

LARGE BANK

Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act Performance Evaluation

Citizens National Bank

Charter Number: 7051

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Office of the Comptroller of the Currency

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NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness

of this financial institution.

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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 the **Citizens National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 18, 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 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

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

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area 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 (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders=equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution's CRA Rating: This institution is rated "**Satisfactory.**"

The following table indicates the performance level of the **Citizens National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Citizens National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- < Lending levels reflect a good responsiveness to the credit needs of the assessment area.
- < The geographic distribution of loans reflects an excellent penetration throughout the assessment area.
- < The distribution of borrowers reflects an excellent penetration among retail customers of different income levels and business customers of different sizes.
- < The bank makes use of flexible lending products.
- < There is an adequate volume of qualified investments and donations.
- < The bank's service delivery systems are accessible to geographies and individuals of different income levels.
- < The bank provides a good amount of community development services.

Description of Institution

Citizens National Bank (CNB), founded in 1903 and headquartered in Lansford, Pennsylvania, is an intrastate community bank with assets totaling \$266 million as of September 30, 1999. In 1991 it became a wholly owned subsidiary of Harleysville National Corporation (HNC), a \$1.6 billion three-bank holding company headquartered in Harleysville, PA which provides financial services through its banking subsidiaries. In addition to CNB, HNC also owns the Harleysville National Bank and Trust Company (HNB) of Harleysville, PA and Security National Bank of Pottstown, PA. CNB does not have any operating subsidiaries. The bank did not request us to consider affiliate activities in this performance evaluation.

In 1998, HNC acquired the former Citizens National Bank of Slatington with its three offices in Northampton and Lehigh Counties, which was merged into CNB in January of 1999. On December 29, 1999, HNC announced that it had reached a definitive agreement to acquire Citizens Bank & Trust Company of Palmerton, PA (approximately \$130 million in assets). Upon completion of the proposed merger, and subject to regulatory and shareholder approval, the new acquisition would also be merged into CNB. There are no known financial or legal impediments to prevent CNB from meeting the credit needs of its assessment area.

CNB is a full service commercial bank operating in five counties in eastern and northeastern Pennsylvania through its network of eight banking offices. Additionally, the bank offers telephone banking and "web banking" through its Internet website. The loan portfolio accounts for 63% of total assets. The bank's loan mix consists of 56% residential real estate loans, 34% commercial & industrial loans, 9% loans to individuals, and 1% agricultural loans. CNB provides a complete range of commercial and personal banking products. The bank's primary focus is the retail consumer and the small business customer. Its primary loan products are residential mortgages and small business loans.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation generally covers the period from January 1, 1997 to December 31, 1999. The Home Mortgage Disclosure Act (HMDA) data is based on the calendar years 1997, 1998 and 1999. The small business and small farm data is based on the calendar years 1998 and 1999. The bank was not required to report this data in 1997 since it was considered a small bank during that time period. No community development loans were originated during the evaluation period.

Products reviewed included home purchase mortgage loans, home refinance mortgage loans, and home improvement loans as reported on the bank's HMDA Loan Application Register (LAR). Small business and small farm loans reported on the bank's CRA Data Collection Report were also evaluated. The market data shown is only for the year 1998, as compared to three years of HMDA data and two years of small business data. We placed more reliance on the demographic comparisons than market data in determining our conclusions for HMDA reported loan performance.

The previous CRA evaluation is dated December 16, 1996. The bank received a "Satisfactory" rating at that examination.

Data Integrity

A data integrity review was performed early in 1999 and a further review of 1999 data was completed at the time of this examination. We also reviewed the processes and procedures in place to collect the required information. No problems were found with the accuracy of the data contained within the source documents that were used for this report. Additionally, the publicly reported data is deemed to be accurate based on our reviews.

Selection of Areas for Full-Scope Review

CNB has an assessment area (AA) which includes portions of the Allentown-Bethlehem-Easton MSA. A second assessment area includes parts of Wayne and Schuylkill counties, both of which are in non-MSAs. Both of these areas received full-scope reviews. Please refer to the table in Appendix A for more information.

Ratings

The bank's overall rating is based on the areas that received full-scope reviews.

Other

During our examination, we contacted a community based development corporation to discuss the credit need and community development opportunities in Carbon County, CNB's most significant market. This organization's primary goal is to help eliminate poverty. It provides services designed to promote home ownership as well as to meet the other needs of the community, including employment training, day care centers, food, shelter, etc. The contact stated that the primary credit needs for first time homebuyers were mortgages, and loans for new businesses and small business expansion. Affordable housing units are still available within the area to some extent.

The contact also stated that Carbon County has numerous lower-paying service-oriented jobs and few higher-paying career-oriented jobs. As a result, many residents travel outside Carbon County for employment opportunities. They stated that the local community banks have come together as a group to identify and help with community development needs. However, community development loans and investments are often fully funded by large regional institutions, leaving little community development opportunities available for the smaller locally based community banks.

