



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

February 27, 2008

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

Citizens National Bank  
Charter Number: 13443

201 West Main Street  
Henderson, TX 75653-1009

Office of the Comptroller of the Currency

LONGVIEW (NE TEXAS & NW LOUISIANA)  
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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 with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	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:

- Citizens Bank’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. 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 an excellent responsiveness to identified community development needs. The bank made qualified investments during the evaluation period of \$3 million representing approximately 4.6% of Tier 1 Capital.
- Citizens Bank’s delivery systems are accessible to all geographies and individuals of different income levels in its assessment areas. Each branch within the bank’s system 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.

**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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the 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 metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) 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.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Citizens National Bank (CNB), headquartered in Henderson, Texas, is an intrastate financial institution with \$708 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 improve or renovate and sell to low income individuals through the CDC program.

CNB has seventeen full service locations and twenty-four automated teller machines (ATMs). The bank has offices located in the non-metropolitan counties of Harrison, Marion, Henderson, and Navarro. Banking offices are also located in Gregg and Rusk Counties which are included in the Longview MSA and one branch in Smith County which is part of the Tyler MSA. Since the previous CRA examination, CNB has opened two new branches and closed two branches. In September of 2005 a new branch was opened in Tyler, TX. This branch was closed in July of 2007 after the opening of another branch in Tyler in June of 2007. The bank's White Oak branch was closed in January 2008 due to the lack of anticipated growth at that location. An ATM has remained available at this location for cash dispersion only and does not accept deposits.

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, 2007, the bank's net loans represented 54% of total assets. The loan portfolio is comprised of 37% residential real estate, 28% commercial real estate, 18% commercial, 12% consumer, and 6% 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 totaled \$66.2 million representing 9.50% of adjusted average assets as of December 31, 2007. The bank's CRA performance was last evaluated as of April 4, 2005, 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 and consumer loans for the years 2006 and 2007. Multifamily and farm loans were not considered during this review due to the small number of loans originated during this assessment period. 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 4, 2005 to February 27, 2008. 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 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 bank's primary assessment area includes Rusk and Gregg Counties, which are located in the Longview MSA. These counties include the cities of Longview, Kilgore and Henderson. The bank has 8 office locations located in this area, which account for 63% of the bank's total deposits. The bank's assessment area also includes the adjacent non-metropolitan counties of Henderson and Navarro. Due to the level of activity in Henderson and Navarro Counties, a full scope review was performed in this area also. The bank has 5 office locations in this area in addition to a loan production office and accounts for 18% of the bank's total deposits. Refer to the table in Appendix A: Scope of the Examination for additional information.

### Ratings

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

## Other

We reviewed community contacts conducted in the assessment areas 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 were local community organizations. The contacts identified affordable single family and rental housing as a primary need in the community. 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 or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## 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 AA and in the Henderson/Navarro AA 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 8,881 loans for a total of \$237 million in its assessment areas. These loans are distributed throughout the bank's assessment areas with the majority of the loans made in the Rusk/Gregg AA. In addition, the distribution of the types of loans is reasonably divided among mortgage, small business and consumer loans. Loan market share was not available for review for this assessment period. However, the market share of loans would reflect the large number of bank and non-bank competitors and the aggressive competition for residential real estate loans and an increasing number of small "payday" lenders.

##### *Rusk/Gregg County Area:*

Loan volume in the Rusk/Gregg County assessment area is good. Overall, this area accounts for approximately 54% of reportable loans originated, compared to 63% of the bank's deposits. CNB ranks second in the deposit market share at 14%.

##### *Henderson/Navarro County Area:*

Loan volume in the Henderson/Navarro County assessment areas is good. This area accounts for approximately 26% of the reportable loans originated compared to 18% of the bank's deposits. CNB ranks fourth in the deposit market share in this area at 9%.

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

CNB's overall distribution of loans by income level of the geography is adequate. Geographic distribution for home mortgage products, small loans to businesses and consumer loans is good in the Rusk/Gregg AA. The Henderson/Navarro AA area does not include any low or moderate income tracts; therefore, a geographic analysis of the bank's lending in this assessment area was not performed.

