



COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
PUBLIC DISCLOSURE

Citizens Bank and Trust Company

203856

1300 Rollingbrook
Baytown, Texas 77522

As of
May 8, 2000

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.

Federal Reserve Bank Of Dallas

P. O. Box 655906, Dallas, Texas 75265-5906

TABLE OF CONTENTS

I. General Information	1
II. Institution	
a. Overall Rating	2
b. Lending, Investment, Service Test Table	3
c. Description of Institution	4
d. Description of Assessment Area	5
e. Conclusions with Respect to Performance Tests	8
III. Appendix	
a. Scope of Examination	17

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 CRA performance of **Citizens Bank and Trust Company, Baytown, Texas**, prepared by the **Federal Reserve Bank of Dallas**, the institution's supervisory agency, **as of May 8, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION

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

The level of compliance of Citizens Bank and Trust Company with the CRA is based on an evaluation of the performance criteria for large retail institutions specified under the CRA with respect to the lending, investment and service tests. The bank makes a substantial volume of its loans to those borrowers who are low- and moderate-income in its assessment area. The bank's distribution of lending reflects an excellent penetration of census tract and borrower income levels given the demographic characteristics of the area it serves. Retail banking services are accessible to all portions of the assessment area. Detracting from the bank's overall CRA performance is its low volume of lending as reflected by the loan-to-deposit ratio, lack of community development lending, and limited community development investments.

The following table indicates the performance level of **Citizens Bank and Trust Company, Baytown, Texas** with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test ¹	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory			X
Needs to Improve		X	
Substantial Noncompliance			

¹The lending test is weighted more heavily than the investment and service tests in determination of the overall rating.

DESCRIPTION OF INSTITUTION:

Citizens Bank and Trust Company (Citizens), wholly owned by Citizens Bankers of Delaware, Inc., is a \$288 million full-service bank with the main office, a branch, and two motor banks located in Baytown, Texas. Citizens is primarily a retail-oriented bank offering a full line of consumer, commercial and real estate loan products and deposit services. In addition to the full-service banking locations in Baytown, Citizens' customers have access to 11 off-premises automated teller machines (ATMs) within the bank's delineated assessment area.

At December 31, 1999, Citizens had total assets of \$287.8 million, net loans of \$74 million, and shareholders' equity of \$25.5 million. A review of the bank's loan portfolio reflects the following product mix:

LOAN PORTFOLIO MIX	12-31-99 \$000's	% OF LOANS	12-31-98 \$000's	% OF LOANS
Real Estate				
Residential	\$14,746	19.2%	\$12,194	17.2%
Construction	3,949	5.1%	1,971	2.8%
Commercial	16,970	22.1%	15,430	21.8%
Agriculture	92	0.1%	102	0.1%
Total Real Estate	35,757	46.5%	29,697	41.9%
Consumer				
Open (Credit Cards)	4,590	6.0%	4,914	6.9%
Closed (Personal)	17,581	22.8%	16,277	23.0%
Total Consumer	22,171	28.8%	21,191	29.9%
Commercial/Industrial	18,098	23.5%	19,260	27.2%
Agricultural	70	0.1%	87	0.1%
Other	830	1.1%	652	0.9%
Gross Loans	\$76,926	100.0%	\$70,887	100.0%

As indicated by the above chart, Citizens' loan portfolio is well distributed among commercial real estate and commercial/industrial loans, consumer loan products, and residential real estate loans. Approximately \$8.6 million in residential mortgage loans sold on the secondary market in 1999 are not reflected in the table above.

Through common ownership, Citizens is affiliated with Baytown State Bank, Baytown, Texas; Pasadena State Bank, Pasadena, Texas; and First National Bank, Bay City, Texas. Citizens is also affiliated with seven non-banking entities: Baytown Land Corporation, Baytown Land I, Ltd., Citizens Bankers Limited Partnership, Citizens Agency, Citizens Realty Company, Inc., Rollingbrook Limited, and B&B Office Supply, Inc.

The bank received a satisfactory rating at its last CRA assessment conducted as of March 30, 1998. There are no financial or legal factors that would impede Citizens in fulfilling its responsibilities under the CRA.

