

PUBLIC DISCLOSURE

March 23, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Bank
103 Texas Avenue
Slaton, Texas 79364
RSSD #253262

Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 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.

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

The performance of Citizens Bank in originating loans to meet the credit needs of all segments of its community is rated Satisfactory for the period covered by this evaluation. The factors supporting this rating include:

- A majority of agricultural and residential real estate loans originated inside the bank's assessment areas, including 81% of the number and 67% of the dollar volume of loans reviewed;
- A reasonable penetration of loans among individuals of different income levels and farms of different sizes in both the Lubbock and Non-Metropolitan Assessment Areas;
- An excellent dispersion of loans throughout the Lubbock Assessment Area, and;
- A reasonable loan-to-deposit ratio of 70% as of December 31, 2008, with a quarterly average of 65% since the previous CRA evaluation.

SCOPE OF EXAMINATION

Citizens Bank's lending performance with respect to the Community Reinvestment Act (CRA) was assessed by analyzing a sample of 58 agricultural loans originated in 2008 totaling \$12.8 million. In addition, the 140 Home Mortgage Disclosure Act (HMDA) loans totaling \$12.3 million reported on the bank's 2007 and 2008 Loan Application Register (LAR) were reviewed. The Lubbock assessment area contained 63% of the bank's total deposits and the Garza and Wheeler Counties contained 37%, therefore the Lubbock assessment area received slightly more weight in the analysis.

The evaluation was conducted using the CRA small bank performance standards. Small Bank CRA performance standards evaluate:

- average loan-to-deposit ratio since the last CRA evaluation;
- the overall level of lending within the assessment area;
- the bank's lending to borrowers of different income levels and businesses and farms of different sizes;
- the bank's geographic distribution of loans within its assessment areas; and,
- the bank's response to written complaints with respect to CRA performance in the assessment areas.

Each standard is viewed as part of an overall picture of the bank's performance in meeting the credit needs of its delineated assessment areas.

DESCRIPTION OF INSTITUTION

Citizens Bank, Slaton, Texas (Citizens) is a full-service retail bank operating five banking offices in West Texas and the Texas Panhandle. The main office is located in the Lubbock, Texas Metropolitan Statistical Area (MSA), and branches are located in the city of Lubbock, Garza and Wheeler Counties. Citizens offers commercial, agricultural, home mortgage, home improvement,

automobile, and unsecured consumer loans. A full line of deposit services is offered, and the bank operates automated teller machines (ATMs) at four of the five branches, as well as two additional ATMs in the towns of Slaton and Shamrock. The bank is wholly owned by subsidiary of LubCo Bancshares, Inc.

As of December 31, 2008, Citizens reported total assets of \$226.3 million, total deposits of \$208.1 million, and gross loans of \$147.7 million. The following table provides further detail on the bank's loan portfolio mix.

Loan Portfolio Mix December 31, 2008	Dollar Volume (000's)	Percent of Loan Portfolio
<u>Real Estate</u>		
Residential Construction	\$2,603	1.76%
Development	6,073	4.11%
Agriculture	16,497	11.17%
1-4 Family	23,489	15.90%
Multifamily	330	0.22%
Commercial	<u>33,320</u>	<u>22.55%</u>
Total Real Estate	82,312	55.71%
Consumer	9,265	6.27%
Commercial/Industrial	24,933	16.88%
Agricultural	29,929	20.26%
State and Political	1,299	0.88%
Gross Loans	147,738	100.00%

As illustrated by the loan mix, Citizens portfolio focuses on residential real estate, commercial and agricultural lending. Since the previous CRA evaluation in 2004, total assets have grown over 85%, total loans are up over 140%, and total deposits have increased over 95%. The bank received a satisfactory rating at its last CRA assessment conducted as of August 23, 2004. Overall, the bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment areas, or the lending opportunities available in the institution's assessment areas.

