



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 30, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens National Bank
Charter Number 10789

417 Commercial
Greenleaf, KS 66943-0000

Office of the Comptroller of the Currency

KANSAS CITY NORTH 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: 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.
- A substantial majority of loans are within CNB's two assessment areas (AAs).
- The bank's average loan-to-deposit (LTD) ratio is reasonable.

SCOPE OF EXAMINATION

Our review covered the time period from January 1, 2007 to November 30, 2009 and included analysis of lending in both the bank's assessment areas (AAs). The two AAs are: the North Central Kansas (NCK) AA and the Lansing/Leavenworth (LL) AA. Our loan sample included 20 agricultural loans and 20 consumer loans for the NCK AA. Our loan sample in the LL AA included 20 consumer loans and we used 2007, 2008, and partial year 2009 HMDA-LAR data to analyze 1-4 family residential real estate loans.

DESCRIPTION OF INSTITUTION

CNB is a \$153 million institution owned by the Padgett Agency, Inc, a one-bank holding company and insurance agency. The holding company is headquartered in Greenleaf, Kansas. The bank's main office is also located in Greenleaf, Kansas. CNB has five other branches in Kansas: one each in Belleville, Clay Center, Concordia, Lansing, and Leavenworth. Each facility, except for the main office, offers drive-through facilities. The bank also has deposit-taking automated teller machines in Clay Center and Lansing. The bank's primary loan products in the NCK AA are loans to individuals and agricultural loans. The bank's primary loan products in the LL AA consist of 1-4 family residential loans and loans to individuals.

There are no legal or financial constraints that impede the bank's CRA efforts. CNB received a "Satisfactory" CRA rating at the last examination dated May 13, 2003. The bank has not opened or closed any branches since the last examination.

DESCRIPTION OF ASSESSMENT AREA(S)

The NCK AA is in a non-metropolitan area which includes 11 contiguous, homogenous census tracts in Cloud, Republic, Washington, and Clay counties. All tracts are middle-income geographies. Six tracts are designated as underserved due to being in a remote rural location. Four tracts are designated as distressed due to population loss. The LL AA is within a MSA and consists of one low-, two moderate-, seven middle-, and one upper-income census tracts in Leavenworth County. The AAs do not arbitrarily exclude any low- or moderate-income areas. Both meet regulatory requirements.

The NCK AA has a population of 31,408 persons with 13,052 households and 8,701

families. The data show 17 percent of families are low-income, 24 percent of families are moderate-income, 27 percent of families are middle-income, and 31 percent of families are upper-income. The median housing value is \$45,318, and 66 percent of the housing units are owner-occupied. The HUD non-MSA median family income is \$39,869. The NCK AA economy is fairly stable. Agriculture activities provide the basis for the local economy and continue to be the main credit need in the area. The agricultural sector has done well over the past two years helping the local economy, minimizing the impact of the national economic decline.

The LL AA has a population of 49,829 persons with 16,715 households and 12,060 families. The data show 18 percent of families are low-income, 21 percent are moderate-income, 26 percent are middle-income, and 35 percent are upper-income. The median housing value is \$79,504, and 55 percent of the housing units are owner-occupied. The updated HUD MSA median family income is \$70,400. The area includes the Fort Leavenworth military installation, a federal prison, and a state correctional facility in Lansing. These are the major employers and aid the local economy in maintaining stability in spite of the decline in the national economy. The major credit needs are consumer loans and residential real estate loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's LTD is reasonable given the performance criteria. The bank's average LTD ratio from June 30, 2003 to June 30, 2009 was 47 percent. We compared CNB to four other similarly-situated banks in both AAs. The average LTD of the other institutions was 68 percent, ranging from 49 percent to 85 percent. The bank originates loans on the secondary market. When these loans are included, the average LTD is 49 percent. We consider this LTD reasonable due to a high level of competition, especially in the NCK AA. There are 14 banks servicing a total population of approximately 31 thousand people. Farm Credit Services is also significant competition for agricultural loans – the bank's primary product in NCK AA.

Lending in Assessment Area

The bank's record of lending within the combined AAs is good. CNB originates a majority of its loans, both by number and dollar amount, within its AAs. We randomly sampled 40 consumer loans, 20 agricultural loans and used the HMDA data for residential real estate home purchase loans originated January 1, 2007 through November 20, 2009. The bank originated 86 percent by number and 75 percent by dollar from within their combined AAs.

