



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 25, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**4201 South Treadaway Boulevard
Abilene, TX 79602**

**Comptroller of the Currency
San Antonio North
10101 Reunion Place Boulevard Suite 402
San Antonio, TX 78216**

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.

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

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

- CBNA's loan-to-deposit (LTD) ratio exceeds that of most similarly situated banks in its AA. For this evaluation period, the bank's LTD ratio has averaged 74%.
- A substantial majority of CBNA's loans are within its AA with 86% of the number and 72% of the dollar volume of loans originated during the assessment period.
- CBNA meets the standard for satisfactory performance for the distribution of loans to individuals of varying incomes and businesses of different sizes given its physical location and the competitive banking environment in its AA.
- CBNA's geographic distribution of loans meets the standard for satisfactory performance given the characteristics and distribution of census tracts (CTs) in its AA.
- There have been no complaints with respect to CBNA's CRA performance.

DESCRIPTION OF INSTITUTION

CBNA is a \$79 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 four-bank holding company, Texas Country Bancshares (TCB). The home office is located in Abilene, Texas, and the bank's only branch is located in Knox City, Texas, which is located 75 miles north of Abilene.

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. CBNA'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, 2007, amounted to \$51.9 million, which comprise 66% of total assets. The following table reflects a detailed breakdown of CBNA’s loan portfolio.

Loan Type	Dollar Amount \$ (000)	% of Total Loans
Real Estate (RE) Nonfarm Nonresidential	16,130	31.1
Commercial and Industrial	10,408	20.0
Consumer	9,075	17.5
RE Residential (1-4)	6,394	12.3
RE Farmland	3,968	7.6
Agriculture Production	3,763	7.2
Construction and Development	2,018	3.9
Other	156	0.4
Total	51,912	100.00%

CBNA received a “Satisfactory” rating at the previous CRA examination conducted during June 2002. 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

CBNA’s AA is the Abilene metropolitan statistical area (MSA), which includes the counties of Taylor, Jones, and Callahan. The Abilene MSA is comprised of 44 CTs. There are no low-income CTs. There are 11 moderate-income, 23 middle-income, and 9 upper-income CTs. One CT does not have an income designation. This CT is comprised of Dyess Air Force Base (AFB). It is difficult to assign an income category to this CT due the fluctuation in the number of military personnel of varying income levels.

The non-MSA counties of Runnels, Nolan, Haskell, Foard, King, Stonewall, and Baylor are also part of the bank’s AA. This AA is comprised of 18 CTs. Of these, 3 are moderate-income and the remaining 15 are middle- or upper-income CTs. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income (LMI) geographies. Specific demographic data for the bank’s AAs is provided in the following tables.

Based on our review and per conversations with management, the AA is larger than the bank’s actual service area. The bank does not generate a significant amount of deposits or originate a significant amount of loans in the counties of Runnels Nolan, Foard, King, or Stonewall. The primary areas the bank services are the Abilene MSA and the counties of Knox, Haskell, and Baylor.

Demographic and Economic Data on the Abilene MSA Assessment Area

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ABILENE MSA	
Population	
Number of Families	41,048
Number of Households	58,477
Geographies	
Number of Census Tracts	44
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	26%
% Middle-Income Census Tracts	53%
% Upper-Income Census Tracts	21%
Median Family Income (MFI)	
2000 MFI for AA	39,988
2006 HUD-Adjusted MFI	47,500
2005 HUD-Adjusted MFI	46,100
2004 HUD-Adjusted MFI	46,100
Economic Indicators	
Unemployment Rate	3.56
2006 Median Housing Value	\$55,664
% of Households Below Poverty Level	14.4%

The total population of the Abilene MSA based on 2000 census data is 160,245. Approximately 19% of the families in the AA are considered low-income. Moderate-income families approximate 18% of the population, while middle- and upper-income families comprise the remaining 63%. Of the population, 14% are living below the poverty level. There are 58,477 housing units in the AA, of which 58% are owner-occupied, 31% are renter-occupied and 11% are vacant.

The major industries in the area are medical, education, military, oil and gas, and agriculture. Fast food restaurants play a significant role in the local economy as they have a significant amount of foot traffic due to the number of universities and the local air force base. Major area employers are Abilene Christian University, Texas Tech University, McMurray University, Hardin-Simmons University, Dyess AFB, and Hendrix Medical Center.

