investments in its assessment areas. During this evaluation period, the bank invested in 58 qualified investments and made donations totaling \$82 thousand. Investments include donations to local organizations that provide community services. Additionally, the bank has a continued equity investment in the Red River Valley BIDCO, Inc. totaling \$38 thousand.

Extent to Which the Bank Provides Community Development Services

CNB 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 fifteen banking offices that are conveniently located throughout the assessment area, including one branch location and an additional ATM location in a moderate income tract. 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 seven branch locations and two convenience stores, as well as offering telephone and Internet banking services, ACH deposits, and low cost checking accounts.

CNB 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

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