We also reviewed a community contact in Carbon County that was made by our agency during the past thirteen months. This contact was an economic development organization. This organization is designed to encourage, attract, and support new business and industrial development. The contact was very positive in its comments regarding the commitment of area banks to participate in economic development programs, however, they stated that the opportunities in the area are limited. The contact believed that there were no unmet banking or development needs at this time.

Finally, a contact in Wayne County was made with a human services agency. They stated that opportunities for community development loans and investments in the area are very limited, but that affordable housing needs are growing. The contact thought that area banks were willing to support all municipalities and non-profit organizations and their activities in the area.

Fair Lending Review

A Fair Lending examination was performed in conjunction with this CRA examination. We tested for discrimination on a gender basis by comparing home improvement loan terms of approved female borrowers to those of approved male borrowers. Our sample consisted of all home improvement loans that were originated in 1999. We also reviewed bank policies and procedures that are used to comply with the requirements of the fair lending regulations. Our analysis detected no evidence of disparate treatment and found satisfactory systems in place to support the bank's Fair Lending compliance efforts. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated high satisfactory. Based on full-scope reviews, the bank's performance in the Allentown-Bethlehem-Easton MSA and in the non-MSA area of Wayne and Schuylkill Counties is good. CNB's mortgage lending performance is weighted more heavily than small business and small farm lending because this is a primary loan product for the bank. Also, affordable housing loans are a primary credit need in the assessment area. While the bank tries to compete in small business lending, opportunities are limited.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

CNB's lending levels reflect a good response to the assessment area's credit needs. In areas where competition is strong for mortgage and small business loans, the bank was successful in providing good levels of mortgage loan originations and an adequate volume of lending activity in small business and small farm lending.

In addition to mortgages reported on CNB's HMDA Loan Application Register, the bank processed another \$8.8 million in residential mortgages in their AA in 1998 and another \$5.6 million in 1999. CNB takes the borrower's application and performs other settlement services. These loans were closed under HNB's name and appear in that institution's HMDA-LAR. The loans were saleable on the secondary mortgage market and HNB is a secondary market seller/servicer.

The results in MSA 240 were weighted more heavily than the performance in Schuylkill and Wayne Counties when arriving at the overall rating because this is the bank's primary trade area and it has the majority of CNB's offices and deposits. Their performance in each assessment area is discussed below.

MSA 240

CNB has originated a good volume of home mortgage loans. Of 288 lenders in this area, the bank ranked 17th. Home improvement loans comprise the majority of the bank's total mortgage originations. They are ranked seventh out of 63 lenders in this product, with a market share of 4.10%. In home purchase originations they

rank 25th out of 185 lenders and in refinances they rank 17th out of 227 competing lenders. Their main competitors are Chase Manhattan Mortgage, PNC Bank and First Union, which all have very high market shares and are significantly larger institutions. As of June 1999, the bank's market share of deposits in Carbon County was 10.87% and it ranked third among its thirteen FDIC-insured competitors. At the same time, the bank's market share of deposits in Lehigh County was 1.46% and it ranked 17th out of 22 institutions. In Northampton County, CNB held 0.37% of the deposits and was ranked 16th out of eighteen institutions.

The bank's volume of small business loan originations is adequate. They are ranked 20th out of 60 lenders, with a market share of 0.40%. Small business lenders such as American Express, Mountainwest Financial Corp. and First Union dominate this area.

CNB originated one small farm loan in this area in 1998 and none in 1999. This is adequate volume for this product considering it is not a primary business focus for the bank and, according to available market share data, there were only 20 farm loans originated by all lenders in this area in 1998.

Schuylkill/Wayne Counties

The bank originated a good volume of home mortgage loans in this area as well. They ranked 11th out of 165 lenders. Again, home improvement loans comprise the majority of the bank's total originations, placing them as the fourth largest lender out of 39 lenders, with a market share of 9.31%. CNB ranked 16th out of 108 lenders in home purchase originations and also ranked 16th out of 144 lenders in refinances.

In June of 1999, the bank's market share of deposits in Schuylkill County among FDIC-insured institutions was 0.25%, and it ranked 19th out of 19 institutions. The bank's deposit market share in Wayne County was 6.88% in June of 1999 and it ranked sixth out of eleven lenders.

CNB has originated an adequate volume of small business loans. Market share data reveals that CNB is ranked 15th out of 39 lenders. The bank originated two farm loans in 1998 which is also adequate given that CNB is not an agricultural lender and eight other financial institutions were also lending in the area. Only 46 small farm loans were granted in this area in 1998.

Distribution of Loans by Income Level of the Geography

CNB's overall geographic distribution of lending reflects an excellent penetration

throughout the assessment area. In MSA 240, the distribution is excellent however

in the non-MSA area, this analysis is not meaningful since all of the geographies are middle-income tracts. The distribution of each product is described below.

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

MSA 240

There are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. The geographic distribution of home purchase loan originations is excellent. The lending in moderate-income tracts is nearly three times the percentage of owner-occupied housing in that income category. CNB's market share in moderate-income geographies is nearly five times their overall market share.

