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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

January 7, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citizens National Bank  
Charter Number 13443**

**Post Office Box 1009  
Henderson, Texas 75653-1009**

**Office of the Comptroller of the Currency  
Southwestern District  
1600 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201-3394**

**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 **January 7, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with provisions set forth in Appendix A to 12 C.F.R. Part 25.*

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

- ▶ Citizens National Bank (CNB) demonstrates good responsiveness to the credit needs of its assessment areas. A majority of the bank's loans are within its designated assessment areas. The distribution of these loans by geography and borrower profile reflect a good penetration throughout the assessment areas. The bank has used innovative and flexible lending practices to serve the area's credit needs.
- ▶ The bank has a significant level of community development related investments which are responsive to the community's credit and economic development needs. CNB has taken a leadership position in providing support to community development organizations. Management has taken the initiative to develop some innovative investments to support community development.
- ▶ CNB's delivery systems are reasonably accessible to all portions of its assessment areas. Each branch office provides the same products and services, and business hours have been tailored to accommodate the customers' needs. The bank has not opened or closed any offices since the previous CRA examination March 31, 1995. In addition, the bank provides a relatively high level of community development services.

The following table indicates the performance level of **Citizens National Bank** with respect to the lending, investment, and service tests.

<b>Citizens National Bank</b>			
<b>Performance Levels</b>	<b>Performance Tests</b>		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X	X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## **DESCRIPTION OF INSTITUTION:**

Citizens National Bank of Henderson (CNB) is a \$320 million financial institution with seven full-service locations and twelve Automated Teller Machines (ATM). The bank's main office is located at 201 West Main Street, Henderson, Texas. Branches are located throughout Rusk, Henderson, and Marion counties with facilities in Henderson (Southside Branch), Mt. Enterprise, Overton, Jefferson, Chandler, and Malakoff. There have been no offices opened or closed since the previous Community Reinvestment Act (CRA) Examination which was conducted as of March 31, 1995. The bank's performance was rated Satisfactory as a result of that examination. CNB and its subsidiary, Citizens National Bank Community Development Corporation (CNB CDC), are 100% owned by Henderson Citizens Bancshares, Inc., a second-tier holding company. Affiliates consist of First State Bank of Waskom and HCB, Inc., both of which are wholly owned by the holding company. There are no legal or other impediments which limit the bank's ability to help meet the community's credit needs.

The institution is retail oriented and offers a wide range of deposit and loan products. As of September 30, 1996, loans represented approximately 32% of the bank's total deposits. The loan portfolio consists of the following: 37% commercial and commercial real estate; 34% consumer related; and, 29% residential real estate. Deposits totaled \$288.7 million as of the same date. These deposits include \$47.6 million in time deposits over \$100,000 as well as an additional \$46.3 million held in various types of demand deposit accounts (DDA) with balances greater than \$100,000. These DDA accounts represent 35% of total DDA and have an average balance of \$272,906. Total NOW accounts comprise 24% of the bank's deposits as compared to 14% for other banks in Rusk County where the bank receives its largest percentage of loans and deposits.

## **DESCRIPTION OF INSTITUTION: - (Continued)**

Due to the location of the branches, the Board of Directors has designated the counties discussed above (Henderson, Marion, and Rusk) as three separate assessment areas for CRA purposes. A discussion of these assessment areas, as well as details supporting the bank's performance in each of these areas, are included in this Report. These assessments areas do not arbitrarily exclude low or moderate income geographies.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING:

The bank's average quarterly loan-to-deposit ratio from the prior examination (March 31, 1995) through September 30, 1996 is 27%. This is low compared to other institutions in the bank's assessment areas which averaged 45% over this same period. However, the loan portfolio has grown approximately \$24 million or 36% since the prior examination. The current loan-to-deposit ratio is 32% as compared to 23% at the prior examination. Over this period, the bank's loan-to-deposit ratio has increased 9 percentage points as compared to an increase of only 3 percentage points in the average for other banks in the assessment areas.

Rusk county is the bank's predominant market as 80% of its deposits and 83% of its loans originate from the four branches in this county. Competition in this county consists of three smaller state banks and a branch of a large regional bank. CNB is the dominant bank in this market as the three state banks range in size from \$53 million to \$57 million with loan-to-deposit ratios ranging from 27% to 63%.

