



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

June 30, 1997

Community Reinvestment Act Performance Evaluation

**Citizens National Bank of Evansville
Charter Number 2188**

**20 N.W. Third Street
Evansville, Indiana 47708**

**Office of the Comptroller of the Currency
Central District Office
One Financial Place, Suite 2700
440 S. LaSalle Street
Chicago, Illinois 60605**

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 of Evansville** (Citizens) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 30, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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 "**Outstanding record of meeting community credit needs.**" The **prior** Performance Evaluation dated March 28, 1995, resulted in an outstanding rating.

Major Factors Supporting the Institution's Rating:

- An excellent responsiveness to Home Mortgage Disclosure Act (HMDA) credit needs in its assessment areas;
- A substantial majority of Citizens loans are made in its assessment areas;
- An occasional use of innovative and/or complex investments;
- Delivery systems that are readily accessible to all portions of Citizens assessment areas.
- An excellent distribution of loans among HMDA, small business and small farm borrowers;
- A leadership role in making community development loans; and
- A good geographic distribution of loans inside the assessment areas.

The following table indicates the performance level of **Citizens** with respect to the lending, investment, and service tests.

Performance Levels	Citizens National Bank of Evansville Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High satisfactory			
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Citizens is a \$2.1 billion bank owned by CNB Bancshares, Inc. (CNBB), which is headquartered in Evansville, Indiana. Total assets of the holding company were \$4.1 billion as of December 31, 1996. CNBB owns other banks in southern Illinois, western Kentucky, and central Indiana. Citizens is the largest subsidiary of the holding company.

Citizens is a full service financial institution with a primary business focus on real estate lending, and a secondary focus on both commercial and consumer lending.

There are no impediments that would hamper the bank's ability to help meet the needs of its assessment area. Citizens has a strong capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Table 1 Balance Sheet as of December 31, 1996			
Net Loans	\$ 1,016,438	Total Deposits	\$ 1,345,400
Investments	688,439	Other Liabilities	12,579
Other Assets	32,566	Total Liabilities	1,919,151
		Total Equity Capital	136,978
Total Assets	\$ 2,056,129	Total Liabilities and Capital	\$ 2,056,129

Source: FFIEC Report of Condition (Dollar amounts are in \$000's)

The loan portfolio contains: 53% real estate loans (with 56% of this percentage secured by 1-4 family residential properties); 20% commercial and industrial loans; 19% loans to individuals; and 2% agricultural loans and 6% for various other purposes.

The bank has two assessment areas. The larger of the two assessment areas comprises a portion of the Evansville-Henderson, IN-KY multistate metropolitan statistical area (MSA). This MSA is also referred to as MSA #2440. This multistate MSA includes three counties in Indiana and one in Kentucky. The bank's assessment area includes only the Indiana side of this multistate MSA. The three counties making up this assessment area are Vanderburgh, Warrick and Posey Counties. The second assessment area (hereafter referred to as Gibson/Knox) includes Gibson and Knox Counties in Indiana. Gibson County is north of and immediately adjacent to Vanderburgh County, while Knox County is immediately north of Gibson County.

Citizens operates 27 full-service branches, with automated teller machines (ATMs) provided at each facility. Citizens also operates a drive-up facility in Posey County at the bank's Processing Center and a Community Resource Center (CRC) in Vanderburgh County. The purpose of the CRC is identification of credit needs and educational assistance for low- and moderate-income (LMI) borrowers. All of Citizens facilities are located in Indiana.

Citizens sold six branch locations to other CNBB affiliates since the last evaluation that were acquired through the purchase of a local savings bank. One of the bank's existing locations was closed due to its proximity to one of the newly acquired branch locations. The closed branch was not located in a LMI area. This newly acquired branch could more efficiently serve the bank's customers. Three additional branches obtained through the acquisition were transferred to CNBB's central Indiana bank due to their geographic location.

Primary competition in Vanderburgh and Warrick Counties includes Old National Bank in Evansville, National City Bank of Evansville, Permanent Federal Savings Bank, United Fidelity Savings Bank, and First Federal Savings Bank. Competition in Posey County is Old National Bank in Evansville. Competition in Gibson County is National City Bank of Evansville and Old National Bank in Evansville. Competition in Knox County is AmBank, which has also expanded into Gibson and Vanderburgh Counties. Citizens has an approximate 28% deposit market share in Vanderburgh County when considering all competition, 45% in Posey County, 9% in Warrick County, 43% in Gibson County, and 6% in Knox County.

