



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 21, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank NA
Charter Number: 3175**

**200 South Main Street
Fort Scott, Kansas 66701**

**Comptroller of the Currency
Kansas City South Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 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 Lending Test is rated: **Satisfactory**

The Community Development Test is rated: **Satisfactory**

We based the bank's CRA rating on the following primary factors:

- The loan-to-deposit ratio of Citizens Bank, N.A. (CBNA) reflects excellent responsiveness towards meeting credit needs of the community.
- A majority of the number of loans are inside the bank's assessment area (AA).
- The bank's overall level of lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration.
- The overall geographic distribution of loans shows excellent dispersion.
- CBNA's performance under the Community Development test is adequate and generally responsive to community development needs.

SCOPE OF EXAMINATION

We performed a full scope evaluation of CBNA performance using Intermediate Small Bank examination procedures. Our objective was to assess the bank's ability to serve and meet the needs of the community within its two AAs in Kansas. Our loan sample for commercial and consumer loans included originations from January 1, 2007 to December 31, 2009. Our review of Home Mortgage Disclosure Act data included originations from January 1, 2007 to December 31, 2008. The evaluation period for community development activities was from December 2007 to December 2009.

DESCRIPTION OF INSTITUTION

CBNA, a \$291 million institution located in Fort Scott, Kansas, is 100 percent owned by First Capital Corporation. The bank is headquartered in Fort Scott, Kansas and operates eight branch offices in six counties in Kansas. CBNA offers a variety of loan products. Consumer installment, residential real estate (RRE), and commercial loans are the primary components of the bank's portfolio.

CBNA received a "Satisfactory" CRA rating at the last examination dated November 20, 2006. Since that exam, the bank surpassed the asset-size threshold, which now requires us to consider CBNA an Intermediate Small Bank for CRA purposes. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of its AAs.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two AAs consisting of six counties located in eastern Kansas: Allen, Anderson, Bourbon, Crawford, Linn, and Johnson Counties. The AAs consist of whole census tracts and do not arbitrarily exclude any low- or moderate-income areas. We labeled the AAs as follows:

Southern AA - comprised of 23 census tracts in the four contiguous counties of Allen, Anderson, Bourbon, and Crawford Counties in Southeast Kansas. This AA is not located in a MSA and consists of three moderate-income census tracts, 19 middle-income census tracts, and one upper-income census tract. Based on loan originations during the evaluation period, the primary products for the Southern AA are consumer installment and RRE loans. Within the RRE loan category, the bank's primary products are home purchase and refinance loans.

Northern AA - comprised of 109 census tracts in two counties, Johnson and Linn Counties, which are located in the Kansas City, MO-KS MSA. The Northern AA consists of three moderate-income, 42 middle-income, and 64 upper-income tracts. The counties are not contiguous; however, they are combined for analysis purposes due to similar AA characteristics. The primary product for the Northern AA is commercial loans by both number and dollar volume of loan originations during the evaluation period.

During our examination, we contacted a local community organization in each of the bank's AAs. Both contacts stated the primary credit needs of the respective areas are to offer or participate in affordable loan programs to enable home ownership by low- and moderate-income families, and to facilitate the growth and development of small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The following conclusions represent the bank's performance in all AAs based on a review of reported and loan information maintained during the evaluation period. More weight is given to performance in the Southern AA, which represents 88 percent of loan originations by number and 46 percent by dollar volume.

Loan-to-Deposit Ratio (LTD)

CBNA's average quarterly LTD ratio reflects excellent responsiveness toward meeting the credit needs of the community. Since the last CRA examination, the bank's net LTD ratio averaged 90 percent for the past 12 quarters. CBNA's local competitors have LTD ratios ranging from 33 percent to 122 percent, with an average of 83 percent.

Lending in Assessment Area

CBNA's record of lending within its AA is satisfactory. For loans evaluated from 2007 through 2009, CBNA originated 76 percent by number within its AA. By dollar volume, the bank originated 50 percent in the AA; however, the low percentage is due to three large commercial loans, two of which were made to a company with over \$42 million in revenue located in Kansas City, Missouri.

Lending in CBNA's AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family RRE	223	76%	72	24%	295	\$19,016,000	55%	\$15,286,000	45%	\$34,302,000
Consumer	17	85%	3	15%	20	\$147,891	83%	\$29,817	17%	\$177,708
Commercial	14	70%	6	30%	20	\$549,965	11%	\$4,286,508	89%	\$4,836,473
Totals	254	76%	81	24%	335	\$19,713,856	50%	\$19,602,325	50%	\$39,316,181

Source: Loan sample and HMDA data

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

CBNA's level of lending to borrowers of different incomes and businesses of different sizes is reasonable. To assess the bank's performance in the Southern AA, we selected a sample of 20 consumer loans, and all HMDA-reportable residential real estate loans in 2007 and 2008. In assessing performance in the Northern AA, we selected a sample of 20 commercial loans.

Southern AA:

The volume of lending to residential real estate borrowers of different income levels is reasonable. Lending to low-income borrowers is excellent considering the percentage of families below poverty level is 9.93 percent. Lending to moderate-income borrowers is poor. Refer to the table below for detail. Eight percent of 1-4 family residential real estate loans granted in the assessment area did not include borrower income data.

