



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 03, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank, National Association
Charter Number 23834**

**1500 Industrial Boulevard
Abilene, TX 79602**

**Comptroller of the Currency
ADC - Austin
8310 Capital of Texas Highway North, Suite 250
Austin, TX 78731**

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 the 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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	2
<i>DESCRIPTION OF INSTITUTION</i>	2
<i>DESCRIPTION OF ASSESSMENT AREA</i>	3
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	6

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Lending performance for Citizens Bank (CB) is satisfactory given its size, financial condition, and known credit needs of its assessment area (AA).

- CB's loan-to-deposit (LTD) ratio exceeds that of similarly situated banks in its AA. For this evaluation period, the bank's LTD ratio has averaged 62% and is significantly above the average LTD ratio of 46.4%.
- Given its physical location, the competitive banking environment in its AA, and its relatively short history, CB meets the standard for satisfactory performance for the distribution of loans to individuals of varying incomes and businesses of different sizes.
- CB's geographic distribution of loans meets the standard for satisfactory performance, given the characteristics and distribution of census tracts and block numbering areas (BNAs) in its AA.
- A majority of CB's loans are within its assessment area with 81% of the number and 53% of the dollar volume of loans originated during the assessment period.
- There have been no complaints with respect to CB's CRA performance.

DESCRIPTION OF INSTITUTION

CB is a \$45 million community bank located in west central Texas, approximately 180-miles west of the Dallas-Fort Worth metroplex and 200 miles northwest of the state capital of Austin. The bank is a wholly owned subsidiary of a three-bank holding company, Texas Country Bancshares. The home office is located in Abilene and serves all of Taylor County. CB has one branch location in Knox City, Texas. Located 75 miles north of Abilene, the branch serves Knox and Haskell counties, and the city of O'Brien.

Both bank offices provide full banking services as well as insurance products and brokerage services. Customers are provided 24-hour banking service through use of the Telebank and an automated teller machine (ATM) network. Telebank is a 24-hour telephone audio response system that allows customers to obtain account balance information and transfer funds between accounts. The bank has two ATM locations, one at the main bank and the other at a local convenience store in Knox City.

The bank operates in a competitive financial environment. Competition in the Abilene market ranges from large, nationally recognized commercial banks to smaller, community credit unions. CB's main office is located at 1500 Industrial Boulevard, a commercial/industrial section of the city. Geographically isolated from the higher traffic consumer areas, the bank's focus has been on meeting the credit needs of the community through small business financing. The branch office is located in a small rural community and has focused on traditional consumer and small farm lending products.

Total loans as of March 31, 2002, amounted to \$29.4 million, which comprise 65% of total assets. The following table reflects a detailed breakdown of CB's loan portfolio.

Loan Type	Dollar Amount \$ (000)	% of Total Loans
Commercial and Industrial	7,462	25.35
RE Nonfarm Nonresidential	7,311	24.84
Consumer	4,981	16.92
Agriculture Production	4,707	15.99
RE Residential (1-4)	3,426	11.64
Real Estate (RE) Farmland	1,041	3.54
Other	507	1.72
Total	29,435	100.00%

Although CB has been in existence since 1920, it was sold in 1999 to the current management group. Several changes occurred as a result of the transfer of ownership. Since 1999, management relocated the main office to Abilene from Knox City, removed the previous management group, and converted to a national charter.

CB (in Knox City only at the time) received a "Satisfactory" rating at the previous CRA examination conducted by the Federal Deposit Insurance Corporation (FDIC) August 1, 1998. There have been no complaints relating to the bank's CRA performance since the last evaluation.

The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its AAs. No legal impediments or other factors hinder the bank's ability to provide credit in its AA.

DESCRIPTION OF ASSESSMENT AREA

CB's designated AA is comprised of Taylor county, which includes the Abilene metropolitan statistical area (MSA) #0040. The bank's AA also includes Knox County and extends south into a portion of Haskell County, serving the cities of O'Brien, Rochester, Weinert, Rule, Sagerton, and Stamford. Specific demographic data for the bank's AAs is listed on the following page.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	34,402
Number of Households	47,871
<i>Geographies</i>	
Number of Census Tracts/BNA	41
% Low-Income Census Tracts/BNA	2.44
% Moderate-Income Census Tracts/BNA	34.15
% Middle-Income Census Tracts/BNA	43.90
% Upper-Income Census Tracts/BNA	14.63
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	28,739
2001 HUD-Adjusted MFI	40,102
<i>Economic Indicators</i>	
Unemployment Rate	3.8
2001 Median Housing Value	42,193
% of Households Below Poverty Level	15.87

The total population of the bank's AA is 131,000. Approximately 24% of the families in the AA are considered low-income. Moderate-income families approximate 16% of the population, while middle- and upper-income families comprise the remaining 60%. Of the population, 16% are living below the poverty level. There are 56,290 housing units in the AA, of which 54% are owner-occupied, 31% renter-occupied and 15% vacant.

CB's AA is made up of contiguous census tracts or BNAs, which surround and include each banking office. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. A further description of the bank's AA is presented below.

