



LARGE BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

April 04, 2005

Community Reinvestment Act
Performance Evaluation

**Citizens National Bank
Charter Number: 13443**

**201 West Main Street
Henderson, TX 75653**

Office of the Comptroller of the Currency

**Longview (NE Texas & NW Louisiana)
1800 West Loop 281 Suite 306
Longview, TX 75604**

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.

Table of Contents

OVERALL CRA RATING	1
DEFINITIONS AND COMMON ABBREVIATIONS	2
DESCRIPTION OF INSTITUTION	5
SCOPE OF THE EVALUATION	6
FAIR LENDING REVIEW	8
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	9
LENDING TEST	9
INVESTMENT TEST	14
SERVICE TEST	15
APPENDIX A: SCOPE OF EXAMINATION	A-1
APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS	B-1
APPENDIX C: TABLES OF PERFORMANCE DATA	C-1

Overall CRA Rating

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

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

Performance Levels	Citizens National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
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:

- CNB’s lending volume is good given the size and competition in its primary market. A substantial majority of the bank’s loans were within its designated assessment areas. Further, the distribution of these loans by geography is good based upon the demographics of the area while the distribution of these loans by borrower income level also reflects a good penetration to all income levels.
- The level of qualified community development investments, grants and donations represents good responsiveness to identified community development needs. The bank made qualified investments during the evaluation period of \$1.5 million representing approximately 3% of Tier 1 Capital.
- CNB’s delivery systems are accessible to all geographies and individuals of different income levels in its assessment areas. The bank has opened three branches during this evaluation period. Each branch provides the same products and services. Additionally business hours have been tailored to accommodate customers’ needs, including Saturday banking hours.

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.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

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.

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 household 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 or a block numbering area 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 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).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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 primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Citizens National Bank (CNB), headquartered in Henderson, Texas, is an intrastate financial institution with \$631 million in assets. The bank and its subsidiaries, HCB Insurance Agency and CNB Community Development Corporation (CDC), are wholly owned by Henderson Citizens Delaware Bancshares, Inc., a one-bank holding company located in Dover, Delaware. Henderson Citizens Delaware Bancshares, Inc. is wholly owned by Henderson Citizens Bancshares, Inc. located in Henderson, Texas. HCB, Inc. and HCB OG, Inc. are affiliates of the bank. CDC is a community development corporation dedicated to providing affordable housing loans to low- and moderate-income persons and the start up or expansion of small and minority owned businesses. CDC has also purchased real estate and home loans in low- and moderate- income areas to be improved or renovated and sold to low-income individuals through the CDC program.

CNB has 17 full service branches and 28 automatic teller machines located in northeast Texas. Currently, the bank has branches in Rusk and Gregg Counties, which are a part of the Longview Metropolitan Area. The bank also has branches in the non-metropolitan areas of Harrison, Marion, Henderson and Navarro counties. During this assessment period, current census data resulted in changes in the local metropolitan statistical areas (MSAs). Affected areas include the non-MSA counties of Harrison and Henderson, which were previously part of the Longview-Marshall MSA and the Dallas MSA respectively. Additionally, Rusk County was previously considered a non-MSA area but is now included in the Longview MSA. These changes have had an impact on the definitions of the bank's defined assessment areas and the designation of low and moderate-income tracts within these areas.

CNB's philosophy is to be a full service institution by providing a wide array of financial services to consumers and business. CNB is retail oriented and offers a variety of deposit and loan products as well as trust, investment and insurance services. As of March 31, 2005, the bank's net loans represented 41% of total assets. The loan portfolio is comprised of 19% commercial real estate, 21% commercial, 40% residential real estate, 12% consumer, and 8% agriculture.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. As of March 31, 2005, CNB's Tier 1 Capital level was \$56 million, representing 9.26% of adjusted average assets. The bank's CRA performance was last evaluated as of April 8, 2002, using large bank CRA procedures with the overall level of performance rated "Satisfactory."