ASSESSMENT AREAS DESCRIPTION

Tables 2-4 detail pertinent information concerning the bank and various demographic data that was used in connection with our review of the bank's CRA performance. Information in the tables is broken out for each of the bank's two assessment areas.

Table 2 reflects the number of low-, moderate-, middle-, and upper- income geographies. The assessment areas comprise 85 geographies, with 26 or 31% LMI. It was noted that one tract had no reported income, consisted largely of farm land, and is not included in the table. Table 2 also provides information on the distribution of the bank's branches, deposits, and the population of the assessment areas.

Table 2 Distribution of Geographies, Branches, Deposits and Population								
Assessment Area	Low-Income	Moderate-Income	Middle-Income	High-Income	Geographies	Total Branches	Distribution of Deposits	Population
MSA 2440	3	21	27	18	69	19	83.3%	235,946
Gibson-Knox	0	2	12	1	15	8	16.7%	71,797
Total	3	23	39	19	84	27	100%	307,743

Source: PCI Services, Inc.
Call Report Data

Table 3 details statistics on the number and percentage of families that reside in the various geographic types. The table reveals approximately 21% of the families within the assessment areas reside in LMI geographies. This information is used to compare the bank's lending activities within the various geographic categories.

Table 3 Number and Percentage of Families Based Upon Geographic Type				
Assessment Area	Low	Moderate	Middle	Upper
MSA 2440	839 1.3%	15,131 23.3%	25,291 38.9%	23,776 36.5%
Gibson/Knox	0 NA	1,646 8.5%	16,407 84.6%	1,340 6.9%
Total	839 1.0%	16,777 19.9%	41,698 49.4%	25,116 29.7%

Source: PCI Services, Inc.

Table 4 details the number and percentage of owner occupied units that are located in the various geographic categories. The table reveals that 18.5% of the units are located in LMI geographies. It also reveals that there are a very low number of units in low-income geographies. This information is used to determine the bank's lending opportunities subject to the Home Mortgage Disclosure Act (HMDA), throughout the various geographic categories.

Table 4 Number of Owner Occupied Units Based Upon Geographic Type				
Assessment Area	Low	Moderate	Middle	Upper
MSA 2440	534 0.8%	13,325 20.9%	25,520 40.0%	24,457 38.3%
Gibson/Knox	0 NA	1,728 8.5%	17,096 84.0%	1,536 7.5%
Total	534 0.6%	15,053 17.9%	42,616 50.6%	25,993 30.9%

Source: PCI Services, Inc.

Table 5 depicts the number and percentage of families within the bank's assessment areas based upon income level. The table reveals that 37% of the families have low- or moderate incomes. The highest concentration of families is in the upper-income level which constitutes nearly 39% of all families. This information is used to compare the bank's lending patterns to HMDA borrowers of different income levels.

Table 5 Number and Percentage of Families Based Upon Income Level				
Assessment Area	Low	Moderate	Middle	Upper
MSA 2440	11,746 18.1%	11,987 18.4%	15,553 23.9%	25,754 39.6%
Gibson/Knox	3,881 20.0%	3,693 19.0%	4,830 24.9%	6,992 36.1%
Total	15,627 18.5%	15,680 18.6%	20,383 24.1%	32,746 38.8%

Source: PCI Services, Inc.

Table 6 provides information on the number and percentage of companies with sales of less than \$1 million. This table reveals that there are 6,898 businesses and 301 farms within the bank's assessment areas that have revenues of less than \$1 million. The table also provides information on the number and percentage of companies that are located in the various income geographies. This information was used in conjunction with the bank's lending activity to small businesses or farms.