DESCRIPTION OF THE ASSESSMENT AREA (PORTIONS OF HARRIS AND CHAMBERS COUNTIES):

Baytown, Texas is located in Harris County on the northern shore of Galveston Bay between the San Jacinto River on the west and the Trinity River on the east. The Baytown/West Chambers County area is situated along the prosperous Texas Gulf Coast approximately 20 miles east of Houston, one of the world’s major business centers. With its abundant natural resources of oil, natural gas, and seawater, the area has become the hub of such energy-related industries as oil refining, rubber, chemicals and carbon black plants. Nearly 50% of U.S. petrochemical production is based in the Houston area and a significant portion of this industry is located in the Baytown area. Major industrial employers include Exxon Baytown Refinery, Exxon Chemicals, Chevron, Bayer, and Amoco. Other major employers include city government, the school district, GTE, Houston Lighting & Power, and Lee College.

The bank’s assessment area (AA) includes 32 census tracts in eastern Harris County and two in the adjacent Chambers County, within the Houston, Texas Primary Metropolitan Statistical Area (PMSA). The Houston PMSA consists of Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller Counties. The AA meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies. Nine or 26.5% of the census tracts in the AA are moderate-income tracts, 19 or 55.9% are middle-income, and 6 or 17.6% are classified as upper-income census tracts. There are no low-income tracts in the AA.

The total population of the AA as of the 1990 U.S. Census was 123,094, with 41,871 households and 32,514 families. According to the U.S. Census Bureau, the population of Harris and Chambers Counties increased almost 14% and 18%, respectively, between 1990 and 1998. The 1999 HUD-adjusted Median Family Income for the Houston PMSA and the AA is \$54,100, a 7.3% increase over the 1998 figure of \$50,400. The income ranges are as follows:

Income Level	1998	1999
Low-income	\$0 < \$25,200	\$0 < \$27,050
Moderate-income	\$25,200 < \$40,320	\$27,050 < \$43,280
Middle-income	\$40,320 < \$60,480	\$43,280 < \$64,920
Upper-income	\$60,480 and up	\$64,920 and up

Approximately 21% of the families in the AA are low-income, 17% are moderate-income, 22% are middle-income and 40% are upper-income. Census data for the AA by income level of census tracts is depicted in the chart below.

DISTRIBUTION OF POPULATION BY CENSUS TRACT INCOME LEVEL						
Census Tract Income Level	Total Tracts		Total Families		Total Population	
	#	%	#	%	#	%
Moderate-income	9	26.5%	7,649	23.5%	31,090	25.3%
Middle-income	19	55.9%	16,506	50.8%	61,978	50.3%
Upper-income	6	17.6%	8,359	25.7%	30,026	24.4%
TOTAL	34	100.0%	32,514	100.0%	123,094	100.0%

Although a majority of families in the AA are classified as upper income, 10.9% of families are living below the poverty level. The following table shows the distribution of the 32,514 families in the assessment area by census tract income level and family income:

DISTRIBUTION OF FAMILIES BY CENSUS TRACT INCOME LEVEL								
Census Tract Income Level	Low-Income		Moderate- Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Moderate	2,410	35.0%	1,819	33.8%	1,605	22.4%	1,815	13.9%
Middle	3,768	54.6%	2,832	52.7%	3,813	53.2%	6,093	46.6%
Upper	715	10.4%	723	13.5%	1,751	24.4%	5,170	39.5%
TOTAL	6,893	100.0%	5,374	100.0%	7,169	100.0%	13,078	100.0%

There are 46,282 total housing units in the AA. Owner occupancy in the AA is 59.7%. Within the Houston PMSA, owner-occupancy ranges from 45.5% in Harris County to 69.5% in Chambers County. The state owner-occupancy percentage is 52.7%. Rental units comprise 30.7% of all housing units in the AA, substantially lower than the Houston PMSA's 39.3%. Finally, the AA vacancy rate is 9.7%, compared to a range of 8.6% to 16.1% for the counties in the PMSA and 13.4% statewide.

