



Table of Contents

1. Written Comments from the Public
 2. CRA Performance Evaluation (Completed 2018)
 3. Banking Center Locations and Hours of Operation
 4. Banking Centers Opened and Closed (2022-2024)
 5. Products/Services List and Schedule of Fees
 6. Assessment Area Maps and Descriptions
 7. HMDA Disclosure Statement
 8. Loan-to-Deposit Ratios
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Bank Contact Information

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Citizens State Bank will maintain a copy of this file for public inspection upon request and at no cost at its main office. **Citizens State Bank** will also maintain a copy of its most recent CRA Performance Evaluation, and a list of services provided at each branch office. **Citizens State Bank** will comply with any CRA public file requests within five calendar days and update this file no later than April 1 of each calendar year.



Written Comments from the Public (Calendar Years 2022 – 2023)

Attached below this page are any written comments received from the public related to **Citizens State Bank's** Community Reinvestment Act (CRA) performance and any applicable bank response from the prior two calendar years. If you have comments regarding **Citizens State Bank's** CRA performance, please contact us at:

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Or:

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Citizens State Bank did not receive any written comments from the public during the two calendar years from 2022 – 2023.

PUBLIC DISCLOSURE

January 16, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens State Bank
Certificate Number: 16581

224 Main Street
Anton, Texas 79313

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

1601 Bryan Street, Suite 1410
Dallas, Texas 75201

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.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area	6
Conclusions on Performance Criteria	9
a. Lending Test	9
b. Discriminatory or Other Illegal Credit Practices Review	14
Appendices	
a. Glossary	15
b. Small Bank Test's Performance Criteria	19

INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

A satisfactory Lending Test record supports the overall rating. The bank did not request consideration of its investments and services, nor did examiners identify any discriminatory or other illegal credit acts or practices. Therefore, these considerations did not affect the overall rating. The following discussion summarizes the bank's performance under the applicable test, discussed in detail elsewhere.

Lending Test

Citizens State Bank demonstrated a satisfactory overall record regarding the Lending Test. Reasonable borrower profile and geographic loan distributions primarily support this conclusion. A reasonable loan-to-deposit ratio and a majority of loans originated inside the bank's assessment area further support this conclusion. The following points summarize the bank's records regarding the Lending Test performance factors.

- The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable overall and comparable levels support this conclusion.
- The institution originated a majority of its loans inside its assessment area. A majority of small farm loans originated inside the bank's assessment area supports this conclusion.
- The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performance regarding small farm loans supports this conclusion.
- The institution achieved a reasonable record regarding its geographic loan distribution. Reasonable performance regarding small farm loans supports this conclusion.
- The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this performance factor did not affect the Lending Test conclusion.

SCOPE OF EVALUATION

General Information

This evaluation covers the time period from February 27, 2012, to January 16, 2018, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures, which include the Lending Test. Appendix B lists the applicable tests' criteria.

Full-Scope Assessment Areas

The bank operates in one assessment area, located in the State of Texas, as more fully described under the Description of Assessment Area. Consequently, examiners applied full-scope procedures to the only assessment area, the Nonmetropolitan (Non-MSA) Assessment Area (AA).

Lending Test

Loan Categories Reviewed

For the Lending Test, CRA Small Bank procedures require examiners to determine the bank's major product lines for review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer purpose loans. The following table shows loan activity for 2017, which reflects a consistent pattern with the bank's lending emphasis since the previous evaluation and in the bank's assessment area.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction & Land Development	0	0.0	0	0.0
Secured by Farmland ¹	0	0.0	0	0.0
Secured by 1-4 Family Residential	0	0.0	0	0.0
Secured by Multi-Family Residential	0	0.0	0	0.0
Secured by Commercial Real Estate ²	0	0.0	0	0.0
Agricultural Production	11,640	92.4	87	52.7
Commercial & Industrial	569	4.5	13	7.9
Consumer	348	2.8	56	33.9
Other Loans	34	0.3	9	5.5
Gross Loans	12,591	100.0	165	100.0

Source: Bank records (1/1/16 – 12/31/16). 1-included in Agricultural Production. 2-included in Commercial & Industrial.

Considering the dollar volume and number of loans originated as well as management's stated business strategy, examiners determined that the bank's major product line consists of agricultural loans at 92.4 percent of the dollar volume of loans originated during 2017.

Since none of the other typically considered loan categories represent a major product line and thus would not materially affect any conclusions or ratings, including residential loans at 0.0 percent, commercial loans at 4.5 percent, and consumer loans at 0.3 percent, this evaluation does not discuss them. In addition, this evaluation does not consider any affiliate lending activity.

Consequently, this evaluation considers a random sample of 31 small farm loans totaling \$6,483,000 from the universe of 87 small farm loans totaling \$11,640,000 originated by the bank during 2017. Examiners based the sample on a statistical 90 percent Confidence Interval with a 15 percent Precision Level.

Loan Category Weighting

Examiners considered the universes of the dollar volume and number of loans originated in 2017 for the loan categories reviewed as well as management's stated business strategy to determine the weighting applied to those loan categories. Since this evaluation only considers small farm loans, this loan category received 100 percent of the weighting.

Assessment Area Weighting

As noted, the institution operates from only one assessment area. As a result, the Non-MSA AA generates and contains 100 percent of the bank's loans, deposits, and offices. Consequently, examiners placed all weight on the bank's performance in the Non-MSA AA when arriving at applicable conclusions.

