



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 8, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank, National Association
Charter Number 3175**

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

**Comptroller of the Currency
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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.

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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 the Citizens Bank, National Association, Fort Scott, Kansas as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of April 8, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The Citizens Bank, National Association is helping to meet the credit needs of its assessment area. The major factors supporting this rating are:

- The bank is doing a satisfactory job lending to borrowers of different income levels and businesses of different sizes.
- The majority of loans are within the bank's assessment area.
- The bank's average loan-to-deposit ratio since the last CRA examination is satisfactory.

Our conclusions are based on a review of Citizens Bank's CRA efforts from February 19, 1998 to April 24, 2002. The bank has two assessment areas (AA) of Fort Scott and Lenexa, Kansas.

DESCRIPTION OF INSTITUTION

Citizens Bank, National Association (CB) has \$187 million in total assets, of which net loans were \$104 million (56% of total assets), according to the December 31, 2001 Report of Condition. It is headquartered in Fort Scott, Kansas and operates 5 branches with one office in Gas, Kincaid, Lenexa, and two locations in Pittsburg, Kansas. The bank has four ATMs, two each in Fort Scott and Pittsburg, that take deposits. CB is wholly owned by First Capital Corporation, a one-bank holding company, which is also located in Fort Scott, and is the same size as the bank in total assets.

CB's primary lending focus is real estate, commercial, and consumer lending. As of December 31, 2001, the dollar volume of CB's loan portfolio consists of 69% real estate loans, 21% commercial loans, 6% installment loans, and 4% agricultural loans. One-to-four family real estate loans are 24% of the real estate category.

The following table represents total loan originations and purchases from January 1, 1998 to March 31, 2002:

Total Loans Originated				
Category of Loans	Dollars in (000's)	Number	% by Dollar	% by Number
Commercial Loans	\$20,192	502	21%	23%
Real Estate Loans	\$68,147	746	68%	34%
Installment Loans	\$8,084	782	8%	36%
Agricultural Loans	\$3,232	152	3%	7%
Total Loans	\$99,655	2,182	100%	100%

The following tables represent the loan originations by each Assessment Areas (AA) from January 1, 1998 to March 31, 2002

Loans Originated in the Fort Scott AA				
Category of Loans	Dollars in (000's)	Number	% by Dollar	% by Number
Commercial Loans	\$12,192	333	21%	18%
Real Estate Loans	\$34,802	629	60%	34%
Installment Loans	\$7,395	734	13%	40%
Agricultural Loans	\$3,232	152	6%	8%
Total Loans	\$57,621	1,848	100%	100%

Based on the loan origination information by AA, the primary loan products in the Fort Scott AA are Real Estate Loans and Installment Loans.

Loans Originated in the Lenexa AA				
Category of Loans	Dollars in (000's)	Number	% by Dollar	% by Number
Commercial Loans	\$8,473	169	20% (80% adjusted)	51% (59% adjusted)
Real Estate Loans	\$33,345	117	78%	35%
Installment Loans	\$689	47	2%	14%
Agricultural Loans	\$0	0	0%	0%
Total Loans	\$42,507	333	100%	100%

In the Lenexa AA, the primary loan product will be Commercial Loans. Commercial RE is categorized in the overall Real Estate category in bank reports. The high percentage of RE by dollars originated is primarily Commercial RE which is 60% of the total dollars originated in the Lenexa AA. The Commercial percentage by dollar will be adjusted to 80% and the percentage by number will be adjusted to 59%.

Based on a review of the above product lines by number and dollar amounts originated, we will analyze Residential RE loans and Installment Loans originated in the Fort Scott AA and Commercial Loans in the Lenexa AA as the primary products in these respective areas.

There are no legal or financial constraints that impede the bank's CRA efforts. The last CRA examination dated February 19, 1998 rated the bank's performance as "Satisfactory". Since the last CRA examination, the bank has closed a branch in Olathe, Kansas. The bank transferred the Olathe customer's deposit accounts and the Olathe branch office to Bank of Blue Valley in July of 2001.

DESCRIPTION OF THE FORT SCOTT AND THE LENEXA ASSESSMENT AREAS

CB's assessment areas consist of identified census tracts in five counties in Kansas. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

The Fort Scott AA consists of 23 census tracts (CTs) in the four Kansas counties of Allen, Anderson, Bourbon, and Crawford. There are no low-income tracts in the AA. There are 6 moderate-income CTs (26%), 16 middle-income CTs (70%) and one upper-income CT (4%) in the AA. The population of this AA is 72,975 persons. The updated HUD, non-MSA median family income for 2001 is \$43,200. This compares to the 1990 Census median family income of \$26,052. In these four counties that comprise the Fort Scott AA, 22% of families are low-income, 20% are moderate-income, 25% are middle-income, and 33% are upper-income. The median housing value is \$29,330 and 63% of housing units are owner-occupied. The percentage of households below the poverty level is 19%.

