



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 6, 2006**

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

**Citizens National Bank of Breckenridge  
Charter Number 15123**

**301 W. Walker  
Breckenridge, TX 76424**

**Comptroller of the Currency  
Fort Worth  
9003 Airport Freeway Suite 275  
North Richland Hills, TX 75201**

**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.**

*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 the **Citizens National Bank of Breckenridge, Breckenridge, Texas** as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 6, 2006. 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.**

Citizens National Bank of Breckenridge's lending performance reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 52% is reasonable given the bank's size, financial condition, local competition, and assessment area credit needs.
- A substantial majority of the bank's loan activity (87% of the number and 83% of the dollar amount of the loans reviewed) is within the bank's assessment area.
- The distribution of loans demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- There have been no CRA complaints filed against the bank.

## DESCRIPTION OF INSTITUTION

Citizens National Bank of Breckenridge (CNB) is a community bank located in Breckenridge, Texas. Breckenridge is approximately 100 miles west of Fort Worth, Texas and 60 miles northeast of Abilene, Texas. The bank operates from one location in downtown Breckenridge. This facility includes a full-service lobby, drive-thru lanes, and a 24-hour automated teller machine (ATM).

CNB is a full-service community bank offering a wide variety of loan and deposit products. The bank also offers transactional Internet banking. As of March 31, 2006, CNB had total assets of \$74 million, loans of \$70 million, and deposits of \$66 million. As reflected in following table, major lending activities are as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural Production/Other Agricultural	\$27,129	39%
Farmland Real Estate	\$5,802	8%
Consumer Loans	\$5,616	8%
Commercial Real Estate	\$12,440	18%
Commercial	\$12,020	17%
Residential Real Estate	\$4,980	7%
Other Loans	\$1,648	3%
<b>Total</b>	<b>\$69,635</b>	<b>100%</b>
Percentage of Loans to Total Assets 93.47%		

CNB is a wholly owned subsidiary of Olney Bancshares of Texas, Inc., a multi-bank holding company, headquartered in Olney, Texas. The bank is affiliated through common ownership with the following banks: First National Bank of Borger, First State Bank of Canadian, N.A., First Coleman National Bank, Friona State Bank, Graham National Bank, First National Bank of Olney, Farmers National Bank of Seymour, and First National Bank of Throckmorton. All of these banks are located in the north central to western portions of Texas. CNB is also affiliated with Roserock Bank (an Oklahoma chartered state bank), again through common ownership.

The most recent CRA examination was performed as of November 15, 2001. CNB received a satisfactory rating at that examination. The bank has no impediments, legal or otherwise, which would hinder its efforts to help meet the credit needs of its assessment area (AA). There have been no changes in the bank's corporate structure since the last examination.

## DESCRIPTION OF STEPHENS COUNTY

CNB defines its AA as Stephens County. Stephens County consists of four block numbering areas (BNA's), all of which are middle-income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Derived from 2000 Census Bureau and 2006 Housing and Urban Development Agency (HUD) data, the following table, reflects the AA demographics.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	2,595
Number of Households	3,668
Geographies	
Number of Block Numbering Areas (BNA's)	4
% Low-Income BNA's	0
% Moderate-Income BNA's	0
% Middle-Income BNA's	100%
% Upper-Income BNA's	0
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$36,380
2006 HUD-Adjusted MFI	\$42,000
Economic Indicators	
Unemployment Rate	3.73%
Median Housing Value	\$46,039
% of Households Below Poverty Level	14.42%

Area economic conditions are stable to improving. The major employers within the AA are Karsten Homes, Breckenridge Independent School District, Texas Department of Criminal Justice - Walker Sayle Unit, and Stephens Memorial Hospital. There is strong competition in Stephens County from branches of financial institutions not headquartered in there.

We contacted the Breckenridge Chamber of Commerce to discuss the local economic conditions, the community credit needs and the participation by the local financial institutions. Based on this contact, the primary credit needs of the AA are home improvement loans for owner-occupied residential real estate and small business loans. These needs were brought to the attention of bank management.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Our conclusions in this evaluation are based on the lending activity from the last examination dated November 15, 2001. Our sample included a total of 60 loans in the 1-4 family residence, consumer auto and business areas. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy.

### **Loan-to-Deposit Ratio**

CNB's loan-to-deposit ratio meets the standards for satisfactory performance.

This ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average for this period totals 52.3%. There are 3 other financial institutions competing in the area that CNB considers the primary competition (Eastland National Bank, First National Bank of Albany/Breckenridge and First National Bank of Graham). These institutions are not headquartered in Stephens County but have an influence in the area. The Albany/Breckenridge institution has a branch in Breckenridge. The listed competition does not include Savings & Loans, Credit Unions, or branches of financial institutions headquartered outside the county. The average loan-to-deposit ratios for these institutions, at March 31, 2006, ranged from 55.1% to 76.2%. The combined average ratio, at March 31, 2006, for these banks was 57.9%. Based on the data available, the bank's ratio is reasonable with area competing banks.

### **Lending in Assessment Area**

The bank's lending within the assessment area meets the standards for satisfactory performance.

This criterion quantifies what proportion of the bank's lending activity is within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, CNB's lending efforts are concentrated within its assessment area.

At this time, CNB does not track loans by location. To assess the bank's performance in this area we were required to sample a portion of the loan portfolio. For our sample products, we chose 1-4 family mortgage loans, consumer auto loans and business loans. The following table reflects the results of our assessment of the bank's efforts to lend in its AA.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential Real Estate	17	85%	\$534	77.1%	3	15%	\$159	22.9%
Automobile Loans	18	90%	\$205	94.6%	2	10%	\$12	5.4%
Business Loans	17	85%	\$373	85.3%	3	15%	\$64	14.7%
Total Reviewed	52	86.7%	\$1,112	82.5%	8	13.3%	\$235	17.5%

Based on our sample results, a significant majority of loans are within the bank’s assessment area.

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

The bank’s loan distribution, to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for this criterion. To assess the bank’s efforts, we used the sample of loans noted above. Our analysis, noted in the tables below, indicates the bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Additionally, the bank has no minimum loan amount in policy. A review of small loans reflected the bank has 68 loans with originating balances of \$1,000 or less, currently on the books. This indicates the bank willingly extends credit to meet the needs of the consumer. Overall, we concluded that the bank’s performance is generally proportionate to the income levels of the families and households within the AA, and the credit needs of low- and moderate-income individuals are being met. Also, bank meets the needs of the small businesses.

*1-4 Family Real Estate Lending*

1-4 FAMILY REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.6%		22.1%		21.9%		36.4%	
	% of Number	% of Amount						
	20%	5%	20%	6.3%	5%	2.7%	55.0%	86.0%

### Consumer Lending

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23.1%		17.6%		19.4%		39.9%	
	% of Number	% of Amount						
	30%	16.0%	30%	42.9%	40%	41.1%	0.0%	0.0%

### Business Lending

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses *Thirty percent of assessment area businesses did not report revenue figures	66.9%	2.9%
% of Bank Loans in AA #	95.0%	5.0%
% of Bank Loans in AA \$	91.5%	8.5%

### Geographic Distribution of Loans

A geographic distribution analysis of loans was not performed. There are no low- or moderate-income BNA's within Stephens County.

### Responses to Complaints

CNB has not received any complaints during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation. The latest comprehensive fair lending exam was performed in November 2001. This examination found the bank to be in compliance with anti-discrimination laws and regulations.