DESCRIPTION OF INSTITUTION

Background

Citizens State Bank (CSB) began operations in 1947. Anton Bancshares, Inc., Anton, Texas, wholly owns CSB. No other affiliates exist. The bank received a Satisfactory rating at its previous February 27, 2012, Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation based on FFIEC Small Institution CRA Examination Procedures.

Operations

CSB functions as a retail bank focusing on agricultural loans from its one full-service office in the southern portion of the Texas Panhandle. The bank did not open or close any offices, and it did not participate in any merger or acquisition activity since the previous evaluation. The Description of Assessment Area depicts the office's specific location.

The bank offers loan products including agricultural, commercial, and consumer loans. It does not offer residential loans. The bank also offers a variety of deposit services including consumer and commercial checking accounts, savings accounts, certificates of deposit, individual retirement accounts, and debit cards. Alternative delivery systems include online and mobile banking with bill pay capabilities, a drive-thru facility, and one automated teller machine (ATM).

Ability and Capacity

The following table shows that Net Loans and Leases constitute a majority of the institution's assets as of December 31, 2017. Since the previous evaluation, on average per year, total assets decreased 0.02 percent, net loans grew 16.91 percent, and total deposits decreased 0.41 percent. As of December 31, 2017, the bank reported a Return on Average Assets of 0.17 percent and a Tier 1 Leverage Capital ratio of 8.82 percent.

Asset Distribution		
Asset Category	\$(000s)	%
Cash	2,334	6.6
Securities	2,463	6.9
Federal Funds Sold	8,350	23.5
Net Loans & Leases	20,020	56.4
Premises & Fixed Assets	359	1.0
Other Real Estate Owned	0	0.0
Intangible Assets	0	0.0
Other Assets	1,993	5.6
Total Assets	35,519	100.0

Source: Report of Condition (12/31/17).

As reflected in the following table, the mix of outstanding loans as of December 31, 2017, reflects a loan distribution consistent with the distribution of originated loans as discussed under the Scope of Evaluation. As such, agricultural loans at 84.2 percent represent a clear majority of CSB's outstanding loans.

Loans Outstanding		
Loan Category	\$(000s)	%
Construction & Land Development	0	0.0
Secured by Farmland	912	4.5
Secured by 1-4 Family Residential	0	0.0
Secured by Multi-Family Residential	0	0.0
Secured by Commercial Real Estate	82	0.4
Agricultural Production	16,077	79.7
Commercial and Industrial	2,289	11.4
Consumer	796	3.9
Other Loans	10	0.1
Gross Loans	20,166	100.0

Source: Report of Condition (12/31/17).

Based on the information discussed in this section, as well as other regulatory data, the institution's financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

Overall Description

CSB designated one assessment area, the Non-MSA AA. The area conforms to CRA regulatory requirements. The following discussion provides information on the reviewed area.

Non-MSA AA

The Non-MSA AA consists of six contiguous census tracts in the following nonmetropolitan counties located in the southern portion of the Texas Panhandle, about 30 miles northwest of Lubbock, Texas: 1) Hale County (2); 2) Hockley County (1); and 3) Lamb County (3). As noted, this area accounts for 100 percent of the bank's loans, deposits, and offices. Examiners used full-scope procedures for this area.

The following table shows that the bank operates one full-service office in this area. It also maintains one ATM. The bank did not open or close any offices or participate in any merger or acquisition activity in this area since the last evaluation.

Office Locations Non-MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<i>Hockley County:</i> Anton - N Main St	Main Office	9501.00	Middle	No

Source: Bank records; U.S. Census (2010).

Economic and Demographic Data

The assessment area's six census tracts reflect the following income designations based on 2015 American Community Survey (ACS) Data: 2 moderate- and 4 middle-income tracts. The 2010 U.S. Census previously designated one of the two moderate-income tracts as a middle-income tract. The one middle-income Hale County census tract and one of the two middle-income Lamb County census tracts received Distressed designations from 2012 through 2017. The other middle-income Lamb County census tract received Distressed designations in 2012 and 2013.

The area's continuing fair economy primarily relies on the agricultural industry. Service industries represent the largest portion of businesses at 28.7 percent, followed by Agriculture at 25.5 percent, retail trade at 11.9 percent, and transportation/communication at 4.9 percent. In addition, 73.0 percent of area businesses have four or fewer employees, and 86.3 percent operate from a single location. The area's largest employers include Lowe's Marketplace, NTS Communications, and the Anton Independent School District.

As of April, 2017, the Bureau of Labor Statistics reported an average unemployment rate of 5.4 percent for Hale County, 3.9 percent for Hockley County, and 5.7 percent for Lamb County. The unemployment rates rise slightly higher, with the exception of Hockley County, than the 5.0 percent State of Texas unemployment rate and the 4.4 percent national unemployment rate. The following table provides additional demographic and economic data for the assessment area.

Demographic Characteristics Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	6	0.0	33.3	66.7	0.0	0.0
Population by Geography	17,549	0.0	38.8	61.2	0.0	0.0
Housing Units by Geography	7,580	0.0	38.9	61.1	0.0	0.0
Owner-Occupied Units by Geography	4,212	0.0	36.0	64.0	0.0	0.0
Occupied Rental Units by Geography	1,978	0.0	37.9	62.1	0.0	0.0
Vacant Units by Geography	1,390	0.0	48.9	51.1	0.0	0.0
Businesses by Geography	771	0.0	33.9	66.1	0.0	0.0
Farms by Geography	264	0.0	32.2	67.8	0.0	0.0
Family Distribution by Income Level	4,461	26.8	18.7	20.2	34.3	0.0
Household Dist. by Income Level	6,190	24.0	17.9	20.6	37.5	0.0
Median Family Income (MFI) – FFIEC (2015)		\$52,076	Median Housing Value		\$63,928	
Families Below Poverty Level		18.3%	Median Gross Rent		\$666	

Source: ACS Data (2015); D&B data (2017); FFIEC data (2015).