**Table 6
Number and Percentage of Businesses and Farms With Annual Revenues of
Less than \$1 Million Based Upon Geographic Type**

Assessment Area	Low		Moderate		Middle		Upper		Total	
	Business	Farm	Business	Farm	Business	Farm	Business	Farm	Business	Farm
MSA 2440	134	3	1,432	18	2,477	70	1,357	65	5,400	156
Gibson/Knox	0	0	144	4	1,267	132	87	9	1,498	145
Total	134 1.9%	3 1.0%	1,576 22.9%	22 7.3%	3,744 54.3%	202 67.1%	1,444 20.9%	74 24.6%	6,898 100.0%	301 100.0%

Source: PCI Services, Inc.

No unmet credit needs were identified in a review of community contacts. The primary credit needs identified through the bank's ascertainment program were low- and moderate-income housing loans; multifamily housing loans; and small business loans. These needs are being adequately addressed by financial institutions, including Citizens, within the bank's assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Citizens lending test is rated Outstanding. Lending activity demonstrates:

- An excellent responsiveness to the HMDA related credit needs in its assessment areas;
- A substantial majority of loans are made in its assessment areas;
- An excellent distribution of loans among HMDA, small business and small farm borrowers;
- A leadership role in making community development loans;
- An extensive use of flexible lending criteria; and,
- A good geographic distribution of loans inside the assessment areas.

Assessment area concentration:

Table 7 reveals that a substantial majority of the bank's loans, by both number and dollar amount (74.5% and 89.2% respectively) are made inside Citizens assessment areas. The table depicts the number and amount of the bank's HMDA reportable loans, small business and small farm loan originations. The home mortgage loans include loan originations for 1996. Information for 1995 was not available because HMDA did not require geocoding for non MSA areas, which constitutes the Gibson/Knox assessment area. Data for the number and dollar amount of small business and small farm loans is only for 1996. Although not detailed in Table 7, it was noted that only 27.8% of the bank's home improvement loans were made within the bank's assessment areas. The primary reason for this low percentage is attributed to the bank's large indirect home improvement dealer network. The effect the home improvement portfolio has on the percentage of home mortgage loans (#'s and \$'s) in Citizens assessment area is more apparent when these loans are excluded in the calculation. In that event the percentage of home purchase and refinanced loans within the bank's assessment areas is 89.2% and 86.7% respectively.

Table 7 Ratio of Loans Inside the Assessment Areas (AA)				
	Home Mortgage	Small Business	Small Farm	Total
# of Loans Inside the AA's	1,565	239	103	1,907
Total # of Loans	2,209	246	106	2,561
% of Loans Inside/ Total # of Loans	70.9%	97.2%	97.2%	74.5%
\$ of Loans Inside the AA's	\$110,167	\$16,002	\$3,037	\$129,206
Total \$ of Loans	\$125,050	\$16,802	\$3,074	\$144,926
% of Loans Inside/ Total \$ of Loans	88.1%	95.2%	98.8%	89.2%

Source: 1995 and 1996 HMDA LAR
1996 Small Business/Small Farm Data Collection Register
Dollar amounts are in \$000's

Geographic Distribution of Loans:

The overall geographic distribution reflects a good penetration within Citizens assessment area. This is based on the location of Citizen's HMDA, small business, and small farm loans compared with the opportunities within its assessment areas. The bank has made loans in all but one of the geographies making up its two assessment areas. The one geography that they did not make a loan in has the lowest level of owner-occupied housing units.

Table 8 displays the percentage of geographies in which at least one loan (of the type indicated) has been originated since the prior evaluation. The table also demonstrates that the bank has a good penetration for HMDA loans in low-income geographies, especially considering the low number of owner-occupied units. A review of HMDA data revealed that the bank originated loans in twenty-five of the twenty-six LMI geographies. The geography with no penetration contains the lowest level of owner occupied units. A review of small business/farm data revealed that two low-income geographies had no activity. It is also noted that one of these two tracts contains no business or farm entities. We did not identify any significant differences between geographic penetration in the bank's two assessment areas. Citizens lending patterns were consistent with its lending opportunities and business focus in its assessment areas.

