



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

April 8, 2002

### 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

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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

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

The following table indicates the performance level of **Citizens National Bank (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:

- Lending levels reflect a good responsiveness to the credit needs of the bank's assessment areas. (AAs)
- CNB's lending activity reflects a reasonable distribution among geographies and borrowers of different income levels.
- CNB has a good level of investments and donations given its size, resources and opportunities in the AAs.
- CNB's delivery systems for all services and products are accessible throughout the bank's assessment areas. The bank has a good level of community development services that are responsive to identified needs within the AAs.

## 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 \$540 million in assets. The bank and its subsidiaries, Citizens National Bank Community Development Corporation (CNB CDC) and HCB Insurance Agency, Inc., 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. CNB 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. CNB CDC has also purchased real estate and homes in low-income areas to be improved or renovated and sold to low income individuals through the CDC program.

CNB has fourteen full service locations and twenty-five automated teller machines (ATMs). The bank's offices are located in the non-metropolitan counties of Rusk and Marion. Banking offices are also located in Gregg and Harrison Counties which are included in the Longview-Marshall MSA and in Henderson County which is located in the Dallas MSA. Since the previous CRA examination, CNB has embarked on an aggressive growth strategy with seven branch locations opened or acquired since the prior examination. New branch locations were opened in Marshall, Texas in December 1999 and Athens, Texas in December 2000. In October 2001, CNB acquired Peoples State Bank (PSB) and merged its operations into its own, keeping each of the PSB locations open in Henderson, Tatum, and Lakeport while closing one of its own existing branches in Henderson. CNB also acquired two branches in Gregg County from Jefferson Heritage Savings Bank in October 2001.

CNB's philosophy is to be a full service institution by providing a wide array of financial services to consumers and small businesses. CNB is retail oriented and offers a wide range of deposit and loan products as well as trust, investment and insurance services. As of December 31, 2001, the bank's net loans represented 40% of total assets. The loan portfolio is comprised of 31% residential real estate, 21% commercial real estate, 25% commercial, 19% consumer, and 4% agriculture.

There are no legal, financial or other factors impeding the bank's ability to meet the credit needs in its assessment areas. CNB's Tier 1 Capital level is \$33.6 million representing 6.72% of adjusted average assets as of December 31, 2001. The bank's CRA performance was last evaluated as of March 15, 1999, 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 farm, and consumer loans including full calendar years since the ending date of the evaluation period of the last CRA examination. This evaluation period runs from January 1, 1999 through December 31, 2001. Loans extended January 1, 1999 through March 15, 1999 were not considered in the bank's previous CRA review. Full calendar years were reviewed to coincide with the bank's data collection processes. 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 March 15, 1999 through April 8, 2002. The investment test included a review of investments, grants and donations made in the bank's AAs 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 AAs.

### Data Integrity:

We verified the accuracy of data used in the evaluation of the bank's performance by reviewing samples of the loan products reported during the evaluation period. 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 verified to ensure they met the regulatory definition for community development.

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

The Rusk County assessment area, which also includes an adjacent block numbering area in Panola County, was selected for a full scope review due to the location of the bank's headquarters and four of its branch offices. As such, a substantial majority of the bank's deposits and reported loans are located in this area. BNA 9502 in Panola County divides the community of Tatum where the bank's branch is located. The bank is actually in Rusk County but serves the surrounding area, including this area of Panola County. Therefore, this assessment area includes BNA 9502 in Panola County but will be referred to jointly throughout this Report as Rusk County. All other assessment areas were reviewed using limited-scope procedures. Refer to the Table 1 in Appendix A for more information.

### Ratings:

The bank's overall rating is based primarily on performance in Rusk County, the area that received a full-scope review.



**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 bank's 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

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in March 1999.

## 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 a full-scope review, the bank's performance in the Rusk County is good.