A substantial majority of the bank's loans are extended within the three assessment areas. Based upon the bank's internal analysis of credit which originated from December 1995 through November 1996, 82% of the number of loans and 75% of the dollar amount of loans were to borrowers within the three assessment areas. This analysis included all residential, consumer, small business and small farm loans extended during this analysis period and was verified for accuracy.

The geographic distribution of loans by number and by dollar amount reflects good penetration throughout the assessment areas of low, moderate, middle, and upper income geographies. The distribution of small business, residential mortgage loans, and consumer loans corresponds to the demographics of the assessment areas. We found no conspicuous gaps in the bank's geographic lending activity. In the areas where limited lending was seen, the demographics of the geography provided adequate explanation. This included physical geographic boundaries such as large lakes. Please refer to Charts 3, 6, and 9 located in Appendix A for a detailed analysis of the geographic distribution of loans in each of the assessment areas.

The distribution of borrowers by number and by dollar amount reflects good penetration among customers of different income levels and business customers of different size. Our analysis of residential and consumer loan originations revealed loans are made to all income categories and are consistent with the distribution of borrowers of different income levels within the assessment areas. In addition, a substantial majority of loans to businesses and farms were less than \$100,000 and were made to small businesses and small farms with revenues of less than one million dollars. The analysis of lending to borrowers of different income levels and businesses of different sizes in each assessment area is also included in Charts 1, 2, 4, 5, 7, and 8 located in Appendix A.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

The bank exhibits a good record of serving the credit needs of all its assessment areas, including low income individuals and very small businesses. In 1994, the OCC approved the bank's request for an original investment of up to \$400,000 to create a solely owned Community Development Corporation (CDC). To continue this innovative loan program, management recently requested approval for an additional \$200,000. This will allow the bank to expand the CDC's target area to serve the credit needs of low and moderate income individuals in Marion and Henderson Counties where branches have been opened since the original approval of the 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 financing. The CDC currently includes 21 loans with a total outstanding balance of approximately \$375,000. Of these loans, 17 were originated since the prior examination and have a total outstanding balance of \$325,823. The CDC has also purchased real estate and homes in low income areas to be improved or renovated and sold to low income individuals through the CDC loan program.

Community development loans are those that do not meet the definition of home mortgage, small business, or small farm loans but do meet the definition of community development contained in the CRA regulation (12 C.F.R. 25.12(h)). Due to limited opportunities for this type of loans within the assessment areas, the bank has not originated any loans which qualify under the definition contained in the regulation.

### **INVESTMENTS:**

Citizens National Bank has a significant level of qualified community development investments that are responsive to community credit and economic development needs. During 1996, the bank committed over \$200,000 to be used through the CDC for loans and through donations to aid low to moderate income individuals and businesses. Though there are no qualified investments in the bank's assessment areas such as municipal bonds or special projects which target low or moderate income individuals, management continually seeks opportunities to participate in qualifying investments. Management took the initiative in 1994 to develop the CDC by committing up to \$400,000 targeted for low and moderate income individuals. The bank recently received approval to provide an additional \$200,000 and expand the target area into Henderson and Marion counties. In addition, during 1996, CNB has provided small financial donations through Habitat for Humanity and provided scholarships for participants in a course offered by Kilgore College which addressed starting and operating a small business.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

### **SERVICES:**

The delivery systems of the bank are reasonably accessible to essentially all portions of the assessment areas. The bank operates seven banking offices which are conveniently located in each of the assessment areas. These branches are located in two moderate, four middle and one upper income census tracts or block numbering areas. No branches have been opened or closed since the previous CRA examination. 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 Rusk County. In addition, telephone banking services and ACH deposits are available to all income geographies. A bilingual employee is available to provide assistance at the bank's main office.

In addition to retail banking services, the bank provides a high level of community services. CNB developed a school banking program designed for elementary students in grades 1 to 5. The "Early Savers Club" gives students the opportunity to open and maintain a savings account while learning the principles of saving. This program is available throughout the assessment areas unless prohibited by the school district. The bank has also hosted credit seminars in each assessment area to provide information on understanding and obtaining credit. In addition, bank officers serve on the boards of the CDC, Habitat for Humanity and the local housing authority.