Table 8 Penetration by Geography Level				
Geography Type	HMDA	Small Business	Small Farm	Combined
Low-Income	66.7%	33.3%	0.0%	66.7%
Moderate-Income	100.0%	69.6%	13.0%	100.0%
Middle-Income	92.3%	74.4%	53.8%	100.0%
Upper-Income	94.7%	84.2%	15.8%	100.0%
Total	94.0%	73.8%	32.1%	98.8%

Source: 1995 and 1996 HMDA LAR
1996 Small Business/Small Farm Data Collection Register

Home Mortgage Loans

Table 9 illustrates the number and amount of HMDA loans that were originated in each income type of geographic area within the bank's assessment areas. The table includes all 1996 HMDA loans originated within both of Citizen's assessment areas. However, the table includes HMDA loans originated in 1995 only in the MSA portion of Citizens assessment area (i.e., it excludes 1995 HMDA loan data in the Gibson/Knox assessment area). This table indicates nearly 18% of the number of HMDA loans were made in LMI geographies. This is considered reasonable when compared with the percentage of owner-occupied units (18.5%) in these geographies and with the percentage of families residing in the LMI geographies (21%). It should be noted that the 308 loans that were not geocoded are from Posey County. The bank was not required to track these loans by geography in 1995, however all of the census tracts in Posey County are either middle or upper income.

Table 9					
Geographic Distribution of HMDA Loans					
Geographic Type	Number (#) of Loans in the AA	Percent of Total	Dollar of Loans in the AA	Percent of Total	Percent of Total Owner Occupied Units
Low-Income	14	0.5%	\$290	0.2%	0.6%
Moderate-Income	482	17.3%	\$14,669	8.5%	17.9%
Middle-Income	935	33.5%	\$51,067	29.5%	50.6%
Upper-Income	1,052	37.7%	\$95,396	55.1%	30.9%
Not available	308	11.0%	\$11,677	6.7%	NA
Total	2,791	100.0%	\$173,099	100.0%	100.0%

Source: 1995 and 1996 HMDA LAR
Dollar amounts are in \$000's

Although not reflected in Table 9, the bank's percentage of loans in LMI geographies compares favorably with other lenders within the bank's MSA assessment area. For example, in 1995, 20.2% of the bank's HMDA loans were made in LMI geographies, compared to 18.3% for all other lenders making HMDA loans within the Evansville-Henderson, Indiana-Kentucky MSA. Based on 1995 HMDA data (the most recent data available with market share information), Citizens had an overall market share in its MSA assessment area of 19.2% versus a market share of 21.2% in the LMI geographies.

Table 10 represents a more detailed breakdown of the HMDA data presented in Table 9. Table 10 shows that 17.8% of the bank's home purchase loans were originated in LMI geographies. This percentage of originations compares similarly with the percentage of owner occupied units (18.5%) in the LMI geographies. Citizens also originated 28.4% of its home improvement loans in LMI geographies.

Citizen's percentage of lending in LMI geographies within the Evansville-Henderson, Indiana-Kentucky MSA is greater than the level of all other lenders in the aggregate. In 1995, 20.4% of the bank's home purchase loans were originated in LMI geographies compared to 15.8% for all lenders. In the home improvement area, the bank originated 24.9% of its loans in LMI geographies compared to 21.9% for all other lenders. HMDA data for 1995 reveals that Citizen's market share in LMI geographies was larger than its overall market share. Citizen's overall market share in the MSA assessment area for home purchase loans was 19.9% and its market share within LMI geographies was 25.6%. For home improvement loans Citizen's had an overall market share of 24% and a market share within LMI geographies of 27.3%.

Table 10					
Geographic Distribution by Product Type					
HMDA Loans					
Geographic Type	Home Purchase	Refinance	Home Improvement	Multi-family	Total
Low-Income	9	1	4	0	14
	0.5%	0.2%	1.0%	NA	0.5%
Moderate-Income	301	64	115	2	482
	17.3%	10.3%	27.4%	33.3%	17.3%
Middle-Income	560	261	111	3	935
	32.1%	42.1%	26.4%	50.0%	33.5%
Upper-Income	709	240	102	1	1,052
	40.6%	38.7%	24.3%	16.7	37.7%
NA	166	54	88	0	308
	9.5%	8.7%	20.9%	NA	11.0%
Total	1,745	620	420	6	2,791
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1995 and 1996 HMDA LAR

Small Business and Small Farm Loans

Citizen's geographic distribution of small business and small farm lending is adequate. Table 11 depicts the percentage of small business and small farm loans by geographic type. This information is also shown for each assessment area. The table shows that 18.3% of Citizen's small business loans were made to borrowers in LMI geographies. Based on demographics for small business loans, 24.8% of all small businesses within the bank's assessment area are located in LMI geographies.