The median housing value is \$53,096 and median gross rent is \$394. In general, housing is considerably more affordable in the AA compared to the PMSA as a whole and the state, which have median values of \$63,376 and \$58,941, respectively. Approximately 65% of AA housing units are single-family, 17% are 5 or more family units, and 5% are 2-4 family units. Notably, mobile homes comprise 11% of the housing stock, compared to 4% for the PMSA and 8% for the state. Housing units located in moderate-income census tracts comprise 25% of all housing units in the AA. Approximately, 25% of the units are located in moderate-income tracts, 53% in middle, and 22% in upper-income tracts. The distribution of the 27,615 owner-occupied units by tract is 23% moderate-, 47% middle-, and 30% upper-income.

The median age of the AA housing stock is 22 years, with 14.5% of units built prior to 1950. The oldest homes are located in moderate-income tracts, where the median age is 47 years, compared to 23 and 28 years in the middle- and upper-income tracts, respectively.

According to Regional Economic Information System employment figures for 1995, total full- and part-time employment in Harris County was 1,985,043, an increase of 8.7% since 1990. The Services industry dominated employment at 32.1%, followed by 16% Retail Trade, 11% Government, 8.9% Manufacturing, 7.4% Finance, Insurance and Real Estate, 7% Construction, and 6.7% Transportation and Public Utilities. The financial industry saw the biggest decline in employment, dropping 9.8% over the five-year period, while Transportation and Public Utilities gained 14.1%, the Government sector and Retail Trade gained 13.3% each, and Services gained 13%. Although only a small segment of the economy, the Agricultural Services, Forestry and Fishing industry grew 26.5% during the period. According to the Texas Workforce Commission, the unemployment rate for the state was 4.7% as of January 2000. Harris County posted a 4.7% unemployment rate and Chambers County's rate was 4.6%.

There are a total of 2,578 business establishments in the AA, according to July 1998 data from Dun & Bradstreet. The distribution of businesses by census tract income level is as follows:

Census Tract Income Level	Business Establishments	
	#	%
Moderate-income	845	32.8%
Middle-income	1,276	49.5%
Upper-income	457	17.7%
TOTAL	2,578	100.0%

According to the FDIC, there were 13 FDIC-insured institutions operating in the city of Baytown as of June 30, 1999. Citizens had the largest deposit market share at 40% while NationsBank (now Bank of America) and Bank One claimed 21% and 15% market share, respectively. Three credit unions also serve the community.

Six FDIC-insured institutions operate in Chambers County. Security State Bank, Anahuac, Texas and Gulf Coast Bank, Winnie, Texas have the highest market share of deposits, with 33% and 26%, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

Citizen's performance under the lending test is considered satisfactory. The review of the bank's lending encompassed its performance in originating home mortgage, home improvement, small business, small farm, and consumer loans during 1998 and 1999. The bank's performance was evaluated in the context of the demographic characteristics of the assessment area.

Detracting from the bank's lending performance is its low volume of lending as evidenced by the bank's loan-to-deposit (LTD) ratio. As of December 31, 1999, the LTD was 30.3% and the average ratio since the last CRA assessment was 28.1%. The low LTD ratio is mitigated slightly by the volume of secondary market lending. When the LTD is adjusted for mortgage loans sold, the ratio rises to 35-55% depending on the estimates used. The adjusted LTD compares unfavorably to similarly situated banks in or near the AA. These banks had LTD ratios ranging from 42 to 92% for an average of 72%.

Included in the similarly situated banks is one of comparable asset size operating in Baytown that management considers a primary competitor. This bank's LTD ratio is 73%. The higher LTD ratios of the other banks indicate a demand for loans in the AA. As there are no financial or legal factors that would impede Citizens in fulfilling its responsibilities under the CRA, the bank's rating under the lending performance test was negatively impacted.

Citizens originated a total of 278 HMDA-reportable loans with a total dollar volume of \$13.2 million in 1998, and 270 totaling \$13.6 million in 1999. The bank originated 387 small business loans totaling \$18.7 million in 1998, and 339 totaling \$14.6 million in 1999. The bank's consumer lending accounts for a significant portion of its portfolio, with 3,018 loans for \$17.7 million originated in 1998 and 3,250 for \$22 million in 1999. As the chart below indicates, 82% for 1998 and 85% for 1999, of Citizens' HMDA, small business, small farm and consumer loans were originated inside its AA.

