



## **PUBLIC DISCLOSURE**

January 08, 2018

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

Citizens National Bank  
Charter Number 17456

1320 East Loop 304  
Crockett, TX 75835

Office of the Comptroller of the Currency

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

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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

**The Lending Test is rated: Satisfactory.**

- The bank has a reasonable loan-to-deposit ratio when compared to peer banks.
- A substantial majority of the bank's primary loan products are extended within the assessment area.
- The distribution of loans represents reasonable penetration among borrowers of different income levels and businesses of different sizes given the performance context in which the bank operates.
- The geographic distribution of loans represents reasonable dispersion.
- There were no CRA related complaints.

## 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 metropolitan area/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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 conduct 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 applicants, the amount of the loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, 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 refinancing 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 metropolitan area/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined annually by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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) 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 (CNB) is a \$90 million single state bank wholly owned by Citizens Bancorp, Incorporated, a single bank holding company. The bank serves Houston County, and operates from one location at 1320 East Loop 304, Crockett, TX. A drive-through facility and an automated teller machine are maintained at the location.

The bank is a full service bank and offers a variety of traditional loan and deposit products and financial services. Commercial and consumer loans are the bank's primary business focus, with agricultural and residential real estate loans comprising a small portion of the loan portfolio.

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its assessment area (AA). The bank's CRA performance was previously evaluated as of April 15, 2013, with an overall level of performance of "Satisfactory" under the Small Bank examination procedures.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This Performance Evaluation (PE) is an assessment of CNB's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the Small Bank performance criteria. The examination included an evaluation of one AA that included all census tracts in Houston County. Conclusions regarding the bank's lending performance are based on a review of primary loan products, which included 21 consumer loans and 23 commercial loans originated from January 1, 2015, through December 31, 2016.

### **Data Integrity**

Not applicable. The bank is not a HMDA reporter.

### **Selection of Areas for Full-Scope Review**

We performed a full-scope review on the Houston County AA.

### **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. Commercial loans represented 45.39 percent of the loan products by dollar amount and 13.51 percent by number. While consumer loans represented a smaller percentage by dollar at 24.36 percent, representation by number was significant at 70.72 percent.



## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this bank has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this bank engaged in discriminatory or other illegal credit practices identified by or provided to the OCC before the end of the bank's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

Citizens National Bank's performance under the lending test is satisfactory. The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's performance context, and a substantial majority of the lending occurred within the AA. Additionally, the distribution of loans geographically and to borrowers and businesses of different income levels is reasonable.

#### Loan-to-Deposit Ratio

The LTD ratio for CNB is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average LTD ratio since the previous CRA exam is 38.48 percent, compared to an average LTD ratio of 54.93 percent for similarly situated banks with total assets less than \$100 million.

#### Lending in Assessment Area

A substantial majority of the bank's lending activity is within the AA. We reviewed a sample of commercial and consumer loans originated in 2015 and 2016. The table below illustrates a breakdown of the bank's lending activity.

Lending in Houston County										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	19	95.00	1	5.00	20	152	90.90	15	9.10	167
Commercial	17	85.00	3	15.00	20	667	33.00	1,355	67.00	2,022
Totals	36	90.00	4	10.00	40	820	37.43	1,370	62.57	2,190

Source: Loan sample

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

CNB's distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration given the overall demographics of the AA.

The distribution of consumer loans is reasonable. The percentage of loans to low-income borrowers is lower than the percentage of low-income households in the AA, representing 31 percent of the demographic comparator. However, the percentage of loans to moderate-income borrowers is excellent, representing 243 percent of the demographic comparator. Please see the following table for additional information.

Borrower Distribution of Consumer Loans in Houston County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	32.41	10.00	16.46	40.00	15.03	15.00	36.10	35.00

Source: Loan sample; U.S. Census data

The distribution of loans to small businesses is reasonable. The percentage of loans to businesses with reported revenues of \$1 million or less is 70 percent, compared to approximately 83 percent of businesses in the AA, with 13 percent of businesses not reporting revenues. Please see the following table for additional information.

Borrower Distribution of Loans to Businesses in Houston County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	83.19	4.02	12.79	100%
% of Bank Loans in AA by #	70.00	10.00	20.00	100%
% of Bank Loans in AA by \$	76.56	7.37	16.07	100%

Source: Loan sample; Dun and Bradstreet data.

## Geographic Distribution of Loans

Citizens National Bank's overall geographic distribution of loans reflects reasonable dispersion given the demographics of the AA.

The geographic distribution of consumer loans reflects reasonable dispersion. The percentage of loans in the low-income census tract meets the percentage of AA households, while the percentage of loans in moderate-income census tracts significantly exceeds the percentage of AA households. Please see the following table for additional information.

Geographic Distribution of Consumer Loans in Houston County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	15.89	15.00	10.37	25.00	73.74	60.00	0.00	0.00

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

The geographic distribution of business loans reflects reasonable dispersion. The percentage of loans in low-income census tracts falls within a reasonable range below the percentage of AA businesses, while the percentage of loans in moderate-income census tracts significantly exceeds the percentage of AA businesses. Please see the following table for additional information.

Geographic Distribution of Loans to Businesses in Houston County								
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
Commercial Loans	20.23	10.00	20.32	40.00	59.45	50.00	0.00	0.00

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

### Responses to Complaints

Citizens National Bank has not received any complaints or public comments regarding CRA performance during this evaluation period.

## Appendix A: Scope of Examination

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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): (01/01/15 to 12/31/16) Investment and Service Tests and CD Loans: (Not Applicable)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens National Bank (CNB) Crockett, TX	Consumer Loans and Commercial Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Houston County	Full-Scope	Contains distressed/underserved middle-income census tracts.

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

### Houston County

Demographic Information for Full-Scope Area: Houston County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	14.29	14.29	71.43	0.00	0.00
Population by Geography	23,732	13.22	13.80	72.98	0.00	0.00
Owner-Occupied Housing by Geography	5,851	9.74	8.17	82.09	0.00	0.00
Businesses by Geography	1,196	20.23	20.32	59.45	0.00	0.00
Farms by Geography	90	13.33	4.44	82.22	0.00	0.00
Family Distribution by Income Level	5,437	28.60	15.84	17.44	38.12	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,416	21.19	11.18	67.63	0.00	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$47,817 = \$52,400 = 1.689 or 21.46%	Median Housing Value Unemployment Rate		= \$67,291 = 4.77%		

(\*) 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 AA meets the requirements of the regulation. Houston County consists of the following cities: Crockett, Grapeland, Kennard, Latexo, and Lovelady. There are seven census tracts located within the AA, including one low-income tract, one moderate-income tract, and five middle-income tracts. There are currently no upper-income tracts in the AA. All middle-income tracts have been designated as distressed or underserved tracts.

Houston County has a total population of 23,732 based on U.S. Census data. The distribution of families by income level, regardless of census tract location, consists of the following: 28.60 percent low-income families, 15.84 percent moderate-income families, 17.44 percent middle-income families, and 38.12 percent upper-income families. The weighted average of median housing is \$67,291, and 21.46 percent of the number of households live below poverty level. The local economy is stable with unemployment of 4.77 percent. Discussions with local community leaders noted the loss of the local hospital has had a negative impact on the economy. However, the economy continues to benefit from the remaining leading employers, which include Steel Fabrication and Crockett Independent School.