Table 11 also shows that 2.9% of the bank's farm loans were originated to borrowers in LMI geographies. Demographic data reveals that 8.3% of all farms are located in LMI geographies.

Please note that 1996 was the first year banks were required to collect this information.

Table 11 Geographic Distribution of Small Business and Small Farm Loans						
Geographic Type	Small Business			Small Farm		
	MSA 2440	Gibson/Knox	Total	MSA 2440	Gibson/Knox	Total
Low-Income	2.2%	NA	1.6%	0.0%	NA	0.0%
Moderate-Income	19.4%	7.4%	16.7%	2.9%	2.9%	2.9%
Middle-Income	57.3%	87.0%	64.0%	67.6%	91.3%	83.5%
Upper-Income	21.1%	5.6%	17.7%	29.5%	5.8%	13.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1996 Small Business/Small Farm Data Collection Register

Borrowers' Profile:

The overall distribution of Citizen's home mortgage, small business, and small farm loans based on borrower characteristics is excellent. This is due to the product lines offered and efforts to market products specifically targeted to meet the needs of LMI borrowers.

Home Mortgage Loans

Table 12 details the number of HMDA reported loans in 1995 and 1996 to borrowers of different income levels in both assessment areas. The table shows that the level of home mortgage loans in Citizen's assessment areas to LMI borrowers is good at 35.1% of all HMDA originations. This percentage approximates the level of LMI families living in the assessment area at 37.1%.

Table 12					
Borrower Distribution of HMDA Loans					
Income Level of Borrower	Number (#) of loans in the AA	Percent of total	Dollar (\$) of loans in the AA	Percent of total	Percent of total Families in the AA
Low-Income	372	13.3%	\$11,267	6.5%	18.5%
Moderate-Income	608	21.8%	\$24,772	14.3%	18.6%
Middle-Income	656	23.5%	\$31,075	18.0%	24.1%
Upper-Income	1,109	39.7%	\$98,681	57.0%	38.8%
Not Available	46	1.7%	\$7,304	4.2%	NA
Total	2,791	100.0%	\$173,099	100.0%	100.0%

Source: 1995 and 1996 HMDA LAR
Dollar Amounts are in \$000's

Information contained in Table 12 is detailed further in Table 13. Table 13 shows that 14.7% of Citizen's home purchase loans were originated to low-income borrowers and 24.2% to moderate-income borrowers. Table 13 also shows that 35% of the bank's home improvement loans were originated to LMI borrowers. These percentages compare favorably with the percentage of families with low- and moderate-incomes as shown in Table 12.

Citizen's had a higher percentage of home purchase loans to LMI borrowers than all lenders in aggregate. In 1995, 43.4% of Citizen's home purchase loans made within the MSA were originated to LMI borrowers, compared to 34.7% for all other lenders. In the home improvement area, Citizen's originated 32.3% of its loans to LMI borrowers, compared to 32.5% for all other lenders. HMDA data for 1995 shows Citizen's market share within its MSA assessment area of home purchase loans to LMI borrowers was 24.9%, compared to its overall market share of 19.9%. For home improvement loans Citizen's overall market share of 24% compares to its market share of loans to LMI borrowers.

Table 13					
Geographic Distribution by Product Type					
HMDA Loans					
Income Level of Borrower	Home Purchase	Refinance	Home Improvement	Multi-family	Total
Low-Income	256	51	65	0	372
	14.7%	8.2%	15.5%	NA	13.3%
Moderate-Income	422	104	82	0	608
	24.2%	16.8%	19.5%	NA	21.8%
Middle-Income	363	158	135	0	656
	20.8%	25.5%	32.1%	NA	23.5%
Upper-Income	678	296	135	0	1,109
	38.8%	47.7%	32.1%	NA	39.7%
Not Available	26	11	3	6	46
	1.5%	1.8%	0.8%	100.0%	1.7%
Total	1,745	620	420	6	2,791
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1995 and 1996 HMDA LAR

Small Business and Small Farm Lending

Citizen's overall volume of loans to small businesses and small farms is adequate. It should be noted that small business and small farm lending is not a major focus of the bank. Table 14 shows that in 1996, the bank originated approximately \$19 million in small business and small farm loans within its assessment areas. All small business and small farm loans were made to businesses that had revenues of less than \$1 million and farms with revenues less than \$500,000 (these are the definitions of small business and farm loans). Demographic data for the bank's assessment area shows that there are 6,898 businesses with revenues of less than \$1 million.