Citizens' assessment areas (AAs) consist of the following:

- MSA 31180 - Lubbock, Texas
- Nonmetropolitan - Garza and Wheeler Counties, Texas

CONCLUSIONS WITH RESPECT TO PERFORMANCE

LOAN-TO-DEPOSIT (LTD) RATIO

The general purpose of CRA is to encourage banks to meet the credit needs in their assessment area while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the net loan-to-deposit ratio is reviewed to approximate the credit demand of the assessment area and assess the bank's willingness to meet the community's demand for credit.

Citizens net loan-to-deposit (LTD) ratio is considered reasonable, given the bank's size and financial condition, the credit needs of the assessment area, and the competitive local banking environment. As of December 31, 2008, Citizen's LTD ratio was 70.5%, and the quarterly average since the previous evaluation was 65.4%. As noted in the chart below, the average LTD ratio for similarly situated banks in the assessment area range from 56.5% to 84.2%.

BANK	COUNTY	TOTAL ASSETS IN THOUSANDS 12/31/08	LTD RATIO 12/31/08	QTRLY.* AVG. LTD RATIO
Citizens Bank Slaton, Texas	Lubbock	\$226,314	70.47%	65.42%
Peoples Bank Lubbock, Texas	Lubbock	\$217,568	94.26%	84.22%
Wellington State Bank Wellington, Texas	Collingsworth	\$175.080	50.32%	58.04%
Vista Bank Ralls, Texas	Crosby	\$141,707	56.84%	56.50%

*Based on 17 quarters since the last CRA performance evaluation.

LENDING IN ASSESSMENT AREAS

The institution's performance demonstrates a good response to the credit needs of its AAs, as a majority of loans sampled were to borrowers residing or operating inside the AAs. The institution's loan performance was evaluated based upon the residential real estate loans (home purchase, refinance, and home improvement loans) reported on the bank's HMDA LAR for the years 2007 and 2008. Citizens originated a total of 140 HMDA reportable loans for \$12.3 million during the two-year period. In addition, a sample of 58 agricultural loans totaling \$12.8 million originated during 2008 was also reviewed.

As indicated in the following chart, 87.1% of the HMDA reportable loans and 65.5% of the agricultural loans by number were made in the assessment area while, by dollar amount, 78% of the HMDA reportable and 55.6% of the agricultural loans were made inside of the assessment area. Overall, a majority of loans and other lending related activities are in the assessment area.

ANALYSIS OF LENDING IN THE ASSESSMENT AREAS								
Loan Type	Inside Assessment Area				Outside Assessment Area			
	#	%	\$000's	% of \$	#	%	\$000's	% of \$
2007 & 2008 HMDA	122	87.1%	\$9,590	78.0%	18	12.9%	\$2,710	22.0%
Agricultural	38	65.5%	\$7,139	55.6%	20	34.5%	\$5,702	44.4%
TOTAL	160	80.8%	\$16,729	66.5%	38	19.2%	\$8,412	33.5%

The remaining analysis will be based on loans made inside the bank's individual assessment areas.

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES

Citizens distribution of lending based on income and revenue levels of the borrowers reflects a reasonable penetration among individuals of different income levels and farms of different sizes in all AAs. In the Lubbock MSA AA slightly over 26% of the HMDA lending went to low- and moderate-income borrowers. In the non-metropolitan AA 28% of the HMDA lending was to low- and moderate-income borrowers. Although lower than the demographics of the AAs, this level of mortgage lending is adequate given the number of families living below the poverty level.

Citizens made 82% of the agricultural loans sampled in the Lubbock MSA AA to farms with revenues of one million dollars or less, however, only 46% of these loans were to small farms as defined under CRA with revenues of \$500,000 or less. Additional, in this AA only 27% of the loans sampled were for amounts less than \$100,000. In the non-metropolitan AA 93% of the agricultural loans sampled were to farms with revenues of one million dollars or less, with 85% going to farms with revenues of \$500,000 or less. Also 70% of the loans sampled were for amounts less than \$100,000, which demonstrates Citizens commitment to making small dollar loans available to farms in its AAs.