ANALYSIS OF LENDING IN THE ASSESSMENT AREA								
Loan Type	Inside Assessment Area				Outside Assessment Area			
	#	% of #	\$000's	% of \$	#	% of #	\$000's	% of \$
1998								
Home Purchase	87	81.3	6,032	78.0	20	18.7	1,699	22.0
Home Improvement	99	86.1	1,199	82.6	16	13.9	253	17.4
Refinancing	53	94.6	3,617	90.6	3	5.4	377	9.4
Small Business	292	75.5	11,690	62.4	95	24.5	7,039	37.6
Small Farm	3	60.0	265	94.3	2	40.0	16	5.7
Consumer	2,493	82.6	13,211	74.5	525	17.4	4,530	25.2
TOTAL	3,027	82.1	36,014	72.1	661	17.9	13,914	27.9
1999								
Home Purchase	113	85.6	8,280	79.0	19	14.4	2,199	21.0
Home Improvement	75	81.5	703	83.1	17	18.5	143	16.9
Refinancing	40	87.0	2,024	87.7	6	13.0	284	12.3
Small Business	228	67.3	8,180	56.2	111	32.7	6,381	43.8
Small Farm	3	100.0	39	100.0	0	0.0	0	0.0
Consumer	2,836	87.3	16,540	75.2	414	12.7	5,460	24.8
TOTAL	3,295	85.3	35,766	71.2	567	14.7	14,467	28.8

HMDA and Consumer Lending by Borrower Income

As the chart below indicates, Citizens' total HMDA lending to customers of different income levels in its AA, particularly low- and moderate-income borrowers, is commendable. When compared to other lenders in the bank's AA, the bank exceeds the others' performance in lending to low- and moderate-income borrowers. In 1998, almost 12% of the HMDA loans originated were to low-income borrowers and 26% were to moderate-income borrowers. Other market banks originated 8% of total loans to low-income borrowers and 19% to moderate-income borrowers. Similarly, in 1999, the lending to low-income borrowers was 18% and 25% to those considered moderate-income. Citizens' market share was 8.2% and 7.3%, respectively, of all loans made to low- and moderate-income borrowers in the AA in 1998.

DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL							
Borrower Income Level	Percent of Families	1998 Aggregate*		1998 Citizens		1999 Citizens	
		#	%	#	%	#	%
Low-income	21.2	314	7.8	28	11.7	42	18.4
Moderate-income	16.5	773	19.2	61	25.5	58	25.5
Middle-income	22.1	963	23.9	59	24.7	56	24.6
Upper-income	40.2	1,237	30.7	91	38.1	71	31.1
Income N/A	--	743	18.4	0	0.0	1	0.4
TOTAL	100.0%	4,030	100.0	239	100.0	228	100.0

*Aggregate data excludes Citizens.

The chart below illustrates the bank's particularly good lending performance in relation to home improvement loans. Fifteen and 29%, respectively, of home improvement loans were originated to low-income and moderate-income borrowers. Given the age of the housing stock in moderate-income tracts and feedback from community contacts, home improvement loans for low- and moderate-income members of the community are an ongoing credit need.

DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL									
Borrower Income Level	Percent of Families	Home Purchase		Home Improvement		Refinancing		Total HMDA	
		#	%	#	%	#	%	#	%
1998									
Low-income	21.2	10	11.5	15	15.2	3	5.7	28	11.7
Moderate-income	16.5	27	31.0	29	29.3	5	9.4	61	25.5
Middle-income	22.1	20	23.0	24	24.2	15	28.3	59	24.7
Upper-income	40.2	30	34.5	31	31.3	30	56.6	91	38.1
TOTAL	100.0%	87	100.0	99	100.0	53	100.0	239	100.0
1999									
Low-income	21.2	15	13.3	21	28.0	6	15.0	42	18.4
Moderate-income	16.5	28	24.8	21	28.0	9	22.5	58	25.4
Middle-income	22.1	32	28.3	12	16.0	12	30.0	56	24.6
Upper-income	40.2	37	32.7	21	28.0	13	32.5	71	31.1
Income N/A	---	1	0.9	0	0.0	0	0.0	1	0.4
TOTAL	100.0%	113	100.0	75	100.0	40	100.0	228	100.0

