

PUBLIC DISCLOSURE

September 28, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter # 15090**

**3500 20th Avenue
Valley, Alabama 36854**

**Office of the Comptroller of the Currency
Georgia Field Office
1117 Perimeter Center West, Suite W-401
Atlanta, Georgia 30338-5417**

NOTE: 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Citizens National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 30, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING

This institution is rated **SATISFACTORY**. The Citizens National Bank CRA rating is based on the institution's satisfactory loan-to-deposit ratio, adequate proportion of lending in its assessment area and good distribution of lending to borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of *Citizens National Bank* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Citizens National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	There are no low and moderate income tracts in Citizens National Bank's assessment area. Therefore, this analysis was not performed.		
Response to Complaints	No complaints have been received by Citizens National Bank since its last CRA examination in September 1995.		

DESCRIPTION OF INSTITUTION

Citizens National Bank (Citizens) is a community banking institution serving Chambers County. The bank's financial condition is characterized by total assets of \$61 million, total loans of \$42 million, total deposits of \$54 million and net income of \$72 thousand as of June 30, 1998. Citizens operates three offices. The main office is located at 3500 20th Avenue, Valley, Alabama. The two branches are located at 610 South Gilmer Avenue, Lanett, Alabama and 91 River Road, Valley, Alabama. Citizens is owned by Citizens Bancgroup, Inc., a one bank holding company.

Competitors in the local market include: a credit union, a savings and loan, a branch of a multinational financial institution and three other community banks. Citizens is a full service lender with an emphasis on one-to-four family residential real estate lending. The bank also offers traditional products and services such as commercial and small business loans, consumer loans and various deposit products. Citizens' loan portfolio is comprised of 33% commercial and commercial real estate, 4% construction, 32% one-to-four family residential and 29% consumer-related loans.

Citizens has a history of complying with the Community Reinvestment Act. No known legal impediments exist that would restrain Citizens from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Citizens National Bank is located in a rural community in Chambers County, Alabama. Management has identified Chambers County as the bank's assessment area. According to the U.S. Census Bureau, this designated area contains no low-income tracts, no moderate-income tracts, 9 middle-income tracts and 2 upper-income tracts. According to the Department of Housing and Urban Development, the estimated 1998 median family income for Chambers County is \$32,600.

CHAMBERS COUNTY - Chambers County is located in the east-central portion of the state (known as the Piedmont Region). It is bounded on the east by the Chattahoochee River which forms much of the border between Alabama and Georgia. Textile production is the main industry of many small cities of the region. The local community is dependent on various manufacturing industries with West Point Stevens, ITC Holding Corporation and Johnson Industries/Wellington Sears being the three largest employers in the area. Unemployment for the county is low at three percent (3%). The population of the assessment area in 1990 was 36,876. The Chamber of Commerce for Chambers County estimates 1997 population to be 37,236.

COMMUNITY CONTACTS - As part of our examination, we obtained information from the Industrial Development Authority of Chambers County regarding local economic conditions and community credit needs. Based on information provided to our office, the primary credit needs in the area are small business loans.

INCOME DEFINITIONS

Throughout this evaluation, we use the following definitions for the various income levels. These levels are defined in The Community Reinvestment Act.

Low-Income - An individual income, or median family income for geographies, that is less than 50% of the area median income.

Moderate-Income - An individual income, or median family income for geographies, that is at least 50% but less than 80% of the area median income.

