



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank of Kansas, N. A.
Charter Number 3509
300 N. Main
Kingman, Kansas 67068**

**Comptroller of the Currency
South Kansas Field Office
3450 North 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 Bank of Kansas, N. A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 9, 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 Outstanding.

- o The bank has an excellent record of lending to borrowers in its assessment area.
- o The bank has an outstanding lending record to borrowers of different income levels and to businesses and farms with different gross income levels.
- o The loan-to-deposit ratio of Citizens Bank of Kansas, N.A. is high, ranking second highest of the 10 banks headquartered in its assessment areas.

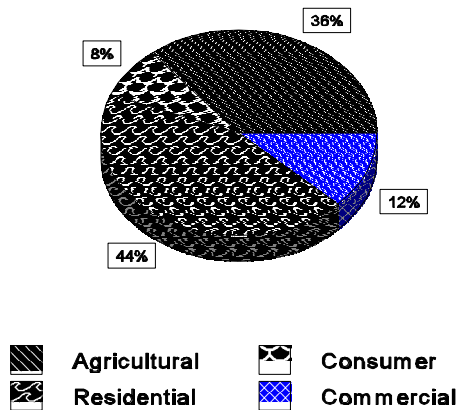
DESCRIPTION OF INSTITUTION

Citizens Bank of Kansas, N. A. (Citizens) is a \$98 million bank located in Kingman, Kansas. The bank maintains branches in Anthony, Atlanta, Sylvia, Turon, and Winfield, Kansas. Automated teller machines and drive-up facilities are maintained at the Kingman and Winfield locations. Citizens offers traditional commercial and personal banking services. The bank offers a variety of loan products for real estate, agricultural, commercial, and consumer credit needs.

As of December 31, 1997, the bank had a \$64 million loan portfolio with the following composition: 44% residential real estate, 36% agricultural and farmland, 12% commercial and commercial real estate, and 8% consumer.

Loan Portfolio Composition

As of December 31, 1997



The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area. The bank has not opened or closed any offices since the previous examination on August 11, 1995.

Citizens received a "Satisfactory" rating at its last CRA examination in August 1995.

DESCRIPTION OF ASSESSMENT

AREA

The bank's four assessment areas are located in southcentral Kansas. The Kingman assessment area consists of Kingman County, and includes block numbering areas (BNA) 9911, 9912, and 9913. The Anthony assessment area includes BNAs 9916 and 9918 in Harper County. Winfield and Atlanta are both in Cowley County and their assessment area includes BNAs 9931 through 9936. Turon and Sylvia are in Reno County and their assessment area is census tract 17 in western Reno County. None of the assessment areas are located in a Metropolitan Statistical Area. All assessment areas are within middle-income tracts except one. Block numbering area 9933 in Cowley County is designated high-income and contains a population of 2,435 or 12% of the Winfield-Atlanta assessment area. There are no low- or moderate-income tracts within the assessment areas. Nine other banks headquartered in the assessment areas provide competition for the bank. Those banks range in size from \$4 million to \$103 million. Based on 1990 census information, the population of the bank's total assessment area is 36,669. The U.S. Department of Housing and Urban Development (HUD) updated median family income for the assessment area is \$36,100. Family incomes in the area are 17% low-income, 18% moderate-income, 25% middle-income, and 40% upper-income. Eighteen percent of the population is over 65 years old. The housing stock in the area is older with a median age of 49 years and a median value of \$34,145. The majority of all businesses have annual gross revenues less than \$1 million. Unemployment remains low at 2%.

Kingman is an agricultural community located in south central Kansas 40 miles west of Wichita. The town is a county seat with a population of 3,500. Wichita's aircraft industry provides some diversification, as it employs a significant number of local residents. Winfield, 50 miles southeast of Wichita, has a population of 12,000. It has a stable economy with diversified employment provided by a variety of local and Wichita industries. Atlanta is 10 miles northeast of Winfield. Turon, 20 miles northwest of Kingman, is a small rural town with a population of 400. Sylvia is 8 miles north of Turon. Anthony is 30 miles south of Kingman. Local economic conditions in all Citizens assessment areas are stable and heavily dependant upon the agricultural industry.

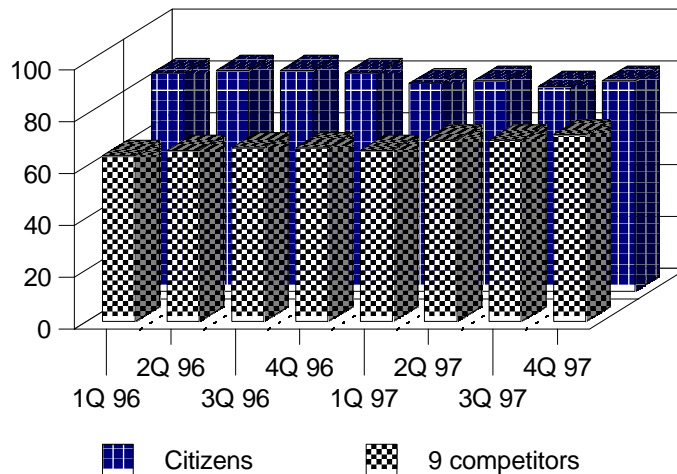
Examiners interviewed two community contacts. These contacts indicated the primary credit needs of the area were agricultural credit needs. The contacts also indicated the local financial institutions are adequately meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is high with an average loan-to-deposit ratio of 82% during the last eight quarters. The other nine banks headquartered in Kingman, Cowley, Reno, and Harper Counties the bank considers competition had a combined average loan-to-deposit ratio of 68%. Loan-to-deposit ratio averages for these banks range from 47% to 87% over the same eight quarters.