The bank's consumer lending is strong. As the chart below reveals, for 1998, 36% of the consumer loans were made to low-income borrowers, and 31% of consumer lending was made to those who are moderate-income. In 1999, the percentages are very similar, with 35% of loans to low-income borrowers and 26% to moderate-income borrowers. Given the large percentage of middle- and upper-income families in Citizens' AA, its lending performance among low- and moderate-income borrowers is evidence that the bank has tried to ensure its consumer products are available to all borrowers in its AA, regardless of income level.

DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME			
Borrower Income Level	Percent of Families	Consumer Sample	
		#	%
1998			
Low-income	21.2%	888	35.6%
Moderate-income	16.5%	785	31.5%
Middle-income	22.1%	459	18.4%
Upper-income	40.2%	312	12.5%
Income N/A	---	49	2.0%
TOTAL	100.0%	2,493	100.0%
1999			
Low-income	21.2%	992	35.0%
Moderate-income	16.5%	729	25.7%
Middle-income	22.1%	425	15.0%
Upper-income	40.2%	543	19.1%
Income N/A	---	147	5.2%
TOTAL	100.0%	2,836	100.0%

As the preceding tables illustrate, the bank is responsive to the credit needs of all members of its

community. Citizens also attempts to meet credit needs by providing unsecured, small dollar loans of \$1,000 and less. The bank originated several small dollar loans during the period reviewed.

Geographic Distribution of HMDA and Consumer Loans

The geographic distribution of HMDA loans by income level of the census tracts reveals a good dispersion throughout the AA. Approximately 17% in 1998 and 24% in 1999 of all HMDA loans were made in moderate-income census tracts. Given that 24% of the families reside in moderate-income census tracts, the bank's record of HMDA lending in these tracts indicates a desire to serve the moderate-income geographies in its community. The chart below details the bank's total HMDA lending by census tract income level for the period reviewed:

DISTRIBUTION OF HMDA LOANS BY CENSUS TRACT INCOME LEVEL									
Tract Income Level	Percent of Families	1998				1999			
		#	%	\$000's	% of \$	#	%	\$000's	% of \$
Moderate-income	23.5%	41	17.1	769	7.1	54	23.7	1,190	10.8
Middle-income	50.8%	123	51.5	4,853	44.7	112	49.1	5,674	51.6
Upper-income	25.7%	75	31.4	5,226	48.2	62	27.2	4,143	37.6
TOTAL	100.0%	239	100.0	10,848	100.0	228	100.0	11,007	100.0

The bank's performance in originating home improvement loans is strong as the chart below shows. Citizens originated 22% in 1998 and 36% in 1999 of its home improvement loans in moderate-income census tracts. Discussions with community contacts revealed a great need for home improvement loans, particularly in these geographies. The bank's performance in this area indicates responsiveness to the needs in moderate-income areas. The bank's record of lending in the other HMDA loan types is good and shows a good distribution of lending in all geographies in its AA, especially moderate-income areas.

DISTRIBUTION OF HMDA LOANS BY CENSUS TRACT INCOME LEVEL									
Census Tract Income Level	Owner-Occupancy	Home Purchase		Home Improvement		Refinancing		Total HMDA	
		#	%	#	%	#	%	#	%
1998									
Moderate-income	23.1%	16	18.4	22	22.2	3	5.7	41	17.2
Middle-income	47.0%	45	51.7	53	53.5	25	47.2	123	51.5
Upper-income	29.9%	26	29.9	24	24.2	25	47.2	75	31.4
TOTAL	100.0%	87	100.0	99	100.0	53	100.0	239	100.0
1999									
Moderate-income	23.1%	19	16.8	27	36.0	8	20.0	54	23.7
Middle-income	47.0%	64	56.6	30	40.0	18	45.0	112	49.1
Upper-income	29.9%	30	26.5	18	24.0	14	35.0	62	27.2
TOTAL	100.0%	113	100.0	75	100.0	40	100.0	228	100.0

The bank's performance in providing consumer loan products in moderate-income census tracts is excellent. The distribution of loans in moderate-income areas exceeds the census data percentage of population residing in those tracts. As the following chart indicates, the bank originated 29% of its consumer loans in moderate-income geographies in 1998 and 28% of loans in those areas in 1999. The bank exhibits a willingness to make consumer loans available to all segments of its AA, including moderate-income areas.