Competition

The area's three counties contain a good level of competition from other chartered banks based on their 2010 U.S. Census population of 73,185, with each of the 33 offices from its 18 institutions serving about 2,218 people, on average. CSB ranks 14th in deposit market share by capturing 2.27 percent of the area's deposits based on the June 30, 2017, FDIC Deposit Market Share Report.

Although CSB operates as the only institution in the City of Anton, which reflected a 2010 population of only 1,126, credit unions, mortgage companies, and finance companies also operate in the three counties, heightening the competition level. Overall, the competition level still allows for lending opportunities.

Community Contact

Examiners contacted a community member knowledgeable of the area's agricultural and economic environments to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement.

The contact described the area's economy as fair to improving in both population and revenue. Farming and agricultural-related businesses still provide a majority of the area's revenue production. However, the local farming community continues to feel the effects of the area's general drought conditions. The community member indicated that the improving economy attracted new businesses and new financial institutions to the area. The contact emphasized the importance of financial institutions maintaining a presence in the area as they help to fulfill the credit needs of the area. Finally, they indicated that local financial institutions meet the needs of the area.

Community Credit Needs and Opportunities

The Non-MSA AA creates more limited loan demand, primarily for agricultural, consumer, and commercial loans, consistent with the area's farming economy. The competition level and only fair economy serve to limit overall lending opportunities, although they still exist. Considering information obtained from the community contact, bank management, and demographic and economic information, examiners concluded that the primary credit needs of the bank's assessment area include small farm loans.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Citizens State Bank demonstrated a satisfactory overall record regarding the Lending Test. Reasonable borrower profile and geographic loan distributions primarily support this conclusion. A reasonable loan-to-deposit ratio and a majority of loans originated inside the bank's assessment area further support this conclusion.

For the CRA Small Bank Lending Test, typically, examiners will first determine whether the presence of any weaker loan-to-deposit ratio or assessment area concentration performance, separately and on their own, warrants downgrading the overall Lending Test rating. Absent any such downgrading, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall Lending Test conclusion.

Loan-to-Deposit Ratio

The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable overall and comparable levels support this conclusion. Examiners placed more weight on the overall level given the lack of similarly-situated banks for comparison purposes. Examiners considered the bank's size, business strategy, and capacity relative to the area's credit needs when arriving at this conclusion.

Overall Level

The overall level of the bank's average, net loan-to-deposit (LTD) ratio reflects reasonable performance. For the 24 quarters since the prior evaluation, CSB recorded a 51.4 percent average, net LTD ratio, lower than the 61.0 percent average, net LTD ratio reflected at the last evaluation. The bank's quarterly net LTD ratios varied from a low of 27.7 percent on March 31, 2013, to a high of 76.5 percent on September 30, 2016.

The quarterly ratios reflect a generally increasing trend with a March, 2012, ratio of 30.1 percent and a March, 2017, ratio of 48.6 percent. The quarterly ratios show the yearly fluctuations typical for a heavy agricultural lender with yearly increases from March to September and yearly declines from September to March. Adverse weather conditions in 2017 slowed the typical summer increases for that year.

Therefore, within the context of the noted considerations, particularly the bank's relative capacity with respect to its deposits, the overall level of the bank's average, net LTD ratio reflects reasonable performance.

Comparative Level

The comparative level of the bank's average, net LTD ratio reflects reasonable performance. Examiners identified and listed in the following table four somewhat comparable institutions reflecting generally similar lending emphases that operate in or near the bank's assessment area, although they do reflect varied asset sizes.

The following table may suggest three groups of ratios based on the gaps between successive ratios. The first group consists of the table's highest two figures, which land 10.3 percentage points apart from each other, and at least 16.7 percentage points higher than the second group. The second group consists of the next two highest figures, including CSB's ratio, which land 10.2 percentage points apart from each other, and at least 30.2 percentage points higher than the third group. The third group consists only of the table's lowest figure, which lands at least 57.1 percentage points lower than the first group.

In addition to landing in the second group, which lands within a reasonable range of the first group, CSB's ratio also still lands within a reasonable range, although barely, of the first group given the ratios' overall levels. CSB's ratio falls 26.9 percentage points lower than the first group, thereby reflecting reasonable performance. However, CSB's ratio lands beyond a reasonable range of the table's highest figure given the ratios' overall levels. CSB's ratio falls 37.2 percentage points lower than the highest figure.

Therefore, given the suggested groupings, the relative position of CSB's ratio, and the noted gaps, the comparative level of CSB's average, net LTD ratio reflects reasonable performance.

LTD Ratio Comparative Level		
Bank Name and Location	Total Assets \$(000s)	Average, Net LTD Ratio (%)
Citizens State Bank, Anton, Hockley Co., TX	35,519	51.4
Comparable Banks		
First Bank of Muleshoe, Muleshoe, Bailey Co., TX	99,281	21.2
First Federal Bank, Littlefield, Lamb Co., TX	54,586	88.6
The First State Bank, Abernathy, Hale Co., TX	42,822	78.3
Sundown Bank, Sundown, Hockley Co., TX	155,567	61.6

Source: Report of Condition (12/31/17); Reports of Condition (previous 24 quarters: 3/31/12 – 12/31/17).