Scope of the Evaluation

Evaluation Period/Products Evaluated

Conclusions regarding the bank's lending performance are based on residential mortgage, small business, small farms, and consumer loans for the years 2002, 2003 and 2004. Multifamily loans were not considered during this review due to the small number of these loan types originated during this assessment period. Furthermore, aggregate data to determine market share during 2004 was not available for review and therefore, a market analysis was not used in the analysis of the bank's lending in 2004. For community development loans and the Service and Investment Tests, the evaluation period runs from the ending date of the last CRA evaluation period to the start date of the current CRA examination. This evaluation period runs from April 8, 2002 to April 4, 2005. The investment test included a review of investments, grants and donations made in the bank's AA that meet the definition of community development investments. The Service Test included a review of retail and community development services provided in the bank's AA.

Data Integrity

We verified the accuracy of data used in the evaluation of the bank's performance by reviewing the bank's systems and controls to collect the data report. Our review revealed the integrity of the bank's data is sound and considered to be a reliable source of information when reviewing CRA performance. We found no significant exceptions or weaknesses that would affect the bank's performance or ratings. Publicly reported data relating to these loans is considered accurate.

Community development loans, investments and services submitted by CNB's management were also verified to ensure they met the regulatory definition for community development.

Selection of Areas for Full-Scope Review

The bank's primary assessment area includes Rusk and Gregg counties, which are a part of the Longview MSA. These counties include the cities of Longview, Kilgore and Henderson as well as several small communities. The bank has nine offices located in this area, which account for 63% of the bank's total deposits and 53% of the loans originated in this assessment period. Prior to 2004, Rusk County was not included in the MSA and was considered a separate assessment area for analysis purposes in 2002 and 2003. In 2002, Rusk County included no low income CTs and only one moderate income CT while in 2003, there were no low or moderate income CTs. Due to changes in the designation of counties included in the Longview MSA in 2004, the bank's assessment area now includes the adjacent counties of Rusk and Gregg. As a part of the Longview MSA and with the combination of Rusk and all of Gregg County, the assessment area now includes no low income CTs and nine moderate income CTs. The moderate income CTs are primarily in the city of Longview, located in Gregg County. A full scope review was performed in Rusk County for 2002 and 2003 while the Rusk and Gregg County area were combined for analysis purposes in 2004. Refer to the table in Appendix A: Scope of the Examination for additional information. A limited scope review was completed for Henderson/Navarro County assessment area and Harrison/Marion County assessment area.

Ratings

The bank's overall rating is based primarily on the area that received a full-scope review. To determine a rating for the bank's lending performance, we reviewed home mortgages, small loans to businesses, small loans to farms, and consumer loans. No consideration was given to multi-family products due to the low volume of these type products.

Other

We conducted two community contacts for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions and determining their performance within the community. These contacts included a local community organization and a local realtor. The contacts identified affordable single family and rental housing as a primary credit need. Opportunities for banks to participate in community development activities, outside of loan products are considered very limited. However, comments received were positive concerning the manner in which CNB and other banks provided needed credit, investment and related services.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

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 "High Satisfactory". Based on Full-scope reviews, the bank's performance in the Gregg/Rusk Area is good.

Lending Activity

Refer to Tables 1 Lending Volume and 1 Other in Appendix C for the facts and data used to evaluate the bank's lending activity. The bank's overall lending activity is good. The bank has made 9,165 loans for a total of \$236 million in its assessment areas. These loans are distributed throughout the bank's assessment areas with the majority of the loans in the Rusk County AA. In addition, the distribution of the types of loans is reasonably divided among mortgage, small business and consumer loans.

Loan volume in the Rusk/Gregg County assessment area is good. Overall, this area accounts for approximately 53% of reportable loans originated during the assessment period compared to 63% of the bank's deposits. CNB ranks second in the deposit market share at 12%. Loan market share for 2004 was not available for review. However, the bank ranked first in all home mortgage products in Rusk County for 2003. Market share totals for home purchase loans and home refinance loans were 18% and 22% respectively, while home improvement loans were 58%. The lower market shares are due primarily to the larger number of bank and non-bank competitors and the aggressive competition for residential real estate loans.

