



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 02, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Citizens Bank of Kansas, National Association  
Charter Number 3509

300 North Main  
Kingman, KS 67068-0000

Office of the Comptroller of the Currency

WICHITA  
3450 North Rock Road Suite 505  
Wichita, KS 67226-1355

**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.

## **INSTITUTION'S CRA RATING:**

**This institution is rated Satisfactory.**

- The Citizens Bank of Kansas's quarterly average loan-to-deposit ratio of 77% is reasonable compared to peer banks in the assessment areas.
- The bank's record of lending inside its assessment areas is satisfactory. The bank extended 72% of the number and 45% of the dollar volume of loans to borrowers in the assessment areas.
- The bank's lending to businesses and farms of different sizes and borrowers of different incomes is satisfactory.
- The geographic distribution of loans needs improvement. The loan distribution reflects poor dispersion to low- and moderate-income tracts in the Wichita assessment area. Competition is significant and the Wichita branch has limited opportunities. Bank management had already developed strategies to achieve better penetration prior to this examination via new loan products.

## **SCOPE OF EXAMINATION**

The evaluation consisted of a full-scope review for three assessment areas. Agricultural and commercial loans were the primary loan products reviewed in the Kingman and Cowley assessment areas (AAs). Commercial loans and residential real estate loans were the primary products reviewed in the Wichita AA. Examiners determined the bank's primary loan products based on the number and the dollar volume of loans granted during 2005, 2006, and 2007.

## **DESCRIPTION OF INSTITUTION**

Citizens Bank of Kansas, National Association (Citizens Bank), is a \$141 million bank headquartered in Kingman, Kansas. Citizens Bank is a wholly owned subsidiary of King Bancshares, Incorporated, a one-bank holding company headquartered in Kingman. On September 30, 2007, the holding company had total assets of \$16 million. The bank's only affiliate is Western Credit, Incorporated, which is a wholly owned subsidiary of the holding company. Citizens Bank's corporate structure has not changed since the previous examination.

In addition to its main office in Kingman, Citizens Bank has a branch in Atlanta, Pretty Prairie, Sylvia, Turon, Wichita, and Winfield, Kansas. A drive-up facility and an automated teller machine (ATM) is available at the main office, the Wichita branch, and the Winfield branch. Citizens Bank also operates a fourth ATM at the Pretty Prairie branch. There have been no new branches opened since the previous CRA examination. Citizens Bank closed the branch in Anthony, Kansas on March 18, 2005. This branch closing did not affect any low- or moderate-income census tracts.

Citizens Bank is a full-service banking institution offering a full range of commercial, real estate, and consumer credit products. On September 30, 2007, net loans represented 55% of the bank's total assets. Citizens Bank's \$80 million loan portfolio has the following composition: agriculture 35%; commercial and industrial 23%; residential real estate 22%; commercial real estate 16%; and consumer 4%. Citizens Bank has not changed any existing loan products, or offered any new products since the previous CRA examination.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment areas. The Office of the Comptroller of the Currency last evaluated Citizens Bank's CRA performance on December 5, 2002. The bank received an overall rating of "Satisfactory".

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Citizens Bank has three AAs, which are Wichita, Kingman/Reno County (Kingman), and Cowley County (Cowley), Kansas. The Wichita AA is part of the Wichita Metropolitan Statistical Area (MSA). The Kingman AA and the Cowley AA are non-MSAs. The Kingman AA is comprised of Kingman County and parts of Reno County. The Cowley AA is comprised of parts of Cowley County. The AAs comply with the regulation and do not arbitrarily exclude any low- or moderate-income areas.

### **Wichita AA**

The bank's Wichita AA lies within the boundaries of the Wichita Metropolitan Statistical Area. The Wichita AA contains 29 census tracts, which include 10-11, 18-24, 35-36, 43, 69, 70, 71, 72.02, 73.01-73.02, 74-76, and 101.03-101.10. Of the 29 census tracts, 3% are low-income tracts, 31% are moderate-income tracts, 21% are middle-income tracts, and 45% are upper-income tracts. The 2000 census shows the AA has a population of 87,241. The 2007 Housing and Urban Development Updated MSA Median Family Income is \$56,600.

The AA has the following income distribution for families: 18% low-income, 16% moderate-income, 22% middle-income, and 44% upper-income. Of the 37,332 households in the AA, 22% receive Social Security, 10% have income below the poverty level, and 2% receive public assistance. Twenty-five percent of the population consists of civilians not in the workforce and 12% of the population is over the age of sixty-five. The median housing value is \$95,191 and 50% of the housing units are owner-occupied.

The local economy is stable and manufacturing remains the area's principal industrial sector. Major manufacturing employers include Cessna Aircraft Company, Spirit Aerosystems Incorporated, Raytheon Aircraft Company, Boeing Integrated Defense Systems, Bombardier Aerospace, The Coleman Company, Koch Industries, and Vulcan Chemicals. Other major employers provide diversity and include McConnell Air Force Base, Via Christi Regional Medical Center, Wesley Medical Center, Wichita State University, and city and county governments. The November 2007 unemployment rate for the Wichita MSA was 3.6%, compared with 3.8% for the State of Kansas and 4.8% nationwide.