Consequently, given the two levels' relative conclusions and weightings, the bank exhibited a reasonable overall record regarding its LTD ratio.

Assessment Area Concentration

The institution originated a majority of its loans inside its assessment area. A majority of small farm loans originated inside the bank's assessment area supports this conclusion. As noted, small farm loans account for 100 percent of the loan categories reviewed. Examiners considered the bank's asset size and office structure as well as the loan category reviewed relative to the assessment area's size and economy when arriving at this conclusion.

Small Farm Loans

The institution originated a majority of its small farm loans inside its assessment area. The following table shows that for small farm loans by both measures, the percentages of the number and dollar volume of loans, the bank originated clear majorities inside its assessment area, thereby reflecting reasonable levels. Weighing both measures equally, combined they show that the bank originated a majority of its small farm loans inside its assessment area.

Assessment Area Concentration										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total \$(000s)
	#	%	#	%		\$	%	\$	%	
Small Farm	26	83.9	5	16.1	31	5,208	80.3	1,275	19.7	6,483

Source: Bank records (2017).

Consequently, considering the loan category's relative overall performance and weighting, overall the institution originated a majority of its loans inside its assessment area.

Borrower Profile Distribution

The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performance regarding small farm loans supports this conclusion. As noted, small farm loans account for 100 percent of the loan categories reviewed.

Examiners considered the loan category reviewed relative to the available comparative data and any performance context issues. They focused on the percentages of the number of loans when arriving at conclusions. This factor only considered loans granted inside the assessment area.

Small Farm Loans

The distribution of small farm loans based on the borrowers' profiles reflects reasonable performance. Reasonable performance in the Non-MSA AA supports this conclusion. As noted, the Non-MSA AA accounts for 100 percent of the bank's loans. The farms' gross annual revenues define the borrowers' profiles for this review. The following analysis discusses the bank's performance in the full-scope assessment area.

Non-MSA AA

The distribution of small farm loans based on the borrowers' profiles reflects reasonable performance in the Non-MSA AA. Reasonable performance to farms with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the bank's overall level in the \$1 million or less category when arriving at this conclusion.

The following table shows that in the Non-MSA AA the bank originated well over eight out of every ten loans to farms with gross annual revenues of \$1 million or less, thereby reflecting reasonable performance. The table also shows that the bank originated over two-fifths, 42.3 percent, to farms in the two smallest revenue categories, further supporting reasonable performance.

D&B farm data typically includes a high level of hobby farmers in the smallest revenue categories. These hobby farmers usually only farm for tax purposes or for ancillary income and normally do not require farm loans from banks. As a result, any comparison between the D&B data and the bank data becomes less meaningful.

Thus, given the relative performances and weightings for the discussed revenue categories, the distribution of small farm loans based on the borrowers' profiles reflects reasonable performance in the Non-MSA AA.

Borrower Profile Distribution Small Farm Loans – Non-MSA AA					
Gross Annual Revenues (000s)	Distribution of Farms (% of #)	Bank's Small Farm Loans			
		#	%	\$(000s)	%
\$0 < \$100	28.4	5	19.2	1,010	19.4
\$100 < \$250	45.7	6	23.1	1,248	24.0
\$250 < \$500	17.4	4	15.4	600	11.5
\$500 ≤ \$1,000	5.0	7	26.9	1,715	32.9
Subtotal ≤ \$1,000	96.5	22	84.6	4,573	87.8
> \$1,000	2.7	4	15.4	635	12.2
Revenues Not Known	0.8	0	0.0	0	0
Total	100.0	26	100.0	5,208	100.0

Source: D&B data (2017); Bank records (2017).

Consequently, considering the loan category's relative overall performance and weighting, the institution achieved a reasonable overall record regarding its borrower profile loan distribution.

Geographic Distribution

The institution achieved a reasonable record regarding its geographic loan distribution. Reasonable performance regarding small farm loans supports this conclusion. As noted, small farm loans account for 100 percent of the loan categories reviewed.

Examiners considered the loan category reviewed relative to the available comparative data and any performance context issues. They focused on the percentages of the number of loans in moderate-income geographies when arriving at conclusions. As noted, the assessment area does not contain any low- or upper-income geographies. This factor only considered loans granted inside the bank's assessment area.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable performance. Reasonable performance in the Non-MSA AA supports this conclusion. As noted, the Non-MSA AA accounts for 100 percent of the bank's loans. Examiners focused on the percentages of the number of loans in moderate-income geographies compared to the distribution of farms when arriving at this conclusion. The following analysis discusses the bank's performance in the full-scope assessment area.

Non-MSA AA

The geographic distribution of small farm loans reflects reasonable performance in the Non-MSA AA. Currently, certain mitigating performance context issues offset the otherwise very poor performance in moderate-income census tracts to support this conclusion.

The following table shows that in moderate-income census tracts the bank's level lands substantially lower than D&B figure given the ratios' overall levels. The bank's level falls 22.3 percentage points and 2.94 times lower than the D&B figure, typically reflective of a very poor level. However, certain performance context issues currently mitigate the conclusion based solely on the tabled data. Mitigating performance context issues include the bank's distance to one of the moderate-income tracts that closer institutions more readily serve and the bank's consumer loan performance.

