



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 25, 2002**

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

**Citizens National Bank In Waxahachie  
Charter Number 13516**

**200 North Elm Street  
Waxahachie, TX 75165**

**Comptroller of the Currency  
Dallas South Field Office  
500 North Akard Street Suite 1600  
Dallas, TX 75201-3342**

**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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

The lending performance of Citizens National Bank in Waxahachie (CNB) is satisfactory given its size, financial condition and known credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- An average loan-to-deposit ratio in excess of 86% since December 1999 that exceeds most area financial institutions.
- A substantial majority of loans are within the bank's assessment area.
- The distribution of loans among individuals of varying income and small businesses reflects a reasonable penetration.

## DESCRIPTION OF INSTITUTION

As of June 30, 2002, CNB had total assets of \$305 million with \$258 million in gross total loans and \$276 million in total deposits. The main office is located in Waxahachie, Texas with seven full-service branches in communities located in Ellis, southern Dallas and eastern Johnson counties. Branches in the cities of Cedar Hill, Italy, and Venus opened during 2002. In addition, the bank created mortgage and communications subsidiaries within the last two years. ATM services are provided at all bank locations. Hours of operation are convenient and commensurate with other area banks. The bank offers a full range of loan products and deposit services, including extensive electronic banking. Lending emphasis includes commercial and residential real estate, construction and commercial loans. As reflected in Table I, loans as of June 30, 2002 are distributed as follows:

Table I

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	121,869	47.50
Residential Real Estate Loans	51,889	20.23
Construction/Land Development	25,708	10.02
Commercial Loans	21,489	8.38
Municipalities	16,939	6.60
Consumer Loans	15,841	6.17
All Other Loans	2,817	1.10
<b>Total</b>	<b>256,552</b>	<b>100.00</b>

CNB is a subsidiary of First Citizens Bancshares, Inc., a one-bank holding company. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment area.

CNB's primary business focus is to serve the banking needs of its community. There have been no significant changes in the bank's corporate structure since the prior CRA Evaluation.

## DESCRIPTION OF ASSESSMENT AREA

CNB delineates its primary lending area as all of Ellis County and southernmost ten miles of Dallas County as defined by specific census tracts. The area is part of the Dallas Metropolitan Statistical Area (MSA), and according to the 1990 Census Bureau data the assessment area contained 76 census tracts with a population of 383,172. Table II reflects the demographics based on 1990 Census Bureau and the 2002 Housing and Urban Development Agency (HUD) data.

Table II

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	102,225
Number of Households	128,323
<i>Geographies</i>	
Number of Census Tracts/BNA	76
% Low-Income Census Tracts/BNA	6.58
% Moderate-Income Census Tracts/BNA	31.58
% Middle-Income Census Tracts/BNA	43.42
% Upper-Income Census Tracts/BNA	18.42
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	38,754
2002 HUD-Adjusted MFI	66,500
<i>Economic Indicators</i>	
Unemployment Rate	3.65
1990 Median Housing Value	68,878
% of Households Below Poverty Level	11.56

The economy of Ellis County and the surrounding area is well diversified and expanding. The area includes a number of suburban bedroom communities with workers commuting to other areas of the MSA. However, an increasing number of companies are creating local job opportunities by building facilities in or near Waxahachie. Employment is led by manufacturing concerns, followed by the services industry and retail trade. Major employers include Chaparral Steel Company, Tyler Refrigeration Corporation, Target (proposed warehouse), Owens-Corning Fiberglass, Quality Doors, Dart Container Corporation, and Walgreen's Distribution Center (new). The rate of unemployment for the assessment area is lower than the current seasonally adjusted statewide rate.

Primary credit needs include housing, small business and consumer loans. A community contact with the City of Waxahachie Director of Economic Development stated CNB has been a forerunner in

meeting credit needs in the assessment area, especially for economic development.

The prior CRA Performance Evaluation is dated April 21, 1998 and reflects a “Satisfactory” CRA rating.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Table III

Institution	Assets (as of 06/30/02)	Average LTD Ratio
Bank A	45,687	83.20%
Bank B	205,650	73.25%
Bank C	645,562	84.06%
Bank D	984,582	59.48%
<i>Citizens NB – Waxahachie</i>	<i>305,425</i>	<i>91.93%</i>

CNB’s loan-to-deposit (LTD) ratio is outstanding and exceeds that of other regional financial institutions. Banks in the sample were selected based on similarly situated characteristics such as location and/or comparable branching networks. CNB’s average LTD for the last three years is 86.08%. The bank’s current LTD ratio of 91.93% compares very favorably to a peer group average of 80.94%. The peer group includes institutions with between \$300 and \$500 million in assets and three or more banking offices.

