



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 30, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank, National Association  
Charter Number: 20184

2711 East Texas Street  
Bossier City, LA 71111-0000

Office of the Comptroller of the Currency

Longview Field Office  
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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, 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**  
**The Lending Test is rated: Satisfactory.**  
**The Community Development Test is rated: Satisfactory.**

The major factors that support this rating include:

- Citizens National Bank demonstrates satisfactory responsiveness to the credit needs of its assessment area. The bank's loan-to-deposit ratio is reasonable and a majority of the bank's loans were within its designated assessment area. The distribution of these loans by borrower income level reflects a reasonable penetration to all income levels.
- The level of qualified community development services, investments, and loans represents adequate responsiveness to identified community development needs. Citizens National Bank's delivery systems are reasonably accessible to individuals of different income levels and throughout its assessment area. The bank made qualified investments during the evaluation period totaling \$1.45 million or 4.78% of Tier I Capital.

## **Scope of Examination**

Conclusions regarding the bank's lending performance are based on residential mortgage, small business and consumer loans for the years 2006, 2007, 2008 and year-to-date 2009. For the community development test, the evaluation period runs from the ending date of the last CRA evaluation period to the stated date of the current CRA examination. This test includes a review of the investments, services and loans provided in the bank's assessment area that meet the definition of community development.

The bank's assessment area includes contiguous census tracts in Bossier and Caddo Parishes. This area includes all of the bank's branch locations and ATM services and received a full scope review of the bank's performance under the Community Reinvestment Act.

Our review also included contacts with local business groups in the assessment area. These contacts stated that the primary need in the area is for small business loans and residential loans. One contact noted that there is a demand for affordable housing; however there is a lack of available houses. Another contact noted that underwriting requirements have tightened making it more difficult to obtain financing for small business loans. Each contact stated that they have good working relationships with the local financial institutions and they are responsive to community needs and activities.

## Description of Institution

Citizens National Bank (CNB), headquartered in Bossier City, Louisiana, is an intrastate financial institution with \$340 million in assets. The bank is wholly owned by Citizens National Bancshares, Inc., a one bank holding company. CNB has five full service locations throughout the assessment area. The bank also operates four automatic teller machines, independent of the full service locations. The bank's offices are all located within the Shreveport/Bossier City metropolitan statistical area.

CNB's philosophy is to be a full service institution by providing a wide array of financial services to consumers and commercial businesses. CNB is both retail and commercial oriented and offers a wide range of deposit and loan products. As of September 30, 2009, the bank's net loans represented 75% of total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	150,909	58.37
1-4 Family Real Estate Loans	74,053	28.64
Commercial Loans	22,883	8.85
Consumer Loans	10,684	4.14
<b>Total</b>	<b>258,529</b>	<b>100.00</b>

There are no legal, financial or other factors that impede the bank's ability to help meet the credit needs in its assessment area. Citizens National Bank's Tier I Capital level was \$30 million representing 9.22% of adjusted average assets as of September 30, 2009. The bank's CRA performance was last evaluated as of March 18, 2004, with an overall level of performance rated "Satisfactory."

## Description of Assessment Area

The bank's assessment area consists of contiguous census tracts located in Bossier and Caddo Parishes. There are 62 census tracts in this assessment area including six low income and 15 moderate income census tracts. This assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low or moderate-income geographies.

The following table provides a description of the assessment area based upon census data and 2008 Department of Housing and Urban Development information.

<b>Demographic and Economic Characteristics of Caddo/Bossier Parishes Assessment Area</b>	
<i>Population</i>	
Number of Families	66,501
Number of Households	97,495
<i>Geographies</i>	
Number of Census Tracts	62
% Low-Income Census Tracts	9.68%
% Moderate-Income Census Tracts	24.19%
% Middle-Income Census Tracts	30.65%
% Upper-Income Census Tracts	35.48%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	46,105
2008 HUD-Adjusted MFI	49,600
<i>Economic Indicators</i>	
Unemployment Rate	6.80%
2008 Median Housing Value	99,400
% of Households Below Poverty Level	15.64%