As noted under Description of Assessment Area, the 2010 U.S. Census previously designated one of the two currently moderate-income tracts as a middle-income tract. Currently, eight other local institutions operating 12 offices serve Hale County and this census tract, located on the edge of the bank's assessment area. The previous evaluation reflected good performance with only 5 loans, only two more than the current evaluation, in the one then-designated moderate-income tract. In addition, a review of the bank's 56 consumer loans, the second largest loan category by number of loans, that it originated in 2017 shows that the bank made 32.1 percent in moderate-income census tracts, which reasonably compares with the 38.8 percent of the area's population residing in these tracts.

Thus, given the relative performance and weighting for the discussed income level, and given the noted mitigating performance context issues, the geographic distribution of small farm loans reflects reasonable performance in the Non-MSA AA.

Geographic Distribution Small Farm Loans – Non-MSA AA					
Tract Income Level	Distribution of Farms (% of #)	Bank's Small Farm Loans			
		#	%	\$(000s)	%
Low	NA	NA	NA	NA	NA
Moderate	33.8	3	11.5	700	13.4
Middle	66.2	23	88.5	4,508	86.6
Upper	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA
Total	100.0	26	100.0	5,208	100.0

Source: D&B data (2017); Bank records (2017).

Consequently, considering the loan category's relative overall performance and weighting, the institution achieved a reasonable overall record regarding its geographic loan distribution.

Response to Complaints

CSB did not receive any CRA-related complaints since the previous evaluation. Therefore, this performance factor did not affect the Lending Test conclusion.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this consideration did not affect the overall rating.

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.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings 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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and 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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

APPENDIX B

SMALL BANK TEST'S PERFORMANCE CRITERIA

Lending Test

The Lending Test for CRA Small Banks evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Banking Center Locations and Hours of Operation

[illegible]

CITIZENS STATE BANK – ANTON, TEXAS
SERVICES AND FEES EFFECTIVE APRIL 1, 2021
MONDAY – FRIDAY 9:00 A.M. TO 3:00 P.M.

REGULAR (PERSONAL) CHECKING

MINIMUM MONTHLY BALANCE

\$750.00 or more
\$500.00 to \$750.00
\$0.00 to \$500.00

SERVICE CHARGE FEE

no charge
\$7.50 plus \$.1250 per debit
\$9.50 plus \$.1250 per debit

BUSINESS CHECKING

MINIMUM MONTHLY BALANCE

\$750.00 or more
\$0.00 to \$750.00

SERVICE CHARGE FEE

no charge
\$8.50 plus \$.1250 per debit

MINIMUM MONTHLY BALANCE

\$5,000.00 or more – No monthly service charge fee.

NOW ACCOUNT

MINIMUM MONTHLY BALANCE

\$1,500.00 or more earns interest of .05% (.05% APY) – no fee
\$0.00 to \$1,500.00 earns interest of .05% (.05%APY) - \$7.00 plus \$.10 per debit

SUPER NOW ACCOUNT (UNLIMITED CHECKING)

MINIMUM MONTHLY BALANCE

\$2,500.00 or more earn interest of .07% (.07% APY) – no fee
Below \$2,500.00 earns interest of .07% (.07% APY) - \$13.50 plus \$.10 per debit

Federal regulations limit the Now Account and Super Now to individual customers, non-profit customers, non-profit organizations and sole proprietorships. Regulations prohibit corporations and partnerships from opening this type of account. Funds availability brochures are provided upon request.

SAVINGS ACCOUNTS

MINIMUM MONTHLY BALANCE

\$25.00 or more – Six free debits per month, \$.50 fees per chargeable debit over six.

MONEY MARKET

MINIMUM MONTHLY BALANCE

\$2,500.00 or more earns .20% (.20% APY) – no charge except \$1.00 for each chargeable debit over 6.
Below \$2,500.00 earns .20% (.20% APY) - \$6.50 plus \$1.00 for each chargeable debit over 6.
Limited to 6 withdrawals, or transactions per month, 3 of which may be checks. A service fee will be assessed for excessive withdrawals. Bank may require seven (7) days prior to closing account.

INTERNET SERVICE FEES

Internet banking will be provided to all customers FREE of charge.

ONLINE BILL PAYING & MOBILE BANKING

There is no charge for Bill Pay or Mobile Banking.

REMOTE DEPOSIT CAPTURE

Please inquire with Bank Representative.

FEES

Insufficient Funds.....	\$30.00
Overdraft.....	\$30.00
Stop Payments.....	\$12.50

BOOKKEEPING AND RESEARCH

<u>Flat Fees</u>	<u>Plus Per Item</u>	<u>Year</u>
\$30.00	\$.20	20-15
\$30.00	\$.44	14-11
\$30.00	\$.70	10-05
\$30.00	\$.95	04- Prior

BANK CASHIERS CHECKS

\$.01 up to \$50.00 there is a charge of \$3.00 each. Over \$50.00 there is a charge of \$5.00 each.

PHOTO COPIES

\$.10 per copy (Gold Club accounts – no charge) (personal use only)

WIRE TRANSFERS

Outgoing – account with Citizens State Bank - \$17.50 (Gold Club accounts-\$10.00)
Incoming – account with Citizens State Bank - \$10.00 (Gold Club accounts-\$10.00)
International Wires Incoming and Outgoing - \$75.00

This notice to our customers is in compliance with Chapter VII, Art. 1 and Art. 4 of the Texas Banking Code.