Distribution of Loans by Income Level of the Geography

CNB's overall distribution of loans by income level of the geography is good. Geographic distribution for home mortgage products, small loans to businesses, small loans to farms, and consumer loans is good in the Rusk/Gregg County assessment areas. The bank originated no multifamily loans; therefore, a geographical analysis of these loans is not meaningful.

As noted earlier, Rusk County was a separate assessment area prior to 2004. Due to changes in the counties included in the Longview MSA, the Rusk County AA was combined with Gregg County as a single AA. Consequently, our analysis of lending in the Rusk/Gregg area during 2002 and 2003 is based on Rusk County only while the analysis of 2004 includes both Rusk and Gregg County. Due to the recent addition of all of Gregg County as a part of the bank's AA, more weight was given to the bank's performance in 2002 and 2003. However, based upon census data, there were no low-income census tracts located in the Rusk County for any period reviewed and no moderate-income CTs in 2003. Therefore, our analysis of the distribution of loans by geography in the Rusk/Gregg County Area is based upon 2002 and 2004 loan information.

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Home Purchase Loans:

The overall geographic distribution of home purchase loans in 2002 is good. The distribution of loans in moderate-income tracts approximates the percentage of owner-occupied housing units in the moderate income CT. Additionally, the bank's market share in the moderate-income CTs exceeds its overall market share in the assessment area. The geographic distribution of home purchase loans in 2004 is adequate. The distribution of loans in the moderate-income tracts, during 2004, is less than the percentage of owner-occupied housing units in the moderate-income tracts. However, this is a new market that became part of the Rusk County AA after changes in the designation of counties in the Longview MSA and the opening of a new branch in Gregg County. Therefore, our assessment of the bank's performance in this area was limited.

Home Improvement Loans:

The overall geographic distribution of home improvement loans is good. The distribution of loans in moderate-income tracts equals the percentage of owner-occupied housing units in the moderate income CTs in 2002. The geographic distribution of home improvement loans in 2004 is adequate. The distribution of loans in the moderate-income tracts is less than the percentage of owner-occupied housing units in the moderate-income tracts and is reflective of the factors discussed above.

Home Refinance Loans:

The overall geographic distribution of home refinance loans is adequate. The distribution of loans in moderate-income tracts is less than the percentage of owner-occupied housing units in the moderate income CTs in 2002 and 2004. However, the bank is ranked first in market share in the moderate-income CTs in 2002. No market share data is available for 2004, however, the lower percentage of home refinance loans in the moderate-income tracts is reflective of the factors previously discussed.

Small Loans to Businesses

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.

The overall geographic distribution of small business loans is good. The distribution of small loans to businesses in moderate-income tracts approximates the percentage of businesses in the moderate income CTs in 2002. The geographic distribution of small loans to businesses in moderate-income tracts is less than the percentage of businesses in the moderate income CTs in 2004. However, this is reflective of the changes in the MSA area and branch expansion discussed above. Furthermore, the bank has developed a Hispanic Business Strategic Plan to develop a business and loan relationship with the Hispanic businesses in its assessment area, many of which are located in moderate-income tracts.

Small Loans to Farms

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The overall geographic distribution of small loans to farms is excellent. The distribution of small loans to farms in moderate-income tracts exceeds the percentage of farms in the moderate income CTs in both 2002 and 2004.

Consumer Loans

Refer to Table 13 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

The overall geographic distribution of consumer loans is adequate. The distribution of consumer loans in moderate-income tracts approximates the percentage of moderate income CTs in 2002. The geographic distribution of consumer loans is less than the percentage of moderate income CTs in 2004 and is reflective of the factors discussed above.

Lending Gap Analysis

Our review included an evaluation of CNB's lending throughout the AA including any low and moderate-income tracts. This was done using maps and reports showing the bank's lending in each tract to identify any gaps in the geographic distribution of home mortgage loans, small loans to business and consumer loans. No unexplained or conspicuous gaps were identified.

Inside/Outside Ratio

During the evaluation period, 86% of loans reviewed were within the AA. Approximately 86% of home mortgage loans, 80% of small business loans, and 88% of consumer loans were within the AA. This performance was positively factored into the overall analysis of the geographic distribution of lending.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

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 home mortgage loan originations and purchases.