A detailed discussion of the borrower distribution is included in the Conclusions with Respect to Performance Criteria section for each assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

Since Garza and Wheeler Counties consist solely of middle-income census tracts, Citizens record of lending to the various geographic income levels within its AAs can only be meaningfully reviewed for the Lubbock MSA AA. Citizens geographic distribution of loans for both HMDA and agricultural lending in the Lubbock MSA AA is excellent. Although no lending was done in the only low-income tract in Lubbock County, 39% of HMDA loans and 36% of small farm loans were made in moderate-income tracts. Both of these numbers compare very favorably to the demographics of this AA.

A detailed discussion of the geographic distribution is included in the Conclusions with Respect to Performance Criteria section for the Lubbock AA.

COMMUNITY DEVELOPMENT SERVICES AND QUALIFIED INVESTMENTS

The regulation provides, if a bank meets each of the standards for a satisfactory rating under the various criteria, and exceeds some or all of those standards, then the bank may warrant consideration for a rating of outstanding. Citizens did not request an evaluation of its qualified investment, community development loans and services to determine the extent to which they enhance credit availability, economic revitalization and stabilization of the assessment area, however, its contributions are noteworthy.

Bank management and staff are active throughout both their assessment areas. Many of the staff participate in leadership capacities for numerous charitable, civic and economic development focused organizations. The bank makes contributions to several local charities. The bank's participation in organizations and its contributions to those organizations are noted and the efforts to meet the needs of low- and moderate-income members of its assessment areas are commendable.

RESPONSE TO COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with fair lending laws and regulations.

METROPOLITAN AREA

DESCRIPTION OF THE LUBBOCK MSA ASSESSMENT AREA

Citizens head office is in the town of Slaton, which is located in the southeast corner of the Lubbock MSA in the High Plains of West Texas. Two branches are located in the city of Lubbock, also in the Lubbock MSA. The Lubbock MSA consists of Lubbock County. The 2008 estimated population for Lubbock County was 264,418. The city of Lubbock is the county seat and the most populous city in the area. It is also the retail and agricultural center for the region. Other municipalities include Slaton, Wolfforth, Idalou, and Shallowater.

As of June 30, 2008, there were 23 insured institutions operating 100 banking offices in Lubbock County. PlainsCapital Bank held 23% market share of the county's \$5.0 billion in insured deposits, followed by City Bank with 16.6%, and American State Bank, with 12.7%. Citizens ranked 10th, with a market share of 2.3%.

Demographic and economic information also impact the bank’s performance context and are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce’s Bureau of the Census, 2000; the U.S. Department of Labor; the U.S. Department of Housing and Urban Development (HUD); Dun & Bradstreet; and the Texas Workforce Commission.

The following chart details selected characteristics of the Lubbock MSA assessment area:

CITIZENS BANK, SLATON, TEXAS	
Characteristics of the Lubbock MSA Assessment Areas	
Tract Summary¹	
	Lubbock
Number of Low-Income Tracts	1
Number of Moderate-Income Tracts	19
Number of Middle-Income Tracts	26
Number of Upper-Income Tracts	15
Total Number of Tracts	61
Income Summary²	
Median Family Income, 2008 HUD Estimated	\$50,200
Total Families	60,685
Percent Low-Income Families	20.6%
Percent Moderate-Income Families	17.8%
Percent Middle-Income Families	20.7%
Percent Upper-Income Families	40.9%
Percent Below Poverty Level	12.0%
Unemployment Summary³	
Labor Force (County)	138,273
Percent Unemployment (County)	3.8%
Miscellaneous Information⁴	
Total Population (County), 2008 Estimate	264,418
Total Housing Units – 2000	100,595
Percentage Owner-Occupied Units to Total Units	54.4%
Percentage Rental Units to Total Units	37.5%
Percentage Vacant Units to Total Units	8.0%
Total Farms	379

¹ Source: U.S. Census Bureau, 2000

² Source: U.S. Dept. of Housing and Urban Development, 2007; U.S. Census Bureau, 2000

³ Source: Texas Workforce Commission, 2008 Annual Averages

⁴ Source: U.S. Census Bureau, 2000; Dun & Bradstreet, 2008

Income Characteristics

There is only one low-income census tract in the Lubbock AA, which represents approximately 2% of the total tracts, whereas the 19 moderate-income tracts represent approximately 31% of the tracts. In Lubbock County, 27% of total families reside in moderate-income census tracts, while just under 1% live in the low-income tract. Middle-income tracts house 44% of families in the AA and 29% live in upper-income census tracts. Twelve percent of the population lives below the poverty level. Low- and moderate-income (LMI) families comprise 38% of all families in Lubbock County.

