

PUBLIC DISCLOSURE

July 29, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

CITIZENS BANK
10-40-1938

P.O. BOX 888
LAWTON, OKLAHOMA 73502

Federal Reserve Bank of Kansas City

925 Grand Boulevard
Kansas City, Missouri 64198

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.

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 Community Reinvestment Act (CRA) performance of Citizens Bank, Lawton, Oklahoma. prepared by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of July 29, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory Record of Meeting Community Credit Needs.**

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. In addition, a majority of loans are within the bank's assessment area. Furthermore, the geographic distribution of loans and the distribution among borrowers of different income levels and businesses of various sizes reflect a reasonable dispersion throughout the bank's assessment area.

The following table indicates the performance level of Citizens Bank with respect to each of the five performance criteria.

SMALL INSTITUTION	Citizens Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Citizens Bank is located in Lawton, Oklahoma, the county seat of Comanche County. According to the 1990 census figures, the city has a population of 80,561. The bank has the ability to meet the credit needs of its defined assessment area based on its financial condition, size, and product offerings. The bank’s CRA performance was last reviewed as of May 1, 1995 when an “Outstanding” rating was assigned. According to the bank’s June 30, 1996 Consolidated Reports of Condition and Income (“Call Report”), the bank’s assets totaled \$121,817M, of which loans totaled \$75,424M or 62 percent. As shown below in the distribution table, the bank is primarily a real estate and commercial lender; however, the bank offers a variety of loan products that meet community credit needs.

The bank’s June 30, 1996 Call Report reflected the following loan distribution:

THE BANK'S LOAN PORTFOLIO

Loan Type	Amount (\$000)	Percent of Total
Multiple & 1- to 4-family Real Estate	21,714	28.79
Commercial	19,429	25.76
Consumer	17,863	23.68
Nonfarm Nonresidential	15,795	20.94
Farmland or Agricultural	263	0.35
Other	230	0.31
Credit Cards	130	0.17
TOTAL	75,424	100.00

DESCRIPTION OF CITIZENS BANK ASSESSMENT AREA

The bank's assessment area contains 26 census tracts located in Comanche County. The Lawton Metropolitan Statistical Area ("MSA") comprises all of Comanche County. The bank's assessment area has ten moderate- and ten middle-income census tracts, five upper-income and one low-income census tract. However, the majority of the families reside in middle-income census tracts. According to the 1990 census, the total population for the area is 93,700 with middle- and upper-income families comprising the largest percentages of all families within the assessment area. Regional Employment and Income Series ("REIS") data for Comanche County reports that the population increased by 6 percent from 1990 to 1993. The largest increase occurred from 1990 to 1991 and then a population decrease accompanied an economic downturn from 1992 to 1993. Additional assessment area characteristics are summarized in the following table:

BANK ASSESSMENT AREA CHARACTERISTICS	
Tract Summary	
Total Number of Tracts	26
Number of Low-Income Tracts	1
Number of Moderate-Income Tracts	10
Number of Middle-Income Tracts	10
Number of Upper-Income Tracts	5

BANK ASSESSMENT AREA CHARACTERISTICS	
Income Summary	
Median Family Income	\$26,596
Percent Low-Income Families	18.4
Percent Moderate-Income Families	19.3
Percent Middle-Income Families	23.1
Percent Upper-Income Families	39.2
Unemployment Summary	
Labor Force Population (Assessment Area)	48,910
Percent Unemployment (Assessment Area)	7.7
Percent Unemployment (State)	6.7
Miscellaneous Information	
Total Population	93,750
Percentage of Households Below Poverty	15.1
Percentage of Housing Units Vacant	14.0

Unemployment within the entire assessment area is slightly higher than statewide averages. The local economy is largely dependent upon government industries, which is reasonable given the presence of Fort Sill in the northern part of the area. REIS data reports that in 1993, 45 percent of all county jobs related to government industries. From 1990 to 1992, the local economy strengthened as evidenced by the increase in jobs and construction permits. However, in 1992 when government industries lost 1,676 jobs, the economy declined. Other major employers include Goodyear Tire and Rubber Company, Comanche County Memorial Hospital, Lawton Public Schools, and Cameron University.

Although a portion of the housing market in Lawton is dependent upon activity generated by Fort Sill, interviews with local business leaders indicated that the housing market is stable. A steady demand for housing has resulted in new home construction. Approximately 48 percent of the housing units are owner-occupied and 38 percent are rental units. The high number of rental units indicates a need for housing of a more temporary nature explained by the proximity of the army base. Reports from the 1990 census indicate that housing is less affordable in the assessment area as compared to the state average. Gross rents are approximately 12 percent higher in the Lawton area than in other areas of the state.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. These factors included: a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions; penetration of loan originations inside and outside the bank's defined assessment area; the bank's record of lending to borrowers of different income levels and to businesses of various sizes; and the distribution of loan originations within the bank's assessment area. In addition, local business leaders were contacted to gather additional information about the community's credit needs and to confirm that the products and services offered by the bank met those needs.

The bank's loan-to-deposit ratio is satisfactory and reflects the bank's effort to meet credit demand within its assessment area. Calculated using the previous five quarters beginning June 30, 1995, the bank's average loan-to-deposit ratio is 62 percent. This is lower than two area banks with average loan-to-deposit ratios of 64 and 74 percent. However, further analysis reveals the bank's loan-to-deposit ratio has increased significantly since 1993. As of June 30, 1996, the bank's loan-to-deposit ratio equaled 69 percent, up from 52 percent on December 31, 1993. The average ratio for the bank's national peer group is 69 percent. The peer group consists of all insured commercial banks having assets between \$100 million and \$300 million with three or more banking offices and located in a metropolitan area.

Based on a sample of loans reviewed during the examination, a majority of the bank's lending occurs inside its assessment area. A sample of small business, home improvement, and indirect consumer loans revealed that 87, 82, and 52 percent of the loans were located within the assessment area, respectively. Although the percentage of loans made within the assessment area for indirect consumer loans was lower than the other products, this is reasonable given the nature of indirect lending primarily automobile loans extended through dealers. Of all loans sampled, 74 percent were within the assessment area.

Furthermore, the distribution of home improvement and indirect consumer loans among individuals of different income levels and businesses of different sizes is satisfactory given the demographics of the bank's assessment area.

A review of the geographic distribution of loans originated by the bank reflects a reasonable dispersion of loans to low- and moderate-income geographies within the bank's assessment area, given the area demographics and location of the bank and competitor institutions. Based upon the sample of three loan products, loan originations were located in all 26 census tracts within the bank's assessment area. As indicated in the table below, the majority of small business loans were originated in low- and moderate-income census tracts.

DISTRIBUTION OF LOANS ACROSS ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACTS				
Area Median Family Income				26,596
Income Level of Census Tract	Percentage of Home Improvement Loans Reviewed	Percentage of Small Business Loans Reviewed	Percentage of Indirect Loans Reviewed	Percentage of Population in Census Tracts
Low (<50 percent of median)	0%	6%	0%	3%
Moderate (50 to 80 percent of median)	20%	52%	25%	22%
Middle (80 to 120 percent of median)	46%	18%	46%	54%
Upper (>120 percent of median)	34%	24%	29%	21%
TOTAL	100%	100%	100%	100%

The bank is in compliance with the substantive provisions of consumer laws and regulations. Review of bank policies, credit applications, and loans revealed no prohibited practices designed to discourage applications. However, technical violations of Regulation B were identified. None of the violations were discriminatory in nature. Management stated that additional training would be provided to ensure future compliance.