Information identified in the performance context as of 2004 for Rusk and Gregg Counties revealed approximately 20% of families are low income and 18% are moderate income. In addition, approximately 12% of the families in this AA are below poverty level. Additionally, the lack of affordable homes was identified by the community contacts. The median housing value in this AA was \$71 thousand with limited affordable housing stock available. CNB has attempted to overcome barriers that prevent low and moderate-income families from obtaining credit by offering loans through CDC. CDC offers more flexible underwriting guidelines and provides more affordable terms for those who may not otherwise qualify for conventional financing. In addition, the bank has begun to offer an additional program through Freddie Mac which also offers more flexible underwriting guidelines for qualified applicants.

Home Purchase Loans

The overall distribution of home purchase loans by borrower income level is adequate. The percentage of loans to low-income borrowers is less than the percentage of low-income families in the assessment area for each year reviewed and is reflective of the factors discussed above. The percentage of home purchase loans to moderate-income borrowers approximates the percentage of moderate-income families in 2002 while exceeding the percentage in 2003. For 2004, the percentage of home purchase loans to moderate-income borrowers is less than the percentage of moderate-income families and is reflective of the changes in the assessment area discussed above.

Home Improvement Loans

The distribution of home improvement loans by borrower income level is adequate. The percentage of loans to low-income borrowers is less than the percentage of low-income families in the assessment area for each year reviewed and is reflective of the factors discussed above. In 2002, the percentage of home improvement loans to moderate-income borrowers is less than the percentage of moderate-income families in the assessment area. However, in 2003 the percentage loans approximates the percentage of families and in 2004 the percentage of loans exceeds the percentage of moderate-income families.

Home Refinance Loans

The distribution of home refinance loans by borrower income level is adequate. The percentage of loans to low and moderate-income borrowers is less than the percentage of low and moderate-income families in the assessment area for each year reviewed and is reflective of the mitigating factors discussed above. With strong competition for home refinance products, the bank has a lower market share in this assessment area.

Small Loans to Businesses

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.

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

Small Loans to Farms

Refer to Table 12 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

The bank's distribution of small loans to farms is excellent. The percentage of loans to farms with revenues of \$1 million or less exceeds the percentage of farms with revenues of \$1 million or less in the AA for each year reviewed.

Consumer Loans

Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The bank's overall distribution of consumer loans by income level of the borrower is excellent. While the percentage of consumer loans to low-income borrowers is less than the percentage of low-income households in 2002, in 2003 and 2004, the percentage of loans is near to and exceeds the percentage of low-income households, respectively. The percentage of consumer loans to moderate-income borrowers exceeds the percentage of moderate-income households in each timeframe reviewed.

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.

Community development lending had a neutral impact on the Lending Test conclusions. During the evaluation period, the bank did not have any loans that qualify as community development in the Rusk/Gregg assessment area.

Product Innovation and Flexibility

Since the previous examination, CNB introduced the Home Possible 100 Mortgage program through Freddie Mac. This program provides first time homebuyers, minority, new immigrant and low to moderate-income borrowers with low down payment and flexible credit terms. In addition, CNB continues to offer loans through its solely owned Community Development Corporation (CDC). CDC finances the rehabilitation and development of affordable housing for low and moderate income persons and the start up or expansion of small and minority owned

businesses. CDC's underwriting guidelines are flexible and provide more affordable terms for those who may not otherwise qualify for conventional housing. CDC is also innovative in purchasing real estate and homes in low-income areas to be improved or renovated and sold to low-income individuals through the CDC programs. CDC is currently looking for homes in Gregg County to be repaired and sold to low or moderate-income individuals. The homes will be sold through the CDC with financing provided under its flexible loan program.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the lending test in the Henderson/Navarro County Area and the Harrison/Marion County Area is not inconsistent with the bank's overall "High Satisfactory" 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 Rusk/Gregg County area is good.

