



PUBLIC DISCLOSURE

October 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter Number 10359**

**116 South Lincoln Street
Arlington, Kansas 67514**

**Office of the Comptroller of the Currency
Wichita Field Office
3450 N. Rock Road, Suite 505
Wichita, Kansas 67226**

NOTE: 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.

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 Community Reinvestment Act (CRA) performance of **Citizens National Bank, Arlington, Kansas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 26, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

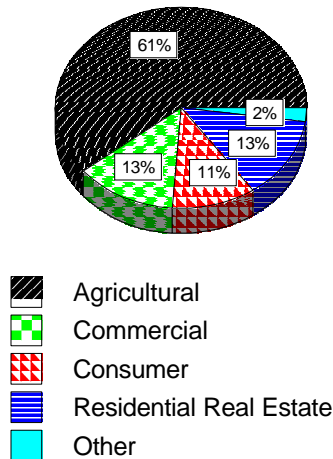
The bank has a satisfactory record of meeting the credit needs of its assessment area. Lending to businesses of different sizes was satisfactory. A sample of the bank's primary loan product, agricultural loans, indicated 78% were advanced to small agricultural customers. The bank's 67% loan-to-deposit ratio is satisfactory, with 62% of the number of loans granted during 1997 and year-to-date 1998 within its assessment area.

DESCRIPTION OF INSTITUTION

Citizens National Bank (Citizens), Arlington, Kansas, a \$29 million institution, is one of eight financial institutions headquartered in Reno County. Six other banks have branches in the county. Citizens maintains a branch office in Attica, Kansas. Citizens is one of three banks with branches in Harper County. Three additional banks are headquartered in Harper County. The bank does not have any automated teller machines. Citizens is a full service bank and offers a variety of loan

Loan Portfolio Composition

As of June 30, 1998



products with an emphasis on agricultural loans. As of June 30, 1998, agricultural loans accounted for 61% of the bank's \$21 million loan portfolio. Residential real estate loans represent 13%, commercial loans account for 13%, consumer loans represent 11% of the loan portfolio, and other accounts for 2%. Examiners contacted four individuals in the retail or service industry in the local communities. These contacts indicated the primary credit needs of the areas included agricultural loans. The contacts stated the local financial institutions were meeting the credit needs of the communities.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet community credit needs. The bank is part of Citizens National Corporation, a multi-bank holding company in Wisner, Nebraska. The Citizens National Bank of Wisner, Elkhorn Valley Insurance Agency, Inc., The First National Bank of Belden, and Bank of Leigh are affiliates of this bank. At the previous CRA examination dated August 23, 1996, Citizens received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two assessment areas (AA). The assessment area for the main office at Arlington is block numbering area 17 in Reno County, Kansas. The assessment area for the branch office in Attica contains block numbering areas 9916, 9917, and 9918 in Harper County, and 9681 and 9682 in Barber County, Kansas. The bank is not in a Metropolitan Statistical Area. All six block numbering areas are middle-income tracts. There are no low- or moderate-income tracts in the assessment areas. The assessment areas comply with the regulation and do not arbitrarily exclude any low- or moderate-income areas. The Kansas statewide nonmetropolitan median family income is \$38,200 for 1998. Unemployment for the areas is low.

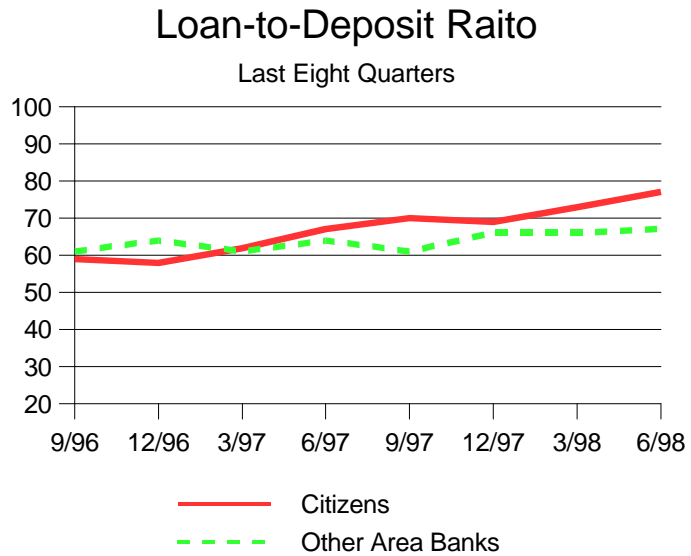
Located in central Kansas, the Arlington assessment area has a population of 2,800. Arlington, population of 457, is 20 miles southwest of Hutchinson. The assessment area's local economy is dominated by agriculture, with reliance on wheat production. Hutchinson offers economic diversification by providing employment to a large percentage of the Arlington residents. Of all families within the Arlington assessment area, 19% are low-income, 20% are moderate-income, 29% are middle-income, and 32% are upper-income. Households below the poverty level account for 14% of the households in the Arlington AA. The 1990 census indicated 62% of the housing is owner occupied and the median housing value was \$16,000.

The Attica assessment area, located in south central Kansas, has a population of 13,000. Attica, population of 700, is 65 miles southwest of Wichita and 60 miles south of Arlington. The local economy is dependent on agriculture, mainly wheat and cattle. The income levels of the assessment area families are 20% low-income, 21% moderate-income, 24% middle-income, and 35% upper-income. Households below the poverty level represent 13% of the households in the Attica AA. The 1990 census indicated 60% of the housing is owner occupied and the median housing value was \$30,299.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's lending level is satisfactory, compared to other banks in the AA. During the last eight quarters the bank's average loan-to-deposit ratio was 67%. Ten other banks in the AA have a combined average loan-to-deposit ratio of 64%. The average loan-to-deposit ratios for the other banks range from 27% to 91% over the same eight-quarter time period. Five banks have lower ratios and five have higher ratios than Citizens.



Lending in Assessment Area

The bank extends a majority of its loans within the assessment areas. Examiners determined by reviewing bank generated reports that 62% of the number and 32% of the dollar volume of all loans originated in 1997 and year-to-date 1998, were in the bank's assessment area. Examiners selected a sample to verify the bank's data. After meeting the local loan demand, management indicated the bank participates in larger credits from affiliate banks.

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

Lending levels to businesses of different sizes are satisfactory. We focused on agricultural borrowers as they compose the majority of the loan portfolio. Examiners randomly sampled 23 agricultural or business borrowers with loans granted during 1997 and year-to-date 1998. This sample represented approximately 18% of the agricultural borrowers. Management considers six of these borrowers to be large businesses and the remainder of the sample to be small businesses. The following table indicates 78% of the loan sample is to agricultural borrowers with gross annual revenues of \$200,000 and less:

Gross Annual Revenue Distribution of Agricultural Borrower Sample		
Gross Annual Revenue	Number of Customers	Percentage of Loan Sample
\$0 to \$50,000	6	26%
\$50,001 to \$100,000	6	26%
\$100,001 to \$150,000	3	13%
\$150,001 to \$200,000	3	13%
\$200,001 to \$250,000	3	13%
\$250,001 to \$300,000	1	5%
\$300,001 and above	1	4%

Geographic Distribution of Loans

An analysis of the distribution of credit within the assessment areas would not be meaningful as the assessment areas include only middle-income tracts.

Response to Complaints

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

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.