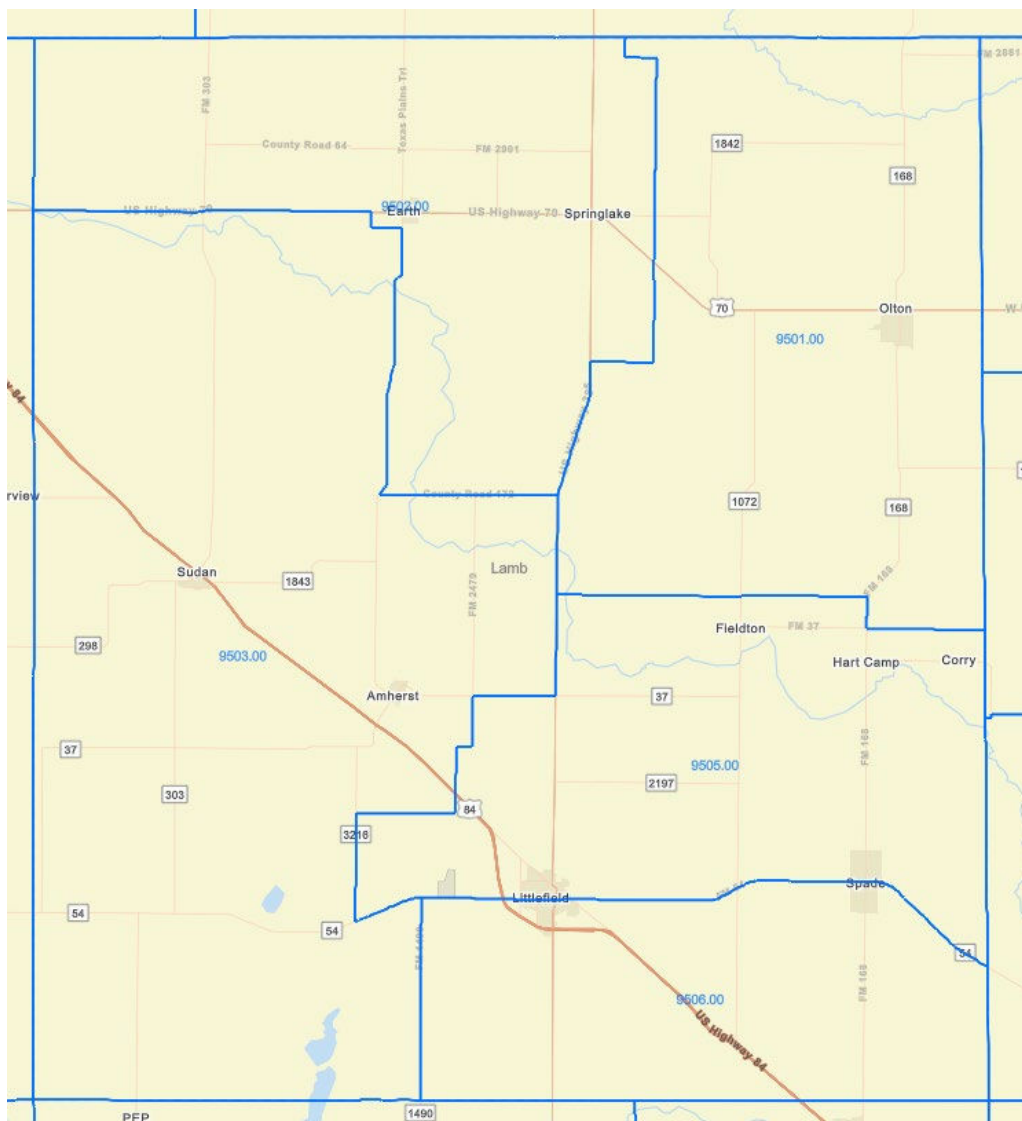
We appreciate your business and will consistently strive to keep you informed. We will always do our best to justify your faith in us and in our ability to serve you.

For further information on any of our products please call Amanda Gutierrez at 806-997-4351.