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

The level of bank investments in qualified community development investments is good. The Board has continued to support its solely owned CDC through additional investments in the Rusk/Gregg County area. Since the previous examination the Board has invested \$350 thousand in addition to the \$600 thousand previously invested. The Board has also approved a \$200 thousand investment in the Small Business Investment Companies (SBIC) with advances of \$71,645 during this examination period. Furthermore, the Board and management remain committed to local organizations that provide community service by providing donations to numerous organizations in the assessment area. While other community development investments remain limited in the AA, management and the Board remain diligent in identifying opportunities for investment within the Rusk/Gregg County area.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the investment test in the Henderson/Navarro County AA is stronger than the bank's overall "High Satisfactory" performance under the investment test. In the Harrison/Marion County AA, the bank's performance is weaker than the bank's overall "High Satisfactory" performance under the investment test.

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 Rusk/Gregg County Area is 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.

The delivery systems of the bank are accessible to geographies and individuals of different income levels throughout Rusk and Gregg Counties. The bank operates nine banking offices and 14 ATMs that are conveniently located throughout this assessment area. During 2004, the bank expanded its offices in Gregg County with the opening of an additional branch in northeast Longview. Rusk and Gregg Counties include no low-income tracts and 9 moderate-income tracts. There is one office located in a moderate-income tract with other locations accessible to these areas.

A wide range of financial services is provided at each branch and is consistent throughout the bank's branch network. The bank offers ATMs at each branch location as well as additional locations throughout the assessment area. In addition, CNB offers telephone banking services, low costs checking accounts, ACH deposits and internet banking services. We could not place significant weight on the alternative delivery systems when drawing our conclusions because no data was available to judge the accessibility and effectiveness of such systems to low- and moderate-income individuals.

Community Development Services

In addition to retail banking services, the bank provides a good level of community services. The bank actively seeks opportunities and provides services to a large number of community groups. During this evaluation, CNB has developed and implemented a Hispanic Strategic Plan in order to reach the growing Hispanic population and Hispanic owned businesses in the assessment area. This plan includes employing additional bilingual employees, developing a plan for loan customers with no credit history, visiting Hispanic owned businesses, setting up seminars and providing all disclosures and documents in Spanish. During this evaluation period, CNB also provided education or technical assistance to various organizations that promote affordable housing, economic development, consumer financial information and minority programs. These include the Economic Development Corporation, Habitat for Humanity, CNB Community Development Corporation, and the Henderson Housing Authority. Additionally, CNB is innovative in providing financial services to all assessment areas through workshops, seminars and visiting workplaces. During these activities, information is provided dealing with the use of credit, credit counseling, managing personal finances, and other financial services education to promote community development.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited scope reviews, the bank's performance under the Service Test in the Henderson/Navarro County AA and in the Harrison/Marion County 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 non-metropolitan 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”).

Time Period Reviewed	Lending Test (excludes CD Loans): 01/01/2002 to 12/31/2004 Investment and Service Tests and CD Loans: 04/08/2002 to – 04/05/2005	
Financial Institution	Products Reviewed	
Citizens National Bank (CNB) Henderson, Texas	Home Mortgage, Commercial, Farm, and Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	None	None
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Rusk/Gregg County Area Henderson/Navarro County Area Harrison/Marion County Area	Full-Scope Limited Scope Limited Scope	Part of Longview MSA Entire Counties Entire Counties

Appendix B: Market Profiles for Full-Scope Areas

Table of Contents

Market Profiles for Areas Receiving Full-Scope Reviews

Rusk/Gregg County Area.....	B-2
-----------------------------	-----

Rusk/Gregg County Area

Demographic Information for Full-Scope Area: Rusk/Gregg County Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	35	0.00	25.71	57.14	17.14	0.00
Population by Geography	158,751	0.00	22.81	57.22	19.96	0.00
Owner-Occupied Housing by Geography	41,244	0.00	17.22	60.76	22.02	0.00
Businesses by Geography	11,998	0.00	28.70	47.53	23.76	0.00
Farms by Geography	307	0.00	18.57	56.03	25.41	0.00
Family Distribution by Income Level	42,609	20.48	17.61	20.85	41.05	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	16,233	0.00	30.33	56.96	12.71	0.00
Median Family Income = \$40,970						
HUD Adjusted Median Family Income for 2004 = \$47,300						
Households Below the Poverty Level = 14.77%						
			Median Housing Value = \$65,695			
			Unemployment Rate = 2.84%			

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

Source: 2000 U.S. Census, and 2004 HUD updated MFI.