CNB's geographic distribution of home improvement lending is excellent. Lending in moderate-income tracts is nearly three times the percentage of owner-occupied housing in that income category. CNB's market share in moderate-income geographies is nearly four times their overall market share.

Finally, the bank's geographic distribution of home refinance lending is also excellent. Lending in moderate-income tracts is nearly three times the percentage of owner-occupied housing in that income category. CNB's market share in moderate-income geographies is more than four times their overall market share.

Schuylkill/Wayne Counties

As was stated previously, the analysis in this AA is not meaningful since all of the geographies are middle-income tracts.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

MSA 240

As mentioned above, there are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. CNB's geographic distribution of small business lending is excellent. The percentage of loans in moderate-income geographies is nearly twice the percentage of small businesses in the area. The bank's market share in moderate-

income census tracts is seven times greater than their overall market share.

Schuylkill/Wayne Counties

As was stated previously, the analysis in this area is not meaningful since all of the geographies are middle-income tracts.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

MSA 240

As mentioned, there are no low-income geographies in this area, therefore we focused on the bank's record of lending in moderate-income census tracts. CNB's geographic distribution of small farm lending is adequate. The bank only originated one small farm loan in this MSA and that was in a middle-income tract. However, there are only 32 small farms in the moderate-income census tracts, 81% of all farms in the MSA are in middle-income tracts, and the bank is not an agricultural lender.

Schuylkill/Wayne Counties

As was stated previously, the analysis in this area is not meaningful since all of the geographies are middle-income tracts.

Lending Gap Analysis

There are no unexplained conspicuous gaps in CNB's mortgage, small business, or small farm lending patterns in either the MSA 240 or the Schuylkill and Wayne Counties assessment areas.

Inside/Outside Ratio

CNB's record of lending in their assessment area was factored into our geographic distribution analysis. The information we analyzed includes bank originations and purchases only. Our review indicates that a substantial majority of home mortgage and small business loans are in the assessment area. The volume of loans originated in the assessment area during the evaluation period is as follows: home mortgage loans - 78.81%, small business loans - 74.58%, and small farm loans - 66.67%.

Distribution of Loans by Income Level of the Borrower

CNB's overall distribution of borrowers reflects an excellent penetration among retail customers of different income levels and business customers of different sizes. The distribution in MSA 240 is excellent and the distribution in

Schuylkill/Wayne Counties is good. The distribution of each product is described below.

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

CNB's lending to moderate-income families is excellent, matching or exceeding the percentage of moderate-income families in the assessment areas. Information received from community contacts and other sources of demographic information indicated that the high cost of housing in these assessment areas prohibits low-income residents from achieving home ownership. Additionally, a high percentage of households in the assessment areas are below the poverty level. This situation affects the number of low-income homeowners and their eligibility for home improvement and refinance mortgage loans. However, the bank still managed to do a good job in lending to low-income borrowers when considering these facts.

Our analysis revealed that CNB's lending to low-income borrowers is equal to, or several basis points below, the percentage of low-income families in the AAs. Affordable housing loan programs for low- and moderate-income borrowers have been identified as a local credit need. CNB has addressed this need by offering their own Community Development Plan Mortgages as well as participating in the Carbon County Homeownership Assistance Program. Based upon their performance and participation in these programs, their excellent record of lending to moderate-income borrowers and the difficulty of low-income borrowers being able to afford median priced homes, CNB's borrower distribution of home mortgage loans is considered excellent.

MSA 240

The 1999 Updated Median Family Income for this MSA is \$49,400. A family would be considered low- income if they earned \$24,700 or less. With median housing costs at \$88,068 it is financially difficult for low-income families to afford average homes in the area. Additionally, 8% of all of the households in this area have incomes below the poverty level.

Home purchase lending to moderate-income borrowers is excellent. The percentage of loans exceeds the percentage of moderate-income borrowers in the area. CNB's market share of loans to moderate-income borrowers is slightly higher than their overall home purchase market share. The percentage volume of home purchase loans to low-income borrowers is excellent when considering the above facts. The percentage of home purchase loans equals the percentage of low-

income families in the assessment area. CNB's market share to low-income borrowers exceeds its overall market share.

Home improvement lending to moderate-income borrowers is excellent. The percentage of home improvement loans to moderate-income borrowers significantly exceeds the percentage of moderate-income borrowers. Additionally, the market share significantly exceeds CNB's overall market share. The percentage of home improvement loans to low-income borrowers is good when considering the above facts. The percentage of loans is below the percentage of low-income families in the area.

Home refinance lending to moderate-income borrowers is excellent. The percentage of loans to moderate-income borrowers significantly exceeds the percentage of moderate-income borrowers. The percentage of home refinance loans to low-income borrowers is good when considering the above facts. The percentage of loans is below the percentage of low-income families in the area. However, the bank's market share for loans to both low- and moderate-income borrowers exceeds their overall market share for home refinance loans.

