



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 13, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens National Bank
Charter Number 10789**

**417 Commercial
Greenleaf, KS 66943**

**Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road Suite 450
Merriam, KS 66204**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The Citizens National Bank (CNB) has a good record of lending to farms of different sizes and individuals of different income levels.

The distribution of agricultural borrowers reflects reasonable penetration among farms of different sizes in the North Central Kansas (NCK) assessment area (AA). Based on 20 borrowers sampled, the bank's distribution of loans to farms with sales less than one million was comparable to the demographic distribution. While 95 percent of the bank's loans were made to farms with sales less than one million, demographic data shows 97 percent of farmers in the AA fall into the same category. Our sample revealed the bank did a particularly good job lending to farms with less than \$250 thousand in gross sales. Demographic information was obtained from the U.S. Census Bureau's 1997 Census of Agriculture.

The distribution of residential real estate borrowers is satisfactory. Based on 20 borrowers sampled in the NCK AA, and the 20 borrowers sampled in the Lansing-Leavenworth (LL) assessment area (AA), the bank's distribution of loans to families at the low-and moderate-income (LMI) levels was comparable to demographic information on families at LMI levels in the AA. Demographic information was obtained from the 1990 United States Census.

The distribution of consumer borrowers of different income levels is excellent within the NCK AA and in the LL AA. Based on 20 borrowers sampled in each AA, the bank's distribution of loans to consumers at the LMI levels significantly exceeded comparable demographic distribution. The NCK AA sample shows 65 percent by number and 61 percent by dollar of the bank's loans were made to LMI borrowers, while demographic data for NCK AA shows that 44 percent of individuals in the area fall into the LMI category. The LL AA sample revealed 60 percent by number and 61 percent by dollar of the bank's loans were made to LMI borrowers, while demographic data for the LL AA shows 38 percent of individuals are in the LMI category. Demographic information was obtained from the 1990 United States Census.

- CNB originated a majority of its loans in the AA.

The bank originated 88 percent by dollar and 70 percent by number from within their AA for agricultural, 1-4 family residential real estate, and consumer vehicle loans sampled.

- The bank's quarterly average loan-to-deposit ratio since the last examination is satisfactory.

CNB's average loan-to-deposit ratio over the past nineteen quarters met the standard for satisfactory performance. The bank's average ratio of 53 percent adequately compares to ratios of similarly situated banks in the AA. The bank's ratio has increased over the

evaluation period. Comparable bank's ratios ranged from 66 to 76 percent.

- An analysis of the geographic distribution of loans was not applicable in the NCK AA since there were no LMI geographies. The bank's geographic distribution of loans within the LL AA is acceptable.

CNB's lending performance for 1-4 family residential loans and consumer vehicle loans is below the moderate-income tract demographic representation in the AA. Demographic data shows 17 percent of the owner-occupied housing is in moderate-income tracts. Based on 20 residential real estate borrowers sampled, CNB originated 10 percent by number and 5 percent by dollar in moderate-income tracts. Demographic data shows 23 percent of households are in moderate-income tracts. Based on 20 consumer vehicle loans sampled, 5 percent by number and dollar were originated in moderate-income tracts. CNB's performance is somewhat mitigated by the highly commercial and industrial nature of two of the tracts and the third tract is in a downtown area. Forty-eight percent of the housing within the three moderate-income tracts is renter occupied. There is also a high level of competition in the area. The bank does have a branch in one moderate-income tract (701), but has had difficulty maintaining loan officer staff at that location.

- CNB participates in the Farmers Home Administration's Rural Development Program for First-time Homebuyers. This program allows the homebuyer to finance 100 percent of the appraised value of the home for a 30 year fixed rate loan. This program aids LMI individuals by alleviating down payments and in some instances allowing the financing of closing costs. The bank originated 52 loans totaling \$2,007,425 under this program since the prior evaluation.
- CNB has not received any consumer complaints regarding its CRA performance during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

CNB is a \$145 million institution located in Kansas. CNB received a "Satisfactory" CRA rating at the last examination dated April 28, 1998. The bank's primary loan products in the NCK AA are 1-4 family residential loans, loans to individuals for vehicles, and agricultural loans. The bank's primary loan products in the LL AA consist of 1-4 family residential loans and loans to individuals for vehicles. The bank's main office is located in Greenleaf, Kansas. CNB operates branches and automated teller machines in Belleville, Concordia, Lansing, and Leavenworth, Kansas. Each facility, except for the main office, offers drive through facilities. In October 2002 the bank acquired a branch in Clay Center, Kansas. There has been insufficient time for the bank to perform in the new area. As a result, the new area is not included in the evaluation. All facilities are located in the AA. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. Please refer to the bank's *CRA Public File* for

more information.

The bank could not provide information regarding loan originations and purchases from April 1, 1998 to December 31, 2001. Therefore, we determined primary loan products based on 2002 loan originations.

DESCRIPTION OF ASSESSMENT AREAS

CNB has two AAs considered in this evaluation. For analysis purposes, Republic, Cloud, and Washington Counties are combined and referred to as NCK AA. These areas are homogenous and are not part of a Metropolitan Statistical Area (MSA). The NCK AA is comprised of nine middle-income block-numbering areas. The remaining LL AA is within a MSA and consists of 3 moderate-, seven middle-, and one upper-income census tract. The AAs do not arbitrarily exclude any low- or moderate-income areas.

Refer to the bank's *CRA Public File* for more information.