Rusk and Gregg Counties are located in Northeast Texas and are a part of the Longview MSA. This area includes the cities of Henderson, Longview and Kilgore as well as several smaller communities. This area includes thirty-five census tracts (CTs), which consist of 9 moderate-income CTs, 20 middle-income CTs and 6 upper-income CTs. Nine of the bank's branches and 14 ATMs are located in Rusk and Gregg Counties. Approximately 53% of the loans originated in this assessment period and 63% of the total bank deposits are included in these counties. There are numerous other banking institutions that compete in the Rusk and Gregg County markets. CNB is the second largest financial institution with \$631 million in total assets and a 14% market share of deposits as of June 30, 2004. CNB continues to be retail oriented with a focus on mortgage lending, consumer lending and commercial lending.

Population growth and economic conditions remain stable in the Rusk and Gregg County AA. Major employers in the area include Texas Utilities, Bradshaw State Jail, and Sadlers Bar-B-Que in Rusk County. In Gregg County, the major employers include Texas Eastman, Good Shepherd Hospital and LeTourneau, Inc. Community contacts were conducted in the assessment area in order to assess the credit needs of the community and identify opportunities for lending and investment by local financial institutions. Contacts identified the lack of affordable housing within the area but noted good performance by the banks in providing loans when housing became available. One contact particularly noted the availability of loans to low- and moderate-income individuals through the CDC offered by this bank. Another contact also identified the lack of community development investment opportunities in the area. Both contacts felt the local financial institutions were providing products and services which help meet the needs of the community.

Appendix C: Tables of Performance Data

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: 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. Tables without data are not included in this PE.

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. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- 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. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

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: TEXAS												
Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004												
MA/Assessment Area (2004):	% 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)	
Full Review:												
Rusk/Gregg Counties	56.23	295	19,597	223	11,896	159	2,461	0	0	677	33,954	62.70
Limited Review:												
Harrison/Marion Counties	18.19	123	7,594	79	5,909	17	384	0	0	219	13,887	17.86
Henderson/Navarro	25.58	201	14,211	55	2,699	52	865	0	0	308	17,775	19.44

* Loan Data as of December 31, 2004. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2004 to December 31, 2004.

*** Deposit Data as of December 31, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: TEXAS				Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004								
MA/Assessment Area (2004):	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:														
Rusk/Gregg Counties	54.80	873	7,508	0	0	0	0	292	4,169	0	0	331	2,325	62.70
Limited Review:														
Harrison/Marion County	23.35	372	3,153	0	0	0	0	110	1,530	0	0	131	1,045	17.86
Henderson/Navarro	21.85	348	3,378	0	0	1	4	132	2,005	0	0	114	998	19.44

* Loan Data as of December 31, 2004. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

*** Deposit Data as of December 31, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: TEXAS		Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004	
MA/Assessment Area (2004):	Other Unsecured Consumer Loans [*]		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
Full Review:					
Rusk/Gregg Counties	250	1,014	0	0	0
Limited Review:					
Harrison/Marion Counties	131	578	0	0	0
Henderson/Navarro Counties	101	371	0	0	0

^{*} The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE															Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
MA/Assessment Area:	Total Home Purchase 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									
Full Review:																								
Rusk/Gregg Counties	125	49.80	0.00	0.00	17.22	6.40	60.76	84.80	22.02	8.80	0.00	0.00	0.00	0.00	0.00									
Limited Review:																								
Harrison/Marion Counties	40	15.94	0.00	0.00	13.89	7.50	51.34	72.50	34.77	20.00	0.00	0.00	0.00	0.00	0.00									
Henderson/Navarro Counties	86	34.26	0.00	0.00	0.00	0.00	87.92	89.53	12.08	10.47	0.00	0.00	0.00	0.00	0.00									