The Rusk/Gregg area includes the cities of Longview, Kilgore, and Henderson as well as other small communities. CNB is headquartered in Henderson in Rusk County with three branches located in Gregg County. Two of these branches are located on the north side of Longview with one branch located south of the city in the Lakeport community. While the moderate income tracts in Gregg County are accessible to these branches, there are other banking facilities more convenient to the moderate income tracts. CNB has targeted advertising and marketing in these tracts to attract customers from these areas. CNB also has a branch located in the moderate tract in southern Rusk County.

### **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:***

##### *Rusk/Gregg County Area*

The overall geographic distribution of home purchase loans is good. The distribution of loans in moderate-income tracts is near to the percentage of owner-occupied housing units in the moderate income CTs.

#### ***Home Improvement Loans:***

##### *Rusk/Gregg County Area*

The overall geographic distribution of home improvement loans 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:***

##### *Rusk/Gregg County Area*

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 and 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 distribution of loans by the income level of the geography is adequate in Rusk and Gregg Counties.

*Rusk/Gregg Area*

The overall geographic distribution of small business loans is adequate. The distribution of small loans to businesses in moderate income tracts is less than the percentage of businesses in the moderate income CTs.

*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.

*Rusk/Gregg Area*

The overall geographic distribution of consumer loans is adequate. The geographic distribution of consumer loans is less than the percentage of moderate income CTs 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, 81% of loans reviewed were within the AA. Approximately 81% of home mortgage loans, 77% of small business loans, and 86% 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**

The overall distribution of loans by income level of the borrower is good.

**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 2007 for Rusk and Gregg Counties revealed approximately 20% of families are low income and 18% are moderate income. In addition, approximately 15% 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 \$68 thousand. The performance context as of 2007 for Henderson and Navarro Counties reflects similar characteristics. Approximately 19% of families are low income and 17% are moderate income with 16% of the families below poverty level. The median housing value in this AA was \$59 thousand. CNB has attempted to overcome barriers that prevent low and moderate-income families from obtaining credit by offering loans through the CDC. This

CDC offers more flexible underwriting guidelines and provides more affordable terms for those who may not otherwise qualify for conventional financing.

### **Home Purchase Loans**

#### *Rusk/Gregg Area*

The overall distribution of home purchase loans by borrower income level is good. The percentage of loans to low-income borrowers is less than the percentage of low-income families in the assessment area and is reflective of the factors discussed above. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families.

#### *Henderson/Navarro Area*

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 and is reflective of the factors discussed above. The percentage of home purchase loans to moderate-income borrowers is also less than the percentage of moderate-income families.

### **Home Improvement Loans**

#### *Rusk/Gregg Area*

The distribution of home improvement loans by borrower income level is good. The percentage of loans to low-income borrowers is less than the percentage of low-income families in the assessment area and is reflective of the factors discussed above. The percentage of home improvement loans to moderate-income borrowers is equal to the percentage of moderate-income families in the assessment area.

#### *Henderson/Navarro Area*

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 and is reflective of the factors discussed previously. The percentage of home improvement loans to moderate income borrowers is near to the percentage of moderate income families in the assessment area.

### **Home Refinance Loans**

#### *Rusk/Gregg Area*

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 and is reflective of the mitigating factors discussed above. Strong competition for home refinance products and the continued low

interest rate environment have also impacted the bank's lending opportunities for this loan product.

*Henderson/Navarro Area*

The distribution of home refinance 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 and is reflective of the mitigating factors discussed above. The percentage of loans to moderate income borrowers is near to the percentage of moderate income families in the 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/purchases of small loans to businesses.

*Rusk/Gregg Area*

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.

*Henderson/Navarro Area*

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.

**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.

*Rusk/Gregg Area*

The bank's overall distribution of consumer loans by income level of the borrower is excellent. The percentage of consumer loans to low income borrowers is near to the percentage of low-income households. The percentage of consumer loans to moderate-income borrowers exceeds the percentage of moderate income households.

*Henderson/Navarro Area*

The bank's overall distribution of consumer loans by income level of the borrower is adequate. The percentage of consumer loans to low income borrowers is less than the percentage of low income households in the assessment area. The percentage of consumer loans to moderate-income borrowers is near to 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. However, Table 5 does not separately list 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 or Henderson/Navarro assessment areas. However, several small loans were made to local businesses to assist and facilitate cleanup and recovery after Hurricanes Katrina and Rita devastated parts of Louisiana and Texas, including areas near to the bank's assessment area. Loans were made to purchase equipment to be used in the cleanup efforts and to provide operating capital necessary to conduct business away from the borrower's normal operating area.