Schuylkill/Wayne Counties

The 1999 Updated Median Family Income for this area is \$36,700. A family would be considered low-income if they earned \$18,350 or less. With median housing costs at \$79,317 it is financially difficult for low-income families to afford average homes in this area also. Additionally, 12% of all of the households in this area have incomes below the poverty level.

Home purchase lending to moderate-income borrowers is excellent. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income borrowers in the area. CNB's market share of loans to moderate-income borrowers significantly exceeds their overall home purchase market share. The percentage volume of home purchase loans to low-income borrowers is good when considering the above facts. The percentage of loans is below the percentage of low-income families in the assessment area. The bank's market share of loans to low-income borrowers significantly exceeds their overall market share.

Home improvement lending to moderate-income borrowers is good. The percentage of home improvement loans to moderate-income borrowers equals the percentage of moderate-income borrowers in the assessment area. The percentage of home improvement loans to low-income borrowers is good considering the above facts. The percentage of loans is below the percentage of low-income families in the area.

Home refinance lending to moderate-income borrowers is good. The percentage of home refinance loans to moderate-income borrowers equals the percentage of moderate-income borrowers in the assessment area. The percentage of home refinance loans to low-income borrowers is good when considering the above facts. The percentage of loans is below the percentage of low-income families in the area.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We analyzed the bank's distribution of small business loan originations by calculating the percentage of loans made to small businesses. Their record was then compared to the percentage of small businesses in each assessment area and to the percentage of small business loans made by all lenders in each assessment area. Then CNB's distribution of loans by original loan amount was evaluated regardless of business size.

MSA 240

The distribution of small business loans in this assessment area is excellent. CNB's percentage of loans to small businesses significantly exceeds the volume of loans made to small businesses located in the assessment area. It also significantly exceeds the amount of small businesses located in the assessment area. The bank's distribution by size of loan shows that a substantial majority of the loan originations are for \$100,000 or less, with an average loan size of \$76,000. This is another indication that the bank's business lending is primarily to small businesses. The bank's market share of lending to small businesses exceeds their overall small business loan market share.

Schuykill/Wayne Counties

The distribution of small business loans in this assessment area is also excellent. The bank's percentage of loans to small businesses significantly exceeds both the percentages of loans made to small businesses by all lenders in the area and the percentage of small businesses located in the assessment area. The distribution by size of the loan shows that a significant majority of the originations are for \$100,000 or less, with an average loan size of \$82,000. The bank's market share of lending to small businesses is higher than their overall small business loan market share.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We analyzed CNB's distribution of small farm loan originations by calculating the percentage of loans made to small farms. Their record was then compared to the

percentage of small farms in the assessment areas and to the percentage of small

farm loans made by all lenders in each assessment area. We also evaluated their distribution of loans by original amount regardless of farm size.

MSA 240

CNB's distribution of small farm lending is excellent. The percentage of loans to small farms exceeds both the volume of loans made to small farms by all lenders in the area and the number of small farms located in the assessment area.

Schuylkill/Wayne Counties

CNB's distribution of small farm lending in this area is also excellent. The percentage of loans to small farms exceeds both the volume of loans made to small farms by all lenders in the area and the number of small farms located in the assessment area.

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

CNB has not originated any community development loans during the evaluation period which meet the definition of community development, according to the regulation. However, they have made several small business loans that have community development purposes. These loans are included in their CRA small business data.

Product Innovation and Flexibility

CNB makes use of flexible loan programs to serve the mortgage credit needs of their assessment area. Among these is their Community Development Plan Mortgage program and their Community Development Plan Fixed-Rate Home Equity Loan program. These products are available only to low- or moderate-income borrowers. The mortgage product offers reduced rates and fees, and the home equity product offers reduced rates. In 1999, sixteen home purchase loans totaling \$768,720 and two home equity loans totaling \$16,782 were originated in this new program.

CNB also makes available the affordable gold mortgage programs offered through Freddie Mac. These programs offer low down payment options to consumers.

Finally, the bank is one of five banks that formed the Carbon County Homeownership Assistance Program, which is administered by the Carbon County Action Committee for Human Services. Through a combination of grants and low interest loans, eligible low-income and moderate-income borrowers need minimal

funds to purchase personal residences. The program also offers financial education programs for potential borrowers.

The number and dollar volume of originations under the affordable gold mortgage programs and the Carbon County Homeownership Assistance Program were not available.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated low satisfactory. Based on full-scope reviews, the bank's performance in the Allentown-Bethlehem-Easton MSA and Schuylkill and Wayne County nonmetropolitan area is adequate. The performance in both areas is described below.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Current period investments, which total \$509,000, exhibit an adequate responsiveness to the primary needs in the assessment area. Local community organizations indicate that affordable housing opportunities are a concern in the area. Ninety-eight percent of CNB's investments are for affordable housing purposes. The bank made an investment in a \$500,000 GNMA Mortgage Backed Security primarily for low-and moderate-income individuals that covers part of the assessment area and a broader area in eastern Pennsylvania.