The Fort Scott AA's economic base is diverse and stable, with manufacturing, government services (including education), retail establishments, agricultural, and healthcare services supporting the area. Local manufacturing facilities in the Fort Scott area include Key manufacturing, Mid-Continental Restoration, and Ward Kraft Labels. Competition consists of numerous banking and savings institutions. There are 31 financial institutions, including branches of large and mid-sized banks, in the Fort Scott AA. When large and mid-sized bank branches and the much smaller or single office banks are eliminated, there are four banks including CB, which are similarly situated with total assets between \$150 million and \$300 million.

The Lenexa AA consists of Johnson County that is in the Kansas City MSA. The AA contains 75 CTs. There are no low- or moderate-income CTs in the AA. There are 29 (39%) middle- and 46 (61%) upper-income tracts in the AA. The population is 355,054. The updated HUD median family income or 2001 is \$62,200, which compares to the 1990 Census median family income of \$52,338. In the Lenexa AA, 8% of the families categorized as low-income, 13% are moderate-income, 22% are middle-income, and 57% are upper-income. The median housing value is \$96,321, and 66% of the housing units are owner-occupied. The percentage of households below the poverty level is 4%.

The Lenexa AA is very diversified with major corporations and many independent small businesses. Manufacturing, government services (including education), health care, retail, and service industries provide most of the employment in the area. There are 57 financial institutions located in the AA, of which 9 banks, including CB, are similarly situated and have total assets between \$100 million and \$250 million.

Overall economic conditions are good and unemployment is generally low. The unemployment rate for the State of Kansas for 2001 was 4.3%. The unemployment average rate for the 4 counties, which comprise the Fort Scott AA for 2001, was slightly higher at 5.75%. The Johnson County unemployment rate for 2001 was near the state average at 4.5%.

Examiners reviewed or interviewed community contacts to determine the credit or banking needs of the communities. During the evaluation, we made a community contact with a local business person in the Fort Scott AA who serves much of the bank's AA. According to our contact, the local industrial park is full, and the area is looking for other light manufacturing employers. Housing for low- and moderate-income workers is adequate. However, quality lower or moderate priced homes for sale in the Fort Scott real estate market have been limited at times. Investors are providing much of the current housing needs for these workers. The contact identified affordable housing as still a concern for those with limited savings for the initial down payment. They did cite the first time homebuyer promotions put on by local banks is helping those borrowers with excellent credit history. The contact believes the local banks are doing a good job providing loans to qualified borrowers. The level of community development opportunities is limited for banks. A Lenexa community contact interview, which was done within the last twelve months by another regulatory agency, also indicated a strong economy, and identified small business loans as an area credit need.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

CB's lending to borrowers of different income levels and businesses of different sizes is satisfactory.

Fort Scott AA:

The primary loan products in the Fort Scott AA are 1-4 family residential real estate loans and Installment loans. The residential real estate sample includes purchase money, refinancing, and home improvement loans, as the bank did not maintain complete information to separate these loans further by category. We reviewed twenty of these loans originating during the period January 1, 1998 to March 31, 2002. The following table summarizes the bank's 1-4 family residential real estate loan performance in the AA.

1-4 Family Residential Real Estate Loans			
Income designation	% of Families*	Dollar	Number
Low- income level	22%	6%	10%
Moderate- income level	20%	17%	30%
Middle-income level	25%	4%	10%
Upper-income level	33%	73%	50%

* Data Source - 1990 U.S. Census *HUD - U.S. Department of Housing and Urban Development

The bank is extending credit to borrowers of all income levels. Performance to low-income individuals is adequate given the 19% poverty level in the AA. The bank's performance of lending to moderate-income borrowers is good and compares favorable with the percentage of families in that income level with 30% by number of the loans being made to such borrowers. A possible explanation for the high percentage by dollar of loans originated for the upper-income level borrower category in our sample is the ability to meet debt-servicing requirements. A common occurrence in lending is that borrowers in the upper-income level will often request and qualify for loans of larger amounts. The low- or moderate-income borrowers often cannot support the resulting higher payments of a larger loan.