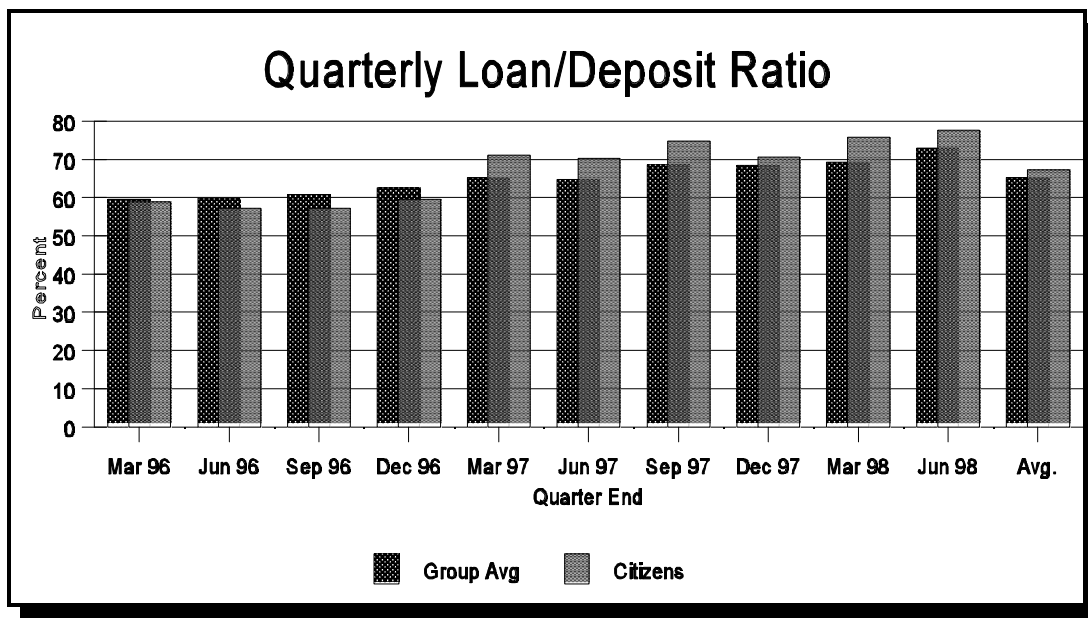
Middle-Income - An individual income, or median family income for geographies, that is at least 80% but less than 120% of the area median income.

Upper-Income - An individual income, or median family income for geographies, that is 120% or more of the area median income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

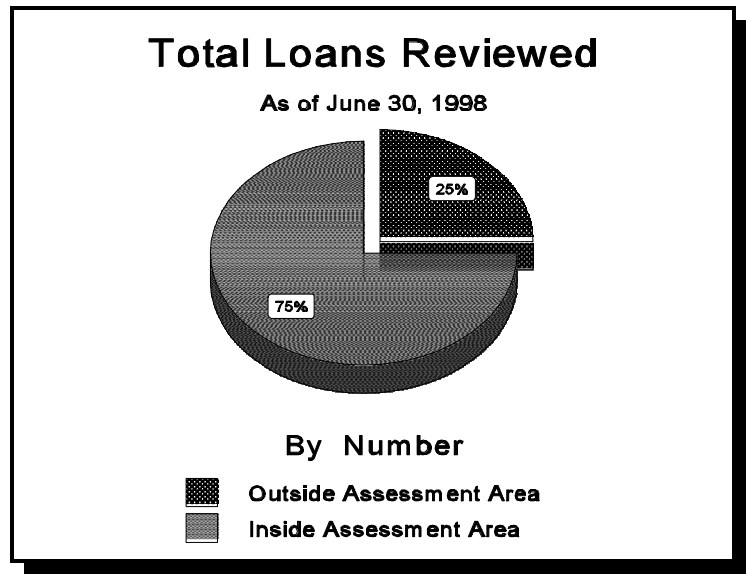
Since the last CRA examination in September 1995, Citizens' quarterly average loan-to-deposit (LTD) ratio is sixty-seven percent (67%) compared to the average LTD ratio of sixty-five percent (65%) for all community banks in the assessment area. There are a total of three community banks located in Chambers County. As *Graph 1* below shows, the bank's LTD ratio has generally increased over the past two years. Citizens' LTD ratio consistently exceeded the group average in every quarter from March of 1997 to June of 1998.



