



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 22, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank of Wills Point
Charter Number 17015

500 North Fourth Street
Wills Point, TX 75169

Office of the Comptroller of the Currency

Dallas Field Office
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062

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

Citizens National Bank's (CNB) lending performance reflects a satisfactory response to credit needs in its community. Factors that support the overall rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans were made to borrowers located in the bank's AA.
- The distribution of borrowers, given the demographics of the AA, reflects excellent penetration among borrowers of different incomes and businesses of different sizes.

SCOPE OF EXAMINATION

CNB was evaluated under the Small Bank Community Reinvestment Act examination procedures which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The scope of the CRA examination covers the period from June 1, 2007, the date of the prior CRA Performance Evaluation (PE), to the start of this examination, January 22, 2013. The AA served by the bank is Van Zandt County. We identified commercial and owner occupied residential (referred to as just "residential" from here on) loans as CNB's primary loan products. To evaluate the commercial and residential lending performance, we selected a sample of 20 commercial and 20 residential loans made in the AA between June 1, 2007, and December 31, 2011. Our sample for testing lending in the AA included those loans plus five commercial and four residential loans made outside the AA.

To assess lending performance, we used information provided by the United States Census Bureau conducted as of the year 2000. We used updated information about the assessment area when available.

To evaluate the reasonableness of the bank's loan-to-deposit ratio, we compared CNB to three similarly situated banks over the prior 21 quarters. These banks were selected for analysis based on their proximity and similar size to CNB.

DESCRIPTION OF INSTITUTION

CNB is headquartered in Wills Point, Texas and is wholly owned by the Wills Point Financial Corporation. As of December 31, 2012, CNB had total assets of \$99 million. There are two locations, a branch in Grand Saline, TX at 300 West Frank Street and the main office in Wills Point, TX at 500 North Fourth Street. Both the main office and the branch in Grand Saline have an automated teller machine and a drive through. No branches were opened or closed during the evaluation period. CNB offers a full range of deposit and loan products commensurate with a small community bank with a focus on commercial, residential, and consumer lending.

As of December 31, 2012, net loans represent 57 percent of total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Summary by Loan Product December 31, 2012		
Loan Category	Dollar Volume \$(000)	% of Dollars
Commercial	28,638	50.4%
Residential	18,521	32.6%
Consumer	7,029	12.4%
Agriculture	2,613	4.6%
Total	56,801	100.00%

Source: December 31, 2012, Consolidated Report of Condition and internal loan collateral control report

At the prior CRA examination dated June 1, 2007, a satisfactory rating was assigned. There are no legal or financial factors impeding the bank's ability to meet the credit needs of the AA.

DESCRIPTION OF ASSESSMENT AREA

CNB's AA includes all of Van Zandt County. The AA includes ten contiguous census tracts with no tracts designated low- or moderate-income, eight tracts designated middle-income, and two tracts designated upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Wills Point is located in Van Zandt County off of Interstate Highway 80 approximately 16 miles east of Terrell, TX. Grand Saline is approximately 18 miles east of Wills Point, also on Highway 80. According to the U.S. Census Bureau, the Van Zandt AA has a population of 48,140. Economic conditions are characterized as relatively stable. The weighted average of HUD updated MSA Median Family Income for the AA is \$48,600. Employment opportunities are somewhat limited in Wills Point, with much of the population commuting to the Dallas-Fort Worth area. The largest employer in Wills Point is the Wills Point Independent School District. Competition from other financial institutions includes The American National Bank of Terrell, which has a branch in Wills Point, and Austin Bank, National Association, which has a branch in Grand Saline.

The following table contains a summary of economic and demographic data for the AA.