## **Product Innovation and Flexibility**

CNB 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 housing. 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 programs and actively seeks properties for this purpose. CNB also offers 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. Additionally, if a borrower fails to qualify through any of the bank's lending programs, the bank provides a referral to specific brokers specializing in subprime mortgages.

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

Based on limited-scope reviews, the bank's performance under the lending test in the Harrison/Marion AA and in the Tyler MSA AA is not inconsistent with the bank's overall "high satisfactory" rating under the lending test.

## **INVESTMENT TEST**

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

The bank's performance under the investment test is rated "outstanding". Based on full-scope reviews, the bank's performance in the Rusk/Gregg AA and in the Henderson/Navarro AA is excellent. The bank has an excellent level of qualified community development investments, including some not provided by other institutions. CNB has also responded to the need for low income financing by establishing a wholly owned CDC and continuing to support its growth with additional funds in each assessment area. Additionally, the bank remains diligent in its

efforts to identify opportunities for investment and successfully lobbied for donations to IBAT for education purposes dealing with CRA purposes.

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

#### *Rusk/Gregg Area*

The bank has provided an excellent level of qualified community development investments. Investments and donations totaling \$2.4 million have been made in Rusk and Gregg Counties during this assessment period. Furthermore, the Board has continued to support its solely owned CDC through additional investments in the Rusk/Gregg area. Since the previous examination the Board has invested \$1.4 million 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. Community development investment opportunities remain limited in the AA, however, management and the Board remains diligent in identifying opportunities for investment within the Rusk/Gregg area.

#### *Henderson/Navarro Area*

The bank has provided an excellent level of qualified community development investments. Investments and donations totaling \$355 thousand have been made in Henderson and Navarro Counties. The bank invested \$595 thousand in the Senior Housing Crime Prevention Foundation. This program aids in the protection and security of elderly, fixed income nursing home residents and HUD senior housing properties in the Henderson County AA. In addition, the bank also provides donations to local organizations that provide community development services in the assessment area.

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

Based on limited-scope reviews, the bank's performance under the investment test in the Harrison/Marion AA is not inconsistent with the bank's overall "outstanding" ratings under the investment tests. The bank's performance in the Tyler MSA AA is weaker than the bank's overall "Outstanding" performance under the investment test. Limited opportunities and the short time since the opening of the office in Tyler resulted in weaker performance in this AA. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

## 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 AA and the Henderson/Navarro AA 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 the assessment areas. Within the Rusk/Gregg AA, the bank operates eight full service banking offices and twelve ATMs which are conveniently located throughout the assessment area. The Rusk/Gregg AA includes nine moderate-income tracts, twenty middle-income tracts, and six upper-income tracts. While only one branch is located within a moderate-income tract, all locations are accessible to moderate-income tracts. CNB Henderson operates five full service locations throughout the Henderson/Navarro AA and one motor bank location. ATMs are located at each of these locations. There are no moderate-income tracts located in the Henderson/Navarro AA.

During 2007, CNB closed a branch located on South Broadway in the Tyler MSA that it had opened two years earlier. This branch closing was the result of the opening of a new branch located at 107 Market Square Blvd in Tyler, TX. The change in branch locations 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 areas. 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, Overton Housing Authority, 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. Additionally, CNB provides financial services workshops and seminars throughout the communities in the assessment area. This includes visiting employees at their place of work and providing training on how to get and use credit, improving your credit score, managing personal finances, and counseling on loans and bank accounts. CNB also participates in the Kilgore College Small Business Development Center by providing scholarships and teaching a class entitled "How to Put Together a Business Plan."