*Source: 2000 US Census and 2008 HUD updated MFI*

Caddo and Bossier Parishes have a combined population of 375,800. A large number of other financial institutions compete in this market. Citizens National Bank's deposits represent less than 5.35 percent of the market share of area deposits. CNB is both retail and commercial oriented with a focus on commercial and mortgage lending. Major employers in the Shreveport/Bossier City area include; the Louisiana Department of Civil Services, Barksdale Air Force Base, Louisiana State University Health Sciences Center, Willis Knighton Health System and Harrah's Horseshoe Casino and Hotel.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the lending test is satisfactory. The bank's loan-to-deposit ratio is satisfactory and a majority of the bank's loans were within its designated assessment area. The distribution of these loans by borrower income level reflects a reasonable penetration to all income levels.

### 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 80.38% since the prior CRA examination dated February 23, 2004. The average-loan-to deposit ratio of other banks within the assessment area for the same time period was 72.95%.

Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 09/30/09)	Average Loan to Deposit Ratio
Community National Bank	217,491	49.30%
First Louisiana Bank	123,842	89.59%
Ouachita Independent Bank	439,031	85.40%
Business First Bank	601,466	87.22%
Citizens Bank & Trust of Vivian, LA	130,708	66.95%
Crescent Bank & Trust	624,238	98.50%
Iberia Bank	4,895,741	92.89%
Progressive National Bank	29,659	57.47%
Red River Bank	758,332	82.43%
Tri-State Bank & Trust	31,954	19.75%
<b>Citizens National Bank</b>	<b>340,103</b>	<b>80.38%</b>

Source: Institution Reports of Condition from September 2004 to September 2009

### Lending in Assessment Area

CNB's lending in their assessment area meets the standard for satisfactory performance. A majority of the number and dollar amount of home mortgage, commercial real estate, and consumer loans evaluated were originated within the bank's assessment area. As depicted in the table below, 83.23 percent of the number of loans and 84.87 percent of the dollar amount of loans were originated in the bank's assessment area.

<b>Lending in Caddo/Bossier Parishes Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family	3,949	83.15	800	16.85	4,749	584,385	84.74	105,197	15.26	689,582
Commercial R/E	22	95.65	1	4.35	23	5,995	99.44	34	0.56	6,029
Consumer	20	86.96	3	13.04	23	387	88.15	52	11.85	439
Total	3,991	83.23	804	16.77	4,795	590,767	84.87	105,283	15.13	696,050

Source: Loan Sample; HMDA data

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

Citizen National Bank's distribution of loans by income level is reasonable given the overall demographics of the bank's assessment area. Small business lending is the bank's primary business line and the distribution of small business loans carried the most weight when determining lending performance. The bank's lending for 1-4 family residential purposes was weighted second with consumer lending also considered.

The bank's distribution of small loans to business is reasonable. The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses with reported revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in Caddo/Bossier Parishes Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	53.18%	3.36%	43.46%	100%
% of Bank Loans in AA by #	61.90%	38.10%	0.00%	100%
% of Bank Loans in AA by \$	52.66%	47.34%	0.00%	100%

Source: Loan Sample; Dun and Bradstreet data

The distribution of loans for 1-4 family residences is reasonable. The level of lending is lower than the demographics; however given the following performance context issues, it is adequate. The assessment area has a significant percentage of non-owner occupied housing. Additionally, approximately 30% of the households in the low and moderate income census tracts are below the poverty level. These individuals may have a difficult time qualifying for mortgage products. These performance context issues limit the opportunities to extend home mortgage products to low and moderate income individuals.

<b>Borrower Distribution of Residential Real Estate Loans in Caddo/Bossier Parishes Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type(s)	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	6.16%	3.40%	14.92%	13.33%	33.16%	21.70%	45.76%	55.16%
Home Improvement	6.16%	5.75%	14.92%	14.94%	33.16%	14.94%	45.76%	63.22%
Home Refinance	6.16%	3.79%	14.92%	7.95%	33.16%	16.04%	45.76%	64.65%

Source: HMDA data; U.S. Census data.