Description of the MSA AA — Abilene MSA #0040

CB's MSA AA includes all of Taylor County, which encompasses the cities of Abilene, Tye, Tuscola, Buffalo Gap, Lawn, Merkel, and Trent. Of the 36 census tracts in this area, there is only one low-income tract. There are 14 tracts designated as moderate-income and 21 tracts categorized as middle- and upper-income. The home office is located in a moderate-income industrial tract with minimal consumer foot traffic. Customers that are geographically closest to the bank are small to mid-sized businesses. Although the older downtown area is undergoing revitalization, the city's growth is centered in the southwestern part of the city. This area, which is predominately middle- and upper-income, is adjacent to the bank.

Income information from HUD indicated that the MFI for this metropolitan area was \$40,700 in 2001. There are 49,988 housing units in the MSA and 54% of those units are owner-occupied. Between 1990 and 2000, Abilene's population grew at an annualized rate of 6%. As of 2000, the population of Taylor County stood at 126,555. Abilene's proximity to health care and assisted living facilities has been a draw to older residents. The percentage of Taylor County residents 65 and over is 12%, compared to the Texas State average of 10%.

The economy, historically dependent on oil, gas, and agriculture, has diversified into manufacturing,

retail trade, farming and ranching, government, medical care, and oil and gas services. Services represent 34% of the AA's business establishments, followed by 25% in retail trade. The government employs 12% of the area's workforce, with Dyess Air Force Base the largest area employer. Other primary employers include the Abilene ISD, Hendrick Health Systems, and the Abilene State School.

Despite improvements in regional agricultural production and oil prices, the local economy appears to be softening. The Abilene Economic Index, as cited by the Abilene Chamber of Commerce, has recently experienced a marginal loss in value. This is an indication of a contraction in important sectors of the city's economy, which includes retail sales, new home building, and home sales. Additionally, the inflation-adjusted home sale price for the first quarter of 2002 is down 9% compared to 2001, and is off about 16% from the first quarter in 1999. The loss in home values reflects a sustained weakness in the economy rather than a period of short-term sluggishness and recovery. Contributing to this slowdown is the turnaround in population trends, with Abilene beginning to experience a slow but steady loss of population.

We contacted one community leader during this evaluation in order to gather more current information on the nature of the community and potential lending opportunities in the AA. The City Manager of Abilene cited the loss of the community's school-age children as a primary concern. He stressed the need for lending to revitalize neighborhoods in order to attract young families back to the community. Our contact further stated that he is unaware of any financial institution that is unresponsive to the credit needs of the community.

Description of Non-MSA AA – Knox City

CB's Non-MSA AA surrounds the bank and includes Knox County as well as the northern portion of Haskell County. Cities that are both within Haskell County and the bank's trade area include O'Brien, Rochester, Weinert, Rule, Sagerton, and Stamford. The entire AA is categorized as middle-income. Income information from HUD indicates that the MFI for non-MSAs in Texas was \$35,800 for 2001. Between 1990 and 2000, the area experienced a 12% decline in its population.

As of 2000, there are approximately 4,200 residents. At 23%, the percentage of residents 65 years and older in Knox County is more than double the state average. There are 2,459 housing units in the area, of which 58% are owner-occupied.

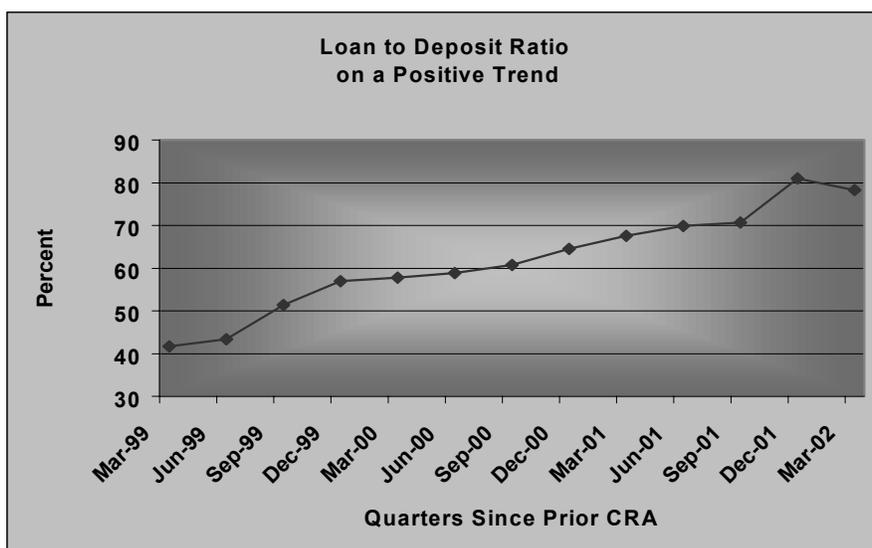
The economy of the Knox City market area is primarily driven by local government, the service industry, and agriculture. Retail trade, mining, and wholesale trade provide the community additional economic support.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on our analysis and recognition of the demographic characteristics of CB's AA, management is performing satisfactorily in meeting the credit needs of its trade area, including low- to moderate-income (LMI) individuals, consistent with its resources and capabilities. With the geographic characteristics of the bank's AA and the location of its offices, more emphasis was placed on the distribution of loans to individuals of different incomes than the distribution to LMI geographies. Additional details are set forth in the text of this evaluation.