### Lending in Assessment Area

Table IV

LOAN TYPE	TOTAL LOANS REVIEWED (Evaluation Period)							
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Business	19	95.00	1,683	99.76	1	5.00	4	0.24
Consumer	16	80.00	91	77.70	4	20.00	26	22.30
Home Purch	20	100.00	2,687	100.00	--	--	--	--
Total Reviewed	55	91.67	4,461	99.34	5	8.33	30	0.67

CNB’s lending in its assessment area meets well within the standard for satisfactory performance. The bank has made a substantial majority of its loans within the assessment area, based on a review of samples containing three primary loan types. We reviewed 20 business loans, 20 purchase money residential loans, and 20 general-purpose consumer loans made since 2000. In addition, Home Mortgage Disclosure (HMDA) data was analyzed to determine the degree of assessment area

penetration. The sample scope was limited to lending activity in 2001 and 2002 because of the substantial expansion and growth experienced in the last two years. Lending activity during this period better reflects the bank's use of its new branching facilities in a larger market environment.

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

Table V

RESIDENTIAL REAL ESTATE (Evaluation Period)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21.7		19.5		24.4		34.3	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purch	8.82	7.00	15.29	9.62	22.94	22.09	51.18	59.51
Home Imprv	11.49	8.31	16.09	11.85	33.33	23.02	39.08	56.81
Refinancing	9.55	4.16	16.29	12.14	26.40	21.95	47.75	61.74
Total	9.66	5.82	15.86	10.88	26.44	22.08	47.36	60.34

A summary of applicant income levels taken from the bank's HMDA data for home purchases, home improvement loans and refinancing shows a fair representation of loans to low- and moderate-income families.

Table VI

CONSUMER (Evaluation Period)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	22.3		17.0		21.4		39.3	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Gen Purpose	15.00	12.86	30.00	19.38	35.00	33.45	20.00	34.31
Total	15.00	12.86	30.00	19.38	35.00	33.45	20.00	34.31

The consumer loan sample also reflects a reasonable number of loans to households in the low- to moderate-income categories.

Table VII

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (Evaluation Period)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94.95	5.05
% of Bank Loans in AA #	70.00	30.00
% of Bank Loans in AA \$	39.99	60.01

CNB has a satisfactory record of lending to different size businesses and individuals of varying income levels. The analysis of business loans encompassed 20 extensions of credit for purposes other than real

estate financing. A majority of the number was made to companies reporting gross annual revenues of one million dollars or less.

## Geographic Distribution of Loans

Table VIII

RESIDENTIAL REAL ESTATE (Evaluation Period)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	3.2		22.6		51.1		23.1	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purch	5.88	6.22	11.76	10.55	73.53	72.69	8.82	10.54
Home Imprv	5.75	11.67	5.75	3.95	74.71	67.89	13.79	16.49
Refinancing	6.74	7.71	14.61	12.08	75.28	73.21	3.37	6.90
Totals	6.21	7.22	11.72	10.83	74.48	72.67	7.59	9.28

For residential loans made during the evaluation period, the locations of subject properties in low- to moderate-income areas represented approximately 18% of both dollar and number. The percentage of owner occupied residences in low- to moderate-income tracts of the assessment area is approximately 26%.

Table IX

CONSUMER (Evaluation Period)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	4.5		26.7		49.00		19.8	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Gen Purpose	10.00	8.21	15.00	12.82	65.00	67.52	10.00	11.11
Totals	10.00	8.21	15.00	12.82	65.00	67.52	10.00	11.11

Consumer loans in the sample for the evaluation period show borrowers with home addresses in low- to moderate-income areas represent approximately 20%.

Table X

BUSINESS LOANS (Evaluation Period)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	3.58		23.16		48.88		24.38	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Gen Business	5.00	0.40	35.00	65.38	50.00	30.90	10.00	3.42
Totals	5.00	0.40	35.00	65.38	50.00	30.90	10.00	3.42

For business loans, the bank shows satisfactory performance for credits extended in low- and moderate-income census tracts. The sample reflects approximately 66% of the dollar volume in these areas.

### **Responses to Complaints**

The bank's customer complaint file and a current Case Detail Report from the OCC's Customer Assistance Group were reviewed. No complaints related to CRA matters or applicable lending practices were received since the prior examination.

### **Fair Lending Review**

An analysis of three years public comments, consumer complaint information, and HMDA was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation of CNB this year.