Housing Characteristics

There are just over 100,000 housing units in the Lubbock MSA, with 54% of Lubbock County's housing being owner-occupied. The distribution of the owner-occupied housing units in Lubbock County by census tract income level is 0.3% low-income, 22% moderate-income, 44% middle-income, and 33% upper-income. Only 8% of Lubbock County's housing units are reported vacant. The median value of owner-occupied housing units in 2000 was \$65,711 in Lubbock County. Sixty-eight percent of Lubbock's housing units are single-family.

Labor, Employment and Economic Characteristics

Health care, education, local government, and agribusiness support the economy of the Lubbock MSA. The area is among the world's largest cottonseed processing centers and serves as the medical and educational center for the entire West Texas and Eastern New Mexico region. Major area employers include Covenant Medical Center, Texas Tech University, the Lubbock Independent School District, United Supermarkets, and AT&T Wireless. Agricultural products include cotton, beef, poultry, eggs, and hogs. The labor force for Lubbock County totals 138,273. The 2008 annual average unemployment rate for the County, at 3.8%, was below the state average of 4.9%. According to Dun & Bradstreet, there were 379 farms in the Lubbock MSA, more than 95% of which are smaller operations with less than \$1 million in annual revenues.

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES IN THE LUBBOCK MSA AA

The distribution of lending based on income and revenue levels of the borrowers reflects a reasonable penetration among individuals of different income levels and farms of different sizes. The income level of the Lubbock County borrowers was compared to the HUD-adjusted median family income (MFI) for the Lubbock MSA. The Lubbock MSA MFI rose from \$48,900 in 2007 to \$50,200 in 2008. The following table depicts the income level ranges for 2007 and 2008:

Income Level	2007 Lubbock MSA	2008 Lubbock MSA
Median Income	\$48,900	\$50,200
Low-income	\$0 < \$24,450	\$0 < \$25,100
Moderate-income	\$24,450 < \$39,120	\$25,100 < \$40,160
Middle-income	\$39,120 < \$58,680	\$40,160 < \$60,240
Upper-income	\$58,680 and up	\$60,240 and up

Home Mortgage Disclosure Act Lending

The following table presents the distribution by borrower income of the HMDA loans inside the assessment areas. (Note: Table excludes seven loans totaling \$966,000 in the Lubbock AA for which income was not reported):

DISTRIBUTION OF HMDA LOANS BY MEDIAN FAMILY INCOME LEVEL								
ASSESSMENT AREA	LOW		MODERATE		MIDDLE		UPPER	
	# / \$	%	# / \$	%	# / \$	%	# / \$	%
Lubbock - #	7	11.5%	9	14.8%	9	14.8%	29	47.5%
Lubbock - \$000's	\$198	3.0%	\$421	6.3%	\$947	14.2%	\$4,135	62.0%

In the Lubbock AA, where the majority of lending took place, low-income borrowers received almost 12% of the bank's residential real estate loans, and 15% went to moderate-income borrowers. This level of lending is reasonable when compared to the demographics of 21% low-income Lubbock AA families and 18% moderate-income families, especially given the 12% poverty level. Additionally, many of the low income families are likely students which generally are not in the housing market.