#### Lending Activity

Refer to Tables 1-Lending Volume and 1-Other Products in Appendix C for the facts and data used to evaluate the bank's lending activity. Lending activity measures the volume of lending in comparison to the bank's size and resources. CNB's lending activity is good. The overall level of lending for real estate, small business, and small farm loans is comparable with the deposit base throughout the assessment area. Rusk County contains 63.4% of reportable loans originated in the evaluation period compared to 60.6 percent of the bank's deposits. The bank has also submitted consumer lending activity for review in this examination. Though market share data is not available for this loan type, 59.3% of the bank's consumer loans were originated in this AA, which is also comparable to the percentage of bank deposits. Lending levels in the assessment areas that received limited scope reviews are also comparable to the bank's deposit bases in those areas.

The bank's deposit market rank and market share compare very favorably to its market rank and market share for all home mortgage loan products, and for small loans to businesses and farms. CNB holds the number one market rank for all loans products and has a number one market rank for deposits with a deposit market share of 47%. Based on recent HMDA data, CNB's market share for the origination or purchase of home purchase loans is 21% and home mortgage refinancing is 17%. The lower market shares are primarily due to the large number of bank and non-bank competitors and an aggressive level of competition for residential real estate loans. In home improvement, CNB had an overall market share of 42%. Additionally, the lending volume of small business loans and small loans to farms exceeds the deposit market share for the assessment area with market shares for these types loans at 37% and 86% respectively.

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

##### *Home Mortgage Loans*

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

CNB's geographic distribution of home purchase, refinance and home improvement loans is good. The bank originated a minimal number of multifamily loans; therefore, a geographical analysis of multifamily loans is not meaningful. There are no low income BNAs in this AA and only one moderate BNA. The percentage of each type home mortgage product is near to the percentage of owner occupied housing units in the moderate income BNA. While the

percentage of loans for each loan product is slightly lower, only 6.9% owner-occupied housing units are available in the moderate-income geography with limited housing stock available. This results in very limited opportunities to make loans for homes in the moderate tract. However, for home purchase and home improvement loans, the bank had a number one market rank with a number two rank in home refinances. Furthermore, the bank's market share of loans in the moderate income BNA exceeds its overall market share.

### ***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 geographic distribution of small loans to businesses is excellent. There are no low income BNAs and only one moderate BNA in this assessment area. The percentage of small business loans made in the moderate-income BNA exceeds the percentage of small businesses in this BNA. CNB's market share in the moderate income BNA also exceeds the bank's overall market share in the AA.

### ***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. CNB's geographic distribution of small farm loans is good. The percentage of small farm loans made in the moderate income BNA exceeds the percentage of small farms in this tract.

### ***Consumer Loans***

Refer to Table 13 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination and purchase of consumer loans. The geographic distribution of consumer loans is good. The percentage of consumer loans made in the moderate income BNA is near to the percentage of households in this tract.

## **Lending Gap Analysis**

Our review included an evaluation of CNBs 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 businesses and small loans to farms. No unexplained or conspicuous gaps were identified.

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

During the evaluation period, 81% of loans reviewed were within the combined AAs. Approximately 75% of home mortgage loans, 83% of small business loans, 69% of farm loans, 83% of consumer loans and 100% of community development loans were within its AAs. 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. CNB's overall distribution of loans by income level of borrowers is adequate.

CNB's distribution of home purchase, refinance and home improvement loans is adequate in Rusk County. The percentage of loans to low-or moderate-income borrowers is lower than the reported percentage of families in those income levels. This is somewhat mitigated by information identified in the performance context. Approximately 20% of families are low-income and 15% are moderate income. In addition, approximately 20% of the families in this AA are below poverty level. Additionally, the lack of affordable homes was identified by the community contacts. CNB has attempted to overcome barriers which prevent low and moderate-income families from obtaining credit by offering loans through CNB CDC. This CDC offers more flexible underwriting guidelines and provides more affordable terms for those who may not otherwise qualify for conventional financing.

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

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

The distribution of loans to small businesses in Rusk County 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. Also, the market share of loans to these businesses significantly exceeds its overall market share. In addition, a substantial majority of the loans are for amounts of \$100,000 or less.