Graph 1

Lending in Assessment Area

Overall lending levels reflect an adequate responsiveness to community credit needs. Based on our sample of eighty non-business loans, seventy-five percent of the loans reviewed are to borrowers within the bank's assessment area. This is illustrated in *Graph 2*.



Graph 2

Citizens' loan portfolio is centered in residential real estate and consumer loans. This is based on June 30, 1998, call report information, summarized below in *Table 1*.

Types of Loans Outstanding as of June 30, 1998		
Loan Type	Amount (000's)	Percent
Commercial Real Estate	\$8,107	19.17%
Construction/Land Development	\$993	2.35%
Commercial and Industrial	\$6,152	14.55%
Residential Real Estate	\$12,092	28.59%
Consumer	\$14,192	33.56%
Other	\$754	1.78%
TOTAL LOANS	\$42,290	100.00%

Table 1

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

In conjunction with internally prepared reports, we selected a sample of consumer and business purpose loans to analyze Citizens' lending patterns. We selected loans originated in 1998, with current outstanding balances.

Lending to Borrowers of Different Incomes

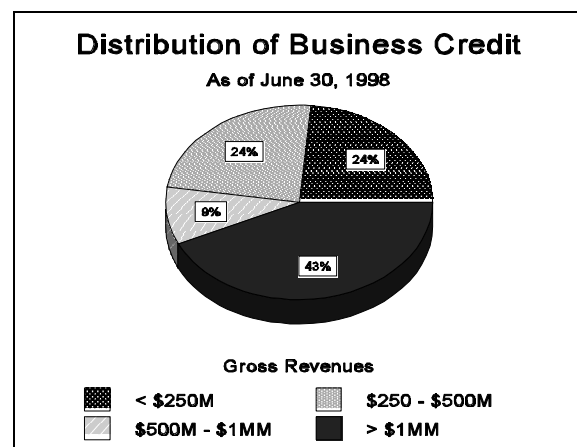
Lending to borrowers of different incomes is satisfactory. We sampled consumer purpose loans to determine the income levels of these borrowers. As *Table 2* indicates, Citizens' level of lending to low- and moderate-income (LMI) borrowers is good, with about seventy-two percent to LMI borrowers. Distribution at other income levels is also reasonable.

Distribution of Loans by Borrower Income Level in Assessment Area			
Income Level	% Families in Assessment Area	# of Loans	% of Loans
Low Income	18.67%	21	35%
Moderate Income	16.25%	22	37%
Middle Income	20.37%	12	20%
Upper Income	44.69%	5	8%
Total	100%	60	100%

Table 2

Lending to Businesses of Different Sizes

Lending to businesses of different sizes is satisfactory. We sampled twenty-one commercial purpose loans to determine gross revenue levels of the businesses. For CRA purposes, small businesses are defined as those with gross annual revenues less than \$1 million. As shown in *Graph 3*, our sample indicated that fifty-seven percent of Citizens' commercial loans are to small businesses.



Graph 3

Geographic Distribution of Loans

Citizens National Bank has a satisfactory record of lending to all segments of its assessment area. We used our sample of consumer purpose credits to determine the distribution of lending activity by census tracts in the bank’s assessment area. Chambers County has a total of eleven census tracts. Our sample indicated the bank made loans in all but three census tracts. It should be noted these census tracts are located the farthest from the bank’s offices.

Loans by Type Within Each Tract Income Level for the Assessment Area										
Loan Type	Low Income		Moderate Income		Middle Income		Upper Income		Total	
	#	%	#	%	#	%	#	%	#	%
	Since there are no low- or moderate- income tracts in Chambers County, the analysis for <i>Table 3</i> was not performed.									
Total Loans										
Tracts										

Table 3

Response to Consumer Complaints

Citizens National Bank has not received any CRA-related complaints since the preceding CRA examination performed in September 1995.

Record of Compliance with Antidiscrimination Laws.

We conducted a concurrent compliance and fair lending examination. We did not identify any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws and regulations.

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