Lamb County, Texas

Lamb County Assessment Area consists of census tracts 9501, 9505, 9506

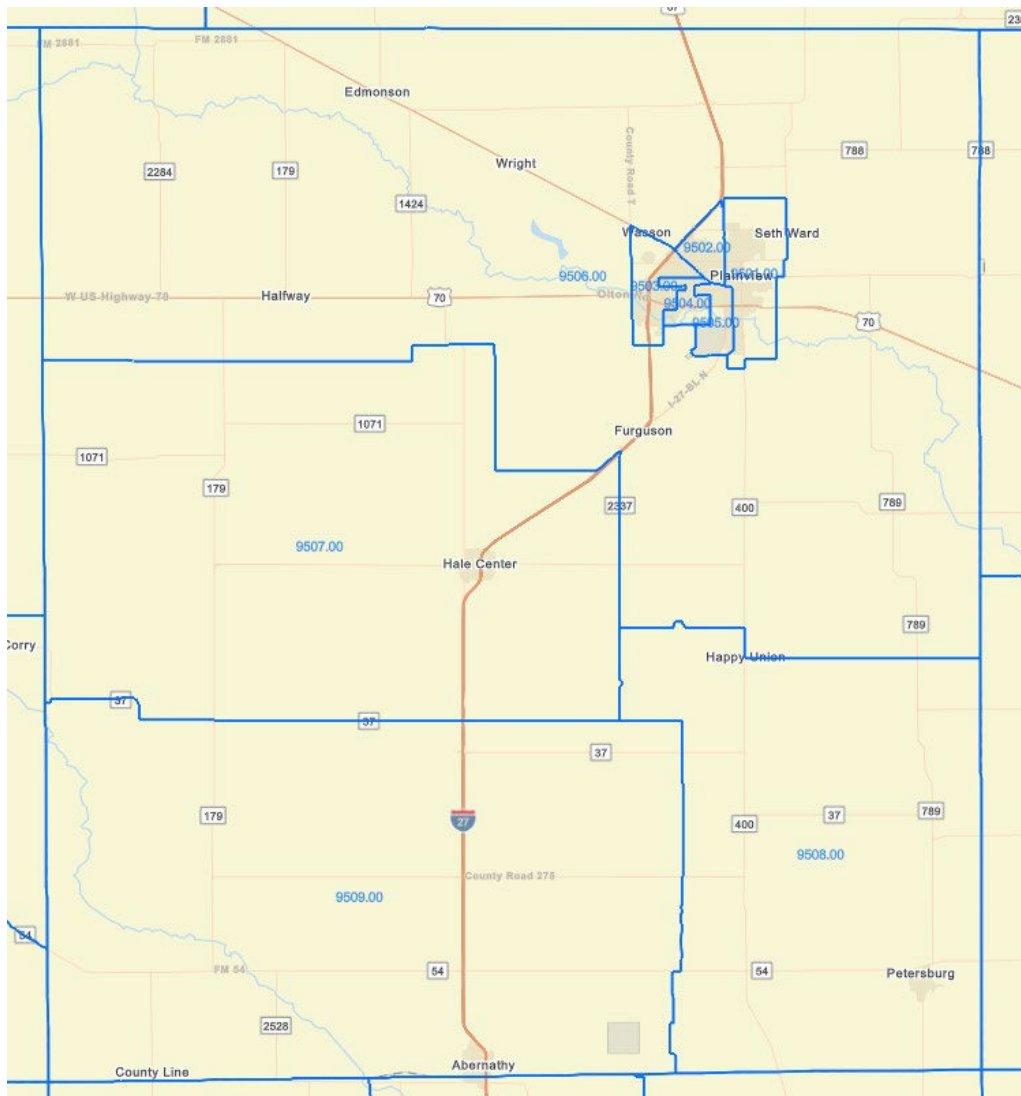


Revised [6/16/2023]



Hale County, Texas

Hale County Assessment Area consists of census tracts 9508, 9509

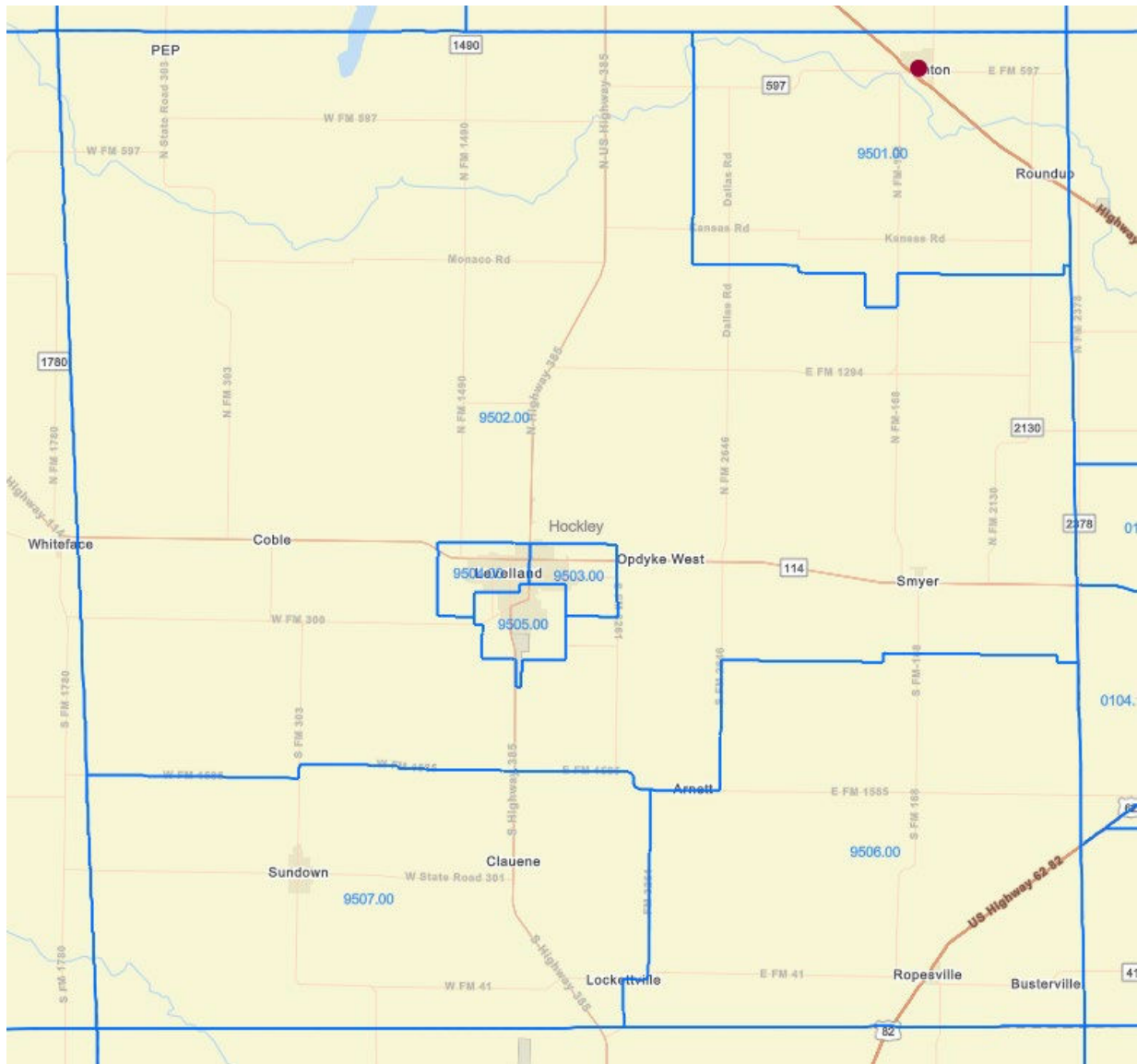




Hockley County, Texas

Hockley County Assessment Area consists of all census tracts in the county.