Loan to deposit trends



Comparison of Credit Extended Inside and Outside of the Assessment Area

A majority of all loans are located within the assessment area. We reviewed 253 loans to determine the location and the pattern of loans originated in the assessment area. Our total loan sample showed 95% by number and 93% by dollar volume of loan originations are located within the Kingman/Winfield assessment areas.

The following table illustrates the percentage of our loan sample located inside the bank's assessment area. For consumer loans, we reviewed all consumer loans that originated between October and December 1997 in the two largest assessment areas, Kingman and Winfield. The 183 loans in this sample totaled \$1,021 thousand and represented 12% of the bank's Kingman consumer loan portfolio and 14% of the Winfield consumer loan portfolio. For commercial and farm loans, we reviewed 30 loans originated between October and December 1997. These loans totaled \$611 thousand and represented 2% of the bank's commercial and agricultural loan portfolios. The residential real estate loan sample was comprised of all loans granted during the last six months of 1997. This group of 50 loans totaled \$2,244 thousand.

Percentage of Loans within the Assessment Area		
Loan Type	Percentage by Number	Percentage by Dollar
Agricultural and Commercial	100%	100%
Consumer-Kingman	94%	92%
Consumer-Winfield	97%	99%
Residential Real Estate	90%	89%
Total Sample	95%	93%

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

Management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers as well as to small businesses and small farms. For consumer loans, we analyzed the income distribution of 83 consumer loans totaling \$610 thousand granted between October and December 1997 from the Kingman office; and 92 loans totaling \$411 thousand granted during the same time period from the Winfield office. As depicted in the following tables, the bank has a strong loan penetration to low- and moderate-income borrowers. This analysis utilized bank reports verified by examiners.

Consumer Loan Distribution-Kingman				
1990 Census Data		Loan Distribution		
INCOME	% FAMILIES	NUMBER OF LOANS	% BY NUMBER	% BY DOLLAR
Low	19%	47	56%	31%
Moderate	16%	18	22%	32%
Middle	26%	18*	22%*	37%*
Upper	39%			

Consumer Loan Distribution-Winfield				
1990 Census Data		Loan Distribution		
INCOME	% FAMILIES	NUMBER OF LOANS	% BY NUMBER	% BY DOLLAR
Low	15%	24	25%	17%
Moderate	18%	31	33%	31%
Middle	23%	40*	42%*	52%*
Upper	44%			

*Bank reports combine middle and upper income borrowers.

The bank's volume of residential real estate loans equals 44% of the total loan portfolio as of December 31, 1997. An analysis of residential real estate loans shows that the bank has a good level of penetration to borrowers of all income levels and an excellent level of penetration to borrowers of low- and moderate-incomes. The following table illustrates the bank's residential real estate penetration to borrowers with various income levels for the last six months of 1997. Our sample included 50 loans totaling \$2,244 thousand.

Residential Real Estate Loan Distribution				
		Loan Distribution		
Income	% Families	Number of Loans	% by Number	% by Dollar
Low	19%	6	12%	7%
Moderate	16%	14	28%	20%
Middle	26%	15	30%	28%
High	39%	15	30%	45%

Examiners performed an income analysis on the commercial and farm loan sample. Management defines a small business or a small farm as having gross annual revenues of less than \$500 thousand. The bank has a good penetration to small farms and small businesses. Based on our loan sample, 85% of the number of loans were to small businesses and small farms. Our sample consisted of all commercial and agricultural loans generated from the Kingman office during the last quarter of 1997.

Commercial and Farm	
GROSS REVENUES	% BY NUMBER
< \$100M	39%
\$100-\$300M	43%
\$300M - \$500M	3%
> \$500M	15%

The bank has participated in some government sponsored or guaranteed loan programs such as the Farm Services Agency (FSA) and the Small Business Administration (SBA). Citizens has 49 loans totaling \$3,095 thousand under the FSA program, and 15 SBA loans totaling \$684 thousand. In addition to participation in government sponsored programs, the bank developed a first time home buyers program in 1994. The program provides for 100% financing for applicants with appropriate credit history and income ratios. Since that time 134 loans have been granted totaling \$3,736 thousand. Thirty-two percent were granted from the Kingman office, and 68% from the Winfield office.

Consumer loan officers in each office conduct counseling sessions with applicants who do not presently qualify for credit. The officers review the credit report and explain each area, advising the borrowers how they can improve the report. They also discuss monthly payments and personal budgets. Officers at the Kingman office estimated they had conducted approximately 40 of these informal sessions during the past 12 months.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's credit extensions is not meaningful because the assessment area does not have any low- or moderate-income tracts.

Compliance with Antidiscrimination Laws and Regulations

The bank is in compliance with the applicable antidiscrimination laws and regulations. We found no violations of the fair lending laws at this examination.

Complaints

The bank has not received any complaints regarding the bank's performance under the Community Reinvestment Act.