### ***Small Loans to Farms***

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

The distribution of loans to small farms in Rusk County 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. Also, the market share of loans to these farms significantly exceeds its overall market share. In addition, a substantial majority of the loans are for amounts of \$100,000 or less.

### ***Consumer Loans***

Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of consumer loans.

CNB's overall distribution of consumer loans by income level of borrowers is good. The percentage of loans to low income borrowers is lower than the percentage of low-income households in this AA. However, the percentage of loans to moderate-income borrower's exceeds the percentage of moderate-income households.

## **Community Development Lending**

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

Community development lending had a neutral impact on the Lending Test conclusions. During the evaluation period, the bank did not have any loans which qualify as community development in Rusk County. The CD loan was made in an AA receiving a limited-scope review. The loan met credit needs for low and moderate-income individuals by providing needed services in Harrison County.

## **Product Innovation and Flexibility**

Since the previous CRA examination, CNB introduced a new loan program to finance the purchase or upgrade of air conditioning systems for low- and moderate-income individuals and communities at a lower interest rate. This program is similar to the bank's program to finance band instruments. The bank offers these innovative programs in order to meet identified credit needs of low- and moderate-income borrower's. CNB also continues to offer loans through its solely owned Community Development Corporation (CDC). The 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. The CDC's underwriting guidelines are flexible and provide more affordable terms for those who may not otherwise qualify for conventional financing. The 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 program. The bank purchased three homes in Harrison County and four in Henderson County during this evaluation period 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 Harrison, Henderson, and Marion Counties is not inconsistent with the bank's overall "High Satisfactory" performance under the lending test.

Based on a limited scope review, the bank's performance in Gregg County is weaker than the bank's overall "High Satisfactory" performance under the Lending Test. However, it did not change the overall Lending rating. Performance in this county is considered weaker than the bank's overall performance due to the limited time the bank has had an office in this area. Future performance is expected to be consistent with the bank's overall performance given a longer assessment period.

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 a full-scope review, the bank's performance in Rusk County 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 Board of Directors continues to provide a leadership role through its solely owned CDC. The Board has invested a total of \$600M in the CDC in Rusk County since 1994 with all payments and reductions reinvested in the CDC. There are currently 33 loans with a balance of \$683M outstanding in Rusk County. The Board has also committed to a legally binding investment in Small Business Investment Companies (SBIC) sponsored through Texas Independent Bank. This innovative investment provides funding to small businesses from investments of financial institutions. The Board has committed \$200M to provide funding for the SBIC with \$50M currently outstanding. Furthermore, the Board and management remain committed to local organizations that provide community services by providing donations to numerous organizations in Rusk County. While community development investment opportunities remain limited in the AA, management and the Board have been diligent in continuing to look for or make opportunities for investment within Rusk County.

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

Based on limited-scope reviews, the bank's performance under the investment test in Marion County is not inconsistent with the bank's overall "High Satisfactory" performance under the investment test. In the Henderson and Harrison Counties the bank's performance is stronger than the bank's overall performance. In Gregg County, the bank's performance is weaker than the bank's overall performance. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

In Henderson and Harrison Counties, the bank invested additional funds in the CDC when it entered into these new markets. Funds were used to purchase and renovate old homes which were then sold through the CDC. Performance in Gregg County is considered weaker than the bank's overall performance due to the limited investments in this area. This county became part of the bank's assessment area in October 2001 when CNB acquired branches of other institutions. During the remainder of the year, management was focused on maintaining a smooth transition as well as monitoring the bank's performance. Performance under the Investment Test is expected to be consistent with the bank's overall performance in the future as additional funds are allocated to the CDC for investment in these areas and other opportunities are discovered.

## **SERVICE TEST:**

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

The bank's performance under the Service Test is rated "High Satisfactory". Based on a full-scope review, the bank's performance in Rusk County 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 in Rusk County. The bank operates five banking offices and eleven ATMs which are conveniently located throughout this assessment area. Rusk County includes only one moderate income BNA which consists of a small community located south of the city of Henderson. Though no offices are located in this tract, the branch locations are easily accessible to the moderate-income tract.

