



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 19, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter Number 3175**

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

**Office of the Comptroller of the Currency
Joplin Field Office
1710 East 32nd Street, Suite H
Joplin, Missouri 64804**

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 CRA performance of **Citizens National Bank, Fort Scott, Kansas** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of February 19, 1998. 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.**”

Citizens National Bank is helping to meet the credit needs of its assessment areas. The bank consistently maintains a high loan-to-deposit ratio, with a majority of loans being made within its assessment areas. Loans are dispersed to borrowers of all income levels.

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is a \$137 million bank headquartered in Fort Scott, Kansas. CNB also operates four branch offices in Gas, Kincaid, Lenexa, and Pittsburg, Kansas. CNB is wholly owned by First Capital Corporation, a one-bank holding company.

CNB offers a full range of commercial, agricultural, real estate and consumer credit products, in addition to traditional deposit services. Commercial loans dominate the loan portfolio, representing 48% of the outstanding dollar amount of total loans as of September 30, 1997. One-to-four family residential and construction loans form 22% of total loans. The remaining portfolio mix consists of farm real estate and agriculture production loans (11%), and consumer loans (6%). No financial or legal impediments prevent CNB from helping to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREA

CNB has two assessment areas (AA) in Kansas. The Fort Scott AA includes the counties of Bourbon (representing the main bank), Crawford (the Pittsburg branch), Allen (the Gas branch), and Anderson (the Kincaid branch). The Lenexa AA includes Johnson County. The Lenexa AA is a part of the Kansas City, Missouri-Kansas Metropolitan Statistical Area (Kansas City MSA). According to the 1990 Census statistics, the population of the Fort Scott and Lenexa AAs are 72,975 and 355,054, respectively.

Fort Scott AA

The 1997 Department of Housing and Urban Development (HUD) estimated statewide non-metropolitan median family income for Kansas is \$36,100. The AA has twenty-three tracts: Six are moderate-income, sixteen are middle-income, and one is upper-income. Within the AA, 22% of families are low-income, 19% moderate, 25% middle, and 33% upper. The average housing cost in the AA is \$29,330, with 62% of the housing units owner-occupied. Agriculture and related industries dominate the area. Other major employers include local universities, medical facilities, and light manufacturing companies. Seventeen other banks headquartered in the AA compete with CNB.

Lenexa AA

The 1997 HUD estimated median family income for the Kansas City MSA is \$50,200. Johnson County does not have any low- or moderate-income census tracts. Within the AA, 8% of families are low-income, 13% moderate, 22% middle, and 57% upper. The average housing cost in Johnson County is \$96,321 with 65% of the housing units owner-occupied. Numerous employers offer diverse employment opportunities. Twenty-one other banks headquartered in the AA compete with CNB.

The primary credit needs of the Fort Scott AA remains affordable housing and small business loans. Johnson County continues to experience excellent growth in population and commercial businesses. Its credit needs are primarily housing and small business loans. These needs were obtained from recent community contacts performed by other regulatory agencies, and two contacts from the Fort Scott AA during this examination.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our analysis focused on business credit because CNB's primary product line is commercial loans. In addition, we analyzed residential mortgage information because this was also identified as a credit need by community contacts.

Loan-to-Deposit Ratio

CNB's loan-to-deposit ratio is higher than average. According to CNB's Consolidated Reports of Condition, the bank's eight quarter average loan-to-deposit ratio is 76% as of September 30, 1997. This ratio consistently ranks above the 63% average for all other banks located in CNB's two AAs. This ratio is also higher than the average of each AA. Competitors in the Fort Scott AA averaged an eight quarter loan-to-deposit ratio of 59%. Competitors in the Lenexa AA averaged an eight quarter loan-to-deposit ratio of 66%.

Lending in Assessment Areas

The bank originates a majority of its loans within its assessment areas. Based on a sample of thirty-two commercial loans, which represents 25% of new commercial loans originated in 1997, 72% of loans (by number) were made within CNB's two AAs. By AA, 87% of new loans originated by branches located in the Fort Scott AA were within the AA. For the Lenexa branch, 59% of new loans were made within the AA.

The following chart shows that a substantial majority of the bank's mortgage loan originations (home purchase, home improvement, and refinance loans) have also been within the bank's AA. This data was obtained from the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR).

Mortgage Loan Originations (By Number)		
	1996	1997
In AA	147	82
Outside AA	2	7
% in AA	99%	92%

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

The distribution of business loans reflects a good record of serving businesses of different sizes. This analysis is based on a sample of 25% of new commercial loans originated in 1997, adjusted for out-of-area loans. The chart shows that CNB lends a large percentage of commercial loans to businesses with revenues less than \$1,000,000. CNB's performance approximates the 1995 Dunn and Bradstreet Business Demographic data (D&B).

Distribution of Business Loans by Gross Revenues						
Business Revenue	Fort Scott AA			Lenexa AA		
	#	%	D&B	#	%	D&B
Less than \$1,000,000	11	84%	90%	9	90%	83%
More than \$1,000,000	2	16%	10%	1	10%	17%

The distribution of mortgage lending reflects reasonable penetration among individuals of different income levels. The tables below show the distribution of HMDA-LAR reportable loans (home purchase, home improvement, and refinance loans) originated among borrowers of different income levels within the Fort Scott AA. Data for the Lenexa AA is not displayed since there were only four consumer mortgage loans extended in this AA during the past two years.

Fort Scott AA - Mortgage Loan Originations					
Borrower Income Level	1996		1997		Percentage of families within assessment area
	#	%	#	%	
Low	15	11%	7	9%	22%
Moderate	19	13%	22	27%	19%
Middle	41	29%	15	18%	25%
Upper	67	47%	38	46%	33%
Total Originations	142		82		

Geographic Distribution of Loans

A detailed analysis of the bank’s geographic distribution of loans is not meaningful. The Lenexa AA does not contain any low- or moderate-income geographies. The Fort Scott AA contains six moderate-income block numbering areas. CNB has two bank facilities located within the Fort Scott AA moderate-income block numbering areas. A sample of 25% of all new commercial loans made in 1997 indicates that 69% (nine of thirteen) of business loans originated in the Fort Scott AA were made to businesses located in moderate-income block numbering areas.

Compliance with Antidiscrimination Laws and Regulations

Examiners did not identify any substantive violations or evidence of discrimination.