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

** 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT															Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
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									
Full Review:																								
Rusk/Gregg Counties	80	43.72	0.00	0.00	17.22	5.00	60.76	93.75	22.02	1.25	0.00	0.00	0.00	0.00	0.00									
Limited Review:																								
Harrison/Marion Counties	45	24.59	0.00	0.00	13.89	15.56	51.34	62.22	34.77	22.22	0.00	0.00	0.00	0.00	0.00									
Henderson/Navarro Counties	58	31.69	0.00	0.00	0.00	0.00	87.92	91.38	12.08	8.62	0.00	0.00	0.00	0.00	0.00									

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

** 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE															Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
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									
Full Review:																								
Rusk/Gregg Counties	90	48.65	0.00	0.00	17.22	3.33	60.76	86.67	22.02	10.00	0.00	0.00	0.00	0.00	0.00									
Limited Review:																								
Harrison/Marion Counties	38	20.54	0.00	0.00	13.89	13.16	51.34	60.53	34.77	26.32	0.00	0.00	0.00	0.00	0.00									
Henderson/Navarro Counties	57	30.81	0.00	0.00	0.00	0.00	87.92	80.70	12.08	19.30	0.00	0.00	0.00	0.00	0.00									

^{*} The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

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

^{***} Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES															
Geography: TEXAS															
Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004															
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
Full Review:															
Rusk/Gregg Counties	223	62.46	0.00	0.00	28.70	20.63	47.53	74.44	23.76	4.93	0.00	0.00	0.00	0.00	0.00
Limited Review:															
Harrison/Marion Counties	79	22.13	0.00	0.00	17.53	6.33	44.90	73.42	37.57	20.25	0.00	0.00	0.00	0.00	0.00
Henderson/Navarro Counties	55	15.41	0.00	0.00	0.00	0.00	81.86	74.55	18.14	25.45	0.00	0.00	0.00	0.00	0.00

^{*} The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

^{**} 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 (2003).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS																
Geography: TEXAS																
Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004																
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	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid
Full Review:																
Rusk/Gregg Counties	159	69.74	0.00	0.00	18.57	18.87	56.03	79.25	25.41	1.89	0.00	0.00	0.00	0.00	0.00	0.00
Limited Review:																
Harrison/Marion Counties	17	7.46	0.00	0.00	9.16	0.00	52.67	88.24	38.17	11.76	0.00	0.00	0.00	0.00	0.00	0.00
Henderson/Navarro Counties	52	22.81	0.00	0.00	0.00	0.00	82.74	78.85	17.26	21.15	0.00	0.00	0.00	0.00	0.00	0.00

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

** 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 (2003).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE															Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
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****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp							
Full Review:																								
Rusk/Gregg Counties	125	49.80	20.48	8.55	17.61	10.26	20.85	22.22	41.05	58.97	0.00	0.00	0.00	0.00	0.00									
Limited Review:																								
Harrison/Marion Counties	40	15.94	19.46	10.00	16.12	20.00	19.43	15.00	44.98	55.00	0.00	0.00	0.00	0.00	0.00									
Henderson/Navarro Counties	86	34.26	19.38	6.98	16.59	12.79	20.82	19.77	43.21	60.47	0.00	0.00	0.00	0.00	0.00									

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

** As a percentage of loans with borrower income information available. No information was available for 3.2% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** 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.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004					Market Share*				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
Rusk/Gregg Counties	80	43.72	20.48	12.66	17.61	22.78	20.85	22.78	41.05	41.77	0.00	0.00	0.00	0.00	0.00	
Limited Review:																
Harrison/Marion Counties	45	24.59	19.46	15.56	16.12	13.33	19.43	28.89	44.98	42.22	0.00	0.00	0.00	0.00	0.00	
Henderson/Navarro Counties	58	31.69	19.38	5.17	16.59	12.07	20.82	24.14	43.21	58.62	0.00	0.00	0.00	0.00	0.00	