During 2001, CNB acquired Peoples State Bank (PSB), which was headquartered in Henderson, Texas. In addition, PSB operated branches in Gregg and Rusk Counties. As part of the acquisition, CNB closed its own branch location in Henderson and merged its operations into the PSB branch, which was located in close proximity to its existing branch but with larger, more convenient facilities. The change in branch locations and the closing of the PSB main office did not adversely affect the accessibility of any of the bank's delivery systems.

A wide range of financial services are provided at each branch and are 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 groups. During this evaluation period, CNB provided education or technical assistance to the following types of organizations.

**Affordable housing and economic development:** CNB provided educational information or technical assistance to organizations that promote affordable housing. Bank employees and directors actively serve as officers and on committees of Habitat for Humanity, Henderson Housing Authority, Henderson Economic Development Corporation and CNB Community Development Corporation.

**Consumer Financial Information:** CNB provided technical assistance or information to organizations which provide education on general financial information such as credit counseling, financial services education, and first time homebuyers seminars. CNB also provides an Early Savers program and financial education programs through the local school systems.

**Minority Programs:** In an effort to meet the needs of a growing Hispanic population, CNB provides a bilingual employee to provide assistance at its banking offices. All ATMs and services available through the bank's Loan by Phone programs are available with Spanish options. Additionally, the Early Savers information package was translated into Spanish and is made available to all Hispanic students. CNB has also tailored its advertising and marketing strategy to inform this primarily low- and moderate-income sector of the loan and deposit services available by advertising in local Hispanic newspapers and radio stations. Furthermore, the bank has developed a brochure which is available in Spanish entitled "Preparing for Home Ownership." This brochure addresses how to build and maintain good credit and steps to take when preparing to purchase a home.

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

Based on limited-scope reviews, the bank's performance under the Service Test in Harrison, Henderson, Marion, and Gregg Counties is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test.

## 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/99 to 12/31/01 Investment and Service Tests and CD Loans: 03/15/99 to 04/08/02	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens National Bank Henderson, TX	HMDA Loans Small Business Loans Small Farm Loans Consumer Loans CD Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Rusk County	Full-Scope	Entire County + Panola County BNA 9502
Gregg County	Limited-Scope	Three CTs Only; County is located in Longview/Marshall MSA #4420
Harrison County	Limited-Scope	Not all CTs - County is located in Longview/Marshall MSA #4420
Henderson County	Limited-Scope	Entire County - County is located in Dallas MSA #1920
Marion County	Limited-Scope	Entire County

# Appendix B: Market Profiles for Full-Scope Areas

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### Market Profiles for Areas Receiving Full-Scope Reviews

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## Rusk County

Demographic Information for Full-Scope Area: Rusk County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0	7.69	61.54	30.77	0
Population by Geography	46,833	0	6.43	62.39	31.17	0
Owner-Occupied Housing by Geography	13,807	0	6.86	62.78	30.36	0
Businesses by Geography	1,614	0	1.92	56.63	41.45	0
Farms by Geography	87	0	3.45	65.52	31.03	0
Family Distribution by Income Level	13,153	20.33	15.12	19.55	45.00	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,663	0	9.82	65.60	24.58	0
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below the Poverty Level	= \$24,585 = \$35,800 =20.41%	Median Housing Value Unemployment Rate		= \$40,923 = 3.44%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

The Rusk County AA is located in Northeast Texas and includes the city of Henderson and a portion of the city of Kilgore. Rusk County includes thirteen Block Numbering Areas (BNA's) which consist of one moderate-income BNA, eight middle-income BNAs and four upper-income BNAs. Five of the bank's branches and eleven ATMs are located in Rusk County. Approximately 63% of the loans originated in this assessment period and 61% of the total bank deposits are included in this county. Although several other bank's compete in the Rusk County market, CNB is the largest financial institution with \$540 in total assets and a 49% market share of deposits as of June 30, 2001. 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 County AA. Major employers in the area include TU Electric, Henderson ISD, Henderson Memorial Hospital and Bradshaw State Jail. Community contacts were conducted in Rusk County in order to assess the credit needs of the community and identify opportunities for lending and investment by local financial institutions. Contacts noted 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 noted 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