The distribution of loans to borrowers for consumer purposes is satisfactory. The table below reflects reasonable lending activity to all income levels. This product was given the least weight when assessing lending because it represents only 4.14% of the dollar amount of the total loan portfolio. However, in terms of the number of loans, this product is an indicator of the bank's commitment to lend to borrowers of all income levels in its assessment area.

<b>Borrower Distribution of Consumer Loans in Caddo/Bossier Parishes Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	6.79%	17.39%	15.65%	13.04%	33.83%	21.74%	43.73%	47.83%

Source: Loan Sample; U.S. Census data

## Geographic Distribution of Loans

CNB's distribution of loans by geography reflects a reasonable penetration within the assessment area. While no consumer loans were originated in the low income census tracts, CNB's distribution to low income borrowers regardless of geographic location demonstrates their willingness to serve the local community credit needs. Furthermore, there are numerous other financial institutions that have branches with closer proximity to and in those low income census tracts.

<b>Geographic Distribution of Consumer Loans in Caddo/Bossier Parishes Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	9.68%	0.00%	24.19%	20.00%	30.65%	30.00%	35.48%	50.00%

Source: Loan Sample; U.S. Census data

The geographic distribution of residential loans reflects a reasonable penetration throughout the assessment area. The percentage of residential loans originated in both low and moderate income tracts is near that of the assessment area's demographics.

<b>Geographic Distribution of Residential Real Estate Loans in Caddo/Bossier Parishes Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.39%	1.70%	12.15%	6.27%	31.90%	28.10%	51.56%	63.92%
Home Improvement	4.39%	3.45%	12.15%	10.34%	31.90%	34.48%	51.56%	51.72%
Home Refinance	4.39%	3.16%	12.15%	6.44%	31.90%	27.90%	51.56%	62.50%

Source: HMDA data; U.S. Census data.

The geographic distribution of small business loans represents a reasonable penetration within the bank's assessment area. The number of loans originated in low income census tracts exceeds the demographics of the assessment area, while the number of small business loans originated in moderate income tracts is near that of the assessment area's demographics.

<b>Geographic Distribution of Loans to Businesses in Caddo/Bossier Parishes Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business Loans	8.44%	9.52%	21.31%	19.05%	30.01%	23.81%	40.24%	47.62%

Source: Loan Sample; dun & Bradstreet



## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test is satisfactory. The bank has provided an adequate level of community development services, investments and loans in its assessment area.

### **Number and Amount of Community Development Loans**

Citizens National Bank originated two loans during the evaluation period which qualified as community development loans. The first loan totaling \$250 thousand was for the purpose of constructing a home that was then raffled off. The proceeds of the raffle, approximately \$ 500 thousand, were used to construct affordable housing in low/moderate income census tracts. CNB financed the construction of the raffled house at a reduced interest rate.

The second loan was a \$56 thousand loan to a medical doctor (Kikelomo Togun) to open a children's clinic in a low income census tract (Census Tract 233). The loan funded the opening of "His Grace Pediatric and KidMed Clinic". Prior to the opening of this clinic, there was a critical shortage of medical care located in the neighborhood.

### **Community Development Investments**

Citizens National Bank has provided an adequate level of community development investments in its assessment area. During this evaluation period, the bank made qualified donations that totaled \$91 thousand. CNB also purchased a Mortgage Backed Security (\$1,355 million) during the current assessment period that was specifically designed to help facilitate financing to low/moderate income borrowers when purchasing a home.

### **Community Development Services**

CNB participates in the "Teach to Save" Program. As part of this program, bank personnel go to four elementary schools, including a Title I school (economically disadvantaged), once a month to instruct and facilitate actual banking activities with fourth and fifth graders. Additionally, CNB funded the updating of the overall curriculum to ensure it meets state required benchmarks. This state approved curriculum is made available, via the Louisiana Bankers Association website, to all banks and educators at no cost.

The bank provides retail services which benefit low to moderate income individuals, such as free checking and small loans.

## **RESPONSES TO COMPLAINTS**

There have been no consumer complaints related to the bank's Community Reinvestment Act performance during the evaluation period.

## **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.