



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 11, 2013

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

Citizens National Bank of Crosbyton
Charter Number 8515

202 W. Main
Crosbyton, TX 79322

Office of the Comptroller of the Currency

5225 South Loop 289
Suite 108
Lubbock, TX 79424-1319

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

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

Citizens National Bank of Crosbyton's (CNB) CRA performance is satisfactory. The rating is based on the following findings:

- CNB's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area (AA). The loan-to-deposit ratio averaged 35.39 percent during the evaluation period.
- A majority of the bank's loans are to borrowers who live or operate their businesses inside the AA. 2010 through 2011 data showed 65.63 percent by number and 68.02 percent by dollar amount of loans were extended within the bank's AA. 2012 data showed that 68.33 percent by number and 77.49 percent by dollar amount of loans were extended within the AA.
- CNB's distribution of loans to farms with annual revenues of less than \$1 million shows excellent penetration within this loan type. The bank also has an excellent penetration of consumer loans to borrowers of different income levels.
- The geographic distribution of loans within the AA reflects reasonable dispersion given CNB's business strategy and location.

NOTICE OF REVISED PERFORMANCE EVALUATION (PE)

The OCC utilizes the Wolters Kluwer Financial Services (WKFS) CRA Wiz software to support its analysis of an institution's lending performance. In April 2013, WKFS identified incorrect values, based on the 2010 census data, within CRA Wiz. CNB's CRA PE dated February 11, 2013 included an analysis of consumer loans that the institution originated in 2012. We originally finalized and issued your CRA PE on March 15, 2013, prior to the OCC learning of the data errors in CRA Wiz. In May 2013, WKFS provided corrected demographic data to the OCC, which subsequently has been validated. Accordingly, after securing corrected demographic data from WKFS, we re-analyzed CNB's CRA performance. We are issuing this amended CRA PE as of August 29, 2013 based on the corrected demographic data supplied by WKFS. This updated analysis did not result in a change to CNB's lending test rating or CNB's overall CRA rating.

SCOPE OF EXAMINATION

This PE assesses CNB's record of meeting the credit needs of the community in which it operates, consistent with safe and sound banking practices. CNB was evaluated using all five of the small bank criteria: loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to farms of different sizes, geographic distribution of loans, and responses to CRA-related complaints.

To evaluate CNB's lending performance, we selected a random sample of loans from the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by dollar and/or number of loans. Primary products sampled during this evaluation period were agricultural and consumer loans originated between January 1, 2010 and December 31, 2012.

DESCRIPTION OF INSTITUTION

CNB is a rural community bank in Crosbyton, Texas, which is approximately 45 miles east of Lubbock, Texas. CNB is an intrastate bank with one main office and drive-up facilities. CNB is wholly owned by Citizens Bancshares, a one-bank holding company located in Crosbyton, Texas.

As of December 31, 2012, CNB had total assets of \$45.89 million with approximately 33.29 percent in the loan portfolio. The bank's primary loan products include agricultural loans by dollar amount and consumer loans by number.

Loan Portfolio Composition as of December 31, 2012			
Loan Category	\$ (000's)	%	#
Agriculture	5,518	36.71%	130
Agricultural Real Estate	2,722	18.11%	33
Commercial and Industrial	1,182	7.86%	21
Commercial Real Estate	838	5.58%	25
Consumer	2,261	15.04%	276
Residential Real Estate	2,451	16.31%	58
Other	59	0.39%	75
Total	15,031	100.00%	618

Source: December 31, 2012 Report of Condition

Traditional loan and deposit services and drive-up facilities are available Monday through Friday. Business hours are consistent with industry norms. Based on its financial condition, the local economy, product offerings, and competition, CNB has the ability to meet the various credit needs in its community. The bank was rated "Satisfactory" at the last CRA examination performed in September of 2007.

CNB's business strategy is to provide outstanding banking services to customers in the panhandle of West Texas while increasing the long-term value of the owners' investment. No legal impediments or other factors hinder CNB's ability to provide credit in its AA. As of December 31, 2012, CNB's tier 1 capital equaled \$6.40 million representing 14.20 percent of adjusted average assets. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF ASSESSMENT AREA

CNB has designated Crosby County as its AA. Crosby County is in the South Plains region of central West Texas, approximately 45 miles east of Lubbock. Crosbyton is the largest city in Crosby County and serves as the county seat. Smaller cities within the AA include Lorenzo and Ralls. Specific demographic data and economic data for the Crosby County AA are listed in the following table.

Demographic and Economic Characteristics of Crosby County AA	
Population	
Number of Families	1,519
Number of Households	2,144
Geographies	
Number of Census Tracts	3
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	33.33
% Middle-Income Census Tracts	66.67
% Upper-Income Census Tracts	0.00
Median Family Income (MFI)	
2010 MFI for AA	42,266
2012 HUD-Adjusted MFI	55,600
Economic Indicators	
Unemployment Rate	35.40
2012 Median Housing Value	51,567
% of Households Below Poverty Level	20.80

Source: 2010 Census data and HUD updated income data.