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: 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 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: CITIZENS NATIONAL BANK						Evaluation Period: March 15, 1999 to April 8, 2002				
MA/Assessment Area:0	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
Rusk County	63.35	618	28,884	768	29,477	628	7,437	0	0	2,014	65,798	60.60
<b>Limited Review:</b>												
Gregg County	0.53	12	774	2	21	3	36	0	0	17	831	0.00
Harrison County	10.47	187	8,981	120	7,959	25	267	1	41	333	17,248	12.56
Henderson County	13.43	210	10,260	112	4,177	105	2,928	0	0	427	17,365	15.69
Marion County	12.21	97	3,781	265	4,594	26	221	0	0	388	8,596	11.15

\* Loan Data as of [December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is March 15, 1999 to April 8, 2002.

\*\*\* Deposit Data as of June 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.



**Table 1. Other Products**

<b>LENDING VOLUME</b>		<b>Geography: CITIZENS NATIONAL BANK</b>												<b>Evaluation Period: March 15, 1999 to April 8, 2002</b>	
MA/Assessment Area:	% 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)		
<b>Full Review:</b>															
Rusk County	59.35	4,692	39,252	0	0	67	1,867	1,648	22,069	0	0	1,783	11,312	60.60	
<b>Limited Review:</b>															
Gregg County	0.42	33	341	0	0	0	0	11	154	0	0	17	148	0.00	
Harrison County	12.48	987	9,320	0	0	19	646	341	4,756	0	0	423	3,084	12.56	
Henderson County	14.67	1,160	11,705	0	0	10	311	475	6,695	0	0	444	4,097	15.69	
Marion County	13.08	1,034	6,746	0	0	6	148	210	2,392	0	0	544	3,629	11.15	

\* Loan Data as of December 31, 2001. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 1, 1999 to December 31, 2001.

\*\*\* Deposit Data as of June 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

<b>LENDING VOLUME</b>		<b>Geography: CITIZENS NATIONAL BANK</b>				<b>Evaluation Period: March 15, 1999 TO April 8, 2002</b>	
MA/Assessment Area:	Other Unsecured Consumer Loans*		Other Optional Loans*				
	#	\$ (000's)	#	\$ (000's)			
<b>Full Review:</b>							
Rusk County	1,194	4,004	0	0			
<b>Limited Review:</b>							
Gregg County	5	39	0	0			
Harrison County	204	834	0	0			
Henderson County	231	602	0	0			
Marion County	274	577	0	0			

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(\*)The evaluation period for Optional Product Line(s) is from January 1, 1999 to December 31, 2001.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: CITIZENS NATIONAL BANK								Evaluation Period: March 15, 1999 to April 8, 2002				
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 nits***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ nits***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Rusk County	303	52.97	0.00	0.00	6.86	4.29	62.78	57.76	30.36	37.95	20.00	0.00	41.18	17.48	22.37
<b>Limited Review:</b>															
Gregg County	9	1.57	0.00	0.00	0.00	0.00	67.16	77.78	32.84	22.22	0.67	0.00	0.00	1.24	0.00
Harrison County	92	16.08	0.00	0.00	20.70	11.96	79.30	88.04	0.00	0.00	4.94	0.00	3.00	5.35	0.00
Henderson County	117	20.45	0.30	0.00	92.53	89.74	7.17	10.26	0.00	0.00	1.82	0.00	1.93	0.72	0.00
Marion County	51	8.92	0.00	0.00	55.09	29.41	44.91	70.59	0.00	0.00	9.35	0.00	2.86	12.50	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