Investment opportunities overall in the bank's assessment areas are limited. The housing organization we contacted indicated that the weak economy in the area reduces the number of community development opportunities available. Previous community contacts noted that there are not enough opportunities in the assessment area for all the banks to participate. We also reviewed other local banks' CRA Performance Evaluations. These banks have invested in similar types of investment products and the evaluations noted that opportunities were limited.

MSA 240

The types and dollar amounts of qualified investments made in this MSA are as follows:

Community grants and donations	\$ 2,850
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Included in the community grants and donations is a donation to a local college for

scholarships for low- and moderate-income students, a donation to a county wide program to clothe low-income students at the start of the school year, a donation to a non-profit agency to sponsor a camp for low-income children, and a donation to a women's center that offers alternative housing opportunities for low-and moderate-income women and their children in crisis situations.

Schuylkill/Wayne Counties

The types and dollar amounts of qualified investments made in the Non-MSA are as follows:

Community grants and donations	\$ 6,350
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Included in the community grants and donations are qualified donations to affordable housing and community service organizations. A donation to an affordable housing group that builds homes for low- and moderate-income families was made, along with grants for low-income scholarships, and low- and moderate-income service bureaus.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated high satisfactory. Based on full-scope reviews, the bank's performance in the Allentown-Bethlehem-Easton MSA area is good and Schuylkill and Wayne Counties nonmetropolitan area is good.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The same financial services are offered at all of the bank's branches. Those services include a full range of loan and deposit products. Retail banking services provided in each assessment area are described below.

MSA 240

CNB's delivery systems are accessible to geographies and individuals of different income levels. The bank operates six branches in this area. There are two branches in moderate-income tracts and four branches in middle-income tracts. Branch distribution percentages compare favorably to percentages of population in the various geographies. Thirty-three percent of the branches versus 23% of the population are located in moderate-income tracts. Sixty-seven percent of the

branches versus 74% of the population are located in middle-income tracts. There is no branch in the upper-income tract and only 3% of the population reside in the upper-income tract. There are no low-income tracts in this AA.

There are five moderate-income census tracts in this assessment area and all are located in the northwest corner of Carbon County. The five moderate-income tracts are in close proximity to one another and are adequately served by the two branches located in the moderate-income tracts, as well as a branch located in a middle-income area that is in close proximity to the moderate-income tracts.

Table 13 notes the opening of three new branches, one in a moderate-income tract and two in middle-income tracts, but these branches were acquired through a merger with another financial institution and not actual opening of new offices. Of the three branches acquired, one is in a moderate-income tract and one is very close to five moderate-income tracts. No branches have been closed since the previous evaluation period.

All six offices are full service branches. Hours may vary slightly by branch but typical lobby hours are 9 AM to 3 PM Monday through Thursday and 9AM to 7 PM on Friday. Four of the offices have Saturday hours of 9AM to noon, including one of the moderate-income branches. Four of the offices, including one moderate-income branch, also have drive-in facilities that are generally open until 5 PM (versus 3 PM for the lobby). Four offices have automatic teller machines, including one moderate-income branch. CNB also operates three remote, cash dispensing automatic teller machines in this area located inside convenience stores. Two of these are in moderate-income CTs.

CNB offers two alternative delivery systems, telephone banking and web banking. CNB's telephone banking system is C.H.I.P. (CNB's Handy Information System). C.H.I.P. provides deposit and loan rates, branch location and hours, and various information regarding deposit and loans accounts, and the ability to transfer funds from one account to another. The bank also offers web banking, including bill payment. No documentation is maintained on how these two systems serve low- and moderate-income customers and geographies. Therefore, no significant consideration was given to C.H.I.P. and web banking in assigning the overall rating.

Schuylkill/Wayne Counties

CNB's delivery systems are accessible to geographies and individuals of different income levels. The bank operates two branches in this area, one in Schuylkill County and one in Wayne County. The assessment area in both counties consists of only middle-income tracts, however 19% of all families in the area are low-income and 19% are moderate-income. No branches have been closed since the previous evaluation period.

Both offices are full service branches. Hours at the Schuylkill County branch are Monday through Wednesday 9 AM to 3 PM, Thursday 9 AM to 5 PM, Friday 9 AM to 7 PM, and Saturday 9 AM to noon. A drive-in is available at this branch that is open until 5PM, Monday through Wednesday. Lobby hours at the Wayne County branch are Monday to Thursday 8:30 AM to 4 PM, Friday 8:30 AM to 7 PM, and Saturday 8:30 AM to noon. This branch also has a drive-in that is open the same hours as the lobby. Both branches have automatic teller machines. CNB operates two remote, cash dispensing automatic teller machines in this area located inside convenience stores.

CNB also offers the two alternative delivery systems, telephone banking and web banking in this assessment area. No documentation is maintained on how these two systems serve low- and moderate-income customers and geographies. Therefore, no significant consideration was given to C.H.I.P. and web banking in assigning the overall rating.