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

Based on 2010 Census data, the AA has a total population of 6,059. There are 2,963 housing units in the AA, of which 52.04 percent are owner-occupied, 20.32 percent are renter-occupied, and 27.64 percent are vacant. According to 2010 Census data, low-income families represent 18.10 percent of the population; moderate-income families represent 20.01 percent; middle-income families represent 20.54 percent; and upper-income families represent 41.34 percent of the population. The local economy is based on agricultural-related industries and is recovering from the recent drought. The largest non-agricultural employers within the AA include the Crosbyton Clinic/Hospital and the Crosby County School District. With the recent closing of the Crosbyton Seed Company, one of the largest employers in the area was removed.

Competition is considerable in the AA and includes three state banks, a credit union, and Ag Texas Farm Credit Services. Additionally, the AA is serviced by a Farm Service Agency office.

One community contact was interviewed to assess the general banking and credit needs of the local community, community development opportunities for the local financial institutions, and the performance and perception of the local financial institutions. The community contact indicated the local financial institutions are effective in meeting the credit needs of the community. Local institutions are actively involved in community development, and public perception is positive.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB is meeting the credit needs of its AA in a satisfactory manner. This conclusion is based on the analysis of performance criteria, consistent with the bank’s available resources and capabilities. The following sections provide details of our assessment of each performance criteria.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of CNB is reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s quarterly average loan-to-deposit ratio was 35.39 percent since the prior CRA examination in September 2007. The average loan-to-deposit ratio of similarly situated banks within or contingent to the AA for the same period was 40.28 percent.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the AA is listed below. CNB is primarily an agricultural lender and experiences cyclical loan demand. Since the last examination, the loan-to-deposit ratio has ranged from 25.04 percent to 48.29 percent. Please note no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets as of 12/31/12 \$(000's)	Average Loan-to- Deposit Ratio
Citizens National Bank of Crosbyton	45,891	35.39%
Spur Security Bank	44,936	32.85%
The First National Bank of Floydada	107,599	44.20%
The First National Bank of Tahoka	69,026	29.40%
The First State Bank of Abernathy	28,437	54.65%

Source: Institution Reports of Condition from September 2007 to December 2012

Lending in Assessment Area

A majority of the bank's loans were made inside its AA. In order to assess performance for these criteria, we reviewed 29 farm and 35 consumer loans originated during 2010 and 2011. In addition, we reviewed 29 farm and 31 consumer loans originated during 2012. For 2010 and 2011, our analysis determined that 65.63 percent of the number of loans and 68.02 percent of the dollar amount of loans in the sample were extended within the bank's AA. For 2012, our analysis determined that 68.33 percent of the number of loans and 77.49 percent of the dollar amount of loans in the sample were extended within the bank's AA. The breakdown by loan category is illustrated in the following tables.

Lending in AA 2010-2011										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	20	68.97	9	31.03	29	672,860	69.47	295,738	30.53	968,598
Consumer	22	62.86	13	37.14	35	220,391	63.94	124,295	36.06	344,686
Totals	42	65.63	22	34.37	64	893,251	68.02	420,033	31.98	1,313,284

Source: Sample of loans used for CRA performance analysis

Lending in AA 2012										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	21	72.41	8	27.59	29	955,973	81.64	215,001	18.36	1,170,974
Consumer	20	64.52	11	35.48	31	145,698	58.09	105,111	41.91	250,809
Totals	41	68.33	19	31.67	60	1,101,671	77.49	320,112	22.51	1,421,783

Source: Sample of loans used for CRA performance analysis

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

CNB's loan portfolio reflects an overall excellent penetration among farms of different sizes and individuals and families of various income levels (including low- and moderate-income) within the AA for both 2010 to 2011 and 2012. To perform our analysis, we reviewed income information of 20 agricultural loans and 22 consumer loans originated in the Crosby County AA during 2010 and 2011. In addition, we reviewed income information of 21 agricultural loans and 20 consumer loans originated during 2012.

Farm Loans – Our analysis reflects an excellent penetration among farms of different sizes. Based on 2011 Business Geodemographic Data, there were 108 farms within the AA. Of this number, 97.22 percent of farms reported revenues less than or equal to \$1 million. Based on 2012 Business Geodemographic Data, there are 103 farms within the AA. Of this number, 97.09 percent of farms reported revenues less than or equal to \$1 million. Of the loans in each farm purpose sample, 100 percent were to farms reporting annual revenues below \$1 million showing excellent penetration within this loan type. This level is comparable to the AA information in each sample. The following charts reflect the results of our selected sample of farm loans

originated in this AA.