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. Our contact was the Assistant Director of the Small Business Development Center located in Abilene, Texas. The community contact stated there are no unmet credit needs and CBNA is doing a good job of providing lending to LMI borrowers.

Demographic and Economic Data on the Non-MSA Assessment Area

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF NON-MSA ASSESSMENT AREA	
Population	
Number of Families	12,676
Number of Households	18,132
Geographies	
Number of Census Tracts	18
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	16.7%
% Middle-Income Census Tracts	72.2%
% Upper-Income Census Tracts	11.1%
Median Family Income (MFI)	
2000 MFI for AA	36,380
2006 HUD-Adjusted MFI	43,100
2005 HUD-Adjusted MFI	42,000
2004 HUD-Adjusted MFI	42,000
Economic Indicators	
Unemployment Rate	2.37
2006 Median Housing Value	\$36,261
% of Households Below Poverty Level	20.28%

The total population of the non-MSA AA based on 2000 census data is 45,407. Approximately 26% of the families in the AA are considered low-income. Moderate-income families approximate 18% of the population, while middle- and upper-income families comprise the remaining 56%. Of the population, 20% are living below the poverty level. There are 22,976 housing units in the AA, of which 58% are owner-occupied, 21% are renter-occupied, and 21% are vacant.

The economy of the Knox City market area is primarily driven by oil and gas and agriculture. The area's major employers are Johnson Melon, the Knox City Independent School District (ISD), and the local utility company. We contacted the Executive Director of the Knox City Chamber of Commerce to obtain more current information on the nature of the community and potential lending opportunities in the AA. The community contact stated there are no unmet credit needs and CBNA is doing a good job of providing lending to LMI borrowers.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on our analysis and recognition of the demographic characteristics of CBNA's AAs, management is performing satisfactorily in meeting the credit needs of its trade area, including LMI individuals, consistent with its resources and capabilities. Additional details are set forth in the text of this evaluation.

Loan-to-Deposit Ratio

CBNA's LTD ratio is considered very good, given its asset size, financial condition, and lending opportunities in the AA. The LTD ratio as of March 31, 2007, was 73%. The average LTD ratio over the past 19 quarters was 74%. CBNA's LTD ratio compares favorably with other banks headquartered in the AA. The average LTD of the other similarly situated banks ranges from 20.5% to 87.8%. The asset size and LTD ratio for CBNA and its competing banks during this period are listed below.

Institution	Assets as of 03/30/07 (*)	Average LTD Ratio % (**)
The First National Bank of Baird	177,865	87.80
American State Bank- Lubbock	2,139,740	43.42
First Financial Bank, NA – Abilene	910,992	20.48
First State Bank – Tuscola	18,660	32.16
Haskell NB – Haskell	62,178	44.17
First NB – Munday	63,271	60.57
<i>Citizens Bank – Abilene</i>	<i>79,222</i>	<i>73.85</i>

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

** The average LTD ratio for CBNA and for the competing banks is for the period from June 2002 through March 2007.

Lending in Assessment Area

The majority of the loans originated by CBNA's are in its AA. In order to assess performance for these criteria, we reviewed a sample of 29 commercial real estate, 30 agricultural, and 26 consumer loans.

Our analysis indicated that 86% of the number and 72% of the dollar amount of all loans originated between 2004 and 2006 were within the bank's AA. The table on the following page provides details by product type.

TOTAL LOANS REVIEWED								
Loan Type	In Assessment Area				Out Of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	21	81	207	77	5	19	63	23
Commercial Real Estate	24	83	11,935	70	5	17	5,075	30
Agricultural	28	93	1,143	96	2	7	53	4
Total Reviewed	73	86	13,285	72	12	14	5,191	28

Our analysis determined that 81% of the number and 77% of the dollar amount of consumer loans were originated in the AA. Additionally, we determined 83% of the number and 70% of the dollar amount of commercial real estate loans were made within the AA. Finally, 93% of the number and 96% of the dollar amount of agricultural loans were made within the AA.

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

The loan portfolio reflects a reasonable distribution of consumer and agricultural-related commercial loans among individuals of various income levels and businesses of different sizes within the Knox City AA. Non-agricultural related commercial lending to small businesses did not meet the area demographics of the Abilene MSA AA. The analysis included a sample of 26 consumer and 30 agricultural-related commercial loans originated by the Knox City branch between 2004 and 2006. Our review also included an analysis of 29 non-farm related commercial real estate loans originated by the Abilene main bank during the same time period. Our findings are detailed below.