Citizens Bank faces strong competition in the AA. A total of 39 financial institutions have offices throughout the Wichita MSA. Citizens Bank considers 12 of these institutions direct competitors. With only one branch in the AA, Citizens Bank ranks 35<sup>th</sup> in market share with .11% of deposits.

Examiners made one community professional contact in the assessment area. The contact identified affordable housing and small businesses as the primary credit needs of the community. The contact indicated that financial institutions are meeting the credit needs of the AA.

### **Kingman AA**

The Kingman AA contains four middle- and one upper-income census tracts, which include 17, 18 (Reno County), and 9911-9913 (Kingman County). The AA does not contain any low- or moderate-income tracts. The 2000 census data show the AA has a population of 13,418. The Kansas statewide median family income for 2007 is \$47,900. The AA has the following income distribution for families: 17% low-income, 19% moderate-income, 26% middle-income, and 38% upper-income. Of the 5,248 households in the AA, 34% receive Social Security, 10% have income below the poverty level, and 3% receive public assistance. Twenty-eight percent of the population consists of civilians not in the workforce and 19% of the population is over the age of sixty-five. The median housing value is \$56,547 and 69% of the housing units are owner-occupied.

The majority of Kingman and Reno Counties are dependent on agriculture, specifically, wheat, milo, and cattle. Major employers within the AA include the Kingman Hospital and USD 331. A significant number of Kingman and Reno County residents are also employed in the nearby metropolitan City of Wichita through the aircraft manufacturing companies. Nearby Hutchinson, in Reno County, also provides employment opportunities through the Hutchinson Hospital, Dillons Companies, and USD 308. The November 2007 unemployment rate for Kingman and Reno Counties was 3.1% and 3.8%, respectively.

Fourteen other financial institutions located throughout Kingman and Reno Counties provide competition. Citizens Bank has four branches in its AA, ranking third in the counties for deposit share with 7% of the market.

Examiners made one community professional contact in the assessment area. The contact identified small businesses and agriculture as the primary credit needs of the community. The contact indicated that financial institutions are meeting the credit needs of the AA.

### **Cowley AA**

The Cowley AA contains five middle- and one upper-income census tracts, which include 9931-9936. The AA does not contain any low- or moderate-income tracts. The 2000 census data show the AA has a population of 21,021. The Kansas statewide median family income for 2007 is \$47,900. The AA has the following income distribution for families: 16% low-income, 18% moderate-income, 24% middle-income, and 42% upper-income. Of the 7,914 households in the AA, 31% receive Social Security, 11% have income below the poverty level, and 3% receive public assistance. Twenty-six percent of the population consists of civilians not in the workforce and 15% of the population is over the age of sixty-five. The median housing value is \$61,966 and 66% of the housing units are owner-occupied.

The trade area is dependent on agriculture, primarily wheat and cattle. Major employers include Southwestern College, Winfield Correctional Facility, Rubbermaid, Creekstone Farms, General Electric, city and county governments, and local hospitals. The November 2007 unemployment rate for Cowley County was 3.8%. Six other financial institutions located throughout Cowley County provide competition. Citizens bank has two branches in its AA, ranking fourth for deposit share with 6% of the market.

Examiners reviewed one community professional contact in the assessment area. The contact identified small businesses, agriculture, and affordable housing as the primary credit needs of the community. The contact indicated that financial institutions are meeting the credit needs of the AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's lending level is satisfactory. The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. Since the last CRA examination, the bank's average quarterly loan-to-deposit ratio was 77%. The average loan-to-deposit ratio over the same period for 26 other similarly situated banks, including those management views as direct competitors in the AAs, was 78%. The quarterly average loan-to-deposit ratios ranged from 48% to 107%.

### Lending in Assessment Area

Citizens Bank's lending in its AAs is satisfactory as it extends a majority of its primary loan products in the AAs. The sample consisted of 20 loans of each primary product from each AA originated during 2005, 2006, or 2007. The table below depicts the bank's lending in the AAs:

Lending in Assessment Areas										
	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	86	72%	34	28%	120	\$5,338	45%	\$4,267	55%	\$9,605

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

Lending to borrowers of different incomes and farms and businesses of different sizes is satisfactory. Examiners utilized a sample of 20 loans from each primary product originated within the AA when evaluating the bank's performance in this area. These products were determined to be the primary lending products in each AA granted since the last CRA examination.

### Wichita AA

Citizens Bank's lending to businesses of different sizes and to consumer borrowers of different income levels in the Wichita AA is satisfactory. Examiners selected a sample of commercial and residential real estate loans originated from January 1, 2005, to December 31, 2007. Lending to

small businesses and to low- and moderate-income borrowers is adequate.

Citizens Bank's lending to business of different sizes is adequate. The following table indicates the bank extended 75% of loans to small businesses. This is higher than the 2007 Business Geodemographic Data that shows 62% of businesses in the AA have annual gross revenues of less than \$1 million. Revenues for 30% of businesses in the AA are unknown.