Agricultural Lending

The following two tables reflect the distribution of the agricultural loans in the Lubbock AA by gross annual revenues and loan amount:

DISTRIBUTION OF AGRICULTURAL LOANS BY GROSS ANNUAL REVENUES		
Gross Annual Revenues	Number of Loans	Percent of Loans
Less than \$100,000	0	0%
\$100,000 - <\$250,000	1	9.1%
\$250,000 - <\$500,000	4	36.4%
\$500,000 - <\$750,000	3	27.2%
\$750,000 - \$1 million	1	9.1%
Total <=\$1 million	9	81.8%
> \$1 million	1	9.1%
Revenues Not Available	1	9.1%
TOTAL	11	100%

Citizens Bank made 82% of the agricultural loans sampled from this AA to farms with revenues of one million or less. This is reasonable when compared to the bank’s assessment area since 95% of the farms have revenues of one million or less. However, only 46% were made to small farms as defined under CRA as farms with revenues of \$500,000 or less.

DISTRIBUTION OF AGRICULTURAL LOANS BY LOAN AMOUNT		
Loan Amount	Number of Loans	Percent of Loans
Less than \$25,000	0	0%
\$25,000 - \$50,000	2	18.2%
\$50,001 - \$100,000	1	9.1%
\$100,001 - \$500,000	6	54.5%
\$500,001 - \$1 million	2	18.2%
Over \$1 million	0	0%
TOTAL	11	100.0%

Only 27% of the agricultural loans sampled in this AA were for amounts less than \$100,000.

GEOGRAPHIC DISTRIBUTION OF LOANS IN THE LUBBOCK MSA AA

As reflected in the following table, the geographic distribution of the bank’s HMDA loans in the Lubbock AA reflects an excellent dispersion throughout this AA and demonstrates Citizens willingness to meet the credit needs of the community.

DISTRIBUTION OF LUBBOCK MSA HMDA LOANS BY GEOGRAPHIC INCOME LEVEL				
	LOW	MODERATE	MIDDLE	UPPER
Number of Loans	0	24	14	23
% of Number	0.0%	39.3%	23.0%	37.7%
Dollar Volume (\$000's)	\$0	\$911	\$1,516	\$4,240
% of Dollar Volume	0.0%	13.7%	22.7%	63.6%
Percent of Owner-Occupied Units	0.3%	22.1%	44.4%	33.2%

The bank’s main office in the city of Slaton is located within a moderate-income census tract. As a result a large portion of the Lubbock AA HMDA loans were made in the surrounding area. Thirty-nine percent of the HMDA loans were made in the moderate-income census tracts which compares favorably to the 22% of owner occupied units in the AA located in these tracts. While no loans were originated in the single low-income census tract it is reasonable considering that less than one percent of the AA population lives in that area and there is less than one percent owner-occupied housing units in that tract.

The following table presents the geographic distribution of the bank’s agricultural loans within the Lubbock AA:

DISTRIBUTION OF LUBBOCK MSA AGRICULTURAL LOANS BY GEOGRAPHIC INCOME LEVEL				
	Low	Moderate	Middle	Upper
Number of Loans	0	4	1	6
% of Number	0%	36.4%	9.1%	54.5%
Dollar Volume (\$000's)	\$0	\$520	\$750	\$1,535
% of Dollar Volume	0%	18.5%	26.7%	54.7%
Percent of Farms	0.0%	14.5%	48.3%	37.2%

Citizens' agricultural lending in the Lubbock MSA AA reflects an excellent distribution throughout the community given the location of the bank and the farms in the county. There are no small farms located in the low income census tract, therefore no small farm lending is performed there. Thirty-six percent of the bank's loans to small farms are located in the moderate income tracts. This compares very favorably to the 15% of small farms located in these tracts.

NONMETROPOLITAN AREA

DESCRIPTION OF THE NON-METROPOLITAN ASSESSMENT AREA

The Post Branch in the Garza County assessment area is situated directly southeast of Lubbock County. Wheeler County and the Shamrock Branch are located approximately 220 miles northeast of the city of Lubbock, on the eastern border of the Texas Panhandle. The 2008 estimated population for Garza, and Wheeler Counties was 4,628, and 4,772, respectively. Post is the primary population center of Garza County. Wheeler County towns include Shamrock and Wheeler.