Non-MSA Assessment Area- Knox City Branch

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	30.3		17.1		18.4		34.2	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	33.3	19.1	19.1	12.0	33.3	47.2	14.3	21.7

The analysis reflected good consumer loan penetration and distribution, as a percentage of the number of loans, to LMI households. However, the percentage of the dollar amount of loans made to LMI borrowers was not in line with area demographics or with the percentage of the number of loans made. The reason for this is that many LMI borrowers apply for loans of small amounts. Therefore, the bank makes many consumer loans of small amounts.

The majority of CBNA's agricultural commercial loans are made to small businesses with revenues of \$1 million or less. The following chart reflects our analysis of a sample of 30 agricultural-related commercial loans made between 2004 and 2006.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES - AGRICULTURAL		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses- Farm	96	4
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

Abilene MSA Assessment Area- Abilene Branch

Our review determined the bank's level of lending to small non-farm related businesses in the Abilene AA did not meet area demographics. The following chart reflects our analysis of a sample of 29 commercial real estate loans made between 2004 and 2006.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES - COMMERCIAL		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93.3	6.7
% of Bank Loans in AA #	79.2	20.8
% of Bank Loans in AA \$	80.8	19.2

Based on 2000 US Census demographics, 93% of AA non-farm related businesses have revenues of \$1 million or less. Our sample revealed that 79% of the bank's business loans in the AA were made to small businesses. The difference is due to the bank's location and the area where the growth has taken place in the AA. The bank has benefited by its location in the southern part of the city which, is a commercial/industrial area. However, there are many businesses in the downtown area and the commercial growth experienced by the city has taken place in the northeastern part. There are several financial institutions in these areas that compete with CBNA for commercial loans.

Geographic Distribution of Loans

The geographic distribution of loans within CBNA's AAs is reasonable given the demographic characteristics of the AA and the bank's geographic locations within the AAs. However, as mentioned before, it appears the AA is too large and does not coincide with the actual areas the bank serves. Additional detail is provided below.

Non-MSA Assessment Area- Knox City Branch

CBNA's consumer lending to borrowers in the Knox City branch AA did not meet area demographics. Based on 2000 census demographics, approximately 20% of AA households are located in moderate-income census tracts. Based on our sample, no loans were made to households located in moderate-income CTs due to the bank's location in relation to the moderate-income CTs.

The moderate-income CTs are located in Runnels and Nolan counties which are not contiguous to the Knox County; therefore, the bank does not originate loans in these counties. Runnels and Nolan counties are contiguous to Taylor County, where the bank’s main office is located, and are therefore included by the bank as part of its AA. For our testing, we did not include Runnels and Nolan counties with the Abilene AA as the counties are not part of the Abilene MSA and as a result have different income levels. The counties were included with the non-MSA AA.

CONSUMER								
<i>Census Tract Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Households</i>	0		20.1		66.4		13.5	
	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>
<i>Total</i>	0	0	0	0	100	100	0	0

Based on our sample of loans to farm businesses, the bank did not make any loans to farms located in LMI CTs. This is not a concern as the percentage of farms located in moderate-income CTs is minimal at approximately 4%.

BUSINESSES – AGRICULTURAL								
<i>Census Tract Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Farm Businesses</i>	0		3.7		93.7		2.6	
	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>
<i>Total</i>	0	0	0	0	100	100	0	0

Abilene MSA Assessment Area- Abilene Branch

BUSINESSES – COMMERCIAL								
<i>Census Tract Income Level</i>	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
<i>% of AA Households</i>	0		24.5		52.5		23.0	
	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>	<i>% of Number</i>	<i>% of Amount</i>
<i>Total</i>	0	0	20.9	9.4	33.3	41.1	45.8	49.2

CBNA’s commercial lending, as a percentage of the number of loans, to borrowers located in the Abilene MSA AA is in line with area demographics. However, the percentage of the dollar amount of loans is below area demographics. Only 9% of the dollar amount of loans is made to businesses located in moderate-income CTs. The reason for this is the bank has a good penetration of loans to businesses in LMI CTs but the loan amount is small. This is especially true when compared to the dollar amount of loans made to businesses located in middle- and upper-income CTs.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

CBNA has not been subjected to a Fair Lending review. However, based on our review of complaint records and consumer files during this evaluation period, we found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.