Table 14				
Loans to Small Businesses and Small Farms				
	Number		Dollar Amount	
Type of Loan	Small Business	Small Farms	Small Business	Small Farm
MSA 2440	185	34	\$13,271	\$1,002
Gibson/Knox	54	69	\$2,731	\$2,035
Total	239	103	\$16,002	\$3,037

Source: 1996 Small Business/Small Farm Data Collection Register
Dollar amounts are in \$000's.

Table 15 summarizes Citizen's small business and small farm lending by loan amount. It shows that a vast majority of these types of loans are being made to the very small businesses and farms. This is evidenced by the fact that 84.6% of its small business loans and 96.2% of its small farm loans originated in amounts less than \$100,000. These loans comprise 35.5% and 80.0% of the dollar amount of small business and farm loans, respectively. This supports the conclusion that the bank's penetration of loans to small businesses and small farms is reasonable.

Table 15						
Number of Small Business and Small Farm Loans						
By Loan Amount at Origination						
Loan Amount at Origination	Small Business			Small Farm		
	MSA 2440	Gibson/Knox	Total	MSA 2440	Gibson/Knox	Total
Less than \$100,000	84.5%	85.2%	84.6%	94.2%	97.2%	96.2%
Between \$100,000 - \$250,000	12.1%	13.0%	12.3%	2.9%	1.4%	1.9%
Between \$250,000 - \$1,000,000	3.4%	1.8%	3.1%	2.9%	1.4%	1.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1996 Small Business/Small Farm Data Collection Register

Community Development Lending:

Citizens is a leader in the community in originating community development loans. Community development loans are those that have as their primary purpose community development; have not been previously considered in this evaluation (except for multifamily dwelling loans); and benefit the bank's assessment areas or a broader statewide or regional area that includes the bank's assessment areas.

The bank originated three loans totaling \$895,000 for community development projects during 1995 and eight loans totaling \$2,715,000 for community development purposes in 1996.

Below is a partial listing of some of the projects that the bank has become involved in:

Coalition for Housing Opportunities in the City of Evansville (CHOICE) - This organization acquires homes in LMI areas, rehabilitates them, and rents or sells them to LMI families. Citizens lent CHOICE \$50,000 to support general operational expenses.

Southern Indiana Appraisal, Inc. - Citizens lent \$1,670,000 for this project to assist in construction and permanent financing for the rehabilitation of this 120-unit LMI multi-family project. All units are approved for HUD Section 8 renters.

Memorial Community Development Corporation - Citizens lent this neighborhood-based community development corporation \$24,000 to acquire an abandoned factory to be demolished, with the land used for building sites to construct new businesses to help revitalize this low-income geography.

Innovative or Flexible Lending Practices:

The bank makes extensive use of flexible lending practices to address the credit needs of LMI individuals and small businesses. There were no innovative lending practices observed at this time. The extent of activity under the available programs is widespread. Below is a listing of the programs that are available to LMI individuals and small businesses. Lending volume in 1995 and 1996 is also provided. The number and dollar amount of loans in these respective programs is included in the various small business and mortgage tables previously detailed.

Partnership Mortgage Loan Program - This program assists LMI individuals with owning a home through its flexible underwriting standards. Although borrowers can qualify with income of up to 100% of the area median income, the majority of individuals using this program are low- or moderate-income borrowers. The properties may be new, existing or rehabilitated homes. There is no minimum loan amount, but the maximum loan is \$72,750. The minimum down payment is 3% for a 30 year fixed rate loan with no points and no requirement for private mortgage insurance. Under this program, Citizens originated 274 loans totaling \$10,710,000 in 1995 (36.3% of home purchase originations) and 209 loans totaling \$8,925,000 in 1996 (21.1% of home purchase originations).