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

CNB's overall record of lending to borrowers of different income levels and farms of different sizes is satisfactory. The NCK AA record of lending to low- and moderate-income borrowers is reasonable. The distribution of agricultural borrowers reflects more than reasonable penetration to small farms. The distribution of consumer borrowers of different income levels is reasonable. Tables 2 and 2A display the bank's lending for agricultural and consumer loans, respectively, in the NCK AA.

| Table 2 - Borrower Distribution to Farms in NCK AA | | | | |
|---|----------------|---------------|-----------------|---------|
| Business Revenues (or Sales) | <= \$1,000,000 | > \$1,000,000 | Unavailabl e | Total |
| % of AA Farms | 98.00% | 2.00% | 0.00% | 100.00% |
| % of Bank Loans in AA by # | 100.00% | 0.00% | 0.00% | 100.00% |

| Table 2A - Borrower Distribution of Consumer Loans in NCK AA | | | | | | | | | |
|---|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-------------------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | | Un- available |
| | % of AA Households | % of Number of Loans | % of Number of Loans |
| % of Total | 23.61% | 10.00% | 19.49% | 25.00% | 21.34% | 15.00% | 35.57% | 50.00% | 0.00% |
| % of Bank Loans in AA by \$ | | | | 100.00% | 0.00% | 0.00% | 100.00% | | |

We consider the LL AA record of lending to low- and moderate-income borrowers to be satisfactory. The borrower distribution of home purchase loans is more than reasonable, and the borrower distribution of consumer loans is reasonable. Table 2B and Table 2C display the bank's borrower distribution in lending for residential real estate home purchase and consumer lending in the LL AA.

| Table 2B - Borrower Distribution of Residential Real Estate Home Purchase Loans in LL AA | | | | | | | | | |
|---|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|-------------------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | | Unavailable |
| | % of AA Families | % of Number of Loans | % of Number of Loans |
| % of Total | 18.00% | 26.92% | 21.00% | 25.00% | 26.00% | 19.23% | 35.00% | 26.92% | 0.00% |

| Table 2C - Borrower Distribution of Consumer Loans in LL AA | | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | | Un-available |
| | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of Number of Loans |
| % of Total | 25.00% | 20.00% | 21.00% | 10.00% | 22.00% | 25.00% | 32.00% | 45.00% | 0.00% |

The bank also participates in a beginning farmer loan program and a first-time home buyer program which targets low- to moderate-income individuals (LMI) by providing 100 percent financing and, in some cases, financing of the closing costs. The bank also partnered with the City of Concordia and Cloudcorp, a local economic development corporation, to provide funds to small businesses for downtown improvements in the city of Concordia.

Geographic Distribution of Loans

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 residential real estate purchase loans is below the low-income tract demographic representation and near the moderate-income tract demographic representation in the AA. Lending performance for consumer loans is near the low- and moderate-income tract demographic representation. We consider the bank’s performance to be reasonable due to the highly commercial and industrial nature of the two moderate-income tracts and the downtown location of the low-income tract. Fifty percent of the housing within the three tracts is renter-occupied and only twenty-five percent of the AA’s households are located in these tracts. There is also a high level of competition in the area. The bank has one branch located in the low-income tract. Tables 3 and 3A display the bank’s geographic distribution in lending for residential real estate home purchase and consumer lending in the LL AA.

| Table 3 - Geographic Distribution of Residential Real Estate Purchase Loans in LL AA | | | | | | | | |
|--|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| % of Total | 22.55% | 3.85% | 47.26% | 32.69% | 59.23% | 46.15% | 79.67% | 17.31% |

Table 3A - Geographic Distribution of Consumer Loans in LL AA

| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
|------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| | % of AA Households | % of Number of Loans |
| % of Total | 6.00% | 5.00% | 19.00% | 10.00% | 62.00% | 55.00% | 14.00% | 30.00% |

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. We performed an analysis of recent public comments, consumer complaints, and HMDA information in accordance with the OCC’s risk-based fair lending approach. Based on its analysis of the information, the OCC decided the need for a comprehensive fair lending examination was not warranted at this time. We performed the latest comprehensive fair lending examination in 1998.