Table 2 - Borrower Distribution of 1-4 RRE in Southern AA										
Borrower Income Level	Low		Moderate		Middle		Upper		Unknown	
Loan Type	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans
Home Purchase		20%		10.8%		21.5%		38.5%		9.2%
Home Improvement		10%		10%		10%		60%		10%
Refinance		12.8%		12.8%		25.7%		41.9%		6.8%
Total 1-4 RRE	20%	15%	21%	12%	25%	23%	34%	42%	0%	8%

Source: 2009 Census Demographic Data; bank and examiner generated reports

Based on our sample, overall lending for consumer purpose loans is reasonable. Loans to low-income households are reasonable because the percentage of households below the poverty level is 15.4 percent. The number of loans to moderate-income households is poor compared to demographics. CBNA did not collect income data on 15 percent of the loans in our sample, which could have impacted our results.

Table 2b - Borrower Distribution of Consumer Loans in Southern AA

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # Bank Loans	% of AA Households	% of # Bank Loans	% of AA Households	% of # Bank Loans	% of AA Households	% of # Bank Loans
Consumer	27%	15%	18%	10%	19%	40%	36%	20%

Source: 2009 Census Demographic Data; examiner generated reports

Northern AA:

Lending to businesses with revenues of \$1 million or less is satisfactory. From our sample of 20 loans, 65 percent of the number of commercial loans was made to businesses with revenues of \$1 million or less compared to the AA demographics of 74 percent.

Business Size	Revenue < \$1 Million		Revenue > \$1 Million		Unknown	
Loan Type	% of AA Business	% of the # of Bank Loans	% of AA Business	% of the # of Bank Loans	% of AA Business	% of the # of Bank Loans
Commercial	73.7%	65%	5.7%	30%	20.6%	5%

Source: 2009 Census Demographic Data; examiner generated reports

Geographic Distribution of Loans

An analysis of the geographic distribution of loans within the AAs indicates the bank has excellent dispersion of loans in moderate-income areas. CBNA AAs do not include any low-income census tracts.

Southern AA:

The Southern AA includes two moderate-income tracts; one in Crawford County and one in Bourbon County.

CBNA demonstrates excellent dispersion of 1-4 family residential real estate loans to the moderate-income census tracts in the AA. Refer to the table below for detail.

Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans
Home Purchase		10.8%		87.7%		1.5%
Home Improvement		10%		90%		0%
Refinance		6.8%		91.2%		2%
Total 1-4 RRE	8.3%	8%	85.8%	90%	5.9%	2%

Source: 2009 Census Demographic Data; bank and examiner generated reports

CBNA exhibited excellent dispersion of consumer lending in the moderate-income census tracts in the Southern AA. The table below reflects performance based on our loan sample. However, during the examination, Vice President Barclay provided additional information, which showed that 17 percent of the total number of consumer loans made in the Southern AA during our evaluation period was in moderate-income tracts. Thus, the bank’s performance in these tracts exceeds demographics. We verified the accuracy of the bank’s analysis during our examination.

Table 3b - Geographic Distribution of Consumer Loans in Southern AA						
Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% of AA Households	% of Number of Loans *	% of AA Households	% of Number of Loans *	% of AA Households	% of Number of Loans *
Consumer	12%	5%	80%	90%	8%	5%

* These percentages are based on a sample of 20 loans during the examination.

Northern AA:

The Northern AA consists of two moderate-income tracts located in Johnson County, and one in Linn County.

CBNA’s geographic distribution of credit reflects excellent penetration throughout the Northern AA based on our sample of 20 commercial loans. Refer to the table below for detail.

Table 3c - Geographic Distribution of Commercial Loans in Northern AA						
Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% Non-Farm Businesses	% of # Bank Loans	% Non-Farm Businesses	% of # Bank Loans	% Non-Farm Businesses	% of # Bank Loans
Commercial	4%	35%	32%	10%	64%	55%

Source: 2009 Census Demographic Data; examiner generated reports

Responses to Complaints

CBNA has not received any complaints during this evaluation period directly related to CRA performance.

Fair Lending or Other Illegal Credit Practices Review

We did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Community Development Test

Community development performance for CBNA is satisfactory.

Number and Amount of CD Loans

CBNA generated a total of \$790 thousand in community development loans. The bank generated four CD loans that support permanent job creation for low- and moderate-income (LMI) persons or in LMI geographies totaling \$494 thousand. These loans allowed for 17 new LMI positions in the Southern AA.

CBNA also generated one CD loan for \$250 thousand that provides funding for an ANW Special Education Cooperative, a company that transports students and provides preschool education targeted to LMI families. The bank granted one CD loan for \$46 thousand through the Kansas Housing Resource Corporation (KHRC), which assists LMI and first time home buyers with the purchase of a primary residence. CBNA also made an additional 12 KHRC loans, which were included in the lending test sample, for \$830 thousand.

Number and Amount of Qualified Investments

CBNA reported no direct qualifying CD investment security and no qualifying donations during the evaluation period. However, CBNA continues to donate to various community and non-profit organizations, with \$99,618 donated in 2008 and 2009.

Extent to Which the Bank Provides CD Services

CBNA has eight branches in both the Northern and Southern AA. Twenty-five percent of the branches are in moderate-income tracts; however, only 4 percent of the population is in these areas. The bank has two branch locations in moderate-income tracts and one branch in an underserved middle-income tract in the Southern AA. In the Northern AA, the bank has one ATM located in a moderate-income tract that does not accept deposits and three ATMs in underserved middle-income tracts that also do not accept deposits.