



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number 17456

1320 Loop 304 East
Crockett, TX 75835

Office of the Comptroller of the Currency

1800 NW Loop 281, Suite 306
Longview, TX 75604-2516

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

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

Citizens National Bank (CNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities.
- A substantial majority of the loans sampled, approximately 90.0 percent by number and 92.06 percent by dollar amount, was originated within the bank's assessment area.
- The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of Citizens National Bank's ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the small bank performance criteria. Conclusions regarding the bank's lending performance are based on a sample of commercial and consumer installment loans originated from January 1, 2009 to December 31, 2011. Our sample included 20 commercial loans and 20 consumer loans.

DESCRIPTION OF INSTITUTION

Citizens National Bank of Crockett is a \$90 million bank. The bank is a Sub-Chapter S Corporation, wholly owned by Citizens Bancorp, a one-bank holding company. The bank has one location which includes an automated teller machine (ATM), walk-in, and drive-up teller facilities. The bank is a full-service community bank offering traditional banking products and services. There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated October 15, 2007. As of March 31, 2013, loans totaled \$28 million and represented 31 percent of total assets. Primary product lines consist of commercial and consumer loans. The following chart reflects the distribution of the bank's loan portfolio:

LOAN CATEGORY	\$(000)	%
Commercial Loans	\$10,830	38.08%
Consumer Loans	\$7,039	24.75%
1-4 Family Mortgages	\$6,184	21.74%
Agricultural Loans	\$4,389	15.43%
Total	\$28,442	100.00%

DESCRIPTION OF ASSESSMENT AREA(S)

The Board has designated all of Houston County, Texas as the bank's assessment area. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. The designated assessment area includes seven Census Tracts (CTs), all of which are located in Houston County. These CTs include the communities of Crockett (county seat), Grapeland, Lovelady, and Kennard. Houston County has a population of 23,185, based on the 2000 U.S. Census. Approximately 28 percent of families located within the assessment area are low-income; 16 percent are moderate-income; 18 percent are middle-income; and 38 percent are upper-income. All but one of the CTs is designated as middle-income. CT 9504 is a moderate-income tract and includes the southern half of the City of Crockett. The median family income for the assessment area is \$34,099 with unemployment low at 2.23 percent. Discussions with local business leaders revealed that the economy is enjoying significant growth due to the discovery of a large natural gas field. Hotels are operating at full capacity and the area has seen an increase in Bed and Breakfasts and trailer parks. Major employers in the area include Vulcraft Steel Fabrication, Crockett ISD, Texas Department of Criminal Justice, and East Texas Medical Center. Competition remains strong in the area with two state banks and several bank branches.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF HOUSTON COUNTY	
<i>Population</i>	
Number of Families	5,786
Number of Households	8,268
<i>Geographies</i>	
Number of Census Tracts	7
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	14.29%
% Middle-Income Census Tracts	85.71%
% Upper-Income Census Tracts	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,099
2012 HUD-Adjusted MFI	\$49,300
<i>Economic Indicators</i>	
Unemployment Rate	2.23%
2000 Median Housing Value	\$49,168
% of Households Below Poverty Level	20.89%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB's performance under the lending test is satisfactory. The bank has demonstrated satisfactory performance in meeting the credit needs of the community. All performance criteria of the lending test are documented below.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of CNB is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 42.70 percent since the prior CRA examination in January 2008. The average quarterly loan-to-deposit ratio of all banks within the assessment area for the same time period was 59.65 percent.

INSTITUTION	Assets (000s) (as of 12/31/2012)	Average LTD Ratio
Citizens National Bank	\$91,595	42.70%
Elkhart State Bank	\$57,387	47.92%
Grapeland State Bank	\$32,122	63.95%
Lovelady State Bank	\$41,242	67.10%

Lending in Assessment Area

A substantial majority of the bank's lending is inside its assessment area. The breakdown by loan category is illustrated in the following table:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	16	80.00	4	20.00	20	188	71.74	74	28.26	262
Commercial	20	100.00	0	0	20	670	100.00	0	0	670
Totals	36	90.00	4	10.00	40	858	92.06	74	7.94	932

Source: Loan sample

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

The distribution of loans to borrowers of different incomes is reasonable throughout the assessment area.

Loans to consumers show a reasonable dispersion of loans to the different level of incomes. The distribution closely reflects the percentage of varying levels of incomes within the assessment area.

Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	9.22	10.00	8.49	10.00	32.08	30.00	50.21	50.00

Source: Loan sample; U. S. Census data.

The distribution of commercial loans by income level is excellent. A substantial majority were made to small businesses.

Borrower Distribution of Loans to Businesses in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.14	1.76	32.10	100.00
% of Bank Loans in AA by #	85.00	15.00	0.00	100.00
% of Bank Loans in AA by \$	88.34%	11.66%	0.00	100.00

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

CNB has a reasonable dispersion of loans throughout the assessment area.

Geographic Distribution of Consumer Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	15.43	25.00	84.57	75.00	0.00	0.00

Source: Loan sample; U. S. Census data

Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans	% of AA Businesses / Farms	% of # of Loans
Businesses	0.00	0.00	12.42	20.00	87.58	80.00	0.00	0.00

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

There have been no CRA related complaints received during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or C.F.R 195.28(c), in determining a national bank’s (bank) or federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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