<b>Borrower Distribution to Businesses in Wichita AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	62%	8%	30%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	40%	60%	0%	100%

Citizens Bank's lending to consumer borrowers of different income levels in the Wichita AA is also adequate. The following table indicates the bank extended 10% and 15% of its residential real estate loans to low- and moderate-income persons.

<b>Borrower Distribution of Residential Real Estate Wichita AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
% of Total	18%	10%	16%	15%	22%	20%	44%	50%	5%

### **Kingman AA**

Citizens Bank's lending to businesses and farms of different sizes in the Kingman AA is satisfactory. Examiners selected a sample of commercial and farm loans originated from January 1, 2005, to December 31, 2007. Lending to small businesses and to small farms is adequate.

Citizens Bank's lending to business of different sizes is adequate. The following table indicates the bank extended 80% of loans to small businesses. This is better than the 2007 Business Geodemographic Data that shows 44% of businesses in the AA have annual gross revenues of less than \$1 million; however, revenues for 54% of businesses in the AA are unavailable.

<b>Borrower Distribution to Businesses in Kingman AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	44%	2%	54%	100%
% of Bank Loans in AA by #	80%	15%	5%	100%
% of Bank Loans in AA by \$	63%	24%	13%	100%

Citizens Bank's lending to small farms in the Kingman AA is also adequate. The following table indicates the bank extended 90% of loans to small farms. This is comparable to the 2007 Business Geodemographic Data that shows 99% of small farms in the AA have annual gross revenues of less than \$1 million. Only 0.5% of farms in the AA had revenues which were unavailable.

<b>Borrower Distribution to Farms in Kingman AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	99%	0.5%	0.5%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	56%	44%	0%	100%

### **Cowley AA**

Citizens Bank's lending to businesses and farms of different sizes in the Cowley AA is satisfactory. Examiners selected a sample of commercial and farm loans originated from January 1, 2005, to December 31, 2007. Lending to small businesses and to small farms is adequate.

Citizens Bank's lending to business of different sizes is adequate. The following table indicates the bank extended 85% of loans to small businesses. This is better than the 2007 Business Geodemographic Data that shows 51% of businesses in the AA have annual gross revenues of less than \$1 million. Revenues for 45% of the businesses in the AA were unavailable.

<b>Borrower Distribution to Businesses in Cowley AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	51%	4%	45%	100%
% of Bank Loans in AA by #	85%	10%	5%	100%
% of Bank Loans in AA by \$	91%	8%	1%	100%

Citizens Bank's lending to small farms in the Cowley AA is also adequate. The following table indicates the bank extended 95% of loans to small farms. This is comparable to the 2007 Business Geodemographic Data that shows 99% of farms in the AA have annual gross revenues of less than \$1 million.

<b>Borrower Distribution to Farms in Cowley AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	87%	13%	0%	100%

### **Geographic Distribution of Loans**

The geographic distribution of loans in the Wichita AA reflects poor dispersion throughout the AA and needs improvement. Analysis of the geographic distribution of loans in the Kingman and Cowley AAs would not be meaningful as those AAs do not have any low- or moderate-income tracts.

Examiners reviewed a sample of commercial and residential real estate loans granted in the Wichita AA since the last CRA examination. The Wichita branch of Citizens Bank faces significant competition in the Wichita market and has little name recognition. The branch's niche as a neighborhood bank and minimal marketing provide limited opportunities. The branch is located among middle- and upper-income census tracts.

Geographical distribution of commercial loans in the Wichita AA is adequate. The table below indicates poor penetration in the moderate-income tract. Penetration in the low-income tract is

good. Citizens Bank has established few lending relationships in the low- and moderate-income tracts due to competition and location. The low- and moderate-income census tracts are located on the outside perimeters of the AA. Three low- and moderate-income tracts are more than four miles from the branch location. Five different moderate-income tracts are beyond natural barriers such as U.S. Highway 400.

Geographic Distribution of Commercial Loans in Wichita AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
# of Commercial Loans		1		1		11		7
% of Total	4%	5%	42%	5%	17%	55%	37%	35%

Geographic distribution of residential real estate loans in the Wichita AA is poor. The table below indicates poor penetration in the moderate-income tract. Penetration in the low-income tract is adequate. While the bank does not have any loans in the low-income tract, there are only 246 owner occupied housing units in the tract. The small number of owner occupied units coupled with the bank’s competition and location would make it difficult for the bank to obtain these loans. As discussed above, there are also geographical barriers to obtaining a high level of penetration in the low- and moderate-income tracts. Management expects to achieve better penetration in these tracts by offering residential real estate products targeted toward low- and moderate-income buyers.

Geographic Distribution of Residential Real Estate Loans in Wichita AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
# of Real Estate Loans		0		0		5		15
% of Total	1%	0%	20%	0%	24%	25%	55%	75%

### Responses to Complaints

Citizens Bank has not received any CRA related consumer complaints since the last exam.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs..