



## **PUBLIC DISCLOSURE**

April 10, 2017

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

Citizens National Bank  
Charter Number 13443

201 West Main Street  
Henderson, TX 75653-1009

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, and should not 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.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **Citizens National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending levels for home mortgages and loans to small businesses reflect adequate responsiveness based on volume and market share. Community development lending had a neutral impact on the overall lending test.
- A substantial majority of loans are extended within Citizens National Bank’s (Citizens) Assessment Areas (AAs).
- The geographic distribution of loans is adequate based on adequate distribution of home mortgage loans and loans to small businesses.
- The bank’s distribution of lending by income level is good, based on an adequate distribution of home mortgage loans and an excellent distribution of loans to small businesses.
- The level of qualified community development investments, grants, and donations represents good responsiveness to identified community development needs. Ongoing investment in a subsidiary community development corporation provided a positive impact on the overall investment test.
- Citizens’ delivery systems are good with branches accessible in all geographies and a number of branches located in moderate-income census tracts. The level of community development services is good with Citizens participating in a broad range of activities designed to assist low- to moderate-income families including supporting financial literacy.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the

bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Citizens National Bank (Citizens) is an intrastate financial institution headquartered in Henderson, Texas. It is one of the largest locally owned community banks in the area with total assets of \$1.7 billion, as of December 31, 2016. Citizens is wholly owned by Henderson Citizens Bancshares. Citizens has two subsidiaries, CNB Community Development Corporation (provides mortgage loans to low- to moderate-income families) and H.C.B. Insurance Agency, Inc. (insurance sales). Citizens acquired Kilgore National bank in November 2016 (two locations) and five Bank of America branches in January 2015.

Citizens is a full service community bank providing financial products and services to consumers and businesses. The bank offers a wide array of loan and deposit products to its customers. Citizens has 32 locations in 21 cities and 11 counties in East Texas. In addition, the bank has 38 automatic teller machines (ATMs) and employs bilingual Spanish speaking employees to assist a growing Hispanic community. Citizens' business hours are equitable and do not hinder any particular group or class of individuals. Twelve of the bank's branches are located in low- to moderate-income census tracts with remaining branches located in middle- or upper-income census tracts.

The bank's market encompasses a large portion of Northeast Texas. Major markets served include Rusk and Gregg Counties, located in the Longview metropolitan area (MSA), Smith County, located in the Tyler MSA, and numerous communities located outside MSAs. Our assessment included three AAs for the purposes of analyzing the bank's performance under the Community Reinvestment Act (CRA). These AAs include whole counties and are identified as Non MSA AA (Anderson, Angelina, Harrison, Henderson, Limestone, Marion, Navarro, and Titus Counties), Rusk/Gregg AA (Rusk and Gregg Counties) and Smith AA (Smith County).

As of December 31, 2016, Citizens' loan portfolio totaled \$924 million with reported deposits of \$1.6 billion. The bank's average loan-to-deposit ratio since the last CRA Examination equaled 55.57 percent. The chart below reflects the distribution of loans by category as of December 31, 2016.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans (includes real estate loans)	\$454,851	49.21%
Residential Real Estate (includes multifamily)	\$328,443	35.53%
Consumer Loans	\$72,344	7.83%
Agricultural Loans (includes real estate)	\$38,004	4.11%
Other Loans	\$30,735	3.32%
<b>Total</b>	<b>\$924,377</b>	<b>100.00%</b>

There are no legal, financial or other factors impeding Citizens ability to meet the credit needs in its assessment areas. Citizens' CRA performance was rated "Satisfactory" at the previous CRA examination dated October 31, 2011. OCC records and the bank's CRA public file indicate there have been no complaints related to the bank's CRA performance over the supervisory cycle. Citizens' tier 1 capital equaled \$140.2 million, representing 8.35 percent of adjusted average assets as of December 31, 2016.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Conclusions regarding the Lending Test are based on residential mortgages and small business loans originated from January 1, 2014 to December 31, 2016. Data for residential mortgages was obtained from reports required by the Home Mortgage Disclosure Act (HMDA), while data for loans to small businesses was obtained from reports required by the Community Reinvestment Act (CRA). The community development lending performance analysis considered loans originated from July 9, 2014 to April 10, 2017.

Commercial loans and residential mortgages are the primary product lines of Citizens. Small loans to businesses represented 59.30 percent of the loans evaluated by number, while home mortgage loans represented 25.97 percent and small farm loans represented 14.73 percent. Small loans to businesses and home mortgage loans carry more weight in the overall conclusions as they are the primary lending focus for Citizens. During this time period, the bank originated 1,855 home mortgage loans that totaled \$287.6 million. Small business loan originations equaled 4,235 by number and \$438.3 million by dollar amount. Origination of small farm and multifamily loans are significantly less in volume and were not evaluated for the lending test.

The Investment Test included a review of investments and donations that meet the definition of community development investments. The Service Test included a review of delivery systems as well as retail and community development services provided in Citizen's AA. The evaluation period for investment and services tests was July 9, 2014 to April 10, 2017.

### Data Integrity

A data integrity review was conducted in April 2016 to determine the accuracy in Citizens' reporting of HMDA loans. The reporting accuracy for loans to small businesses, community development loans, and community developed investments was assessed as part of this review.

### Selection of Areas for Full-Scope Review

We reviewed three separate AAs for determining Citizens' performance under the CRA. The AAs are delineated by whole counties. The AAs are identified as Non MSA (Anderson, Angelina, Harrison, Henderson, Limestone, Marion, Navarro, and Titus Counties), Rusk/Gregg (Rusk and Gregg Counties part of the Longview MSA), and Smith (Smith County - Tyler MSA).

A full-scope review was conducted for the Non MSA and Rusk/Gregg AAs as a substantial majority of loans and deposits are generated in these areas. The full-scope review included analysis of numerical data for each AA, along with a qualitative analysis of the bank's performance. A limited-scope review was performed for the Smith County AA due to the limited loan and deposit volumes. The limited-scope review is limited to analysis of numerical data for the Smith AA. Refer to the table in Appendix A for more details.

## **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. To determine a rating for Citizens under the lending test, we reviewed loans to small businesses and 1-4 family mortgages. We did not complete an analysis of multifamily loans or small farm loans as they are not considered to be primary loan products.

## **Other**

Community credit needs in the AAs were determined by reviewing recent market demographic information and community contacts conducted by the OCC in connection with this and other CRA evaluations of banks operating in the same AAs. A review of community contact forms indicates a need for affordable residential properties, as inventory of available lower-cost housing is limited. Community contacts reported that area banks are active and responsive to community needs.

## **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 (bank) or Federal Savings Association's (FSA) 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 FSA's lending performance.

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Rusk/Gregg AA and the Non MSA AA were adequate.

#### Lending Activity

Refer to Tables 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's lending activity.

Lending activity is adequate based on the level of home mortgage loans and small loans to businesses extended in the full-scope AAs. Small loans to businesses represented 59.30 percent of the loans evaluated by number, while home mortgage loans represented 25.97 percent and small farm loans represented 14.73 percent. Small loans to businesses and home mortgage loans carry more weight in the overall conclusions since they are the primary lending focus for Citizens. During this time period, the bank originated 1,855 home mortgage loans that totaled \$287.6 million. Small business loan originations equaled 4,235 by number and \$438.3 million by dollar amount. The bank's loan to deposit ratio has averaged 55.57 percent since the last examination.

#### *Non MSA AA*

Lending levels in the Non MSA AA reflect good responsiveness to the assessment area's credit needs. Approximately 51.03 percent of the loans evaluated were originated in this AA, while 52.38 percent of the bank's deposits are located in this AA.

Home mortgage lending levels are adequate. Citizens ranked seventh in this AA for home mortgage loans with a market share of 2.69 percent. There is significant competition in this market as evidenced by the top ranked market share of only 5.62 percent. Citizens' market share reflects adequate performance based on their deposit market share of 11.93 percent. Citizens ranked first in the AA for deposits.

Small business loan levels are excellent. Citizens ranked second in the AA with a market share of 12.85 percent by number of loans.

#### *Rusk/Gregg Counties AA*

Lending levels in the Rusk/Gregg AA reflect adequate responsiveness to assessment area credit needs. Approximately 32.49 percent of the loans evaluated were originated in this AA, while 44.19 percent of the bank's deposits are located in this AA.

Home mortgage lending levels are adequate. Citizens ranked third in the AA for home mortgage loans with a market share of 4.43 percent. This level of market share reflects adequate performance based on Citizens' deposit market share. Citizens ranked second in the AA for deposits, with a market share of 14.61 percent.

Small business loan levels are good. Citizens ranked fourth in the AA with a market share of 10.00 percent compared to the bank's deposit market share of 14.61 percent.

## **Distribution of Loans by Income Level of the Geography**

The geographic distribution of loans is adequate.

### ***Home Mortgage Loans***

The geographic distribution of residential mortgages is adequate. Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

### ***Non MSA AA***

Performance for home purchase loans is good. The percentage of loans originated in moderate-income geographies, at 13.82 percent is near to the percentage of owner occupied housing at 15.90 percent. The bank's market share in moderate-income tracts is excellent at 3.81 percent, compared to their overall market share of 2.81 percent. This AA does not have any low-income geographies.

Performance for home improvement loans is good. The percentage of home improvement loans in moderate-income geographies, at 12.94 percent, is near to the percentage of owner occupied housing at 15.90 percent. Citizen's market share in moderate-income geographies is excellent at 7.50 percent, compared to their overall market share of 6.18 percent.

Performance for home refinance loans is good. Home refinance loans originated in moderate-income geographies, at 13.33 percent, is near to the percentage of owner occupied housing at 15.90 percent. Citizens' market share in moderate-income tracts is excellent at 3.24 percent, compared to their overall market share of 2.81 percent.

### ***Rusk/Gregg AA***

Performance for home purchase loans is adequate. The percentage of bank loans originated in low-income tracts, at 0.34 percent is somewhat lower than the percentage of available owner occupied housing, at 1.17 percent. The percentage of bank loans originated in moderate-income tracts, at 8.45 percent is somewhat lower than the percentage of available owner occupied housing at 15.82 percent. Citizen's market share in low-income tracts is adequate. While their market share at 0.01 percent is significantly lower than their overall market share, lending opportunities are limited in low-income census tracts, due to the lack of available housing stock. Citizens' market share in moderate-income tracts is adequate at 3.41 percent, when compared to their overall market share at 4.67 percent.

Lending performance for home improvement loans is poor. There were no home improvement loans originated in low-income tracts, however, opportunities are limited with available owner occupied housing listed at 1.17 percent. Home improvement loans originated in moderate-income tracts, at 4.49 percent, is significantly lower than the percentage of available owner occupied housing at 15.82 percent. In addition, Citizens' market share in moderate-income tracts at 0.01 percent is significantly lower than their overall market share at 10.32 percent.

Performance for home refinance loans is good. The percentage of bank loans originated in low-income geographies, at 0.87 percent, is near to the percentage of owner occupied houses at 1.17 percent. The percentage of bank originations in moderate-income geographies, at 12.17 percent, is near to the percentage of owner occupied housing at 15.82 percent. Citizens' market share in low and moderate-income tracts is excellent at 25.00 and 4.63 percent, compared to their overall market share of 4.14 percent.

### ***Small Loans to Businesses***

Citizens' geographic distribution of small loans to businesses is adequate. Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

### ***Non MSA AA***

The geographic distribution of loans to small businesses in the AA is adequate. There are no low-income geographies in this AA. Small business loans originated in moderate-income geographies, at 15.89 percent is somewhat lower than the percentage of small businesses located in moderate-income tracts at 24.27 percent. Citizens' market share in moderate-income tracts is good at 10.61 percent compared to their overall market share of 12.85 percent.

### ***Rusk/Gregg AA***

The geographic dispersion of small loans to businesses is adequate in the AA. While there were no small loans to businesses originated in low-income geographies, lending opportunities are limited with a small percentage of businesses located in this area at 0.56 percent. The percentage of loans originated in moderate-income tracts, at 13.69 percent, is less than the percentage of businesses at 28.27 percent. Citizens' market share is adequate at 5.60 percent in moderate-income geographies, compared to their overall market share of 10.00 percent.

## ***Lending Gap Analysis***

No unexplained conspicuous lending gaps were identified.

### ***Inside/Outside Ratio***

Citizens' performance of lending inside its AA is good, with a substantial majority of loans extended within its AA. Lending inside the assessment area is analyzed bank-wide and not by individual AAs. The analysis includes loans originated and purchased during 2014 through 2016. This performance has a positive impact on the geographic distribution of lending conclusions.

Eight-four percent of loans by number and eighty percent of loans by dollar amount were originated within the bank's AAs. When broken down by loan type, performance is consistent with the overall performance with a majority of residential real estate loans and small loans to businesses originated within the AAs.

## **Distribution of Loans by Income Level of the Borrower**

The distribution of loans by borrower income is good. Performance is good for both residential real estate lending and small loans to businesses, based on performance in the AAs receiving a full scope review.

### ***Home Mortgage Loans***

The borrower distribution of residential real estate loans is good. Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's residential real estate loan originations and purchases.

#### ***Non MSA AA***

The distribution of home purchase loans represents good performance. While the percentage of home purchase loans to low income borrowers, at 5.65 percent, is significantly lower than the 21.51 percent of low-income families, the penetration of home purchase loans to moderate-income borrowers, at 13.98 percent is near to the percentage of moderate-income families at 17.97 percent. Citizens' market share is good for both low and moderate-income borrowers. Mitigating the lower ratios for low-income borrowers is the fact that many of the low-income families may not present home mortgage lending opportunities. In the AA, 16.32 percent of households live below the poverty level and are not likely to qualify for home mortgage products. In this AA, the median housing value is \$85 thousand. Based on the median housing costs, purchasing a home is unlikely for a significant portion of low-income families.

The distribution of home improvement loans represents adequate performance. The percentage of home improvement loans to low-income borrowers, at 4.88 percent, is significantly lower than the percentage of low-income families at 20.06 percent. The penetration of home improvement loans to moderate-income borrowers, at 6.10 percent, is lower than the percentage of moderate-income families at 17.97 percent. Citizen's market share is good for both low and moderate-income borrowers.

The distribution of home refinance loans represents good performance. While the penetration to low-income borrowers, at 2.27 percent, is significantly lower than the 20.06 percent of low-income families, the penetration to moderate-income borrowers, at 11.36 percent is near to the percentage of moderate-income families at 17.97 percent. The market share for lending to both low and moderate-income borrowers is good. Mitigating factors for the weaker performance are the factors outlined above.

### ***Rusk/Gregg AA***

The distribution of home purchase loans reflects good performance among borrowers of different income levels. The penetration to low-income borrowers at 4.46 percent is lower than the AA's percentage of low-income families at 21.51 percent, while the penetration to moderate-income borrowers at 17.47 percent is near to the percentage of moderate-income families at 17.88 percent. Citizen's market share is good for both low and moderate-income borrowers at 10.96 percent and 3.49 percent, respectively. Mitigating the lower percentage of loans to low-income families is the fact that many of the low-income families do not present legitimate opportunities for Citizens to make residential real estate loans. In the Rusk/Gregg AA, 14.22 percent of households report incomes below poverty levels and are not likely to qualify for a residential mortgage. The median housing value of \$103 thousand also prevents many families in the low-income category from being able to afford home purchases.

The distribution of home improvement loans represents adequate performance. The penetration to low-income borrowers at 4.65 percent is less than the AA's percentage of low-income borrowers at 21.51 percent. The penetration to moderate-income borrowers at 9.30 percent is also less than the percentage of moderate-income families at 17.88 percent. The bank's market share for both low and moderate-income borrowers is good at 11.54 percent and 3.92 percent, respectively.

The distribution of home refinance loans is good. The penetration for low-income borrowers at 2.78 percent is significantly lower than the percentage of low-income families at 21.51 percent. The penetration to moderate-income borrowers at 14.81 percent is near to the percentage of moderate-income families at 17.88 percent. The bank's market share for both low and moderate-income borrowers is good at 3.57 percent and 7.37 percent, respectively.

### ***Small Loans to Businesses***

The borrower distribution of small loans to businesses is good, based on good performance in both full-scope AAs. Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

### ***Non MSA AA***

The borrower distribution of small loans to businesses is good. Citizens' percentage of loans to businesses with revenues of \$1 million or less, at 78.22 percent is near to the percentage of AA businesses with revenues of \$1 million or less at 82.52 percent. Citizens' market share is excellent for loans to businesses with revenues of \$1 million or less at 20.34 percent.

### ***Rusk/Gregg AA***

The borrower distribution of small loans to businesses is good. Citizens' percentage of loans to businesses with revenues of \$1 million or less, at 72.60 percent is near to the percentage of AA



businesses at 79.23 percent. Citizens' market share for loans to businesses with revenues of \$1 million or less is also good at 15.96 percent.

## **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Community development lending has a neutral impact on the overall lending test. During the evaluation period, Citizens extended sixteen community development loans in the Non MSA AA and five community development loans in the Rusk/Gregg AA.

## **Product Innovation and Flexibility**

Citizens' offers flexible loan programs through their subsidiary community development corporation (CDC). Home mortgage loans with flexible underwriting requirements are offered to low and moderate-income applicants who may not otherwise qualify for conventional financing. The CDC originated

Home mortgage loans with flexible underwriting criteria are offered to low and moderate-income individuals who may not otherwise qualify for conventional financing. The CDC originated sixteen loans totaling \$868 thousand during the evaluation period.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in the Smith AA is not inconsistent with the bank's overall "low satisfactory rating" performance under the lending test. Refer to Tables 1 through 13 in appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Non MSA AA is good and the Rusk/Gregg AA is adequate.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Evaluation of a bank's performance under this test considers the number and amount of investments, the extent that the investments meet the credit and community development needs of an AA, the extent that the investments are not routinely made by others, and the complexity or innovation displayed in the investment. Qualified investments include investments that meet the definition of community development and includes investment securities, equity investments, grants, and donations.

Citizens continues to invest in Small Business Investment Corporations (SBIC) funds. These privately-owned managed investment funds make investments in qualifying small businesses under a financial assistance program of the Small Business Administration and promote economic development. Each of the SBICs make investments in the region that includes the bank's AA. During this evaluation period, Citizens invested \$341 thousand and had continuing investments from the prior evaluation period totaling \$298 thousand, representing 0.46 percent of the bank's tier 1 capital. Credit for these qualified investments was equally distributed among the AAs.

Citizens' qualified investments also consists of several regional school bonds to districts outside of their AAs that are considered economically disadvantaged. During this evaluation period, Citizens invested \$36.9 million and had continuing investments from the prior evaluation period totaling \$6.8 million, representing 30.89 percent of the bank's tier 1 capital. Credit for these qualified investments was equally distributed among the AAs.

Citizens has an ongoing investment in their subsidiary, CNB Community Development Corporation (CDC). The mission of the CDC is to provide affordable residential home purchase mortgages and home improvement loans to low and moderate-income families within the bank's AAs. The CDC offers lower closing costs and reduced down payment requirements for loans it originates. During the evaluation period, the CDC funded sixteen loans totaling \$868 thousand million to low and moderate-income applicants. This investment is considered innovative and is not an investment that is routinely made by other banks.

#### ***Non MSA AA***

Citizens' level of qualified community development investments in the Non MSA AA is good. Qualified investments and donations totaled \$4.1 million, representing 2.94 percent of tier 1 capital. Qualifying investments in the AA are centered in local school bonds in which the majority of students are economically disadvantaged as well as an investment in a foundation that provides safe and secure living environments for low and moderate-income senior citizens. Numerous grants and donations were also provided to local organizations that promote community development.

#### ***Rusk/Gregg AA***

Citizens' level of qualified community development investments in the Rusk/Gregg AA is adequate. Qualified investments and donations totaled \$416 thousand, representing 0.30 percent of tier 1 capital. Qualifying investments in the AA are centered in local school bonds in which the majority of students are economically disadvantaged. Several grants and donations were also provided to local organizations that promote community development.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the investment test in the Smith AA is not inconsistent with the bank's overall "High Satisfactory" performance under the investment test. Refer to Table 14 in appendix C for the facts and data that support these conclusions.

### **SERVICE TEST**

## Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the Non MSA and Rusk/Gregg AAs are good.

### Retail Banking Services

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Citizens' delivery systems are accessible to geographies and individuals of different income levels throughout all AAs. In addition, branch openings and closings have not affected accessibility. Following is a discussion of each branch location.

#### *Non MSA AA*

Delivery systems are accessible to all geographies and individuals of different income levels. The bank has seventeen branches and eighteen ATMs within the Non MSA AA. The Non MSA AA includes nineteen moderate-income tracts, forty-eight middle-income tracts, and twenty-two upper-income tracts. There are no low-income tracts in this AA. Eight of the bank's branches are located in a moderate-income tract with other locations offering easy access to all other moderate-income tracts. Branch hours and services are consistent throughout and do not vary in a way that would negatively impact any low or moderate-income tracts.

#### *Rusk/Gregg AA*

Delivery systems are accessible to all geographies and individuals of different income levels. The bank has twelve branches and fifteen ATMs within the Rusk/Gregg AA. The Rusk/Gregg AA includes one low-income tract, nine moderate-income tracts, twenty-one middle-income tracts, six upper-income tracts, and one tract that is not designated. Three of the bank's branches are located in a moderate-income tract with other locations offering easy access to all low and moderate-income tracts. Branch hours and services are consistent throughout and do not vary in a way that would negatively impact any low or moderate-income tracts.

### Community Development Services

Citizens has demonstrated a good record of providing community development services throughout each of its assessment areas. Bank officers and employees provide financial and managerial expertise to numerous service organizations in the assessment areas, serving in officer and director positions for those organizations.

Citizens continues to provide financial literacy and service programs throughout the assessment areas. The bank has sponsored financial literacy training for organizations such as the Mexican Consulate and has partnered with the Boys and Girls Club of Tyler, Longview, and Rusk County. In addition, financial literacy programs are provided to local schools that includes programs such as the bank's Early Savers Program. The Money Smart Program was also presented to several schools. The school training is primarily within economically disadvantaged school districts and serves low to moderate-income families. Bank employees also participate in programs that assist low- to moderate-individuals such as

Food for Families Food Drive, East Texas Food Bank Summer Food Program, Yates Park Youth Project School Supply Program, and Stuff the Bus events.

In addition, community development services are also available through CNB Community Development Corporation, a subsidiary of Citizens. The CDC finances the rehabilitation and development of affordable housing for low and moderate-income persons. Workshops targeted to first time home buyers were provided that included information on the bank's affordable housing programs through the CDC, as well as government sponsored programs.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Smith AA is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test. Refer to Table 15 in appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/2014 to 12/31/2016)  Investment and Service Tests and CD Loans: (07/09/2014 to 04/10/2017)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens National Bank (Citizens) 201 West Main Street Henderson, Texas 75653	Residential mortgage loans, loans to small businesses, community development loans, investments, donations	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
CNB Community Development Corporation	Subsidiary	Residential mortgage loans
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Non MSA AA Rusk/Gregg Counties AA Smith County AA	Full-Scope Full-Scope Limited-Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### [ Non MSA AA

Demographic Information for Full-Scope Area: Non MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	89	0.00	21.35	53.93	24.72	0.00
Population by Geography	403,391	0.00	18.57	55.69	25.74	0.00
Owner-Occupied Housing by Geography	103,968	0.00	15.90	59.02	25.08	0.00
Businesses by Geography	21,732	0.00	24.27	54.38	21.35	0.00
Farms by Geography	945	0.00	11.85	65.40	22.75	0.00
Family Distribution by Income Level	100,358	20.06	17.97	19.54	42.43	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	38,164	0.00	26.62	56.24	17.14	0.00
Median Family Income		\$47,817	Median Housing Value			\$85,275
FFIEC Adjusted Median Family Income for 2016		\$52,400	Unemployment Rate			3.18%
Households Below the Poverty Level		16%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Non MSA AA consists of the counties of Anderson, Angelina, Harrison, Henderson, Limestone, Marion, Navarro, and Titus. The AA contains 89 census tracts of which 19 or 21.35 percent are moderate-income census tracts. There are no low-income tracts located in this AA. All areas consist of whole geographies, do not reflect illegal discrimination, and do not arbitrarily exclude low-or moderate-income geographies. Approximately 52.38 percent of the bank's deposits are located in this AA. In addition, 17 branches (53.12 percent) and 18 ATMs (48.65 percent) are located in this AA. The AA delineation meets the requirements of CRA.

Larger cities within the AA include Palestine, Lufkin, Marshall, Mount Pleasant, and Athens. The AA has a relatively diverse economy and is considered stable. Major industries by county include: Anderson County (Palestine, TX) transportation and warehousing, health care services, retail, and educational services; Angelina County (Lufkin, TX) health care services, manufacturing, retail, and educational services; Harrison County (Marshall, TX) manufacturing, mining, and retail; Henderson County (Athens, TX) retail, health care services, educational services, and manufacturing; Limestone County (Mexia, TX) health care services, manufacturing, retail, and educational services; Marion County (Jefferson, TX) health care services, educational services, accommodation and food, and manufacturing; Titus County (Mount Pleasant, TX) manufacturing, health care services, retail, and educational services.

Commercial loans and residential mortgages are the primary product lines of Citizens. Small loans to businesses represented 59.30 percent of the loans evaluated by number, while home mortgage loans represented 25.97 percent and small farm loans represented 14.73 percent. Small loans to businesses and home mortgage loans carry more weight in the overall conclusions since they are the primary lending focus for Citizens. During this time period, the bank originated 1,855 home mortgage loans that totaled \$287.6 million. Small business loan originations equaled 4,235 by number and \$438.3 million by dollar amount. Origination of small farm and multifamily loans are significantly less in volume and were not evaluated for the lending test.

As part of this review, we contacted a representative from a local business group. The contact indicated there is a need for affordable housing in this AA. The community contact was not aware of any community credit needs that were not being met by area financial institutions.

**Rusk/Gregg Counties AA**

Demographic Information for Full-Scope Area: Rusk/Gregg Counties AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	38	2.63	23.68	55.26	15.79	2.63
Population by Geography	175,060	1.73	22.28	56.50	19.49	0.00
Owner-Occupied Housing by Geography	42,531	1.17	15.82	60.71	22.30	0.00
Businesses by Geography	12,284	0.56	28.27	50.25	20.73	0.18
Farms by Geography	334	0.30	18.56	60.18	20.96	0.00
Family Distribution by Income Level	43,993	21.51	17.88	19.98	40.62	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	17,330	2.63	28.42	53.89	15.05	0.00
Median Family Income		\$54,648				
FFIEC Adjusted Median Family Income for 2016		\$55,700		Median Housing Value		\$103,498
Households Below the Poverty Level		14%		Unemployment Rate		3.19%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Rusk/Gregg Counties AA is part of the Longview MSA and consists of the whole counties of Rusk and Gregg Counties. The AA contains 38 census tracts of which 1 or 2.63 percent was designated as low-income 9 or 23.68 percent was identified as moderate-income. All areas consist of whole geographies, do not reflect illegal discrimination, and do not arbitrarily exclude low-or moderate-income geographies. Approximately 44.19 percent of the bank's deposits are located in this AA. In addition, 12 branches (37.50 percent) and 15 ATMs (40.54 percent) are located in this AA. The AA delineation meets the requirements of CRA.

Major cities within the AA include Longview and Henderson, Texas. The AA's economy is stable and is relatively diverse. Major industries by county include: Gregg County (Longview, TX) health care services, manufacturing, retail, and mining; Rusk County (Henderson, TX) construction, health care services, manufacturing, and mining.

As part of this review, we contacted a representative from a local business group. The community contact was not aware of any community credit needs that were not being met by area financial institutions.



**Smith County AA**

Demographic Information for Limited-Scope Area: (Smith County AA)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	40	5.00	30.00	35.00	30.00	0.00
Population by Geography	209,710	3.33	26.76	39.09	30.83	0.00
Owner-Occupied Housing by Geography	53,032	1.20	21.75	42.20	34.85	0.00
Businesses by Geography	14,729	8.45	19.62	34.71	37.21	0.00
Farms by Geography	521	2.30	20.35	43.76	33.59	0.00
Family Distribution by Income Level	53,113	21.56	17.22	19.54	41.68	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	20,598	4.99	38.12	37.21	19.68	0.00
Median Family Income		\$57,225				
FFIEC Adjusted Median Family Income for 2016		\$64,000				
Households Below the Poverty Level		15%				
				Median Housing Value		\$123,758
				Unemployment Rate		3.49%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Smith County AA consists of the entire Tyler MSA. The AA contains 40 census tracts of which 2 or 5.00 percent were designated as low-income and 12 or 30.00 percent were identified as moderate-income. All areas consist of whole geographies, do not reflect illegal discrimination, and do not arbitrarily exclude low-or moderate-income geographies. Approximately 3.43 percent of the bank's deposits are located in this AA. In addition, 3 branches (9.38 percent) and 4 ATMs (10.81 percent) are located in this AA. The AA delineation meets the requirements of CRA.