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

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT												Geography: CITIZENS NATIONAL BANK					Evaluation Period: March 15, 1999 to April 8, 2002			
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	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
Rusk County	163	58.42	0.00	0.00	6.86	3.68	62.78	66.26	30.36	30.06	44.05	0.00	100.0	40.98	47.62					
<b>Limited Review:</b>																				
Gregg County	3	1.08	0.00	0.00	0.00	0.00	67.16	66.67	32.84	33.33	0.00	0.00	0.00	0.00	0.00					
Harrison County	43	15.41	0.00	0.00	20.70	2.33	79.30	97.67	0.00	0.00	8.05	0.00	0.00	10.26	0.00					
Henderson County	45	16.13	0.30	0.00	92.53	88.89	7.17	11.11	0.00	0.00	5.16	0.00	5.64	0.00	0.00					
Marion County	25	8.96	0.00	0.00	55.09	20.00	44.91	80.00	0.00	0.00	43.75	0.00	50.00	42.86	0.00					

\* Based on 2000 Peer Mortgage Data: Southwest Region.

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

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE				Geography: CITIZENS NATIONAL BANK				Evaluation Period: March 15, 1999 to April 8, 2002							
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	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Rusk County	146	55.30	0.00	0.00	6.86	2.05	62.78	65.75	30.36	32.19	21.01	0.00	50.00	20.25	21.05
<b>Limited Review:</b>															
Gregg County	0	0.00	0.00	0.00	0.00	0.00	67.16	0.00	32.84	0.00	0.00	0.00	0.00	0.00	0.00
Harrison County	50	18.94	0.00	0.00	20.70	8.00	79.30	92.00	0.00	0.00	2.38	0.00	5.56	1.52	0.00
Henderson County	48	18.18	0.30	0.00	92.53	87.50	7.17	12.50	0.00	0.00	1.90	0.00	1.77	2.94	0.00
Marion County	20	7.58	0.00	0.00	55.09	20.00	44.91	80.00	0.00	0.00	11.54	0.00	14.29	10.53	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

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

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: CITIZENS NATIONAL BANK								Evaluation Period: March 15,1999 to April 8, 2002					
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography *				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Rusk County	6	66.67	0.00	0.00	0.00	0.00	32.65	100.00	67.35	0.00	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Gregg County	0	0.00	0.00	0.00	0.00	0.00	19.07	0.00	80.93	0.00	0.00	0.00	0.00	0.00	0.00
Harrison County	2	22.22	0.00	0.00	41.83	50.00	58.17	50.00	0.00	0.00	25.00	0.00	50.00	0.00	0.00
Henderson County	0	0.00	0.53	0.00	62.04	0.00	37.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Marion County	1	11.11	0.00	0.00	41.46	0.00	58.54	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

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

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: CITIZENS NATIONAL BANK						Evaluation Period: March 15, 1999 to April 8, 2002						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Rusk County	768	60.62	0.00	0.00	1.92	2.60	56.63	67.97	41.45	29.43	29.97	0.00	50.00	33.21	27.63
<b>Limited Review:</b>															
Gregg County	2	0.16	0.00	0.00	0.00	0.00	65.81	100.00	34.19	0.00	0.24	0.00	0.18	0.30	0.28
Harrison County	120	9.47	0.00	0.00	25.25	9.17	74.75	90.83	0.00	0.00	3.16	0.00	3.00	3.77	0.88
Henderson County	112	8.84	0.11	0.00	71.83	91.96	28.06	8.04	0.00	0.00	2.10	0.00	2.90	0.00	0.00
Marion County	265	20.92	0.00	0.00	16.25	15.85	83.75	84.15	0.00	0.00	34.71	0.00	68.75	35.04	0.00

\* Based on 2000 Peer Small Business Data: US.

\*\* 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 2001.

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS												Geography: CITIZENS NATIONAL BANK					Evaluation Period: March 15, 1999 to April 8, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*										
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Rusk County	628	79.80	0.00	0.00	3.45	5.89	65.52	70.86	31.03	23.25	86.56	0.00	62.50	86.67	90.70						
<b>Limited Review:</b>																					
Gregg County	3	0.38	0.00	0.00	0.00	0.00	61.90	100.00	38.10	0.00	14.89	0.00	33.33	9.52	15.00						
Harrison County	25	3.18	0.00	0.00	11.11	0.00	88.89	100.00	0.00	0.00	30.77	0.00	0.00	36.84	16.67						
Henderson County	105	13.34	0.00	0.00	79.39	97.14	20.61	2.86	0.00	0.00	17.96	0.00	19.46	6.25	0.00						
Marion County	26	3.30	0.00	0.00	9.09	19.23	90.91	80.77	0.00	0.00	90.00	0.00	100.00	85.71	0.00						

\* Based on 2000 Peer Small Business Data: US.

