



PUBLIC DISCLOSURE

February 3, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Savings and Loan Association, FSB
Charter Number 704846
5151 S 4th St
Leavenworth, KS 66048-5050

Office of the Comptroller of the Currency
Kansas City Field Office
7101 College Boulevard, Suite 1600
Overland Park, KS 66210

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: Satisfactory

Citizens S&LA, FSB (Citizens or bank) lending performance helps meet the community credit needs of its assessment area (AA). We reached this conclusion based on the following:

- The bank's loan-to-deposit ratio reflects excellent performance.
- The bank originated a substantial majority of its loans inside its AA.
- Lending activities represent a reasonable penetration among individuals of different income levels.
- Lending activities represent poor dispersion among geographies of different income levels.

SCOPE OF EXAMINATION

We evaluated Citizens under the small bank examination procedures, which includes only a lending test. Our objective was to assess the bank's record of meeting credit needs within the AA. Citizen's primary loan product is 1-4 family residential real estate (RRE) loans based on number and dollar volume. The lending test covers the bank's performance from January 1, 2011 through September 30, 2013, as this is representative of its lending strategy since the last CRA examination. We selected a random sample of 80 home loans.

The 2011 and 2012 income information is for the assessment area listed below:

Table S1 - Definition of Income Ranges Used in the Evaluation					
Income Category	Maximum Income in for Income Range				2011 Median Family Income (MFI)
	Low	Moderate	Middle	Upper	
% Range of MFI	<50%	50%-<80%	80%-<120%	≥120%	
Leavenworth County	<36,150	36,150<57,840	57,840<86,760	≥86,760	\$72,300

Table S1 - Definition of Income Ranges Used in the Evaluation					
Income Category	Maximum Income in for Income Range				2012 Median Family Income (MFI)
	Low	Moderate	Middle	Upper	
% Range of MFI	<50%	50%-<80%	80%-<120%	≥120%	
Leavenworth County	<35,600	35,600<56,960	56,960<85,440	≥85,440	\$71,200

DESCRIPTION OF INSTITUTION

Citizens is a \$200 million federal mutual savings bank headquartered in Leavenworth, Kansas. In addition to the main banking facility, Citizens has two branch locations and three deposit-taking ATMs within its AA. The bank offers various loan and deposit products. Citizens is primarily a residential lender, offering a variety of residential lending products including conventional and VA mortgage loans, both conventional and adjustable rate. As of December 31, 2013, Citizens' loan portfolio totaled \$78 million and comprised of 91 percent of 1-4 RRE loans. Net loans represented 58 percent of total deposits and 41 percent of total assets.

Citizens has the financial capacity to assist in meeting the credit needs of its AA. There are no legal, financial, or other factors that impede its CRA efforts. Citizens received a Satisfactory rating at its last CRA examination dated September 15, 2008.

The following table reflects balance sheet and branch office information for the bank:

Table T1 - Major Components of Assets, Liabilities and Capital as of 09/30/2013			
Balance Sheet Component	Balance Sheet \$ Amount	% of Total Assets	1-year % Growth
Loans			
Construction and Development	3,559	1.78	0.89
1-4 Family Residential	71,375	35.71	-11.48
Other Real Estate	2,043	1.02	17.75
Individual	1,575	0.79	-6.75
Investments			
US Treasury and Agency	80,083	40.10	-5.00
Municipal	19,030	9.53	86.48
Interest-Bearing Bank Balances	12,152	3.78	294.93
Total Assets	199,684	100.00	0.88
Liabilities & Capital (LC)		% of Total LC	
Deposits	135,168	67.69	3.24
FHLB Borrowings	20,477	10.25	0.74
Total Liabilities	163,486	81.87	2.31
Total Capital	36,198	18.13	-5.11

Table T2 - Distribution of Branch Offices in the Assessment Area-2011			
Census Tract Income Category	Branch Distribution		Population Distribution
	% of Branches	% of Deposits	% in All Tracts
Low	33.33	18.99	2.97
Moderate	33.33	66.74	11.66
Middle	0.00	0.00	60.37
Upper	33.33	14.26	25.01

Table T2 - Distribution of Branch Offices in the Assessment Area-2013			
Census Tract Income Category	Branch Distribution		Population Distribution
	% of Branches	% of Deposits	% in All Tracts
Low	33.33	19.28	2.51
Moderate	33.33	66.05	22.40
Middle	0.00	0.00	49.27
Upper	33.33	14.67	25.81