Loan-to-Deposit Ratio

Since the last CRA evaluation of CB Knox City, CB's LTD ratio has risen significantly from 42% on March 31, 1999 to 78% on March 31, 2002. To date, the bank's average LTD ratio is 62%. The following chart tracks the bank's LTD ratio for the period.



With an LTD ratio significantly above its peer group, the bank's lending activity exceeds the standard for satisfactory performance. The average LTD ratio for similarly situated banks in CB's AA is detailed below.

Institution	Assets as of 03/30/02	Average LTD Ratio % (**)
First NB - Abilene	671,187	55.91
First State Bank - Tuscola	17,585	40.37
Haskell NB - Haskell	59,402	30.20
First NB - Munday	49,547	59.15
Citizens Bank - Abilene	45,073 (*)	61.77

* Asset size of institutions are in thousands (000's)

** The average LTD ratio for CB and for the four competing banks is for the period from January 1999 through March 2002.

Lending in Assessment Area

The majority of the loans originated by CB's are in its AA. In order to assess performance for these criteria, we utilized internally generated reports detailing originations for consumer, mortgage-related commercial loans, and agricultural loans. Our sample of 90 loans confirmed the reliability of bank data. Specific details on samples taken are found throughout this report.

Our analysis indicated that 81% of the number and 53% of the dollar amount of all loans originated in 2001 and 2002 were within the bank's AA. The following table provides details by product type.

CB'S LOAN ORIGINATIONS FOR 2001 AND YTD 2002								
Loan Type	In Assessment Area				Out Of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	536	81.9	4,386	67.9	118	18.1	2,070	32.1
Real Estate	82	84.5	3,047	53.3	15	15.5	2,670	46.7
Commercial	126	69.0	8,547	33.9	56	31	16,651	66.1
Agriculture	165	88.2	9,377	90.6	22	11.8	969	9.4
Total Reviewed	909	81.2	25,357	53.1	211	18.8	22,360	46.9

While 69% of commercial loans originated were in the AA, only 34% of the dollar amount were within the AA. This is attributable to the CB's practice of working with its sister banks, First National Bank Ballinger and Brady National Bank, through the purchase and sale of participations in loans that would otherwise not be able to be made by these community banks due to lending limit constraints.

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

The loan portfolio reflects a reasonable distribution of residential, consumer, and commercial loans among individuals of various income levels and businesses of different sizes within the AA. The analysis included a sample of 20 consumer and 20 commercial loans originated between January 2001 and March 2002. Our review also included an analysis of residential mortgage loans with the findings being detailed in the following tables.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families¹	19.8		23.0		18.4		11.7	
	% of Number	% of Amount						
Total	15.4%	16.8%	11.5%	3.2%	23.1%	16.9%	50%	63.1%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	24.1		16.1		19.3		40.6	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	25.0%	10.4%	10.0%	12.0%	20.0%	25.6%	45.0%	55.6%

The analysis reflected good residential real estate and consumer loan penetration and distribution to low-income households. However, the bank's penetration of both residential and consumer loans to moderate-income households falls short of demographics. This is attributable to the majority of consumer and residential loans being originated at the Knox City branch where most of the residents fall in the middle- and upper-income category.

The majority of CB's commercial loans (including agricultural-related) are to small businesses with revenues less than 1MM. The following chart reflects our analysis of a sample of 20 commercial loans made since the last CRA evaluation that are in the bank's AA.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	87.9%	12.1%
% of Bank Loans in AA #	80.0%	20.0%

Geographic Distribution of Loans

The geographic distribution of loans within CB's two AAs is reasonable. Our analysis included all mortgage-related loans originated over the two prior years and a sample of 20 consumer loans originated during this same period.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
# of Census Tracts	1		14		18		8	
% of AA Owner-Occupied	0.7		21.2		55.1		23.0	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	19.1%	32.0%	76.1%	52.9%	4.8%	15.1%

Although mortgage lending to LMI homeowners is generally in line with demographic data, lending is disproportionately skewed to the middle-income areas of the bank's AA. This is attributable to the majority of residential loans being originated at the Knox City branch, which is surrounded by middle-income areas.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
# of Census Tracts	1		14		18		8	
%of AA Households	0.9		24.5		55.0		19.6	
	% of Number	% of Amount						
Totals	3.4%	6.0%	3.4%	0.4%	62.2%	47.6%	31.0%	46.0%

Given the geographic characteristics of the bank's AA and locations of the bank's offices, this distribution of loans is reasonable. As stated previously, the majority of consumer loans are originated at the Knox City branch, which is surrounded by middle-income BNAs. And, even though the main office is located in a moderate-income census tract, it is in an industrial sector of town where there is limited consumer traffic.

Responses to Complaints

No complaints relating to CB's CRA performance have been received during this evaluation period.

Fair Lending Review

CB has not been subjected to a Fair Lending review. However, a review of complaint records and consumer files during this evaluation period provided no indication of disparate treatment.