\*\* 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 2001.



**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: CITIZENS NATIONAL BANK								Evaluation Period: March 15, 1999 to April 8, 2002					
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****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Rusk County	303	52.97	20.33	4.14	15.12	11.72	19.55	20.34	45.00	63.79	22.48	0.00	15.87	18.39	28.50
<b>Limited Review:</b>															
Gregg County	9	1.57	17.85	0.00	14.12	0.00	16.38	22.22	51.65	77.78	0.85	0.00	0.00	1.05	1.05
Harrison County	92	16.08	28.78	8.99	17.09	21.35	21.45	23.60	32.68	46.07	5.43	5.08	6.50	7.63	3.35
Henderson County	117	20.45	38.62	16.38	23.57	20.69	20.39	24.14	17.42	38.79	2.09	0.34	2.03	2.49	3.13
Marion County	51	8.92	31.38	0.00	20.04	7.84	19.09	11.76	29.48	80.39	9.90	0.00	0.00	0.00	18.52

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 2.97% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 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: CITIZENS NATIONAL BANK								Evaluation Period: March 15, 1999 to April 8, 2002				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share *				
	#	% of Total**	% Families **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Rusk County	163	58.42	20.33	6.41	15.12	10.90	19.55	21.15	45.00	61.54	45.00	0.00	60.00	35.00	50.00
<b>Limited Review:</b>															
Gregg County	3	1.08	17.85	0.00	14.12	0.00	16.38	33.33	51.65	66.67	0.00	0.00	0.00	0.00	0.00
Harrison County	43	15.41	28.78	9.30	17.09	32.56	21.45	18.60	32.68	39.53	8.28	4.00	15.63	6.06	7.27
Henderson County	45	16.13	38.62	31.82	23.57	25.00	20.39	22.73	17.42	20.45	4.78	4.62	6.00	4.26	4.26
Marion County	25	8.96	31.38	0.00	20.04	20.83	19.09	20.83	29.48	58.33	43.75	0.00	0.00	33.33	54.55

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 3.23% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 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: CITIZENS NATIONAL BANK															Evaluation Period: March 15, 1999 to April 8, 2002														
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****	Over all	Low	Mod	Mid	Upp																													
<b>Full Review:</b>																																												
Rusk County	146	55.30	20.33	3.79	15.12	3.79	19.55	15.15	45.00	77.27	19.89	20.00	0.00	19.05	22.22																													
<b>Limited Review:</b>																																												
Gregg County	0	0.00	17.85	0.00	14.12	0.00	16.38	0.00	51.65	0.00	0.00	0.00	0.00	0.00	0.00																													
Harrison County	50	18.94	28.78	0.00	17.09	4.35	21.45	13.04	32.68	82.61	2.04	0.00	0.00	3.57	2.74																													
Henderson County	48	18.18	38.62	20.83	23.57	18.75	20.39	33.33	17.42	27.08	2.14	3.64	1.69	1.54	1.98																													
Marion County	20	7.58	31.38	0.00	20.04	10.00	19.09	10.00	29.48	80.00	12.50	0.00	0.00	0.00	21.43																													

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for [6.82 of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

**Table11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES			Geography: CITIZENS NATIONAL BANK				Evaluation Period: March 15, 1999 to April 8, 2002		
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Rusk County	768	60.62	88.72	91.67	92.45	4.30	3.26	29.97	47.91
<b>Limited Review:</b>									
Gregg County	2	0.16	88.79	100.00	100.00	0.00	0.00	0.24	0.34
Harrison County	120	9.47	90.20	93.33	85.00	9.17	5.83	3.16	6.45
Henderson County	112	8.84	89.15	95.54	91.96	7.14	0.89	2.10	3.61
Marion County	265	20.92	90.21	99.25	98.11	1.89	0.00	34.71	54.13

\* Based on 2000 Peer Small Business Data: US.

