



## **PUBLIC DISCLOSURE**

November 28, 2018

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

Citizens National Bank of Crosbyton  
Charter Number 8515

202 West Main  
Crosbyton, Texas 79322

Office of the Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289, Suite 108  
Lubbock, Texas 79424

**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

### The Lending Test is rated: Satisfactory

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

- CNB has a reasonable quarterly average net loan-to-deposit ratio of 44 percent during the evaluation period.
- CNB originated a majority of its loans by number (84 percent) and dollar amount (82 percent) to borrowers located within the assessment area (AA).
- CNB's loan portfolio reflects a reasonable penetration among farms of different sizes, as well as a reasonable distribution of consumer loans among individuals of different income levels, including low- and moderate-income borrowers.
- CNB's geographic distribution of farm and consumer loans reflects a reasonable dispersion given the bank's performance context, business strategy, and location.

## 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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, 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 five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

CNB is an intrastate bank located in Crosbyton, Texas, about 45 miles east of Lubbock, Texas. The bank is a wholly-owned subsidiary of Citizens Bancshares Inc., a one-bank holding company located in Crosbyton, Texas. CNB reported total assets of \$47 million on December 31, 2017.

The bank provides community banking services including a variety of traditional loan and deposit accounts. No branches have been opened or closed since the last CRA examination. Bank lobby and drive-through services are provided Monday through Friday at the bank's only location in Crosbyton, Texas. There is also an ATM at this location to facilitate some after-hours transactions. CNB provides basic online banking services through its website at [www.cnbcrosbyton.com](http://www.cnbcrosbyton.com).

As of December 31, 2017, net loans totaled \$18.5 million and represented 47 percent of total deposits and 40 percent of total assets. The bank is primarily an agricultural and consumer lender, as shown in the following chart.

Loan Originations in 2015, 2016, and 2017 by Original Amount				
Loan Category	\$ of Loans (000s)	% of \$	# of Loans	% of #
Agricultural and Farmland	\$26,990	73%	295	21%
Commercial and Commercial Real Estate	\$4,065	11%	65	5%
Consumer	\$5,598	15%	<b>1,019</b>	<b>74%</b>
Residential Real Estate (1-4 Family)	\$107	0%	3	0%
TOTAL	\$36,760	100%	1,382	100%

Source: Bank Loan Trial Balance

CNB's business strategy is to provide outstanding banking services to customers in its AA, while increasing the long-term value of the owners' investment. No legal impediments or other factors hinder CNB's ability to provide credit to its AA. The bank was rated "Satisfactory" at its last CRA evaluation on February 11, 2013.



## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The CRA evaluation period is January 1, 2015 through December 31, 2017. We evaluated CNB using Small Bank criteria, which collectively form the Lending Test. The bank's primary loan products are agricultural loans by dollar volume and consumer loans by number. Due to census changes in 2017, we selected samples for each primary product from different year combinations: one for 2015-16 and one for 2017. We sampled 50 agricultural loans, 25 of which were originated in 2015 and 2016, with the remaining 25 originated in 2017. Similarly, we sampled 50 consumer loans with the same distribution of origination dates.

### **Data Integrity**

We obtained accurate financial and geographic information directly from the bank's loan files.

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

CNB has one AA, Crosby County, which will receive a full-scope review.

### **Ratings**

The bank's overall rating is based on the Crosby County AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

CNB's performance under the Lending Test is Satisfactory.

### Loan-to-Deposit Ratio

CNB's net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the bank's 44 percent quarterly average net LTD ratio for the 20 quarters from March 31, 2013 through December 31, 2017. The quarterly average net LTD ratios of five similarly situated banks with total assets below \$125 million located in counties adjacent to the AA range from 23 percent to 83 percent, and average 55 percent.