Garza County has been designated as "distressed" and Wheeler County has been designated as "distressed" and "underserved." A nonmetropolitan middle-income geography is designated as distressed if it is in a county that meets one or more of the following triggers: (1) An unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of five percent or more over the five year period preceding the most recent census. A nonmetropolitan middle-income geography is designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center and that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

In Garza County, the only two insured institutions are Citizens, with 36.4% market share, and Wells Fargo with 63.6%. In Wheeler County Citizens held the smallest market share at 18.4% out of the four institutions that operate five branches in the County. First State Bank of Mobeetie with 33.6% held the largest market share, followed by Wellington State Bank with 24.4%. First National Bank held the third largest market share with 23.6% of the county's insured deposits.

Demographic and economic information also impact the bank’s performance context and are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce’s Bureau of the Census, 2000; the U.S. Department of Labor; the U.S. Department of Housing and Urban Development (HUD); Dun & Bradstreet; and the Texas Workforce Commission.

CITIZENS BANK, SLATON, TEXAS		
Characteristics of the Non-Metropolitan Assessment Area		
Tract Summary⁵		
	Garza	Wheeler
Number of Low-Income Tracts	0	0
Number of Moderate-Income Tracts	0	0
Number of Middle-Income Tracts	1	2
Number of Upper-Income Tracts	0	0
Total Number of Tracts	1	2
Income Summary⁶		
Median Family Income, 2007 HUD Estimated	\$36,100	\$44,400
Total Families	1,261	1,479
Percent Low-Income Families	24.6%	17.7%
Percent Moderate-Income Families	19.4%	17.0%
Percent Middle-Income Families	25.4%	24.3%
Percent Upper-Income Families	30.6%	41.0%
Percent Below Poverty Level	17.5%	11.6%
Unemployment Summary⁷		
Labor Force	2,422	3,379
Percent Unemployment	3.8%	2.5%
Miscellaneous Information⁸		
Total Population, 2008 Estimate	4,628	4,772
Total Housing Units - 2000	1,928	2,687
Percentage Owner-Occupied Units to Total Units	61.2%	62.5%
Percentage Rental Units to Total Units	25.1%	17.6%
Percentage Vacant Units to Total Units	13.7%	19.9%
Total Farms	39	51

Income Characteristics

As noted in the preceding table, Garza and Wheeler Counties consist solely of middle-income census tracts. The highest levels of poverty are noted in the Garza AA, with almost 18% living

⁵ Source: U.S. Census Bureau, 2000

⁶ Source: U.S. Dept. of Housing and Urban Development, 2007; U.S. Census Bureau, 2000

⁷ Source: Texas Workforce Commission, 2008 Annual Averages

⁸ Source: U.S. Census Bureau, 2000; Dun & Bradstreet, 2008

below the poverty level, compared to 12% in Wheeler. Low- and moderate-income (LMI) families comprise 35% of all families in Wheeler County, and 44% in Garza County.

Housing Characteristics

There are 2,687 housing units in Wheeler County and 1,928 in Garza County. Sixty-three percent of Wheeler County's housing stock is owner-occupied, compared to 61% in Garza County. Twenty percent of Wheeler County's housing units are reported vacant, compared to 14% in Garza County. The median value of owner-occupied housing units in 2000 was \$41,507 in Garza County, and \$38,922 in Wheeler County. Eighty-three percent of Garza County's housing units are single-family, compared to 88% in Wheeler County.

Labor, Employment and Economic Characteristics

Agriculture, including cotton, beef cattle, and hay, drives the Garza County economy. Mining trade, and local government sectors contribute the most jobs. The labor force totals 2,422, with 2008 average annual unemployment of 3.8%. The Wheeler County economy consists of oil, agribusiness, and tourism. The unemployment rate was a low 2.5% of the labor force of 3,379 in 2008. According to Dun & Bradstreet, there were 51 farms in Wheeler County and 39 in Garza County.