### **FAIR LENDING:**

A Fair Lending Examination was performed in conjunction with this examination. Based on the samples reviewed, no evidence of any discriminatory practices was noted. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.



## **ASSESSMENT AREA**

### **RUSK COUNTY ASSESSMENT AREA**

#### **SUMMARY OF INSTITUTION'S OPERATIONS IN RUSK COUNTY, TEXAS:**

Citizens National Bank of Henderson has four full-service branch facilities located throughout Rusk County. There are also nine ATM's located within Rusk County. The county is serviced by the Main Office, Henderson - Southside, Mt. Enterprise, and Overton branches. These branches are located in three middle and one upper income block numbering areas. Of the bank's total loans and deposits, 80% of deposits and 83% of loans originate from these four branches.

#### **DESCRIPTION OF RUSK COUNTY, TEXAS:**

Rusk County includes twelve Block Numbering Areas (BNA's) which consist of one moderate income BNA, seven middle income BNA's, and four upper income BNA's. Rusk County has a population of 43,735. Census data for 1990 reflects a median family income for Rusk County of \$27,406. The statewide HUD median family income reported for 1996 is \$28,900. The percentage of families within each income category is as follows: low income, 20%; moderate income, 15%; middle income, 20%; and, upper income, 45%. There are 12,901 owner occupied housing units in Rusk County which account for 67% of the total housing units. Major employers in the area include the new state prison facility, Henderson Brick, Anderson-Hickey Company, Swirl-Way, and Fiberglass Specialties. Based on a recent contact with a representative of a local trade association, the primary need within the community is for housing, including homes in the middle income price range, apartments, and senior retirement facilities. This contact felt that the local financial institutions offer products and financing which help to meet these needs.

#### **DISCUSSION OF PERFORMANCE TESTS IN RUSK COUNTY, TEXAS:**

##### **Lending:**

During the twelve month assessment period, 2,703 residential and consumer loans totaling \$21,751 million were originated in Rusk County. The geographic distribution of these loans by number and by dollar amount reflects a good penetration throughout the assessment areas. As indicated in Chart 3 in Appendix A, the distribution of loans by number is consistent with the percentage of population in the census tracts. In addition, the distribution of borrowers reflects good penetration among customers of different income levels and business customers of different sizes, as reflected in Charts 1 and 2. Demographic information reflects 35% of the families in this county have low or moderate incomes while 42% of the number of loans made were to these low or moderate income families. In addition, 93% of the commercial loans and 100% of the farm loans were made

## **ASSESSMENT AREA (Continued)**

to businesses with gross annual revenues of less than one million dollars. Our analysis revealed information corresponds to the demographics within Rusk County.

### **Investments:**

The majority of the bank's qualified investments are in Rusk County. The original approval for the CDC was obtained for Rusk County before the acquisition of additional branches in other counties. There are now 21 CDC loans in Rusk County totaling approximately \$375,000. The bank has also made donations to organizations in Rusk County which qualify as community development investments. Though qualified investment opportunities are limited, management continues to search for other qualified investments.

### **Services:**

Retail banking and community development services in Rusk County are consistent with the overall conclusions expressed with respect to this assessment factor.

CNB's main office and branch locations were all located in Rusk County until 1994 when the bank acquired branches in Henderson and Marion Counties. With over 80% of the loans and deposits located in this assessment area, the most consideration was given to activities in this assessment area.

## **HENDERSON COUNTY ASSESSMENT AREA**

### **SUMMARY OF INSTITUTION'S OPERATIONS IN HENDERSON COUNTY, TEXAS:**

Citizens National Bank has two branch locations in Henderson County. The Chandler branch is located in the northeast corner of the county with the Malakoff branch in the western portion of the county. ATM's are located at each of the branch facilities. Both branches are located in moderate income census tracts. Of the bank's total loans and deposits, 15% of deposits and 10% of loans originate from these two branches.