Institution	Total Assets (\$000s) As of 12/31/2017	Average Quarterly Net LTD Ratio
<b>Citizens National Bank of Crosbyton</b>	<b>46,847</b>	<b>43.63</b>
The First National Bank of Tahoka	57,349	32.52
Spur Security Bank	46,162	23.31
First State Bank (Shallowater)	117,311	80.32
The First State Bank (Abernathy)	42,822	83.13
The First National Bank of Floydada	110,430	56.75

Source: Institution Reports of Condition from March 2013 to December 2017

### Lending in Assessment Area

A majority of CNB's loans, 84 percent by number and 82 percent by dollar, were extended to borrowers within the bank's AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	41	82	9	18	50%	7,145	82	1,577	18	\$8,722
Consumer	43	86	7	14	50%	186	74	65	26	\$251
Totals	84	<b>84</b>	16	16	100%	7,344	<b>82</b>	1,629	18	\$8,973

Source: Loan samples

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

The overall borrower distribution for the AA is reasonable. Based on the sample of 41 agricultural and 43 consumer loans originated within the AA from January 1, 2015 to December 31, 2017, the distribution of loans reflects a reasonable penetration among farms of different sizes and borrowers of different income levels.

### **Agricultural Loans**

CNB has reasonable penetration among farms of different sizes within the AA. Ninety percent of the number of sampled farm loans originated in 2017 were to farms with less than or equal to \$1 million in gross annual revenues, compared to 95 percent of AA farms reporting revenues less than or equal to \$1 million. Similarly, 95 percent of the number of sampled farm loans originated in 2015-2016 were to farms with less than or equal to \$1 million in gross annual revenues, compared to 98 percent of AA farms reporting revenues less than or equal to \$1 million. In both cases, dollar volume of loans are also heavily concentrated in small farms.

<b>Borrower Distribution of Loans to Farms in Crosby County AA (2017)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	95%	5%	0%	100%
% of Bank Loans in AA by #	<b>90%</b>	5%	5%	100%
% of Bank Loans in AA by \$	92%	7%	1%	100%

Source: Loan sample; Dun and Bradstreet data.

<b>Borrower Distribution of Loans to Farms in Crosby County AA (2015-2016)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	2%	0%	100%
% of Bank Loans in AA by #	<b>95%</b>	5%	0%	100%
% of Bank Loans in AA by \$	99%	1%	0%	100%

Source: Loan sample; Dun and Bradstreet data.

### **Consumer Loans**

CNB has reasonable penetration of consumer loans to low- and moderate-income borrowers in the AA. Due to a lack of available income information, we used loan size as a proxy to analyze lending to low- and moderate-income borrowers. Consumer loan volume is high in all three years. Sixteen percent of the number of consumer loans originated from 2015 to 2017 were less than or equal to \$500, while a majority (53 percent) were less than or equal to \$2,500. CNB does not have a minimum loan balance and makes loans as small as \$100. This analysis supports a reasonable distribution of loans to low- and moderate-income borrowers.

<b>Borrower Distribution of Loans to Consumers by Loan Size in Crosby County AA (2015-2017)</b>				
Loan Size	# of Loans	% of #	\$ of Loans (000s)	% of \$
\$0 - \$500	163	16%	\$63	1%
\$501 - \$1,000	145	14%	\$120	2%
\$1,001 – \$2,500	234	23%	\$412	7%
\$2,501 - \$5,000	174	17%	\$653	12%
\$5,001 – \$10,000	138	13%	\$1,039	19%
>\$10,000	172	17%	\$3,298	59%
Total	1,026	100%	\$5,585	100%

Source: Loan sample

## Geographic Distribution of Loans

CNB's geographic distribution of loans reflects reasonable dispersion given the bank's business strategy and location. Based on the sample of 20 agricultural and 21 consumer loans originated within the AA from January 1, 2015 through December 31, 2016, the geographic distribution of farm and consumer loans is reasonable. Geographic distribution analysis for 2017 is not meaningful as all CTs are moderate-income.

### Agricultural Loans

The geographic distribution of loans to farms in the moderate-income CT reflects reasonable dispersion relative to the 33 percent of AA farms located in the moderate-income CT. This is slightly below the census demographic.