The vast majority of the population reside in Tyler, Texas. The AA's economy is stable and is relatively diverse. Major industries include health care services, retail, accommodation and food services, and educational services.

As part of this review, we contacted a representative from a local grass roots organization. The community contact indicated that there was an opportunity to provide homebuyer education to first time homebuyers.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not

available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.
- Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during

prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME												
Geography: CITIZENS												
Evaluation Period: January 01, 2014 TO December 31, 2016												
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Non MSA AA	51.03	618	80,638	1,970	162,697	484	18,873	10	1,126	3,082	263,334	52.38
Rusk/Gregg AA	32.49	502	63,985	1,102	126,743	353	15,400	5	329	1,962	206,457	44.19
<b>Limited Review:</b>												
Smith AA	16.48	473	76,317	472	70,531	50	1,907	0	0	995	148,755	3.43

\* Loan Data as of December 31, 2016. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is July 9, 2014 to April 10, 2017.

\*\*\* Deposit Data as of March 24, 2017. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: CITIZENS					Evaluation Period: January 01, 2014 TO December 31, 2016					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies							
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Non MSA AA	398	41.12	0.00	0.00	15.90	13.82	59.02	65.58	25.08	20.60	2.81	0.00	3.81	2.40	1.43	
Rusk/Gregg AA	296	30.58	1.17	0.34	15.82	8.45	60.71	81.76	22.30	9.46	4.67	0.00	3.41	6.81	1.30	
<b>Limited Review:</b>																
Smith AA	274	28.31	1.20	1.09	21.75	18.25	42.20	30.66	34.85	50.00	2.31	7.14	5.34	1.75	2.04	

\* Based on 2015 Peer Mortgage Data – US and PR.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT												Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*							
	#	% of Total*	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp			
<b>Full Review:</b>																		
Non MSA AA	85	35.27	0.00	0.00	15.90	12.94	59.02	56.47	25.08	30.59	6.18	0.00	7.50	6.96	4.03			
Rusk/Gregg AA	89	36.93	1.17	0.00	15.82	4.49	60.71	89.89	22.30	5.62	10.32	0.00	0.01	13.66	2.13			
<b>Limited Review:</b>																		
Smith AA	67	27.80	1.20	0.00	21.75	8.96	42.20	38.81	34.85	52.24	5.05	0.00	2.22	6.50	4.69			

\* Based on 2015 Peer Mortgage Data: US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2010 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE															Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*										
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Non MSA AA	135	35.53	0.00	0.00	15.90	13.33	59.02	55.56	25.08	31.11	2.81	0.00	3.24	3.18	2.13						
Rusk/Gregg AA	115	30.26	1.17	0.87	15.82	12.17	60.71	80.00	22.30	6.96	4.14	25.00	4.63	5.59	1.00						
<b>Limited Review:</b>																					
Smith AA	130	34.21	1.20	3.08	21.75	17.69	42.20	32.31	34.85	46.92	3.16	0.01	6.21	1.50	3.90						

\* Based on 2015 Peer Mortgage Data: US and PR

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2010 Census information.



Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY												Geography: CITIZENS				Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*									
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp			
<b>Full Review:</b>																				
Non MSA	0	0.00	0.00	0.00	24.58	0.00	46.42	0.00	29.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
Rusk/Gregg AA	1	33.33	1.24	0.00	24.78	0.00	53.06	100.00	20.93	0.00	0.00	0.00	0.00	0.00	0.00					
<b>Limited Review:</b>																				
Smith AA	2	66.67	8.79	0.00	24.01	0.00	37.46	100.00	29.74	0.00	6.25	0.00	0.00	20.00	0.00					

\* Based on 2015 Peer Mortgage Data: US and PR

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2010 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES															
Geography: CITIZENS															
Evaluation Period: January 1, 2014 TO December 31, 2016															
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Non MSA AA	1,970	55.68	0.00	0.00	24.27	15.89	54.38	65.74	21.35	18.38	12.85	0.00	10.61	15.77	10.14
Rusk/Gregg AA	1,096	30.98	0.56	0.00	28.27	13.69	50.25	75.73	20.73	10.58	10.00	0.00	5.60	15.59	4.26
<b>Limited Review:</b>															
Smith AA	472	13.34	8.45	5.51	19.62	14.41	34.71	34.11	37.21	45.97	3.49	1.73	3.61	3.15	4.20

\* Based on 2015 Peer Small Business Data: US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2016).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS															Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*										
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Non MSA AA	484	54.57	0.00	0.00	11.85	11.57	65.40	64.67	22.75	23.76	37.42	0.00	50.00	42.61	25.52						
Rusk/Gregg AA	353	39.80	0.30	0.00	18.56	3.40	60.18	93.20	20.95	3.40	64.67	0.00	33.33	70.21	35.71						
<b>Limited Review:</b>																					
Smith AA	50	5.64	2.30	0.00	20.35	30.00	43.76	64.00	33.59	6.00	10.06	0.00	50.00	42.61	25.52						

