



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 13, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number 16890

4800 North Navarro Street
Victoria, Texas 77903

Comptroller of the Currency
Southwestern District
500 North Akard, 1600 Lincoln Plaza
Dallas, Texas 75201-3394

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Citizens National Bank, Victoria, Texas, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 13, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Citizens National Bank is responsive to the community credit needs including low- and moderate-income individuals and areas. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area. A majority of loans are made within the bank's assessment area of Victoria County. The geographic distribution of loans covers all census tracts within Victoria County and reflects reasonable dispersion throughout the assessment area. A strong penetration of loans is granted to low- and moderate-income individuals and small businesses.

The following table indicates the performance level of Citizens National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is retail oriented with one main office and two automated teller machines (ATM). CNB is a wholly owned subsidiary of CNB Bancshares of Victoria, Inc. As of March 31, 1996, total assets equaled \$69.7 million with total loans of \$30.8 million. CNB does not face any legal impediments and the bank's financial condition does not inhibit efforts in supporting the community's credit needs. CNB provides a wide range of credit products and deposit services to the community.

DESCRIPTION OF VICTORIA COUNTY

CNB designates Victoria County as its assessment area. The county is located in a Metropolitan Statistical Area (MSA) which has twenty-one census tracts. Thirteen census tracts are located in the city of Victoria which consist of one low, seven moderate, three middle, and two upper income census tracts. The low income census tract is located in the city's southern part with the moderate census tracts ranging from the south to the north-central. The two upper income census tracts are located in the city's northern part. Victoria County's remaining eight census tracts consist of six middle and two upper income.

The 1990 census reports the population of Victoria County at 74 thousand with a median family income of \$31,685. The updated 1995 median family income for Victoria County is reported at \$37,200 by Housing and Urban Development (HUD). CNB identifies small business loans as the primary credit need. Management also believes the community's awareness of credit availability should be enhanced.

The city of Victoria is located 100 miles northeast of Corpus Christi, Texas, and 125 miles south-west of Houston, Texas. The county's economy is improving with increased activity and growth evident. Building permits for single family residences increased, each year, from 1990 to 1994 (information for 1995 unavailable). The largest employers in the county are Victoria Independent School District with 1,962 employees, E.I. Dupont De Nemours & Company with 1,208 employees, and Formosa Plastics Corporation, U.S.A. with 1,150 employees.

We performed two community contacts and consulted three prior community contact reports during our review. These organizations included small business development, minority business development, and economic development. These contacts re-enforced the perception that the most significant credit needs are small business lending and credit availability awareness.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Management is satisfactorily meeting Victoria County's credit needs, including low- and moderate-income individuals, consistent with its resources and capabilities.

CNB's 50.3% loan-to-deposit ratio as of March 31, 1996, is reasonable and compares favorably with its eleven quarter average loan-to-deposit ratio of 49.3%. This ratio is above the 48.5% loan-to-deposit ratio of the two other banks based in Victoria.

A majority of loans are extended within CNB's assessment area (AA). The 1995 Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) identifies 83% of the number and 79% of the dollar amount of loans are within the AA. The HMDA-LAR tracks the following types of loans: 1) one-to-four family, 2) one-to-four family refinancing, 3) home improvement, and 4) multifamily. No multifamily loans were originated in 1995.

Please refer to the following table for an analysis of CNB's 1995 HMDA loan originations:

1995 HMDA LOAN ORIGINATIONS (\$000'S)								
Type of Loan	# within AA	%	# outside AA	%	\$ within AA	%	\$ outside AA	%
One-Four Family	9	69%	4	31%	\$435	78%	\$123	22%
Home Improvement	45	88%	6	12%	\$304	81%	\$73	19%
One-Four Refinancing	12	75%	4	25%	\$118	78%	\$34	22%
Total	66	83%	14	17%	\$857	79%	\$230	21%

Management also tracks business and consumer loans within and outside the AA. A majority of these loans are within the AA as the following table indicates:

BANK'S INTERNAL REPORTS ON 1995 LOAN ORIGINATIONS (\$000'S)								
Type of Loan	# within AA	%	# outside AA	%	\$ within AA	%	\$ outside AA	%
Consumer	565	81%	131	19%	\$3,885	79%	\$1,006	21%
Business	230	89%	28	11%	\$5,431	84%	\$1,071	16%
Total	795	83%	159	17%	\$9,316	82%	\$2,077	18%

Our sample of 25 new business and 25 new consumer loans indicates 96% and 80%, respectively are within CNB's AA. This coincides with management's 1995 internal analysis of these two loan categories.

Our business sample of 25 loans indicates 84% are to small businesses. CNB takes a leadership role in providing small business loans within the community. They are the only certified Small Business Administration (SBA) lender in Victoria County, originating 18 SBA loans over the prior two years.

Citizens National Bank has a strong penetration of loans to low-and moderate-income individuals. The 1995 HMDA-LAR reflects 26% of loan originations are to low- and moderate-income individuals. Please refer to the following table for additional detail:

1995 HMDA Originations Based on Income of the Borrower (000's)				
Income Classification	Number HMDA Loans	Percent	Dollar Amount HMDA Loans	Percent
Low Income	6	9%	\$76	9%
Moderate Income	11	17%	\$46	6%
Middle Income	17	27%	\$168	20%
Upper Income	30	47%	\$533	65%

We sampled 20 new consumer loans within the AA area to determine the borrower's level of income. Forty percent of these loans are to low income individuals and 25% are to moderate income individuals. This corresponds with CNB's internal analysis which indicates 54% of all 1995 consumer loan originations are to low- and moderate-income individuals.

A geographic distribution analysis of loans in CNB's AA indicates a reasonable distribution within the various census tracts. CNB's analysis indicates 3% of originations are in the low income and 29% in the moderate income census tracts. This correlates with the population distribution of the county.

During this evaluation period, no consumer complaints regarding CRA performance have been received, nor any violations of anti-discrimination laws and regulations identified. The Board of Directors implemented a fair lending policy statement. Semi-annual training is provided and annual audits are conducted to ensure compliance with the anti-discrimination laws. All loans receive a secondary review before approval or denial to ensure consistency in the lending process.