DESCRIPTION OF ASSESSMENT AREAS

Citizens has one AA consisting of Leavenworth County in Northeast Kansas. The AA consists of 16 census tracts in 2000 and 15 census tracts in 2010 and encompasses all of Leavenworth County. This AA is included in the Kansas City, MO-KS MSA, and in 2000 consisted of one low-income, two moderate-income, nine middle-income, and three upper-income tracts. In 2010, the AA consisted of one low-income, four moderate-income, eight middle-income and three-upper income census tracts. Demographic data shows the 2011 and 2012 median family income are \$72,300 and \$71,200, respectively. The household poverty level was approximately seven percent for both 2011 and 2012. The AA meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

There are multiple financial institutions within Leavenworth County competing for loans and deposits. Competition from other financial institutions is strong and includes local community banks and institutions that serve larger regional and national markets.

We performed one community contact with a community development organization within the AA. The contact stated that banks are meeting the needs in the community; however, there is a misunderstanding regarding state law for first time home buyers and the city’s requirements. This misunderstanding leads to local institutions not funding the loans of some of the city’s first time homebuyers. These borrowers find funding from other institutions outside the area.

The following tables quantify relevant AA information for 2000 and 2010:

Table D1 - Assessment Area Demographic Information - 2000								
Income Category	%Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	16.57	1	4.60	1.64	9.68	3.46	38,300	50
Moderate	19.87	2	13.92	10.39	19.64	13.71	61,462	42
Middle	25.92	9	57.49	57.68	57.66	57.25	86,925	32
Upper	37.65	3	23.99	30.29	13.02	25.58	123,095	19

Table D1 - Assessment Area Demographic Information - 2010								
Income Category	%Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	17.23	1	4.30	1.66	8.88	3.14	56,200	71
Moderate	17.49	4	27.57	22.15	36.99	28.13	104,377	55
Middle	22.24	8	42.50	44.47	39.48	41.66	151,759	31
Upper	43.05	3	25.62	31.73	14.65	27.08	198,008	20

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

Citizens' average quarterly LTD ratio is excellent and reflects more than reasonable responsiveness towards meeting the credit needs of the community. The quarterly net LTD ratio averaged 87 percent for the past 21 quarters. This compares to a quarterly net LTD ratio for similarly situated banks of 72 percent. Citizens ranks first among four similarly situated banks serving its AA. The other three banks had quarterly average net LTD ratios ranging from 54 to 82 percent.

Table L1 – Loan to Deposit Ratio Data			
Thrift Institution	Average Total Assets	# of Branches	Basic LTDR
			21 Quarters Average
Citizens	199,684	3	87.19
Peer	209,170	6	80.36
Peer	222,806	7	82.22
Peer	300,339	4	53.86

Lending in Assessment Area

Citizens' record of lending to borrowers within its AA is excellent. A substantial majority of all loans originated are located within the AA. For the loans sampled, the bank originated 88 percent by number and 86 percent by dollar volume within its AA. Refer to the tables below for more details.

Table C2 - Concentration of Thrift Loans Originated In and Outside of the Assessment Area						
Loan Type	% Inside Area		% Outside Area		Total	
	#	\$(000)	#	\$(000)	#	\$(000)
Mortgage Loans	87.50	86.13	12.50	13.87	80	15,932

Table C2 - Concentration of Thrift Loans Originated In and Outside of the Reviewed Assessment Areas						
---	--	--	--	--	--	--

Assessment Area	Purchased		Refinanced	
	% of Loans	% of \$ Volume	% of Loans	% of \$ Volume
Within Leavenworth County	85.00	83.04	90.00	88.94
Outside Area	15.00	16.96	10.00	11.06
Total # or \$	40.00	\$7,595	40.00	\$8,337

Lending to Borrowers of Different Incomes

The distribution of loans reflects a reasonable penetration among individuals of different income levels, given the bank's product offerings and local economic conditions.

Home Loans

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. We gave more weight to the 2012-2013 sample due to the longer time period. We also gave more weight to performance by the number volume of loans.

Citizens' overall home lending to low-income borrowers is reasonable. For refinanced loans, performance was excellent in 2012-3. The percentage of loans by number exceeds aggregate peer data. For home purchase loans, performance is poor with the percentage of bank loans significantly below aggregate peer data. Performance compared to demographics for this time period is reasonable for both home purchase and refinanced loans, considering 5.71 percent of families are below poverty. For 2011, the bank's home purchase loan performance compared to aggregate peer data is poor. The percentage of bank loans is significantly below aggregate peer data. No refinanced loans were made to low-income applicants. Performance compared to demographics for this time period is reasonable for home purchase loans given that 4.81 percent of families are below the poverty level.