\* Based on 2015 Peer Small Business Data: US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2016).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE															Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*										
	#	% of Total*	% Families***	% BANK Loans***	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Non MSA AA	398	41.07	20.06	5.65	17.97	13.98	19.54	22.04	42.43	58.33	3.16	6.35	3.17	3.25	2.93						
Rusk/Gregg AA	297	30.65	21.51	4.46	17.88	17.47	19.98	20.82	40.62	57.25	5.45	10.96	3.49	3.61	6.59						
<b>Limited Review:</b>																					
Smith AA	274	28.28	21.56	10.38	17.22	18.85	19.54	18.08	41.68	52.69	2.61	4.90	2.81	2.35	2.54						

\* Based on 2015 Peer Mortgage Data: US and PR

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 7.0% of loans originated and purchased by Bank.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT															Geography: CITIZENS					Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*													
	#	% of Total**	% Families***	% BANK Loans****	% Families****	% BANK Loans**	% Families****	% BANK Loans****	% Families**	% BANK Loans**	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
Non MSA AA	85	35.27	20.06	4.88	17.97	6.10	19.54	26.83	42.43	62.20	6.12	7.69	6.76	6.98	5.45									
Rusk/Gregg AA	89	36.93	21.51	4.65	17.88	9.30	19.98	18.60	40.62	67.44	10.88	11.54	3.92	13.11	12.18									
<b>Limited Review:</b>																								
Smith AA	67	27.80	21.56	1.49	17.22	11.94	19.54	13.43	41.68	73.13	5.26	5.00	8.33	0.00	6.29									

\* Based on 2015 Peer Mortgage Data: US and PR

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2010 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 2.5% of loans originated and purchased by Bank.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE												Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*							
	#	% of Total**	% Families***	% BANK Loans*** *	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp			
<b>Full Review:</b>																		
Non MSA AA	135	35.53	20.06	2.27	17.97	11.36	19.54	15.91	42.43	70.45	3.56	3.77	3.36	3.02	3.73			
Rusk/Gregg AA	115	30.26	21.51	2.78	17.88	14.81	19.98	20.37	40.62	62.04	5.28	3.57	7.37	4.49	5.25			
<b>Limited Review:</b>																		
Smith AA	130	34.21	21.56	11.02	17.22	14.96	19.54	18.11	41.68	55.91	3.94	1.89	3.25	4.83	3.90			

\* Based on 2015 Peer Mortgage Data: US and PR

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 20100 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 3.4% of loans originated and purchased by Bank.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses** *	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Non MSA AA	1,970	55.59	82.52	78.22	81.32	10.36	8.32	12.85	20.34
Rusk/Gregg AA	1,102	31.09	79.23	72.50	72.60	14.79	12.61	10.00	15.96
<b>Limited Review:</b>									
Smith AA	472	13.32	83.12	62.92	65.68	17.16	17.16	3.49	4.57

\* Based on 2015 Peer Small Business Data: US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2016).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS									
					Geography: CITIZENS		Evaluation Period: January 1, 2014 TO December 31, 2016		
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Non MSA AA	484	54.57	96.83	95.04	94.01	5.17	0.83	37.42	41.54
Rusk/Gregg AA	353	39.80	95.21	96.88	88.67	9.92	1.42	64.67	65.81
<b>Limited Review:</b>									
Smith AA	50	5.64	95.39	100.0	92.00	8.00	0.00	10.06	12.41

\* Based on 2015 Peer Small Business Data: US and PR.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2016).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by Bank.



Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: CITIZENS		Evaluation Period: July 4, 2014 TO April 10, 2017					
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Non MSA AA	1	\$551	124	\$3,576	125	\$4,127	8.20	0	0
Rusk/Gregg AA	1	\$269	273	\$147	274	\$416	0.83	0	0
<b>Limited Review:</b>									
Smith AA	1	\$1,814	78	\$47	79	\$1,861	3.70	0	0
<b>Outside AA</b>									
Regional	13	\$6,418	68	\$36,883	81	\$43,301	86.00	0	0
Statewide	2	\$298	1	\$341	3	\$639	1.27	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: CITIZENS <b>Evaluation Period:</b> January 1, 2014 TO December 31, 2016																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Non MSA AA	52.38	17	53.12	0	8	7	2	8	2	0	+3	+3	0	0.00	18.57	55.69	25.74
Rusk/Gregg AA	44.19	12	37.50	0	3	8	1	1	1	0	+1	-1	0	1.73	22.28	56.50	19.49
<b>Limited Review:</b>																	
Smith AA	3.43	3	9.38	1	0	0	2	1	1	0	0	0	0	3.33	26.76	39.09	30.83