### **DESCRIPTION OF HENDERSON COUNTY, TEXAS:**

Henderson County is included in the Dallas Metropolitan Statistical Area (MSA) and includes fifteen census tracts. Thirteen of the fifteen census tracts are designated as moderate income with the remaining two tracts consisting of one low income tract and one

## **ASSESSMENT AREA (Continued)**

middle income tract. The population for Henderson County is 58,543. Census data for 1990 reflects a MSA median family income of \$38,754. The 1996 HUD MSA median family income is \$48,300. The percentage of families within each income category is as follows: low income, 39%; moderate income, 24%; middle income, 20%; and, upper income, 17%. There are 18,155 owner occupied housing units in Henderson County which account for 57% of the total housing units. Major industries in the area include manufacturing, retail sales and services, and government agencies. Based on a recent contact with a local government official from the Chandler community, the primary credit need within the area is for housing. This contact felt this need is being met by the local financial institutions.

### **DISCUSSION OF PERFORMANCE TESTS IN HENDERSON COUNTY, TEXAS:**

#### **Lending:**

During the twelve month assessment period, 513 residential and consumer loans totaling \$4,456 million were originated in Henderson County. The geographic distribution of these loans by number and by dollar amount reflects a good penetration throughout the assessment area. As indicated in Chart 6 in Appendix A, the distribution of loans by number is consistent with the percentage of population in the census tracts. In addition, 95% of the dollar amount of loans made were made in moderate income census tracts where 90% of the population reside. The distribution of borrowers also reflects good penetration among customers of different income levels and business customers of different sizes, as reflected in Charts 4 and 5. This information corresponds to the demographics within Henderson County.

#### **Investments:**

The bank does not have any qualified investments within Henderson County. Based upon our discussions with bank management and a local government official, there are no qualified community development investments available within this county.

#### **Services:**

Retail banking and community development services in Henderson County are consistent with the overall conclusions expressed with respect to this assessment factor.

## **ASSESSMENT AREA (Continued)**

### **MARION COUNTY ASSESSMENT AREA**

#### **SUMMARY OF INSTITUTION'S OPERATIONS IN MARION COUNTY, TEXAS:**

Citizens National Bank has one branch located in Marion County. This branch is located in Jefferson, Texas, the county seat of Marion County and is included in a middle income census tract. The bank also operates one ATM located in a local convenience store. Of the banks' total loans and deposits, 5% of the deposits and 7% of the loans originate from this branch.

#### **DESCRIPTION OF MARION COUNTY, TEXAS:**

Marion County has a population of 9,984 and consists of four Block Numbering Areas (BNA's). The four BNA's consist of two moderate-income BNA's and two middle-income BNA's. Census data for 1990 reflects the median family income for Marion County is \$19,414. The statewide HUD median family income reported for 1996 is \$28,900. The percentage of families within each income category is as follows: low income 31%; moderate income, 20%; middle income, 19%; upper income, 30%. There are 3,278 owner occupied housing units in Marion County which account for 57% of the total number of housing units. Major industries within Marion County include agriculture, timber, manufacturing, retail sales and services, and government agencies. Major employers include International Paper, Lodi Drilling, and Blackburn Syrup. We contacted the director of a local trade association who stated the credit needs of the community were residential construction, permanent financing for residences, and small business loans. This contact felt these needs are being met by the local financial institutions.

#### **DISCUSSION OF PERFORMANCE TESTS IN MARION COUNTY, TEXAS:**

##### **Lending:**

During the twelve month assessment period, 388 residential and consumer loans totaling \$3,319 million were originated in Marion County. The geographic distribution of loans by number and by dollar amount reflects a reasonable penetration throughout the assessment area. As indicated in Chart 9 in Appendix A, the distribution of loans by number is consistent with the percentage of population in the census tracts. In addition, the distribution of borrowers reflects good penetration among customers of different income levels and business customers of different sizes, as reflected in Charts 7 and 8. Thirty nine percent of the number of loans in this county have been extended to low and moderate income individuals as compared to 51% of the population within these income categories. However, the opening of the International Paper facility has resulted in an increased

**ASSESSMENT AREA**  
**(Continued)**

demand for housing and other credit needs among middle and upper income families. All loans made to small businesses and small farms were loans less than \$100,000 with 97% of the commercial and 100% of the farm loans being made to businesses with gross annual revenues of less than one million dollars.

**Investments:**

The bank does not have any qualified investments within Marion County. Based upon our discussions with bank management and the director of a local trade organization, there are no qualified community development investments available within this county.