Community Development Services

CNB provides a good level of community development services. Several CNB officers and employees participate in five organizations that provide community development services. The organizations include a local homebuyer's program, a downtown revitalization program, two regional non-profit entities that provide services to low- and moderate-income individuals, and one community college. Employees provide financial expertise and banking knowledge to review loan applications and budgets, to effectively allocate resources, and plan and develop strategies. CNB's performance in each assessment area is described below.

MSA 240

All of the bank's community development services are focused in this assessment area. A brief description of the services provided follows.

- Homeowners assistance program - one employee reviews loan applications for low-income families and speaks at educational community outreach programs to promote homeownership and the program.
- Downtown Revitalization - one employee is part of a council to help promote and improve a moderate-income area. Revitalization efforts focus on maintaining and attracting new small businesses, increasing job opportunities, improving property in need of repair, and identify other area needs.
- Non-profit organizations - two employees serve on two different organizations that support low- and moderate-income individuals by assisting with food,

shelter, and providing employment-training opportunities.

- Community College - one employee is a member of the foundation board for the college. The foundation raises money for scholarships for low- and moderate-income students.

Schuylkill/Wayne Counties

CNB is not involved with any community development services in Schuylkill or Wayne Counties. In each county the bank only has a very limited presence. In Schuylkill County the branch was acquired in 1996 as a result of a merger of institutions. Further, there are limited opportunities to participate in any community development service activities. Please refer to the performance context comments.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term **AFull-Scope@**) and those that received a less comprehensive review (designated by the term **ALimited-Scope@**).

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1999 Investment Test: January 1, 1997 to December 31, 1999 Service Test: January 1, 1997 to December 31, 1999	
Financial Institution	Products Reviewed	
Citizens National Bank Lansford, PA	Residential mortgages, small business loans, small farm loans, community development loans.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not applicable	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Allentown-Bethlehem-Easton MSA #240	Full-Scope	None
Nonmetropolitan Area - Schuylkill and Wayne Counties	Full-Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Allentown-Bethlehem-Easton MSA (240)	B-2
Schuylkill and Wayne Counties - (Nonmetropolitan Area).....	B-4

Allentown-Bethlehem-Easton MSA (240)

Demographic Information for Full-Scope Area: Allentown-Bethlehem-Easton MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	0%	19%	73%	4%	4%
Population by Geography	128,327	0%	23%	74%	3%	0%
Owner-Occupied Housing by Geography	38,879	0%	22%	74%	4%	0%
Businesses by Geography	4,183	0%	28%	67%	5%	0%
Farms by Geography	260	0%	13%	81%	6%	0%
Family Distribution by Income Level	36,612	18%	21%	28%	33%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	14,455	0%	31%	67%	2%	0%
Median Family Income	= \$37,523	Median Housing Value				= \$88,068
HUD Adjusted Median Family Income for 1998	= \$49,400	Unemployment Rate (MSA)				= 3.8%
Households Below the Poverty Level	= 8%	Carbon County Unemployment Rate				= 6.4%
		Lehigh County Unemployment Rate				= 3.5%
		Northampton County Unemployment Rate				= 3.6%

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census, and 1999 HUD updated MFI.

Description of Assessment Area

CNB’s assessment area in the Allentown-Bethlehem-Easton MSA (#240) consists of 26 contiguous CTs in parts of the counties of Carbon (ten CTs), Lehigh (six CTs), and Northampton (ten CTs). This area is located in the mostly rural and suburban northwestern portion of the MSA. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

There are no low-income CTs and five moderate-income CTs in the assessment area. The moderate-income tracts are all located in Carbon County where the bank is headquartered.

CNB operates three offices, two automatic teller machines (ATMs) and two cash dispensing ATMs in Carbon County; two offices and one ATM in Lehigh County; and one office, one ATM, and one cash-dispensing ATM in Northampton County. Major competitors in the area include branches of First Union Bank, PNC Bank, and Summit Bank, along with both large local community banks and regional institutions.

As of June 1999, the bank's market share of deposits in Carbon County was 10.87% and ranked third among its thirteen FDIC-insured competitors. At the same time, the bank's market share of deposits in Lehigh County was 1.46% and ranked 17th out of 22 institutions. In Northampton County, CNB held 0.37% of the deposits and was ranked 16th out of eighteen institutions. The 1998 HMDA market share data shows that CNB was ranked 17th out of 288 lenders in the assessment area with a market share of 1.77% for all mortgage products. Also in 1998, the bank was ranked 20th out of 59 lenders in small business lending with a market share of 0.41%, and was ranked fifth out of ten lenders in small farm lending with a market share of 5.00%.

As of November 1999, the unemployment rate for Carbon County was 6.4%, the fifth highest county in the state. Unemployment rates in Lehigh and Northampton Counties were at 3.5% and 3.6%, respectively. The state unemployment rate was at 4.0% at that time.

