
Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

September 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Evans City
Charter No. 8854**

**P.O. Box 250 Main Street
Evans City, Pennsylvania 16033**

**Comptroller of the Currency
Pittsburgh Duty Station
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146-2529**

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 National Bank of Evans City** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 23, 1996. 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 Satisfactory.

The primary factors supporting the bank's overall rating include:

- An average loan to deposit ratio is reasonable at 68%.
- A substantial majority of lending is in the assessment area: 79% and 84% of total loans were originated within the bank's assessment area in 1995 and 1996, respectively.
- Loan distribution indicates a reasonable penetration to low to moderate income level borrowers in 1995 and 1996.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- There is a good penetration of loans to small businesses.

The following table indicates the performance level of Citizens National Bank of Evans City with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Citizens National Bank of Evans City</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		x	
Lending in Assessment Area		x	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		x	
Geographic Distribution of Loans	x		
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank of Evans City (CNB) is a community bank located approximately thirty miles north of Pittsburgh, PA. The bank operates twelve full service offices and 19 automatic teller machines. The loan portfolio breakdown as of June 30, 1996 is as follows: 23% in 1-4 family residential, 39% commercial real estate, 3% multifamily real estate, 3% construction, 15% commercial, 14% consumer, 1% credit cards, and 2% municipal loans. CNB's primary competition in its assessment area includes large regional banks and other local community banks. CNB does not have any financial or legal impediments that hinder its efforts to help meet the credit needs of its assessment area. CNB is a wholly owned subsidiary of Citizens Inc., a one bank holding company.

DESCRIPTION OF ASSESSMENT AREA

CNB defines its assessment area as fifty-one census tracts within the Pittsburgh MSA, including northern Allegheny County, Butler County, eastern Beaver County, and western Armstrong County. The MSA median family income is \$32,787. The assessment area has thirty middle income census tracts making up 59% of the assessment area, four moderate income census tracts making up 8% of the assessment area, and seventeen upper income census tracts making up 33% of the assessment area. The bank's assessment area does not include any low income census tracts. The assessment area complies with regulatory requirements, no low or moderate income areas are arbitrarily excluded.

Employment opportunities in the area are primarily based in retail, wholesale, and services. The majority of the assessment area exhibits evidence of a stable, but not growing, market. Demographically, the area reflects national trends toward more single heads of households and an aging population with a slight decrease in the total population over the past 10 years. However, within the bank's assessment area is one community which is experiencing substantial growth. Cranberry township, in Butler County, is the fastest growing region of CNB's market area where there are positive trends in population growth and employment opportunities. There has been significant economic growth and the lending opportunities are expected to continue to rise. CNB management has assessed the housing needs in the areas of first-time home ownership and for additional affordable senior housing. They have targeted these two areas for immediate attention.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

Our analysis indicates an average loan to deposit ratio of 68% over the past eight financial quarters which has improved steadily over the past two years. This is due to the bank acquiring a branch with a substantial amount of deposits (\$65 million) causing their loan to deposit ratio to drop in 1993 and then subsequently rise with loan growth over the past three years. The bank's loan to deposit ratio compares slightly higher than that of its local peer banks, which is 66% as of June 30, 1996.

Lending in Assessment Area

Our analysis revealed that a substantial majority of lending is in the assessment area: 71% (262 loans) and 73% (181 loans) of loans on HMDA-LAR were originated within the bank's assessment area in 1995 and 1996, respectively. Moreover, an analysis of the dollar volume revealed that 79% and 84% of total loans were originated within the bank's assessment area in 1995 and 1996, respectively.

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

Loan distribution indicates a reasonable penetration to borrowers of different income levels given the lending opportunities and demographic and economic conditions in the area. From the 1995 and 1996 HMDA reports, originations of loans made within the assessment area by income category of borrowers are described in the following tables. The bank's area consists of 14% low income, 17% moderate income, 23% middle income, and 46% upper income families. Compared to these percentages, loan penetration to low income borrowers is slightly low due to most of the bank's lending opportunities coming from the Cranberry area where the economy is prospering, loan demand is continuing to rise, and the population is concentrated with young professionals who qualify as upper income borrowers. The loan demand from the rest of the bank's assessment area is very low.

The tables below provide the number of residential mortgage loans granted by the bank for 1995 and year to date 1996. This information is broken down by type of mortgage loan and the number and percentage of loans originated by each income group.

Loan Originations by Income Category of Borrowers in 1995*								
	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Purchase	8	3%	11	4%	20	8%	39	15%

Home Improvement	13	5%	32	12%	35	14%	77	30%
Refinance	1	0%	4	2%	4	2%	13	5%
Total	22	8%	47	18%	59	24%	129	50%

*Five loans originated within the assessment area did not have income information. That is why the total number of loans is 257 loans instead of 262.

Loan Originations by Income Category of Borrowers for Year to Date 1996*								
	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Purchase	7	4%	5	3%	12	7%	23	13%
Home Improvement	7	4%	12	7%	15	9%	24	14%
Refinance	1	1%	9	5%	24	14%	33	19%
Total	15	9%	26	14%	51	30%	80	47%

* Nine loans originated within the assessment area did not have income information. This explains why the total number of loans equals 172 loans, instead of 181.

There is a good penetration of loans to small business. Information from the June 30, 1996 Call Report indicates that total small business loans of \$48 million represent 54% of commercial lending or 27% of total gross loans and leases. A small business loan is defined as a loan with an original amount of less than \$1 million.

Small Business Loans By Size of Loan					
Loan Size	Commercial Real Estate		Commercial Loans		% By Dollar Volume
	#	\$(000)	#	\$(000)	
<\$100M	118	5,142	15	526	6%
\$100-\$250M	66	11,122	9	1,195	14%
\$251M-\$1MM	55	27,063	8	3,364	34%
>\$1MM	N/A	13,895	N/A	27,776	46%

Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent dispersion throughout the assessment area. An internally generated 1996 CRA lending report shows that 11% of

total loans were made in the moderate income area, 80% in the middle income areas, and 9% in the upper income areas. This compares favorably to the bank's assessment area which is comprised of 8% moderate, 59% middle, and 33% upper income census tracts. 1995 information is not available because the bank did not start census track coding until this year. There is a high percentage of lending in the middle income census tracts because the majority of all households reside inside them. The distribution of the various households is 70% of low-, 73% of moderate-, 71% middle- and 57% of upper income households reside within the middle income census tracts.

No substantive violations of antidiscrimination laws and regulations were noted during the concurrent fair lending examination.