DISTRIBUTION OF CONSUMER LOANS BY CENSUS TRACT INCOME			
Borrower Income Level	Percent of Families	Consumer Sample	
		#	%
1998			
Moderate-income	23.5%	727	29.2%
Middle-income	50.8%	1,350	54.1%
Upper-income	25.7%	416	16.7%
TOTAL	100.0%	2,493	100.0%
1999			
Moderate-income	23.5%	782	27.6%
Middle-income	50.8%	1,588	56.0%
Upper-income	25.7%	466	16.4%
TOTAL	100.0%	2,836	100.0%

Small Business and Small Farm Lending

The CRA defines a small business and a small farm as one having annual revenues of \$1 million or less. Citizens originated 97% of its loans to businesses with revenues of \$1 million or less in 1998. When compared to other lenders in its AA, this record of lending is excellent.

In 1998, 168 lenders reported a total of 31,948 small business loans for \$2.1 billion in Harris County and 25 lenders originated 148 loans for \$6.6 million in Chambers County. Citizens reported 321 small business loans totaling \$15.6 million in Harris County and 39 totaling \$1.6 million in Chambers County in 1998. Citizens was the top-ranked lender in Chambers County and originated 35% of all small business loans reported in its assessment area in 1998. Further, Citizens originated half of the total dollar volume of loans to businesses with gross annual revenues of \$1 million or less. The following table compares Citizens' small business lending to the aggregate in the AA for 1998:

1998 SMALL BUSINESS LOANS								
Lending by Gross Annual Revenues	Citizens				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
\$1 million or less	284	97.3%	10,792	92.3%	596	72.2%	21,119	50.8%
Lending by Tract Income								
Moderate-income tracts	70	24.0%	1,156	9.9%	199	24.1%	8,706	20.9%
Middle-income tracts	176	60.3%	8,625	79.8%	435	52.7%	23,117	55.6%
Upper-income tracts	46	15.8%	1,909	16.3%	191	23.2%	9,764	23.5%
TOTAL	292	100.0%	11,690	100.0%	825	100.0%	41,587	100.0%

As indicated, a substantial majority of Citizens' loans were made to businesses with gross annual revenues of \$1 million or less, on a number and a dollar basis. In 1999, the amount of lending to businesses with revenues of \$1 million or less was considerable, with 91% of loans to those businesses.

Furthermore, 91% of the small business loans were in amounts of \$100 thousand or less. In addition to the small business lending detailed in the charts above, the bank also made one Small Business Administration (SBA) loan for \$58 thousand. These numbers indicate the bank's commitment to making sure the small businesses' needs for smaller dollar loans are being met.

Small farm lending in 1998 and 1999 was limited as would be expected, given the primarily metropolitan location of the bank's AA. However, the bank did originate three loans under \$100 thousand each in the AA in 1999, all to farms with revenues of \$1 million or less. Small farm loans in the AA in 1998 totaled 3 for \$265 thousand. The following table presents information for Citizens' 1999 small business and small farm lending:

1999 SMALL BUSINESS AND SMALL FARM LOANS								
Lending by Gross Annual Revenues	Small Business				Small Farm			
	#	%	\$000's	%	#	%	\$000's	%
\$1 million or less	208	91.2%	6,629	81.0%	3	100.0%	39	100.0%
Lending by Tract Income								
Moderate-income tracts	52	22.8%	1,303	15.9%				
Middle-income tracts	120	52.6%	5,430	66.4%	2	66.7%	38	97.4%
Upper-income tracts	56	24.6%	1,447	17.7%	1	33.3%	1	2.6%
Loan Size								
\$100,000 or less	207	90.8%	3,487	42.6%	3	100.0%	39	100.0%
\$100,001 - \$250, 000	16	7.0%	2,700	33.0%				
\$250,001 and up	5	2.2%	1,993	24.4%				
TOTAL	228	100.0%	8,180	100.0%	3	100.0%	39	100.0%