Geographic Distribution of Farm Loans in Crosby County AA 2015-2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0%	0%	<b>33%</b>	<b>20%</b>	67%	80%	0%	0%

Source: Loan sample; Dunn and Bradstreet Data

### Consumer Loans

The geographic distribution of loans to consumers is reasonable, after considering performance context. CNB's consumer lending in the moderate-income CT at 5 percent is significantly below the 39 percent of AA households located in the moderate-income CT. CNB's location in the Eastern portion of the AA and competition by other financial institutions affect its consumer lending in the moderate-income CT. In 2015-2016, the bank is located in one of two middle-income CTs within the AA. The city of Ralls, the largest community in the AA, is located in the only moderate-income CT in the AA, where a branch of Vista Bank (total assets of \$604 million) provides banking services to that community, including a variety of consumer lending. Lubbock is adjacent to the Western portion of the AA, and many residents of Ralls and Lorenzo work in Lubbock from these "bedroom" communities.

Geographic Distribution of Consumer Loans in Crosby County AA 2015-2016								
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	0%	0%	<b>39%</b>	<b>5%</b>	61%	95%	0%	0%

Source: Loan sample; Dunn and Bradstreet Data

## Responses to Complaints

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period. This has a neutral effect on the bank's CRA performance.

## Appendix A: Scope of Examination

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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): 1/1/15 to 12/31/17 Investment and Service Tests and CD Loans: NA	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens National Bank of Crosbyton (CNB) Crosbyton, Texas	Farm Loans, Consumer Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Crosby County, Texas	Full-Scope	

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

### Crosby County, Texas Assessment Area

Demographic Information for Full-Scope Area: Crosby County, Texas (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0%	100%	0%	0%	0%
Population by Geography	6,007	0%	100%	0%	0%	0%
Owner-Occupied Housing by Geography	1,483	0%	100%	0%	0%	0%
Businesses by Geography	285	0%	100%	0%	0%	0%
Farms by Geography	84	0%	100%	0%	0%	0%
Family Distribution by Income Level	1,591	30%	26%	18%	26%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	893	0%	100%	0%	0%	0%
Median Family Income	= \$41,100	Median Housing Value		= \$53,262		
HUD Adjusted Median Family Income for 2017	= \$58,300	Unemployment Rate		= 3.4%		
Households Below Poverty Level	= 20.7%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 U.S. Census (ACS)

Demographic Information for Full-Scope Area: Crosby County, Texas (2015-2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0%	33%	67%	0%	0%
Population by Geography	6,059	0%	39%	61%	0%	0%
Owner-Occupied Housing by Geography	1,542	0%	39%	61%	0%	0%
Businesses by Geography	309	0%	32%	68%	0%	0%
Farms by Geography	96	0%	33%	67%	0%	0%
Family Distribution by Income Level	1,519	29%	21%	22%	28%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	766	0%	44%	56%	0%	0%
Median Family Income	= \$53,722	Median Housing Value		= \$51,567		
HUD Adjusted Median Family Income for 2016	= \$60,400	Unemployment Rate		= 3.9%		
Households Below Poverty Level	= 20.8%					

Source: 2010 U.S. Census

CNB has one AA which is Crosby County, Texas. Crosby County was added to the Lubbock, TX MSA in 2017, accounting for the change in CT income categories. The AA meets legal requirements as it consists of whole geographies and does not arbitrarily exclude any low- or moderate-income CTs.

Economic conditions are stable, directly influenced by agricultural production and commodity prices (mostly cotton). Non-agricultural employers include the Crosbyton Clinic/Hospital and the Crosby County School District. Unemployment rates are improving, dropping to 3.4 percent in December 2017. This is slightly below the state of Texas and the nation at 3.7 and 3.9 percent, respectively.

Competition is strong despite the rural nature of the AA. Three financial institutions each have an office located in the AA. Vista Bank (Ralls) has the highest deposit market share at 39 percent, with CNB at 35 percent and Peoples Bank (Lorenzo) at 26 percent. In addition, there are numerous financial institutions, including branches of the nation's largest banks, with offices in nearby Lubbock.

We interviewed a city government official for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining their performance. Local economic conditions have been stable in recent years despite the inconsistent agricultural results and low commodity prices. CNB helps to address the credit needs of the AA and continues to be willing to provide credit for the community when opportunities are available. The bank has a good public reputation for meeting the credit needs of the community and willingly sponsors various local activities.