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

** As a percentage of loans with borrower income information available. No information was available for 0.5% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** 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.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE															Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
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									
Full Review:																								
Rusk/Gregg Counties	90	48.65	20.48	5.88	17.61	10.59	20.85	18.82	41.05	64.71	0.00	0.00	0.00	0.00	0.00									
Limited Review:																								
Harrison/Marion Counties	38	20.54	19.46	6.06	16.12	9.09	19.43	24.24	44.98	60.61	0.00	0.00	0.00	0.00	0.00									
Henderson/Navarro Counties	57	30.81	19.38	3.70	16.59	7.41	20.82	22.22	43.21	66.67	0.00	0.00	0.00	0.00	0.00									

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

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

*** Percentage of Families is based on the 2000 Census information.

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

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: TEXAS			Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
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
Full Review:									
Rusk/Gregg Counties	223	62.46	64.63	94.62	89.24	5.38	5.38	0.00	0.00
Limited Review:									
Harrison/Marion Counties	79	22.13	67.35	96.20	89.87	1.27	8.86	0.00	0.00
Henderson/Navarro Counties	55	15.41	68.88	96.36	89.09	9.09	1.82	0.00	0.00

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

** 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 - 2004).

**** 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: TEXAS			Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004				
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 \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Rusk/Gregg Counties	159	69.74	90.88	100.00	98.74	1.26	0.00	0.00	0.00
Limited Review:									
Harrison/Marion Counties	17	7.46	96.95	100.00	100.00	0.00	0.00	0.00	0.00
Henderson/Navarro Counties	52	22.81	92.26	100.00	96.15	3.85	0.00	0.00	0.00

^{*} The evaluation period for Optional Product Line(s) is from January 01, 2004 to December 31, 2004.

^{**} 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 - 2004).

^{****} 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 the bank.

Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)

Geographic and Borrower Distribution: CONSUMER LOANS																		
Geography: TEXAS																		
Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004																		
MA/Assessment Area:	Geographic Distribution										Borrower Distribution							
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total*	% of Hhlds**	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans
Full Review:																		
Rusk/Gregg Counties	873	54.80	0.00	0.00	20.86	13.29	57.61	84.19	21.53	2.52	22.90	23.25	15.52	19.93	18.43	20.50	43.15	30.81
Limited Review:																		
Harrison/Marion Counties	372	23.35	0.00	0.00	16.07	5.38	49.28	80.38	34.65	14.25	26.67	14.78	15.83	18.82	17.22	26.08	40.29	35.22
Henderson/Navarro Counties	348	21.85	0.00	0.00	0.00	0.00	87.18	88.22	12.82	11.78	32.23	10.63	19.62	16.38	17.73	20.98	30.42	50.29

* Consumer Loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

** Percentage of households is based on 2000 Census Information.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: TEXAS									
Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Rusk/Gregg Counties	0	0	53	436	53	436	29.30	1	128
Limited Review:									
Harrison/Marion Counties	0	0	12	153	12	153	10.28	0	0
Henderson/Navarro Counties	0	0	21	899	21	899	60.42	0	0

* 'Prior Period Investments' means investments made in a previous 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: TEXAS																	
Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004																	
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
Full Review:																	
Rusk/Gregg Counties	62.70	9	52.94	0.00	11.11	77.78	11.11	1	0	0	0	1	0	0.00	22.81	57.22	19.96
Limited Review:																	
Harrison/Marion Counties	17.86	3	17.65	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	17.33	48.24	34.43
Henderson/Navarro Counties	19.44	5	29.41	0.00	0.00	80.00	20.00	2	0	0	0	2	0	0.00	0.00	87.49	12.51

Distribution of Branch and ATM Delivery System

Distribution of Branch and ATM Delivery System																	
			Geography: TEXAS					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004									
MA/Assessment Area:	Deposits	Branches						ATMs						Population			
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				#of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Rusk/Gregg Counties	62.70	9	52.94	0	11	78	11	14	50.00	0	1	12	1	0.00	22.81	57.22	19.96
Limited Review:																	
Harrison/Marion Counties	17.86	3	17.65	0	0	100	0	8	28.57	0	0	6	2	0.00	17.33	48.24	34.43
Henderson/Navarro Counties	19.44	5	29.41	0	0	80	20	6	21.43	0	0	5	1	0.00	0.00	87.49	12.51