



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 9, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter #11544**

**44 Public Square
Somerset, Kentucky 42501**

Office of the Comptroller of the Currency

**9200 Shelbyville Road, Suite 505
Louisville, Kentucky 40222**

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** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 9, 1997. 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.”

- A majority of the bank's loans were made within the assessment area.
- Management's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is good.
- Loans are reasonably distributed throughout the assessment area.
- The average quarterly loan-to-deposit ratio since our last evaluation needs to improve.

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) had total assets of approximately \$237 million as of June 30, 1997. CNB is wholly owned by Citizens Bancshares, Incorporated, a one-bank holding company. The bank's main office is located in downtown Somerset, Kentucky. The bank operates an additional four branches in Pulaski County. All five locations have automated teller machines and four have drive-up facilities. The bank also offers eight cash disbursement machines located throughout the county.

CNB offers traditional banking services and lending products. As of June 30, 1997, net loans represented approximately 44% of total assets. The composition of the loan portfolio was as follows: 28% commercial real estate loans, 25% one-to-four family residential loans, 25% commercial loans, 19% consumer loans, and 3% farm loans. There are no legal or financial constraints, or other factors, impeding the bank's ability to help meet the credit needs in its assessment area. The bank's prior CRA public performance evaluation is dated March 16, 1995.

DESCRIPTION OF PULASKI COUNTY

The bank's assessment area is Pulaski County and this designation does not arbitrarily exclude low- or moderate-income geographies. There are eleven Block Numbering Areas (BNAs) in the assessment area. Two are designated moderate-income, eight are middle-income, and one is upper-income. Pulaski County does not have any low-income BNAs. The median family income for Pulaski County is \$22,543. The 1997 statewide median family income for non-metropolitan areas is \$28,800.

Pulaski County is a rural county in southeastern Kentucky with a population of approximately 51,500. Somerset is the largest city in the county and serves as the county seat of government. The unemployment rate is below state and national averages. The local economy is diversified and growing. The largest area employers are manufacturing and wholesale and retail trade firms. The major industries include manufacturing, farming, health care, and tourism.

Competition from other financial institutions in the county is strong. The bank's primary competitors include two national banks and four state banks. Management has identified residential real estate and consumer loans as the major credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending In The Assessment Area

Management started internally coding consumer loans and mortgage loans in 1997 to track lending in the assessment area. We reviewed the bank's analysis of loans made during 1997 in Pulaski County in order to verify the accuracy of management's reports for these two major product lines. As shown in table 1, the bank makes a majority of its loans in the assessment area.

Table 1

	Mortgage Loans	Consumer Loans
Total Number Made in 1997	88	744
Total Volume Made in 1997	\$4,647,504	\$4,284,385
Total Number in Assessment Area	84	665
Total Volume in Assessment Area	\$4,498,777	\$3,728,325
Percent of Number in Assessment Area	95%	89%
Percent of Volume in Assessment Area	97%	87%

Lending to Borrowers of Different Incomes

We used the same information described above to evaluate this criteria. As depicted in Table 2, the distribution of CNB's lending approximates the income characteristics of the assessment area.

Table 2

Income Level	Income Levels of Families within Assessment Area*	Number of Mortgage Loans	Percent of Mortgage Loans	Number of Consumer Loans	Percent of Consumer Loans
Low	23%	3	4%	141	21%
Moderate	18%	15	18%	236	36%
Middle	20%	23	27%	147	22%
Upper	39%	43	51%	141	21%
Total	100%	84	100%	665	100%

* According to 1990 U.S. Census Data, U.S. Bureau of the Census

Housing needs for low-income families within the assessment area are primarily met by rental property owners and local mobile home dealers.

Geographic Distribution of Loans

The geographic distribution of lending reflects good penetration throughout the BNAs in Pulaski County. Our results are once again based on a review of the bank's geographical analysis which we verified for accuracy. Table 3 illustrates the distribution of loans, by number and volume, originated in 1997.

Table 3

Income Level	BNA	Total Number of Loans	Percent of Number of Loans	Total Volume of Loans	Percent of Volume of Loans
Middle	9901	51	7%	\$488,149	6%
Middle	9902	51	7%	\$432,567	5%
Middle	9903	52	7%	\$375,111	5%
Middle	9904	80	11%	\$1,446,202	18%
Upper	9905	106	14%	\$1,944,488	23%
Middle	9906	56	7%	\$467,870	6%
Middle	9907	117	15%	\$847,617	10%
Middle	9908	51	7%	\$273,736	3%
Moderate	9909	59	8%	\$459,143	6%
Middle	9910	36	5%	\$307,486	4%
Moderate	9911	90	12%	\$1,184,733	14%
Totals		749	100%	\$8,227,102	100%

Loan-to-Deposit Ratio

CNB’s average loan-to-deposit ratio since our last examination is 53%. The ratio is significantly lower than similarly situated and peer banks and needs to improve. We compared the bank’s ratio to the one bank of similar asset size, loan mix, and deposit size chartered in Pulaski County. Its loan-to-deposit ratio was 74%. We also compared CNB to banks of similar asset size and branching network across the country. Their average loan-to-deposit ratio was 72%.

Responses to Complaints

No consumer complaints regarding CRA have been received since our last examination.

Compliance With Anti-Discrimination Laws

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.