Carbon County has never fully recovered from the decline of the anthracite coal industry that began in the 1950s and 1960s. Many residents of the county commute to the larger, urban and industrial Lehigh Valley in neighboring Lehigh and Northampton Counties for employment opportunities. Major employers in Carbon County are John & Joseph Kovatch, Carbon County, and the Gnadon Huetten Memorial Hospital. The largest employers in Lehigh County include Lucent Technologies, Air Products and Chemicals, and the Lehigh Valley Hospital Center. In Northampton County, the largest employers include Northampton County, the Bethlehem Area School District, and Lehigh University.

Community Credit Needs

We contacted a community based development corporation to discuss credit needs in this assessment area. This contact identified first time homebuyer mortgages and small business loans as continuing needs in the community. We also reviewed a previous community contact made with an economic development group. They had stated that financial institutions had been very committed to meeting the credit needs in the community.

Community Development Opportunities

Both of the community contacts noted that community development loans and investments in this assessment area were limited for smaller community banks since the very large regional institutions often fully fund such projects.

Nonmetropolitan Area: Schuylkill and Wayne Counties

Demographic Information for Full-Scope Area: Nonmetropolitan Area-Schuylkill and Wayne Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (BNAs)	19	0%	0%	100%	0%	0%
Population by Geography	61,909	0%	0%	100%	0%	0%
Owner-Occupied Housing by Geography	18,444	0%	0%	100%	0%	0%
Businesses by Geography	3,009	0%	0%	100%	0%	0%
Farms by Geography	226	0%	0%	100%	0%	0%
Family Distribution by Income Level	17,180	19%	19%	25%	37%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,537	0%	0%	100%	0%	0%
Median Family Income	= \$28,934	Median Housing Value				= \$79,317
HUD Adjusted Median Family Income for 1998	= \$36,700	Schuylkill County Unemployment Rate				= 6.2%
Households Below the Poverty Level	= 12%	Wayne County Unemployment Rate				= 5.6%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 U.S. Census, and 1999 HUD updated MFI.

Description of Assessment Area

CNB's assessment area in Schuylkill and Wayne Counties consists of nonmetropolitan areas with nineteen block numbering areas (BNAs): six in Schuylkill County and thirteen in Wayne, which are all middle-income areas. The assessment area in Schuylkill County is located in the rural northwestern corner of the county and the assessment area in Wayne County is located in the center of this rural county. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The bank operates one office and one full service ATM in each of the counties, and two remote cash dispensing ATMs in Schuylkill County. Major competitors in Schuylkill County include Keystone Financial Bank, First Union, and many community banks; in June of 1999, the bank's market share of deposits among FDIC-insured institutions was 0.25%, ranking 19th out of 19 institutions. In Wayne County, major competitors include PNC, First Union and many local community banks. The bank's deposit market share in that county was 6.88% in June of 1999 and ranked sixth out of 11 lenders.

The HMDA market share data in this nonmetropolitan area shows that CNB ranked 11th out of 165 lenders with a market share of 2.92% for all mortgage products. The bank was ranked 15th out of 39 lenders in small business lending with a market

share of 1.27% and was ranked sixth out of nine lenders in small farm lending with a market share of 4.35%.

As of November 1999, Schuylkill County's unemployment rate was 6.2% and Wayne County's rate was 5.6%, both above the state's unemployment rate of 4.0%. The largest employers in Schuylkill County include Pennsylvania State government, Alcoa Extrusions, Inc., and J.E. Morgan Knitting Mills, Inc. Wayne County's largest employers include Pennsylvania State government, Wayne Memorial Hospital, and the Western Wayne School District.

Community Credit Needs

We contacted a non-profit human services agency in this assessment area to ascertain the credit needs. This contact did not identify any unmet credit needs, however expressed a concern over the affordability of housing for low- and moderate-income families.

Community Development Opportunities

The community contact for this assessment area noted that community development loans and investments are limited in these primarily rural areas.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the **Abank@** include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage

distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 7. Borrower Distribution of Home Purchase Loans - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of Home Improvement Loans - See Table 7.

Table 9. Borrower Distribution of Refinance Loans - See Table 7.

Table 10. Borrower Distribution of Small Loans to Businesses - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 11. Borrower Distribution of Small Loans to Farms - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the

percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME		Evaluation Period: 01/01/1997 TO 12/31/1999										
MSA/Assessment Area	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Scope												
Citizens MSA 240	71.25	344	12,783	55	4,190	1	95	0	0	400	17,068	61.73
Citizens Non-MSA	28.75	214	7,816	33	2,703	1	50	0	0	248	10,569	38.27

* Deposit Data as of June 30, 1999

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE																
Evaluation Period: 01/01/1997 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Citizens MSA 240	0	0	22	61	74	38	4	1	25	1.1	0.0	5.2	0.4	1.2	96	63
Citizens Non-MSA	0	0	0	0	100	100	0	0	16	1.8	0.0	0.0	1.8	0.0	57	37

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** Home purchase loans within an MSA/AA as a % of all home purchase loans in the rating area.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT																
Evaluation Period: 01/01/1997 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Improvement Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Citizens MSA 240	0	0	22	60	74	40	4	0	7	4.1	0.0	16.0	1.5	0.0	168	59
Citizens Non-MSA	0	0	0	0	100	100	0	0	4	9.3	0.0	0.0	9.3	0.0	117	41

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1997 TO 12/31/1999						
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans	% Owner Occ Units	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Citizens MSA 240	0	0	22	63	74	38	4	0	17	1.5	0.0	7.0	0.5	0.0	80	67
Citizens Non-MSA	0	0	0	0	100	100	0	0	16	1.6	0.0	0.0	1.6	0.0	40	33

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL BUSINESS																
Evaluation Period: 01/01/1997 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Citizens MSA 240	0	0	28	53	67	47	5	0	20	0.4	0.0	2.8	0.1	0.0	55	63
Citizens Non-MSA	0	0	0	0	100	100	0	0	15	1.3	0.0	1.3	1.5	0.0	33	387

* Based on 1998 Aggregate Small Business Data Only. Market rank is for all income categories combined.
 ** Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL FARM																
Evaluation Period: 01/01/1997 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Loans Small Farm Loans	
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full Scope																
Citizens MSA 240	0	0	13	0	81	100	6	0	5	5.0	0.0	0.0	5.6	0.0	1	50
Citizens Non-MSA	0	0	0	0	100	100	0	0	6	4.3	0.0	0.0	2.4	0.0	1	50

* Based on 1998 Aggregate Small Business Data Only. Market rank is for all income categories combined.

** Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 01/01/1997 TO 12/31/1999						
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share by Borrower Income*					Total Home Purchase Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
Citizens MSA 240	18	18	21	25	28	28	33	27	25	1.1	1.9	1.3	1.6	0.7	96	63
Citizens Non-MSA	19	4	19	23	25	32	37	42	16	1.8	4.2	5.4	1.9	1.1	57	37

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT																
Evaluation Period: 01/01/1997 TO 12/31/1999																
MSA/Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank*	Market Share By Borrower Income*					Total Home Improvement Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
Citizens MSA 240	18	12	21	32	28	27	33	28	7	4.1	2.7	7.9	4.6	2.7	168	59
Citizens Non-MSA	19	7	19	19	25	30	37	44	4	9.3	2.9	7.3	16.3	9.6	117	41

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1997 TO 12/31/1999						
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*					Total Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full Scope																
Citizens MSA 240	18	8	21	29	28	24	33	40	17	1.5	1.7	2.4	1.1	1.7	80	67
Citizens Non-MSA	19	5	19	18	25	20	37	58	16	1.6	1.2	0.5	1.7	2.2	40	33

* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

** As a percentage of loans with borrower income information available.

Table10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL BUSINESS			Evaluation Period: 01/01/1998 TO 12/31/1999							
MSA/Assessment Area	Businesses With Revenues of \$1 million or less			% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*		Total Small Business Loans	
	% Business**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
Citizens MSA 240	78	10098	50	84	11	5	0.4	0.8	6455	66
Citizens Non-MSA	78	97	70	79	12	9	1.3	1.7	33	34

* The market consists of all other Small Business reporters in CNB's assessment area and is based on 1998 Aggregate Small Business Data Only

** Businesses with revenues of \$1 million or less as a percentage of all businesses.

*** Loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No revenue information was available for 0% of small loans to businesses reported by the BANK.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL FARM		Evaluation Period: 01/01/1998 TO 12/31/1999								
MSA/Assessment Area	Businesses With Revenues of \$ 1million or less			% Distribution Loans by Original Amount Regardless of Farm Size			Market Share*		Total Small Farm Loans	
	% Farms**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
Full Scope										
Citizens MSA 240	98	100	75	50	0	0	5.0	6.3	1	50
Citizens Non-MSA	96	100	87	100	0	0	4.4	4.8	1	50

* The market consists of all other Small Farm reporters in CNB's assessment area and is based on 1998 Aggregate Small Business Data Only

** As a Percentage of Farms with known revenues.

*** As a percentage of loans with borrower income information available.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		Evaluation Period: 01/01/1997 TO 12/31/1999							
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Scope									
Citizens MSA 240	0	0	8	503	8	503	98.82	0	0
Citizens Non-MSA	0	0	9	6	9	6	1.18	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that remains outstanding as of the examination date.

** "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".

Table13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																	Evaluation Period: 01/01/1997 TO 12/31/1999			
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population						
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings				% of the Population with Each Geography*						
				Low (%)	Mod (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp			
Full Scope																				
Citizens MSA 240	71.25	6	75.00	0.00	33.33	66.67	0.00	0	3	0.00	42.86	57.14	0.00	0.00	22.87	73.55	3.58			
Citizens Non-MSA	28.75	2	25.00	0.00	0.00	100.00	0.00	0	0	0.00	0.00	100.00	0.00	0.00	0.00	100.00	0.00			

* The percentage of the population in the MSA/AA that resides in these geographies.