\*\* 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 - 2001).

\*\*\*\* 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.

**Table12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS				Geography: CITIZENS NATIONAL BANK			Evaluation Period: March 15, 1999 to April 8, 2002		
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share *	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Rusk County	628	79.80	95.40	100.00	99.20	0.80	0.00	86.56	87.03
<b>Limited Review:</b>									
Gregg County	3	0.38	85.71	100.00	100.00	0.00	0.00	14.89	15.56
Harrison County	25	3.18	92.59	100.00	100.00	0.00	0.00	30.77	32.00
Henderson County	105	13.34	95.15	92.38	94.29	4.76	0.95	17.96	17.58
Marion County	26	3.30	100.00	100.00	100.00	0.00	0.00	90.00	90.00

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Based on 2000 Peer Small Business Data: US.

\*\* 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 - 2001).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms.

No information was available for 0.00% of small loans to farms originated and purchased by Bank.

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

Geographic and Borrower Distribution: CONSUMER LOANS																			Geography: CITIZENS NATIONAL BANK																			Evaluation Period: March 15, 1999 to April 8, 2002																		
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																																						
<b>Full Review:</b>																																																								
Rusk County	4,692	59.35	0.00	0.00	6.59	5.73	61.53	64.07	31.88	30.20	24.68	14.94	13.82	19.49	15.67	22.28	45.82	43.29																																						
<b>Limited Review:</b>																																																								
Gregg County	33	0.42	0.00	0.00	0.00	0.00	64.09	54.55	35.91	45.45	23.89	20.00	12.15	16.67	14.92	20.00	49.04	43.33																																						
Harrison County	987	12.48	0.00	0.00	24.31	6.38	75.69	93.62	0.00	0.00	32.47	19.33	15.53	19.65	17.71	22.15	34.28	38.87																																						
Henderson County	1,160	14.67	0.27	0.00	90.70	92.59	9.04	7.41	0.00	0.00	40.19	38.82	20.71	25.16	18.25	29.23	20.85	6.79																																						
Marion County	1,034	13.08	0.00	0.00	53.77	16.83	46.23	83.17	0.00	0.00	35.19	20.89	17.11	19.62	14.38	23.52	33.31	35.97																																						

\* 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 the 1990 Census Information.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: CITIZENS NATIONAL BANK				Evaluation Period: March 15, 1999 to April 8, 2002			
MA/Assessment Area:	Prior Period Investments *		Current Period Investments		Total Investments			Unfunded Commitments **	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Rusk County	1	600	37	69	38	669	66.11	1	150
<b>Limited Review:</b>									
Gregg County	0	0	0	0	0	0	0	0	0
Harrison County	0	0	16	102	16	102	10.08	0	0
Henderson County	0	0	17	140	17	140	13.83	0	0
Marion County	1	100	5	1	6	101	9.98	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: CITIZENS NATIONAL BANK																	
Evaluation Period: March 15, 1999 to April 8, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Rusk County	60.60	5	35.71	0.0	0.0	60.0	40.0	2	1	0	0	1	0	0.00	6.43	62.39	31.17
<b>Limited Review:</b>																	
Gregg County	0.00	3	21.43	0.0	0.0	66.6	33.3	3	0	0	0	2	1	0.00	0.00	64.93	35.07
Harrison County	12.56	2	14.29	0.0	0.0	100.0	0.0	1	0	0	0	1	0	0.00	27.35	72.65	0.00
Henderson County	15.70	3	21.43	0.0	66.6	33.3	0.0	1	0	0	0	1	0	0.32	90.76	8.92	0.00
Marion County	11.15	1	7.14	0.0	0.0	100.0	0.0	0	0	0	0	0	0	0.00	52.78	47.22	0.00