Geographically, 1998 lending in moderate-income census tracts is 24% and compares exactly with the geographic distribution of other AA lenders. In 1999, the geographic distribution of small business loans is good at 23% in moderate-income census tracts. The bank also originated loans in the areas designed as Empowerment Communities or Zones. HUD has designated specific areas nationwide as Empowerment Zones and Enterprise Communities. These areas are designated as such in an effort to create jobs and business opportunities in the most economically distressed areas of inner cities and the rural heartland. These zones provide tax incentives and performance grants and loans to create jobs and expand business opportunities. In addition, activities are focused on areas that support people looking for job training, child-care, and transportation. Baytown has specific areas in its city limits designated as Enterprise Zones. In 1999, the bank originated 19 small business loans totaling \$1.37 million and 28 mortgage loans totaling \$784,550 in the target areas.

Community Development Lending

The institution did not originate any community development loans during the assessment period.

Innovative or Flexible Lending Practices

Citizens participates in the city of Baytown Homebuyers Assistance Program. This program is sponsored by the city of Baytown and utilizes HUD and Community Development Block Grant funds to facilitate mortgages for low- and moderate-income homebuyers. The borrowers must not exceed the specific income guidelines established under the program. Qualified borrowers receive down payment assistance to offset down payments, prepaid expenses, or closing costs. The bank funded 21 loans totaling \$97,100 under this program, which were included in the HMDA loan detail section.

INVESTMENT TEST

The bank reported few qualified investments. The bank's investments under CRA totaled \$6,631 and are considered insufficient to meet the requirements for at least a low satisfactory rating under this category. The bank's level of investing needs improvement. Although the bank makes considerable contributions to local organizations, management was unable to identify them as community development in purpose. Management is encouraged to seek additional opportunities for investments, and when possible, target a portion of existing investments to programs that benefit low- and moderate-income segments of the community.

SERVICE TEST

Citizens operates two banking locations and two motor banks in the city of Baytown. No branch offices have been opened or closed since the previous assessment. The following table lists the banking offices in Harris County:

LOCATION	HOURS	ADDRESS	CENSUS TRACT	INCOME LEVEL
Main Office	Monday–Thursday 8 – 5 Friday 8 – 6	1300 Rollingbrook Baytown, TX 77521	267.03	Middle
San Jacinto Mall	Monday-Friday 9 – 3 Saturday 9 – 1	1122 San Jacinto Mall Baytown, TX 77521	262.00	Moderate
Motor Bank	Monday-Friday 7 – 6 Saturday 8 – 1	310 West De Fee Street Baytown, TX 77520	266.00	Moderate
Motor Bank	Monday-Friday 7 – 6 Saturday 8 – 1	523 Rollingbrook Baytown, TX 77521	267.02	Middle

The main bank office and the Rollingbrook Motor Bank are located in middle income census tracts, while the San Jacinto Mall Branch and the West De Fee Street Motor Bank are located in moderate income census tracts. The main office offers full line customer deposit and loan services, with typical drive-through deposit services at the motor banks. All loan activity is conducted through the main office Monday through Friday. Telephone applications are accepted 24 hours a day and processed during normal business hours.