**Services:**

Retail banking and community development services in Marion County are consistent with the overall conclusions expressed with respect to this assessment factor.

## **APPENDIX A**

### **SUMMARY OF LENDING IN ASSESSMENT AREAS**

Chart 1

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>										
<b>Rusk County</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	20%		15%		20%		45%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	6	3%	33	15%	33	15%	144	67%	216	100%
Consumer:										
Auto Loans	100	13%	169	22%	156	21%	332	44%	757	100%
Other Secured	146	26%	132	23%	141	25%	151	26%	570	100%
Other Unsecured	258	26%	225	23%	195	20%	318	32%	996	100%
Bank Cards	13	13%	23	22%	23	22%	44	43%	103	100%
<b>TOTALS</b>	<b>523</b>	<b>20%</b>	<b>582</b>	<b>22%</b>	<b>548</b>	<b>21%</b>	<b>989</b>	<b>37%</b>	<b>2,642</b>	<b>100%</b>

**Chart 2**

<b>SMALL BUSINESS AND SMALL FARM LOANS</b>								
<b>Rusk County</b>								
<b>By Loan Amount</b>	<b>Less than \$100,000</b>		<b>\$100,000-\$250,000</b>		<b>Over \$250,000</b>		<b>Totals</b>	
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial	308	94%	9	3%	10	3%	327	100%
Farm Loans	275	100%	1	0%	0	0	276	100%
<b>By Gross Annual Revenue</b>	<b>Less Than or Equal to \$1,000,000</b>		<b>Over \$1,000,000</b>		<b>Totals</b>			
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial	304	93%	23	7%	327	100%		
Farm Loans	276	100%	0	0%	276	100%		



Chart 3

GEOGRAPHIC DISTRIBUTION OF LOANS										
Rusk County										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
% of Population Within Census Tract Category	0%		7%		60%		33%		100%	
Count	0		1		7		4		12	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	6	3%	112	52%	98	45%	216	100%
Consumer										
Auto Loans	0	0%	41	5%	470	62%	251	33%	762	100%
Other Secured	0	0%	36	6%	397	66%	171	28%	604	100%
Other Unsecured	0	0%	44	4%	660	65%	312	31%	1,016	100%
Bank Cards	0	0%	6	6%	57	54%	42	40%	105	100%
<b>TOTALS</b>	<b>0</b>	<b>0%</b>	<b>133</b>	<b>5%</b>	<b>1,696</b>	<b>63%</b>	<b>874</b>	<b>32%</b>	<b>2,703</b>	<b>100%</b>
Commercial	0	0%	12	4%	213	65%	102	31%	327	100%
Farm Loans	0	0%	19	7%	189	68%	68	25%	276	100%

Chart 4

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>										
<b>Henderson County</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	39%		24%		20%		17%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	5	10%	14	28%	19	37%	13	25%	51	100%
Consumer										
Auto Loans	34	28%	33	27%	29	24%	25	21%	121	100%
Other Secured	74	47%	45	28%	27	17%	12	8%	158	100%
Other Unsecured	79	47%	47	28%	30	18%	12	7%	168	100%
Bank Cards	8	62%	3	23%	2	15%	0	0%	13	100%
<b>TOTALS</b>	<b>200</b>	<b>39%</b>	<b>142</b>	<b>28%</b>	<b>107</b>	<b>21%</b>	<b>62</b>	<b>12%</b>	<b>511</b>	<b>100%</b>

**Chart 5**

<b>SMALL BUSINESS AND SMALL FARM LOANS Henderson County</b>								
<b>By Loan Amount:</b>	<b>Less than \$100,000</b>		<b>\$100,000- \$250,000</b>		<b>Over \$250,000</b>		<b>Totals</b>	
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial	14	100%	0	0%	0	0%	14	100%
Farm Loans	16	94%	1	6%	0	0%	17	100%
<b>By Gross Annual Revenue</b>	<b>Less Than or Equal to \$1,000,000</b>		<b>Over \$1,000,000</b>		<b>Totals</b>			
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial	9	64%	5	36%	14	100%		
Farm Loans	13	76%	4	24%	17	100%		