The Main Office is located in Hockley County census tract 9501

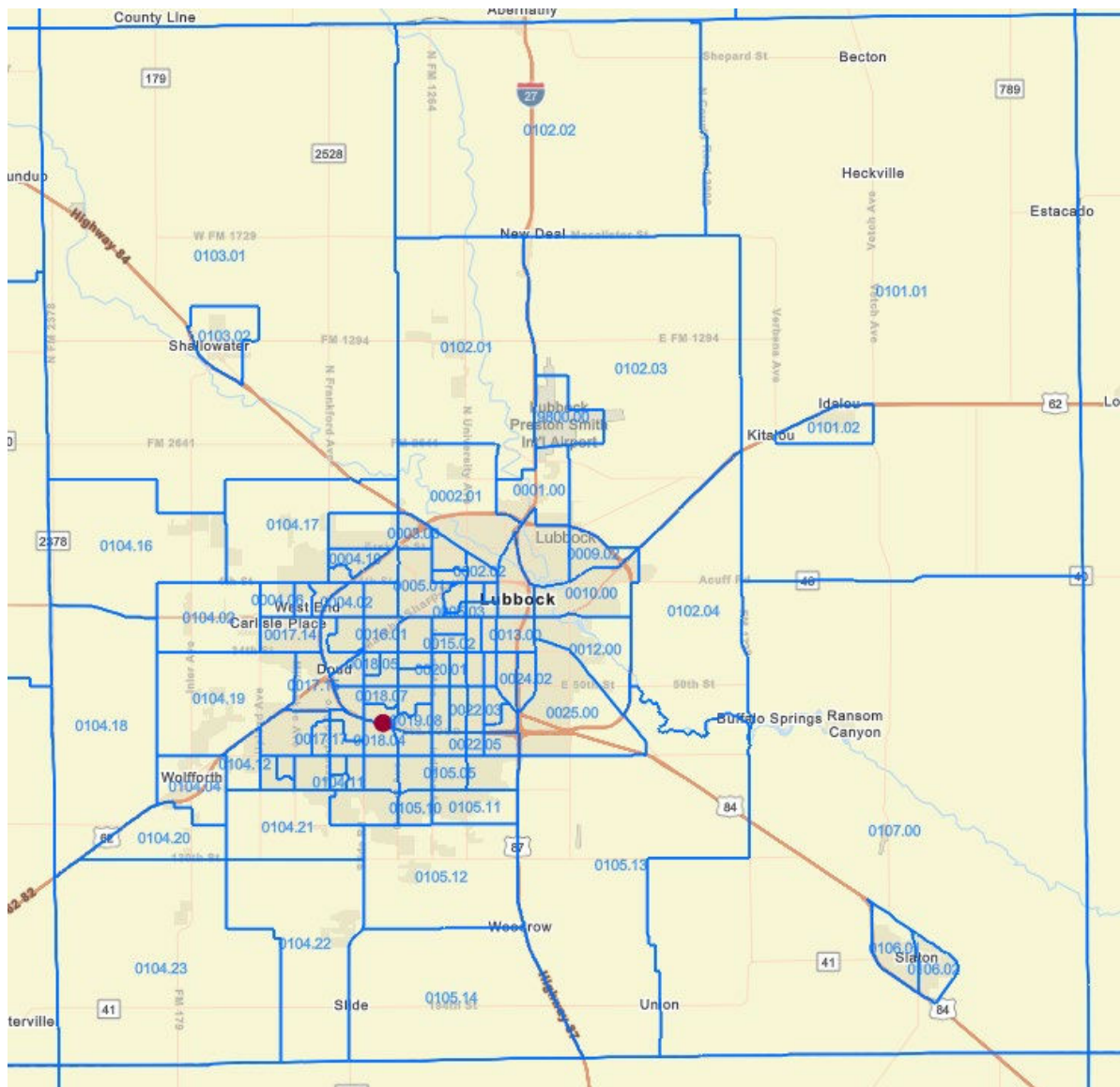




Lubbock County, Texas

Lubbock County Assessment Area consists of all census tracts in the county.

The Lubbock Branch office is located in Lubbock County census tract 0017.10 and 0018.08





HMDA Disclosure Statement

Citizens State Bank's annual Home Mortgage Disclosure Act (HMDA) disclosure statements, the Loan Application Register, showing the annual applications for reportable home mortgage applications are available on the following Consumer Financial Protection Bureau (CFPB) website:

www.consumerfinance.gov/data-research/hmda/



Loan-to-Deposit Ratios for Calendar Year 2023

Citizen State Bank's loan-to-deposit ratio for each quarter of the prior calendar year are as follows:

Q1 2023	Q2 2023	Q3 2023	Q4 2023
88.83%	89.57%	86.79%	84.67%

The bank's growth during the 2023 year was nominal. Not much change was reported as both deposits and loans grew at a consistent rate.