The distribution of home loans to moderate-income borrowers is poor. Performance for the 2011 loan sample reflects reasonable penetration when compared to the industry aggregate HMDA data. Performance is reasonable for refinanced loans compared to aggregate peer data based on the percentage of bank loans by number. The bank's performance is poor for home purchase loans compared to the aggregate data. Performance compared to demographics is reasonable for both home purchase and refinanced loans. For 2012-2013, performance for both home purchase and refinanced loans is poor compared to both the aggregate peer data and demographic data.

The following tables show the distribution of home loan products among borrowers of different income levels for the periods of January 1, 2011 through December 31, 2011 and January 1, 2012 through September 30, 2013, as compared to the percentage of families in each income category and the percentage of industry aggregate HMDA data.

Table B3 -2011 Distribution of Thrift Purchased RRE Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of # Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	5.00	2.34	16.57	11.22
Moderate	15.00	8.71	19.87	25.13
Middle	25.00	20.09	25.92	24.74
Upper	55.00	68.86	37.65	38.90

Table B3 -2011 Distribution of Thrift Refinanced RRE Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of # Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	0.00	0.00	16.57	7.26
Moderate	15.00	8.99	19.87	18.94
Middle	20.00	7.54	25.92	26.91
Upper	65.00	83.47	37.65	46.88

Table B3 – 2012-2013 Distribution of Thrift Purchased RRE Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of # Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	5.00	2.88	17.23	14.66
Moderate	10.00	5.41	17.49	27.25
Middle	25.00	21.70	22.24	25.19
Upper	60.00	70.01	43.05	32.90

Table B3 -2012-2013 Distribution of Thrift Refinanced RRE Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of # Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	10.00	2.83	17.23	6.93
Moderate	0.00	0.00	17.49	17.15
Middle	20.00	12.94	22.24	27.99
Upper	70.00	84.23	43.05	47.93

Geographic Distribution of Loans

Citizens’ geographic dispersion of loans in low- and moderate-income census tracts is poor. More weight is placed on performance in moderate-income geographies since there is more opportunity to lend based on the percentage of owner-occupied units and the percentage of lending by peer banks.

Citizens' geographic dispersion of loans in low-income census tracts is reasonable. Refinanced loans in low-income census tracts for the 2012-2013 sample show excellent performance compared to aggregate peer data and demographics. There were no purchased loans in low-income geographies in the 2011 or 2012-2013 sample and no refinance loans in low-income geographies in the 2011 sample, which reflects poor dispersion when compared to the industry aggregate HMDA data and the demographic information. However, performance is mitigated by less than two percent owner-occupied units in these tracts. Less than one percent of all aggregate lenders made loans in these tracts.

Citizens' geographic dispersion of loans in moderate-income census tracts is poor. Performance in 2011 is poor for both home purchase and refinanced loans compared to aggregate peer data. The bank's performance compared to demographics is poor for home purchase loans and reasonable for refinanced loans. The bank's performance in 2012-2013 is reasonable for home purchase loans compared to both aggregate peer and demographic data. However, performance is poor for refinanced loans compared to both aggregate and demographic data. Given the poor performance in 2011, overall geographic distribution is poor. The tables below illustrate Citizen's geographic dispersion of home and consumer loans compared to demographic data.

Table G4 -2011 Distribution of Thrift Purchased RRE Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of # Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.00	0.00	1.64	0.40
Moderate	0.00	0.00	10.39	9.20
Middle	60.00	54.04	57.68	47.77
Upper	40.00	45.96	30.29	42.63

Table G4 -2011 Distribution of Thrift Refinanced RRE Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of # Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.00	0.00	1.64	0.77
Moderate	5.00	0.91	10.39	7.38
Middle	60.00	54.73	57.68	44.75
Upper	35.00	44.36	30.29	47.11

Table G4 -2012-2013 Distribution of Thrift Purchased RRE Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of # Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.00	0.00	1.66	0.84
Moderate	20.00	11.25	22.15	24.21
Middle	15.00	20.38	44.47	38.22
Upper	65.00	68.36	31.73	36.73

Table G4 - 2012-2013 Distribution of Thrift Refinanced RRE Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of # Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	5.00	0.50	1.66	0.21
Moderate	5.00	8.18	22.15	13.37
Middle	10.00	7.31	44.47	44.36
Upper	80.00	84.00	31.73	42.06

Responses to Complaints

There were no CRA related complaints to review at this examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.