Borrower Distribution of Loans to Farms in AA 2010-2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	97.22%	1.85%	0.93%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; Dunn and Bradstreet data

Borrower Distribution of Loans to Farms in AA 2012				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	97.09%	1.94%	0.97%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; Dunn and Bradstreet data

Consumer Loans – Overall, our analysis reflects excellent penetration of consumer loans to low- and moderate-income households in the Crosby County AA. Our review of 2010 and 2011 data determined that 13.64 percent and 50.00 percent of the number of consumer loans made during this timeframe were to low- and moderate-income households, respectively. Consumer loans to low-income borrowers are significantly below the census demographic, but the volume is reasonable. The lower performance is attributable to the large percentage of households that are below the poverty level totaling 24.92 percent based on 2000 Census data. This percentage is well above the Texas state average. The bank’s lending to moderate-income borrowers significantly exceeds the standard for satisfactory performance and offsets the low percentage of loans to low-income borrowers. Our review of 2012 data determined that 40.00 percent and 45.00 percent of the number of consumer loans were to low- and moderate-income households, respectively. Lending to both low- and moderate-income households significantly exceeds the standard for satisfactory performance under this criterion. The following charts reflect the results of our selected samples of consumer loans originated in the AA.

Borrower Distribution of Consumer Loans in AA 2010-2011								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	30.56	13.64	17.74	50.00	18.01	36.36	33.69	0.00

Source: 2000 Census data; Loan sample

Borrower Distribution of Consumer Loans in AA 2012								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of #of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	26.54	40.00	20.34	45.00	19.87	15.00	33.26	0.00

Source: 2012 Census data; Loan sample

Geographic Distribution of Loans

CNB’s geographic distribution of loans within the census tracts reflects reasonable dispersion given the bank’s business strategy and location. Our analysis included 20 farm and 22 consumer loans in the Crosby County AA originated between 2010 and 2011. In addition, we included 21 farm and 20 consumer loans in the Crosby County AA originated during 2012. 2010 demographic information indicates that the moderate-income area is located in the central portion of Crosby County. As a result of changes to the 2010 census tract reference map, tract 9501 is now considered a middle-income tract. This tract was formerly a moderate-income tract according to the 2000 map. Crosbyton, Texas is located in census tract 9501. As a result, a significant portion of the bank’s loans are made within this census tract. As such, a significant portion of loans originated during 2012 are now located in a middle-income census tract. This explains the shifts in the following tables.

Farm Loans – The geographic distribution of loans to farms in the moderate-income census tracts reflects reasonable dispersion with regards to AA composition. Our review of 2010 to 2011 loans determined that 50 percent of farm loans are located in moderate-income census tracts, and the remaining 50 percent are located in middle-income census tracts. The bank’s performance in the moderate-income census tract is below the census demographic but is reasonable. During this timeframe, there were fewer opportunities to lend to farms due to the drought’s impact on agriculture. Low loan demand accounts for the percentage of number of loans being below the census demographic. Our review of 2012 loans determined that 9.52 percent of farm loans are located in moderate-income census tracts, and the remaining 90.48 percent are located in middle-income census tracts. The significant difference between the number of loans located in middle-income census tracts between 2010 to 2011 data and 2012 data is due to the change in census tract income level of tract 9501 from moderate-income to middle-income. While 2012 performance reflects poor dispersion when compared to the census demographic, it is explainable because the remaining moderate-income census tract is farther away from the bank. The following charts reflect the results of our selected sample of farm loans originated in CNB’s AA.

Geographic Distribution of Loans to Farms in AA 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Farms	0.00	0.00	71.30	50.00	28.70	50.00	0.00	0.00

Source: Loan sample; Dunn and Bradstreet Data

Geographic Distribution of Loans to Farms in AA 2012								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Farms	0.00	0.00	35.92	9.52	64.08	90.48	0.00	0.00

Source: Loan sample; Dunn and Bradstreet Data

Consumer Loans – The geographic distribution of consumer loans in the moderate-income census tracts reflects reasonable dispersion with regards to AA composition. Our review of loans originated from 2010 to 2011 showed that 90.91 percent of consumer loans are located in moderate-income census tracts and 9.09 percent are located in middle-income census tracts. Loans originated in 2012 show that 100 percent of loans are located in middle-income census tracts. The change in census tract income level between the 2000 Census and the 2010 Census caused the significant shift in distribution as indicated below. While 2012 performance reflects poor dispersion in comparison to the census demographic, it is explainable because the remaining moderate-income census tract is farther away from the bank. The following charts reflect the results of our selected sample of consumer loans originated in Crosby County.

Geographic Distribution of Consumer Loans in AA 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	74.40	90.91	25.60	9.09	0.00	0.00

Source: 2000 Census data; Loan sample

Geographic Distribution of Consumer Loans in AA 2012								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	39.04	0.00	60.96	100.00	0.00	0.00

Source: 2010 Census data; Loan sample

Responses to Complaints

No complaints related to CRA performance were received by CNB during the evaluation period, and this has a neutral impact on the bank’s overall performance. CNB has the necessary systems in place to ensure that complaints are addressed in an appropriate and timely manner.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.289(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.