Chart 6

<b>GEOGRAPHIC DISTRIBUTION OF LOANS</b>										
<b>Henderson County</b>										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
% of Population Within Census Tract Category	<1%		90%		9%		0%		100%	
Count	1		13		1		0		15	
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Mortgage	0	0%	48	94%	3	6%	0	0%	51	100%
Consumer										
Auto Loans	0	0%	116	96%	5	4%	0	0%	121	100%
Other Secured	0	0%	157	99%	2	1%	0	0%	159	100%
Other Unsecured	0	0%	159	95%	9	5%	0	0%	168	100%
Bank Cards	0	0%	14	100%	0	0%	0	0%	14	100%
<b>TOTALS</b>	<b>0</b>	<b>0%</b>	<b>494</b>	<b>96%</b>	<b>19</b>	<b>4%</b>	<b>0</b>	<b>0%</b>	<b>513</b>	<b>100%</b>
Commercial	0	0%	9	64%	5	36%	0	0%	14	100%
Farm Loans	0	0%	15	88%	2	12%	0	0%	17	100%

Chart 7

<b>LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS</b>										
<b>Marion County</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	31%		20%		19%		30%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	1	4%	2	7%	6	21%	19	68%	28	100%
Consumer										
Auto Loans	6	6%	20	18%	28	26%	54	50%	108	100%
Other Secured	12	15%	21	26%	16	19%	33	40%	82	100%
Other Unsecured	44	28%	42	26%	23	15%	50	31%	159	100%
Bank Cards	0	0%	0	0%	0	0%	1	100%	1	100%
<b>TOTALS</b>	<b>63</b>	<b>17%</b>	<b>85</b>	<b>22%</b>	<b>73</b>	<b>19%</b>	<b>157</b>	<b>42%</b>	<b>378</b>	<b>100%</b>

**Chart 8**

<b>SMALL BUSINESS AND SMALL FARM LOANS Marion County</b>								
<b>By Loan Amount</b>	<b>Less than \$100,000</b>		<b>\$100,000-\$250,000</b>		<b>Over \$250,000</b>		<b>Totals</b>	
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial	37	100%	0	0%	0	0%	37	100%
Farm Loans	6	100%	0	0%	0	0%	6	100%
<b>By Gross Annual Revenue</b>	<b>Less Than or Equal to \$1,000,000</b>		<b>Over \$1,000,000</b>		<b>Totals</b>			
<b>Loan Types:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial	36	97%	1	3%	37	100%		
Farm Loans	6	100%	0	0%	6	100%		

Chart 9

GEOGRAPHIC DISTRIBUTION OF LOANS Marion County										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
% of Population Within Census Tract Category	0%		53%		47%		0%		100%	
Count	0		2		2		0		4	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	5	18%	23	82%	0	0%	28	100%
Consumer										
Auto Loans	0	0%	38	35%	70	65%	0	0%	108	100%
Other Secured	0	0%	33	37%	57	63%	0	0%	90	100%
Other Unsecured	0	0%	33	20%	128	80%	0	0%	161	100%
Bank Cards	0	0%	1	100%	0	0%	0	0%	1	100%
<b>TOTALS</b>	<b>0</b>	<b>0%</b>	<b>110</b>	<b>28%</b>	<b>278</b>	<b>72%</b>	<b>0</b>	<b>0%</b>	<b>388</b>	<b>100%</b>
Commercial	0	0%	7	19%	30	81%	0	0%	37	100%
Farm Loans	0	0%	0	0%	6	100%	0	0%	6	100%

**APPENDIX B**

**SCOPE OF EXAMINATION**



**SCOPE OF EXAMINATION:**

We performed an examination of your compliance with the Community Reinvestment Act using the Interagency CRA Examination Procedures for Large Retail Institutions. CNB management elected to be examined under the revised performance tests contained in the CRA final rule. These tests include the Lending, Investment and Service tests. Our review included residential loans; consumer loans, including auto, other secured, other unsecured, and bank card loans; small business and small farm loans.

Our evaluation period for CRA performance included December 1995 through November 1996. We reviewed performance in the designated assessment areas of Rusk, Henderson and Marion counties using examination procedures for each. In addition, we contacted a local official or leader in each of the assessment areas in order to gain information on the counties and needs of the communities included. There were no affiliates reviewed in conjunction with this examination.