Partnership Home Improvement Loan Program - This program was developed to complement the Partnership Mortgage Loan Program. Loans made through this program are simple interest fixed rate, with a maximum term of 60 months and a maximum loan amount of \$10,000. The maximum loan to value is 97%. The property must be the borrower's primary residence. Citizens originated four loans totaling \$20,534 in 1995 and four loans totaling \$23,923 in 1996.

Capital Access Program - This is a loan program through the State of Indiana for small businesses that need funding, but lack sufficient collateral to obtain financing through normal bank underwriting standards. The bank uses this flexible program to assist these borrowers. A small percentage of the borrower's loan is placed in a reserve account. This amount is matched by the state. The reserve account is used to pay the bank for any losses that might occur due to collateral shortfalls, should a borrower default. Citizens made six loans totaling \$351,000 in 1995 and four loans totaling \$258,000 in 1996 through this program.

INVESTMENT TEST

Citizens investment activity is rated Low Satisfactory. Investment activity demonstrates:

- An adequate level of qualified community development investments and grants;
- An adequate responsiveness to credit and community economic development needs; and,
- Occasional use of innovative and complex investments.

Investment and grant activity:

Citizens has an adequate level of qualified investments, but rarely participates in investments that are not routinely provided by private investors. During 1995, Citizens made 47 donations and grants to 35 different organizations totaling \$65,860. During 1996, Citizens made 52 donations and grants to 35 different organizations totaling \$55,003. Citizens made a substantial majority of these qualified donations and grants within the MSA assessment area. Several of the more significant grants included funds to the following organizations:

Evansville Minority Community Development Fund - The focus of this organization is to provide training for LMI individuals to prepare them for home ownership through bank financing. This organization also works with minority small businesses to refer them to financial institutions to help meet their financing needs.

United Way - United Way is an intermediary that funds various nonprofit organizations.

Habitat for Humanity - Citizens largest contribution was to Habitat's biannual housing blitz to construct a home for sale to a LMI family.

Evansville Coalition for the Homeless (ECHO) - This nonprofit organization's goal is to assist homeless families in transition to find good affordable housing. The ECHO has completed a small amount of new construction.

Local Initiative Support Contribution (LISC) - Citizens supports this organization with the purpose of working to expand housing opportunities in LMI areas.

Responsiveness to credit and community development needs:

Citizens displays an adequate responsiveness to credit and community economic development needs. The bank has not participated in any local municipal investments or low income housing tax credits since the last Performance Evaluation. Management stated that opportunities in these areas are very limited. The bank has helped meet credit needs in the form of lending relationships, which are detailed in the Lending Test section of this Performance Evaluation, donations as detailed above, and through services as detailed later.

Use of innovative and/or complex investments:

Citizens participated in a grant program through the Federal Home Loan Bank (FHLB) to make funds available for a local multi-family housing development. The funds are provided by the FHLB to the borrower through the bank. The bank recognized a contingent liability of \$265,500 for the amount of funding provided by the FHLB. Should the borrower not rent to low-income borrowers as determined by HUD, the grant becomes a loan and has to be repaid.

SERVICE TEST

Overall, the service test is rated outstanding. Citizen's service activities demonstrate:

- The bank is a leader in providing community development services. This is accomplished through the bank's Community Resource Center, which is recognized as a leader in the nation as a tool to penetrate low- and moderate-income geographies with the bank's affordable mortgage lending program. This delivery system has helped Citizens originate a large volume of loans in the *Partnership Home Mortgage Loan* program.
- Readily accessible retail delivery systems in all portions of the bank's assessment areas.
- Business hours and services do not vary in a way that inconveniences any portion of the bank's assessment areas.

Accessibility of Delivery Systems:

Table 16 shows three or 11.1% of Citizens branches are located in moderate income geographies. Citizens has no branches in low income geographies. We noted that five or 18.5% of Citizens branches are located in middle-income geographies that are adjacent to LMI geographies. The table also shows that 20.9% of the families in the assessment areas reside in LMI geographies. Based upon the number of branches in or adjacent to LMI geographies, families have adequate access to the bank's products and services.