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES IN THE NON-METROPOLITAN AA

The distribution of lending based on income and revenue levels of the borrowers reflects a reasonable penetration among individuals of different income levels and farms of different sizes. The income level of Garza and Wheeler County borrowers were compared to the statewide nonmetropolitan MFI. The Texas nonmetropolitan MFI increased from \$41,800 in 2007 to \$43,600 in 2008. The following table depicts the income level ranges for 2007 and 2008:

Income Level	2007 Texas Nonmetropolitan Area	2008 Texas Nonmetropolitan Area
Median Income	\$41,800	\$43,600
Low-income	\$0 < \$20,900	\$0 < \$21,800
Moderate-income	\$20,900 < \$33,440	\$21,800 < \$34,880
Middle-income	\$33,440 < \$50,160	\$34,880 < \$52,320
Upper-income	\$50,160 and up	\$52,320 and up

Home Mortgage Disclosure Act Lending

The following table presents the distribution by borrower income of the HMDA loans inside the assessment areas.

DISTRIBUTION OF HMDA LOANS BY MEDIAN FAMILY INCOME LEVEL								
ASSESSMENT AREA	LOW		MODERATE		MIDDLE		UPPER	
	# / \$	%	# / \$	%	# / \$	%	# / \$	%
Garza - #	7	15.9%	8	18.2%	11	25.0%	18	40.9%
Garza - \$000's	\$198	10.7%	\$211	11.4%	\$447	24.1%	\$1,001	53.9%
Wheeler - #	1	5.9%	1	5.9%	1	5.9%	14	82.4%
Wheeler - \$000's	\$14	1.3%	\$108	10.1%	\$49	4.6%	\$895	84.0%
Total - #	8	13.1%	9	14.8%	12	19.7%	32	52.5%
Total - \$000's	\$212	7.3%	\$319	10.9%	\$496	17.0%	\$1,896	64.9%

Overall, 28% of Citizens HMDA loans in this AA were made to low- and moderate-income borrowers. In Garza County low-income borrowers received 16% of the bank's residential real estate loans, and 18% went to moderate-income borrowers. This level of lending is reasonable when compared to the demographics of 25% low-income families and 19% moderate-income families. In Wheeler County both low- and moderate-income borrowers received 6% of the bank's residential real estate loans. This level of lending is poor when compared to the demographics of 18% low-income families and 17% moderate-income families.

Agricultural Lending

The following two tables reflect the distribution of the agricultural loans in the Non-Metropolitan AAs by gross annual revenues and loan amount:

DISTRIBUTION OF AGRICULTURAL LOANS BY GROSS ANNUAL REVENUES		
Gross Annual Revenues	Number of Loans	Percent of Loans
Less than \$100,000	11	40.7%
\$100,000 - <\$250,000	9	33.3%
\$250,000 - <\$500,000	3	11.1%
\$500,000 - <\$750,000	1	3.7%
\$750,000 - \$1 million	1	3.7%
Total <=\$1 million	25	92.5%
> \$1 million	1	3.7%
Revenues Not Available	1	3.7%
TOTAL	27	100%

Citizens Bank made 93% of the agricultural loans sampled from these AAs to farms with revenues of one million or less. This is excellent when compared to the bank's assessment area since 95% of the farms in Garza County and 94% of the farms in Wheeler County have revenues of one million or less. Additionally, 85% were made to small farms as defined under CRA as farms with revenues of \$500,000 or less.

DISTRIBUTION OF AGRICULTURAL LOANS BY LOAN AMOUNT		
Loan Amount	Number of Loans	Percent of Loans
Less than \$25,000	10	37.1%
\$25,000 - \$50,000	5	18.5%
\$50,001 - \$100,000	4	14.8%
\$100,001 - \$500,000	7	25.9%
\$500,001 - \$1 million	0	0%
Over \$1 million	1	3.7%
TOTAL	27	100.0%

Seventy percent of the agricultural loans sampled in this AA were for amounts less than \$100,000. This performance demonstrates the bank's commitment to making smaller dollar loans to farming operations within its assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS IN THE NON-METROPOLITAN AA

As noted above, since Garza and Wheeler Counties consist solely of middle-income census tracts, Citizens record of lending to the various geographic income levels within its AAs can only be meaningfully reviewed for the Lubbock AA.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to the population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- i. Low-or moderate-income geographies;
- ii. Designated disaster areas; or
- iii. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a) Rates of poverty, unemployment, and population loss; or
 - b) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include

non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and other branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.