Installment Loans			
Income Designation	% of Households*	Dollar	Number
Low- income level	29%	39%	40%
Moderate- income level	17%	37%	25%
Middle-income level	19%	15%	20%
Upper-income level	35%	9%	15%

* Data Source - 1990 U.S. Census *HUD - U.S. Department of Housing and Urban Development

The bank's installment lending to borrowers of low- and moderate-income levels is excellent. By both numbers of loans and dollars originated, the bank is above demographics for loans to low- and moderate-income individuals.

Lenexa AA:

The primary loan product in the Lenexa AA is commercial loans. The bank's lending to businesses of different sizes is adequate. We reviewed twenty commercial loans originated during the period January 1, 1998 to March 31, 2002. The community contact identified small business loans as a credit need for the area. The following table summarizes the bank's commercial loan performance compared to the number of businesses in the AA.

Commercial Loans				
Revenue Size for Business	Number of businesses in AA	% of businesses in AA	% of loans by number	% of loans by dollar
Annual gross revenues # \$1million	18,046	84%	75%	46%
Annual gross revenues > \$1million	2,272	11%	25%	54%
Revenues not reported	1,049	5%	0	0

* Data Source - 2001 Business Demographic Data

Loan-to-Deposit Ratio

CB's Loan-to-Deposit (LTD) ratio is satisfactory. The LTD ratio for the bank as of December 31, 2001 is 79%. The national peer average, which includes similar sized national banks across the country, is 76%. The LTD ratio since the last CRA evaluation is 74% based on a 17-quarter average. The average quarterly LTD ratio for the same period for similarly situated financial institutions in the Fort Scott AA is 83%. And, the average quarterly LTD ratios for the Lenexa AA for similarly situated financial institutions is 80% for the same period.

The Fort Scott AA contains 4 banks, including CB, that are similarly situated with total assets between \$150 million and \$300 million, multiple branch offices, and at least one office outside the AA. There are 9 banks including CB, in the Lenexa AA that have total assets between \$100 million and \$250 million, multiple banking offices, and at least one banking office outside the AA.

Lending in Assessment Areas

CB's lending in the respective AAs is satisfactory. The bank originates a majority of its loans both by number and dollar amount within its AAs. We randomly sampled twenty commercial, twenty residential real estate, and twenty installment loans originated from January 1, 1998 to March 31, 2002. These product lines were determined to be the primary products for the bank by number and dollar of loans originated since the last CRA evaluation. The sample of all sixty loans shows that 67% by number, and 72% by dollars were originated within the AA.

Originations within the AAs		
	% by number	% by dollar
Loan originations located in the AAs for all loans originated	67%	72%
Commercial Loans in the AAs for all commercial loans originated.	50%	53%
Real Estate Loans in the AAs of all real estate loans originated	75%	80%
Installment Loans in the AAs of all installment loans originated	75%	73%

Geographic Distribution of Loans

The analysis of the Fort Scott AA reflects a reasonable dispersion of residential real estate loans and installment loans, which are the primary product lines within this AA. There are no low-income CTs in the AA. And, there are a very limited number of moderate-income tracts.

We reviewed a sample of twenty residential real estate loans, and twenty installment loans originated within the Fort Scott AA since the last CRA evaluation. The following tables illustrate the loan dispersion by the income level of the CTs. The bank is lending in most income levels within the Fort Scott AA.

Residential Real Estate Loans in the Fort Scott AA			
Income level of CT	Number	Dollar	% of Owner Occupied Housing in Fort Scott AA
Low	0%	0%	0%
Moderate	20%	12%	20%
Middle	70%	65%	74%
Upper	10%	23%	6%

The bank lends in moderate-income CTs. The percentage of the number of loans in the sample is comparable to the percentage of owner occupied housing in the Fort Scott AA.

Installment Loans in the Fort Scott AA			
Income level of CT	Number	Dollar	% of Households in each CT
Low	0%	0%	0%
Moderate	10%	5%	24%
Middle	75%	84%	69%
Upper	15%	11%	7%

The bank's performance of providing installment loans to borrowers in moderate-income CTs by both numbers and dollars originated is below the percentage of households in the moderate-income CTs. The sample reflects the bank does make installment loans in moderate-income tracts.

However, there are a limited number of moderate-income CTs in the Fort Scott AA.

An analysis of the Lenexa AA was not performed. Such an analysis is not meaningful since the AA does not have low- or moderate-income census tracts.

Responses to Complaints

CB has not received any complaints about its CRA performance.

Fair Lending Review

CB is in compliance with the applicable antidiscrimination laws. An analysis of recent public comments, consumer complaint information, and HMDA information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.