Table 16 Distribution of Branches			
Geographic Type	#	% of Total Branches	% of Families
Low-Income	0	0%	1.0%
Moderate-Income	3	11.1%	19.9%
Middle-Income	19	70.4%	49.4%
Upper-Income	5	18.5%	29.7%
Total	27	100%	100%

Source: Bank Internal Records
PCI Services, Inc.

Alternative Delivery Systems:

Citizens offers a variety of alternative delivery systems. The distribution of ATMs in LMI geographies supports the branching network. Citizen’s 27 branches, including the 3 located in moderate income geographies, have 24 hour access ATM’s. Citizens also has 39 ATM’s within its assessment areas that are not located in branches. Of those 39, six are located in LMI geographies. Citizens’ ATM network consists of 33 ATMs within its MSA assessment area and 6 within its non-MSA assessment area. Citizens also has a mobile ATM that is stationed at various community functions throughout the year. The bank is a member of the MAC ATM network, which enables bank customers to access their accounts through ATMs of other financial institutions located throughout the country.

Real estate loan originators will take loan applications at all branch locations and at the Community Resource Center (CRC). The CRC’s primary purpose is to educate LMI borrowers regarding bank products and services, especially flexible home mortgage loans. The CRC is located in a low-income geography. Workshops conducted through the CRC take place throughout the community in cooperation with other community groups.

Citizens also takes retail loan applications over the phone through its “Loan by Phone” program and provides bill paying via touch tone phone. A telephone device is provided for the hearing impaired at the main office.

Reasonableness of Services:

Branch services and business hours do not vary in a way that inconveniences any portions of the assessment areas. A review of branches in LMI geographies revealed that branches in all income geographies have similar hours and services. All branch locations are full-service with drive-up facilities and 24 hour access Automated Teller Machines (ATM’s).

Community Development Services:

Citizens provides a significant number of community development financial services throughout its assessment areas. Citizen's primary focus in this area is to provide technical assistance, provide speakers that address affordable housing and small business development, and provide depository services geared to LMI consumers. Citizens is also involved in helping to educate school children, including those attending low- and moderate-income area schools, through banking related presentations by bank employees.

Examples include:

- Providing educational assistance to the LMI population through the Citizens Bank Fair and Financial Literacy Series. These are educational programs designed to inform individuals on a wide variety of financial matters, including the use of bank products and services.
- Small Business workshops to provide technical assistance on financial matters to small business. Two workshops were presented in 1995. None were presented in 1996.
- Ongoing communication with local government officials regarding improvement in LMI housing and working with local housing authorities such as the Vincennes and Evansville Housing Authority.
- Providing home buyers counseling and financial planning through the Community Resource Center. Citizens also provides Post-Purchase Workshops to assist past *Partnership Home Mortgage Loan Program* customers with continued assistance in budgeting, maintenance, and the availability of additional bank products and services.

The bank offers various deposit services to customers including low cost checking and savings accounts through the Value Plus product line.

Changes in Branch Locations:

Citizens sold six branches to other CNB Bancshares, Inc. (CNBB) affiliates subsequent to Citizen's merger with Union Federal Savings Bank (UFSB) on August 4, 1995. The sale of these branches did not have an adverse impact on former UFSB customers or impair the ability of Citizens to deliver products and services to its existing customers throughout its assessment areas. Citizens closed one branch after the merger due to the close proximity of a former UFSB branch that could better serve its customers in that geographic area. The closed branch was not located in a LMI geography. Three additional branches obtained through the merger with UFSB were transferred to CNBB's central Indiana bank due to their geographic location.

Fair Lending Review:

No violations of the substantive provisions of the anti-discrimination laws and regulations (ECOA, FHA, or HMDA) were identified. The institution's fair lending policies, procedures, training programs and internal assessment efforts have been effective in assisting lenders in these issues.

Metropolitan Statistical Area

Conclusions with Respect to Performance Tests in the Evansville-Henderson, Indiana-Kentucky MSA

Citizens performance in meeting the credit needs of its assessment area within the Evansville-Henderson, Indiana-Kentucky MSA is consistent with the overall ratings assigned to the bank. Citizens activities within the MSA contributed significantly to the overall rating assigned to Citizens.