In addition to the four ATMs at the branches and motor banks, Citizens' customers have access to 11 additional ATMs within the assessment area and four just outside the area, all with no surcharge. The following table lists the off-premises ATM locations:

LOCATION	ADDRESS	CITY, STATE	CENSUS TRACT	INCOME LEVEL
San Jacinto Mall	1550 San Jacinto Mall	Baytown, TX 77521	262.00	Moderate
Baytown Police Sub-Station	3530 Market Street	Baytown, TX 77520	264.00	Moderate
Bayway at Baker Road	7200 Bayway Drive	Baytown, TX 77520	265.00	Moderate
Foodtown Shopping Center	1700 Garth Road	Baytown, TX 77520	266.00	Moderate
San Jacinto Hospital	4401 Garth Road	Baytown, TX 77521	267.01	Middle
Texaco Station	6118 Decker Drive	Baytown, TX 77520	267.01	Middle
West Town Shopping Center	4232 Decker Drive	Baytown, TX 77520	267.03	Middle
Baytown Main Police Station	3200 North Main	Baytown, TX 77521	268.00	Middle
Bay Plaza Shopping Center	2308 North Alexander	Baytown, TX 77520	269.01	Middle
Chevron Station	500 North Alexander	Baytown, TX 77520	269.02	Middle
Massey Tompkins at 146	4801 Highway 146	Baytown, TX 77520	1101.02	Upper
The following ATMs are located within Harris County, but just outside the Assessment Area:				
Baytown State Bank Branch	1401 Fairmont Parkway	La Porte, TX 77571	366.31	Low
Pasadena State Bank	3901 Red Bluff Road	Pasadena, TX 77503	355.02	Middle
Bayshore Medical Center	4000 Spencer Highway	Pasadena, TX 77504	359.21	Middle
Pasadena State Bank	2222 South Shaver Street	Pasadena, TX 77502	349.01	Moderate

Citizens also offers flexible delivery systems for its customers, including low- and moderate-income individuals. The bank now offers Internet service for customers as a means of providing information about available products, the bank’s history, and offering calculation tools. Also provided is the “KATI System” (Kwik Access to Information) which allows customers 24-hour access to account information via telephone. The information is provided in both English and Spanish. In addition, the Tele Loan System allows loan applications electronically and is also available in Spanish. Furthermore, Spanish language applications are available and bilingual staff is available to assist those customers who are uncomfortable with English with their banking needs. Finally, the bank offers a checking account geared toward customers with limited incomes. The account requires a \$50 minimum balance to open and allows ten free checks, with a monthly service fee of \$2.50. The services offered are varied and accommodate a wide range of customers.

Citizens’ delivery systems are accessible to essentially all portions of the bank’s AA. Further, services do not appear to vary in a way that is inconvenient to certain portions of the community.

Community Development Services

Citizens provides a limited level of community development services. Bank management has been active in providing technical assistance to organizations that support small business development and housing-related entities, including the Economic Development Foundation, the Baytown Housing Authority, and the city of Baytown Planning Department. The community development services adequately serve the AA. The bank is encouraged to continue to expand its community development services to ensure participation in additional programs and initiatives as needs arise.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

Violations of anti-discrimination regulations were noted during the concurrently conducted Consumer Compliance Examination. These violations appeared to be the result of clerical error or oversight and were not considered discriminatory in nature. Management committed to improving policies and procedures to prevent recurrence.

APPENDIX A

SCOPE OF EXAMINATION

TIME PERIOD REVIEWED			01/01/98 TO 12/31/99
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Citizens Bank and Trust Company Baytown, Texas		Residential Real Estate Loans Small Business Loans Small Farm Loans Consumer Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
Citizens Bankshares, Baytown, TX	Bank Holding Company	None	
Citizens Bankshares, Wilmington, DE	Bank Holding Company	None	
Baytown State Bank, Baytown, TX	Bank Holding Company	None	
First National Bank of Bay City, Bay City, TX	Bank Holding Company	None	
Pasadena State Bank, Pasadena, TX	Bank Holding Company	None	
Baytown Land Corporation, Baytown, TX	Bank Holding Company	None	

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION

ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Texas	On-Site	None	
Chambers and Harris Counties, PMSA 3360 Tracts: 1101.01, 1101.02, 234.00, 235.00, 257.00, 258.00, 259.01, 259.02, 260.00, 261.00, 262.00, 263.00, 264.00, 265.00, 266.00, 267.01, 267.02, 267.03, 268.00, 269.01, 269.02, 270.00, 271.00, 272.00, 273.00, 274.00, 275.00, 362.00, 363.00, 364.00, 365.01, 365.02, 365.03, 366.21			