Demographic Information for Van Zandt County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	10	0%	0%	80%	20%
Population by Geography	48,140	0%	0%	87%	13%
Owner Occupied Housing Units by Geography	14,713	0%	0%	80%	20%
Businesses by Geography	4,914	0%	0%	82%	18%
Farms by Geography	270	0%	0%	79%	21%
Family Distribution by Income Level	13,790	16%	15%	21%	47%
Household Distribution by Income Level	18,233	22%	14%	17%	47%
Census Median Family Income (MFI)					
		\$36,380	Median Housing Value	\$67,414	
HUD – Adjusted MFI: 2011		\$48,600	Households Below the Poverty Level	14%	
HUD – Adjusted MFI: 2010		\$46,500	Unemployment Rate	3%	
HUD – Adjusted MFI: 2009		\$45,600			

Source: 2011 Business Geographic Data; 2000 U.S. Census Data

We held a discussion with a community contact who is a prominent civil official in Wills Point. She indicated that credit needs in the area primarily consisted of residential, small business, and small consumer loans. She said that CNB and other area banks had done a good job meeting the credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB has demonstrated satisfactory performance in meeting the credit needs of its AA. We focused our review on the primary lending products originated since the previous CRA examination: commercial and residential loans. The sample of commercial and residential loans was used to determine the extent of lending within the AA, the distribution of loans by borrower income level, the distribution of loans based upon business size and the geographic distribution of loans within the AA.

Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank had a quarterly average LTD ratio of 68 percent over the 21 quarters since the last CRA examination. This ratio reasonably compares with other financial institutions of similar size, location, and product offerings.

A summary of similarly situated institutions is detailed below:

Institution	Assets as of 9/30/12 (000s)	Average Quarterly LTD Ratio as of 9/30/12
Citizens National Bank of Wills Point	\$96,451	67.91%
The First National Bank of Canton	\$126,424	56.28%
First State Bank of Been Wheeler, TX	\$117,273	47.58%
The First National Bank of Kemp	\$54,432	46.71%

Source: Call Report data

CNB ranks first among the four similar area banks used for comparison. The average LTD ratio for the other three banks over the same period of time was 50 percent. The small size of the AA, limited loan demand, and the amount of competition in the area are primary factors for the bank’s lower LTD ratio.

Lending in Assessment Area

CNB’s lending pattern in the AA meets the standards for satisfactory performance. Based on our sample of 24 residential loans and 25 commercial loans, a majority of the number and dollar volume of loans originated during the review period are inside CNB’s AA. We identified 82 percent of the number of loans and 79 percent of the dollar volume sampled were made in the AA. The following table reflects the distribution of loans, by number and dollar volume, which originated inside and outside the AA.

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	20	83.33	4	16.67	24	1,958	82.41	418	17.59	2,376
Commercial	20	80.00	5	20.00	25	1,605	76.05	505	23.95	2,110
Totals	40	81.63	9	18.37	49	3,563	79.42	923	20.58	4,486

Source: Sample of loans

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

The distribution of loans based upon the demographics of borrowers within the AA showed excellent penetration among residential borrowers of different income levels and businesses of different sizes.

Residential loans:

The distribution of residential loans to borrowers reflects excellent penetration among borrowers of different income levels, given the bank’s performance context.

CNB made 15 percent of residential loans to low-income borrowers during the evaluation period. The demographic data indicates 17 percent of families in the AA are

low-income. Residential lending to moderate-income borrowers is excellent as compared to the demographic data for moderate-income families. In our sample, CNB made 20 percent of residential loans to moderate-income borrowers during the evaluation period. The demographic data indicates 15 percent of families in the AA are moderate-income.

The following table shows the distribution of home loan products among borrowers of different income levels.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Residential	16.86	15.00	15.26	20.00	20.99	20.00	46.89	50.00

Source: Loan sample; U.S. Census data

Commercial loans:

Our sample of commercial loans made within the AA indicates an excellent penetration among businesses of different sizes.

Of the 20 commercial loans in our sample, 100 percent of the number and of the dollar volume was made to businesses with revenues less than \$1 million.

The following table shows the distribution of loans to businesses of different sizes.

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.12	1.84	27.04	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: Loan sample; Dunn and Bradstreet data

Geographic Distribution of Loans

CNB’s assessment area does not contain any low- or moderate-income census tracts; therefore, a geographical analysis would not be meaningful.

Responses to Complaints

CNB did not receive any complaints or public comments regarding CRA performance during this 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 needs.