**Minority Programs:** In an effort to meet the needs of a growing Hispanic population, CNB employs bilingual employees to provide assistance at its banking offices. The bank currently employs 31 bilingual employees. 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 the Harrison/Marion AA and the Tyler MSA AA 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 nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): January 1, 2006 to December 31, 2007 Investment and Service Tests and CD Loans: March 4, 2005 to February 27, 2008	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens National Bank (CNB) Henderson, Texas	Home Mortgage, Commercial, Consumer	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
CNB CDC	Subsidiary of bank	Home mortgage products
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Gregg/Rusk Henderson/Navarro Harrison/Marion Tyler MSA	Full-Scope Full Scope Limited-Scope Limited Scope	Part of the Longview MSA # Non-metropolitan counties Non-metropolitan counties Census tract #0020.08 only

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

### Gregg/Rusk Counties

Demographic Information for Full Scope Area: Gregg and Rusk Counties						
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
Business by Geography	14,280	0.00	26.40	51.34	22.25	0.00
Farms by Geography	312	0.00	19.23	56.73	24.04	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	Median Housing Value		67,805	
HUD Adjusted Median Family Income for 2007		48,500	Unemployment Rate (2000		2.97%	
Households Below Poverty Level		15%	US Census)			

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

Source: 2000 US Census and 2007 HUD updated MFI

The Rusk/Gregg AA is located in Northeast Texas and includes the cities of Henderson, Kilgore and Longview as well as other small communities. These counties are a part of the Longview MSA and include 35 census tracts (CTs). These tracts include no low income CTs, nine moderate income CTs, 20 middle and 6 upper income CTs. Eight of the bank's branches and twelve ATMs are located in Rusk and Gregg Counties. Approximately 54% of the loans originated in this assessment period and 63% of the total bank deposits are included in these counties. There are numerous other institutions in the Rusk and Gregg County area. CNB is the second largest institution with \$385 million in deposits in the assessment area and a 14% market share of deposits as of June 30, 2007. CNB continues to be retail oriented with a focus on mortgage, consumer and commercial lending.

Population growth and economic conditions remain stable in Rusk and Gregg Counties. Major employers in Rusk County include: Texas Utilities, Bradshaw State Jail, and Sadler's Bar-B-Que. 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. Contacts felt the local financial institutions were providing products and services which help meet the needs of the community.

## Henderson and Navarro Counties

Demographic Information for Full Scope Area: Henderson and Navarro Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	0.00	0.00	87.50	12.50	0.00
Population by Geography	118,401	0.00	0.00	87.49	12.51	0.00
Owner-Occupied Housing by Geography	34,697	0.00	0.00	87.92	12.08	0.00
Business by Geography	8,993	0.00	0.00	83.56	16.44	0.00
Farms by Geography	366	0.00	0.00	82.24	17.76	0.00
Family Distribution by Income Level	33,125	19.38	16.59	20.82	43.21	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,915	0.00	0.00	90.21	9.79	0.00
Median Family Income		36,380	Median Housing Value		59,386	
HUD Adjusted Median Family Income for 2007		43,100	Unemployment Rate (2000		3.05%	
Households Below Poverty Level		16%	US Census)			

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

Source: 2000 US Census and 2007 HUD updated MFI

The Henderson/Navarro County is located in Northeast Texas and includes the cities of Athens, Chandler and Corsicana. These counties are in a non-metropolitan area located between Tyler and Dallas and include 24 census tracts (CTs) with no tracts designated as low or moderate income. Five of the bank's branches and six ATMs are located in Henderson and Navarro counties. Additionally, the bank opened a loan production office (LPO) in Kaufman in December 2007. Approximately 28% of the loans originated in this assessment period and 18% of the total bank deposits are included in these counties. CNB is the fourth largest institution with \$111 million in deposits in the assessment area and a 9% market share of deposits as of June 30, 2007. CNB continues to be retail oriented with a focus on mortgage, consumer and commercial lending.

Navarro and Henderson Counties are located approximately fifty miles southeast of Dallas in East Texas. These counties derive most of its agricultural income from cattle, horses, swine and poultry. Crops include grain, hay, fruits, vegetables, melons and nursery crops. Some hardwood timber is harvested and marketed, but to a smaller extent. The proximity to the Dallas-Ft. Worth region should become increasingly important as continued recreational development and new home construction associated with the lakes prove to be a tremendous asset to the county's economy. Major employers in Henderson County include Athens Medical Corporation, Redman Homes Inc., and Athens Brick Company. The largest employer for Navarro County is Russell Stover employing approximately 900 employees in Corsicana, Texas.

## 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: (1) 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; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

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. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- 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. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**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, 2006 TO DECEMBER 31, 2007	
MA/Assessment Area (2007):	% 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>															
Gregg and Rusk Counties	53.82	638	50,779	561	36,887	371	6,197	0	0	1,570	93,863	63.17			
Henderson and Navarro Co	27.84	373	25,483	276	17,656	163	2,418	0	0	812	45,557	17.59			
<b>Limited Review:</b>															
Harrison and Marion Count	17.62	229	12,013	225	11,446	60	1,707	0	0	514	25,166	17.61			
Smith County Tract 0020.0	0.72	17	2,130	2	440	2	40	0	0	21	2,610	1.63			

\* Loan Data as of December 31, 2007. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from April 04, 2005 to February 27, 2008.

\*\*\* Deposit Data as of February 26, 2008. 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, 2006 TO DECEMBER 31, 2007						
MA/Assessment Area (2007):	% 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>														
Gregg and Rusk Counties	51.16	2,925	27,168	0	0	0	0	1,028	15,409	0	0	920	7,205	63.17
Henderson and Navarro Co	27.43	1,568	14,756	0	0	0	0	534	7,830	0	0	420	4,185	17.59
<b>Limited Review:</b>														
Harrison and Marion Count	21.18	1,211	11,222	0	0	0	0	369	5,552	0	0	419	3,797	17.61
Smith County Tract 0020 0	0.23	13	153	0	0	0	0	9	128	0	0	1	8	1.63

\* Loan Data as of December 31, 2007. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\*\* Deposit Data as of December 31, 2007. 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, 2006 TO DECEMBER 31, 2007	
MA/Assessment Area (2007):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
Gregg and Rusk Counties	977	4,554	0	0	0
Henderson and Navarro Co	614	2,741	0	0	0
<b>Limited Review:</b>					
Harrison and Marion Count	423	1,873	0	0	0
Smith County Tract 0020.0	3	17	0	0	0

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

**Table2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: TEXAS				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2007					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa ll	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Gregg and Rusk Counties	333	55.50	0.00	0.00	17.22	15.32	60.76	76.58	22.02	8.11	0.00	0.00	0.00	0.00	0.00	
Henderson and Navarro Counties	168	28.00	0.00	0.00	0.00	0.00	87.92	82.14	12.08	17.86	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
Harrison and Marion Counties	84	14.00	0.00	0.00	13.89	13.10	51.34	59.52	34.77	27.38	0.00	0.00	0.00	0.00	0.00	
Smith County Tract 0020.08	15	2.50	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Geographic Distribution: HOME IMPROVEMENT			Geography: TEXAS						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2007						
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>															
Gregg and Rusk Counties	221	47.63	0.00	0.00	17.22	8.14	60.76	87.78	22.02	4.07	0.00	0.00	0.00	0.00	0.00
Henderson and Navarro Counties	128	27.59	0.00	0.00	0.00	0.00	87.92	78.91	12.08	21.09	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Harrison and Marion Counties	114	24.57	0.00	0.00	13.89	16.67	51.34	61.40	34.77	21.93	0.00	0.00	0.00	0.00	0.00
Smith County Tract 0020.08	1	0.22	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Geographic Distribution: HOME MORTGAGE REFINANCE 2007			Geography: TEXAS						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31,						
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	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gregg and Rusk Counties	83	43.23	0.00	0.00	17.22	12.05	60.76	80.72	22.02	7.23	0.00	0.00	0.00	0.00	0.00
Henderson and Navarro Counties	77	40.10	0.00	0.00	0.00	0.00	87.92	79.22	12.08	20.78	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Harrison and Marion Counties	31	16.15	0.00	0.00	13.89	6.45	51.34	77.42	34.77	16.13	0.00	0.00	0.00	0.00	0.00
Smith County Tract 0020.08	1	0.52	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)



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

Geographic Distribution: MULTIFAMILY			Geography: TEXAS				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2007					Market Share (%) by Geography				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans						
<b>Full Review:</b>																
Gregg and Rusk Counties	1	100.00	0.00	0.00	18.50	0.00	49.39	100.00	32.11	0.00	0.00	0.00	0.00	0.00	0.00	
Henderson and Navarro Counties	0	0.00	0.00	0.00	0.00	0.00	75.19	0.00	24.81	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
Harrison and Marion Counties	0	0.00	0.00	0.00	29.29	0.00	48.41	0.00	22.30	0.00	0.00	0.00	0.00	0.00	0.00	
Smith County Tract 0020.08	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES 2007		Geography: TEXAS								Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31,					
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 Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gregg and Rusk Counties	561	52.73	0.00	0.00	26.40	18.89	51.34	72.73	22.25	8.38	0.00	0.00	0.00	0.00	0.00
Henderson and Navarro Counties	276	25.94	0.00	0.00	0.00	0.00	83.56	81.16	16.44	18.84	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Harrison and Marion Counties	225	21.15	0.00	0.00	12.66	9.78	48.29	67.56	39.05	22.67	0.00	0.00	0.00	0.00	0.00
Smith County Tract 0020 08	2	0.19	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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 (2007).

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

Geographic Distribution: SMALL LOANS TO FARMS DECEMBER 31, 2007		Geography: TEXAS								Evaluation Period: JANUARY 1, 2006 TO					
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>															
Gregg and Rusk Counties	371	62.25	0.00	0.00	19.23	22.10	56.73	76.28	24.04	1.62	0.00	0.00	0.00	0.00	0.00
Henderson and Navarro Counties	163	27.35	0.00	0.00	0.00	0.00	82.24	77.30	17.76	22.70	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Harrison and Marion Counties	60	10.07	0.00	0.00	6.08	1.67	55.41	80.00	38.51	18.33	0.00	0.00	0.00	0.00	0.00
Smith County Tract 0020.08	2	0.34	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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 (2007).

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

Borrower Distribution: HOME PURCHASE		Geography: TEXAS					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2007					Market Share				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families**	% BANK Loans****	% Families <sup>1</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families*	% BANK Loans****						
<b>Full Review:</b>																
Gregg and Rusk Counties	333	55.50	20.48	6.75	17.61	20.25	20.85	20.86	41.05	52.15	0.00	0.00	0.00	0.00	0.00	
Henderson and Navarro Counties	168	28.00	19.38	4.22	16.59	9.04	20.82	18.67	43.21	68.07	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
Harrison and Marion Counties	84	14.00	19.46	3.61	16.12	15.66	19.43	31.33	44.98	49.40	0.00	0.00	0.00	0.00	0.00	
Smith County Tract 0020.08	15	2.50	9.44	0.00	11.72	7.14	15.68	7.14	63.15	85.71	0.00	0.00	0.00	0.00	0.00	

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.8% 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.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT 2007		Geography: TEXAS								Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31,					
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 <sup>2</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gregg and Rusk Counties	221	47.63	20.48	9.81	17.61	16.82	20.85	18.69	41.05	54.67	0.00	0.00	0.00	0.00	0.00
Henderson and Navarro Counties	128	27.59	19.38	7.14	16.59	12.70	20.82	22.22	43.21	57.94	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Harrison and Marion Counties	114	24.57	19.46	11.61	16.12	16.96	19.43	28.57	44.98	42.86	0.00	0.00	0.00	0.00	0.00
Smith County Tract 0020.08	1	0.22	9.44	0.00	11.72	0.00	15.68	0.00	63.15	100.00	0.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* As a percentage of loans with borrower income information available. No information was available for 2.4% 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.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE 2007		Geography: TEXAS								Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31,					
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 <sup>3</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans**	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Gregg and Rusk Counties	83	43.23	20.48	11.39	17.61	10.13	20.85	18.99	41.05	59.49	0.00	0.00	0.00	0.00	0.00
Henderson and Navarro Counties	77	40.10	19.38	1.32	16.59	14.47	20.82	19.74	43.21	64.47	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Harrison and Marion Counties	31	16.15	19.46	3.57	16.12	3.57	19.43	17.86	44.98	75.00	0.00	0.00	0.00	0.00	0.00
Smith County Tract 0020.08	1	0.52	9.44	0.00	11.72	0.00	15.68	0.00	63.15	100.00	0.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* As a percentage of loans with borrower income information available. No information was available for 4.2% 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.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Borrower Distribution: SMALL LOANS TO BUSINESSES 2007				Geography: TEXAS		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31,			
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>									
Gregg and Rusk Counties	561	52.73	62.35	93.40	85.74	8.20	6.06	0.00	0.00
Henderson and Navarro Counties	276	25.94	60.89	94.93	85.51	9.78	4.71	0.00	0.00
<b>Limited Review:</b>									
Harrison and Marion Counties	225	21.15	61.61	92.89	91.11	5.78	3.11	0.00	0.00
Smith County Tract 0020.08	2	0.19	70.74	100.00	50.00	0.00	50.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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 - 2007).

\*\*\*\* 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: TEXAS			Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2007				
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
<b>Full Review:</b>									
Gregg and Rusk Counties	371	62.25	96.47	100.00	98.38	1.62	0.00	0.00	0.00
Henderson and Navarro Counties	163	27.35	96.17	100.00	99.39	0.61	0.00	0.00	0.00
<b>Limited Review:</b>									
Harrison and Marion Counties	60	10.07	98.65	100.00	95.00	1.67	3.33	0.00	0.00
Smith County Tract 0020.08	2	0.34	100.00	100.00	100.00	0.00	0.00	0.00	0.00

\* The evaluation period for Optional Product Line(s) is from January 01, 2006 to December 31, 2007.

\*\* 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 - 2007).

\*\*\*\* 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, 2006 TO DECEMBER 31, 2007			
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>																							
Gregg and Rusk Counties	2,925	51.16	0.00	0.00	20.86	14.39	57.61	81.71	21.53	3.90	22.90	20.27	15.52	18.67	18.43	20.55	43.15	34.70					
Henderson and Navarro Counties	1,568	27.43	0.00	0.00	0.00	0.00	87.18	87.44	12.82	12.56	32.23	11.80	19.62	18.37	17.73	18.94	30.42	48.02					
<b>Limited Review:</b>																							
Harrison and Marion Counties	1,211	21.18	0.00	0.00	16.07	8.34	49.28	75.47	34.65	16.18	26.67	16.27	15.83	18.99	17.22	23.95	40.29	36.83					
Smith County Tract 0020.08	13	0.23	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	12.75	7.69	14.50	15.38	18.17	15.38	54.57	61.54					

\* 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: MARCH 4, 2005 TO FEBRUARY 27, 2008			
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>									
Gregg and Rusk Counties	0	0	87	2,425	87	2,425	87.17	0	0
Henderson and Navarro Counties	0	0	26	354	26	354	12.72	0	0
<b>Limited Review:</b>									
Harrison and Marion Counties	0	0	28	2	28	2	0.07	0	0
Smith County Tract 0020.08	0	0	3	1	3	1	0.04	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 TO FEBRUARY 27, 2008								Geography: TEXAS				Evaluation Period: MARCH 4, 2005					
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>																	
Gregg and Rusk Counties	63.17	8	47.06	0.00	12.50	75.00	12.50	0	1	0	0	- 1	0	0.00	22.81	57.22	19.96
Henderson and Navarro Counties	17.59	5	29.41	0.00	0.00	80.00	20.00	0	0	0	0	0	0	0.00	0.00	87.49	12.51
<b>Limited Review:</b>																	
Harrison and Marion Counties	17.61	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
Smith County Tract 0020.08	1.63	1	5.88	0.00	0.00	0.00	100.00	2	1	0	0	0	1	0.00	0.00	0.00	100.00

**Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System				Geography: TEXAS				Evaluation Period: MARCH 4, 2005 TO FEBRUARY 27, 2008									
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
<b>Full Review:</b>																	
Gregg and Rusk Counties	63.17	8	47.06	0	13	75	13	13	52.00	0	1	11	1	0.00	22.81	57.22	19.96
Henderson and Navarro Counties	17.59	5	29.41	0	0	80	20	6	24.00	0	0	5	1	0.00	0.00	87.49	12.51
<b>Limited Review:</b>																	
Harrison and Marion Counties	17.61	3	17.65	0	0	100	0	5	20.00	0	0	4	1	0.00	17.33	48.24	34.43
Smith County Tract 0020.08	1.63	1	5.88	0	0	0	100	1	4.00	0	0	0	1	0.00	0.00	0.00	100.00