

# **PUBLIC DISCLOSURE**

March 18, 1996

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citizens Bank  
RSSD # 1001853  
P.O. Box 197  
New Haven, Missouri 63068**

**Federal Reserve Bank of St. Louis**

**P.O. Box 442**

**St. Louis, Missouri 63166-0442**

**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 Reserve 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 Bank** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of March 18, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING: This institution is rated**  
**Satisfactory** .

**Citizens Bank meets the standards to receive a satisfactory rating. Its loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and the credit needs of its assessment area. A substantial majority of the bank's loans are located within its assessment area. In addition, loans are reasonably disbursed throughout the assessment area and to borrowers of different income levels.**

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Citizens Bank 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 were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

Citizens Bank is the sole subsidiary of Citizens Financial Group, Inc. The bank and its branches are located in Franklin County, Missouri. The main office is located in the city of New Haven and its branches are in Gerald and Pacific. As of December 31, 1995, the bank reported \$55 million in assets. Consumer loans, real estate loans, and commercial loans are the bank's primary loan products. The branch of a savings bank is the only other financial institution in New Haven. Citizens Bank's main competitors are located in the towns of Washington, Hermann, Gerald, and Pacific. They range in asset size from \$23 to \$232

million.

## DESCRIPTION OF ASSESSMENT AREA

Citizens Banks assessment area is defined as Gasconade county; census tracts 8001 through 8009 in Franklin county; census tracts 2215, 2216.01, and 2216.02 in St. Louis county; and census tract 7004 in Jefferson county. The assessment area is mainly comprised of Gasconade and Franklin counties; only small portions of St. Louis and Jefferson counties are included. Franklin, Jefferson, and St. Louis Counties are a part of the Missouri-Illinois metropolitan statistical area (MSA), number 7040. Gasconade County is not included in an MSA.

The banks assessment area has a population of 125,801. The minority population is nominal, 3,611, representing only 2.90 percent of the assessment area population. New Haven has a population of 1,757, and Gerald and Pacific have populations of 4,350 and 888, respectively. Washington, the largest city in the assessment area, has a population of nearly 11,000.

The area has experienced a high amount of growth in recent years. This is due in part to the migration of many people from the St. Louis metropolitan area. Because of this growth, the demand for housing is increasing. The median housing value for the assessment area is \$72,871, compared with the state of Missouri median housing value of \$59,314.

Franklin and Gasconade counties are home to several industrial businesses. A large regional hospital, St. John's Mercy Hospital, is the largest employer in Franklin county, employing over 750 workers. The area's strong industrial base, in addition to its close proximity to the city of St. Louis, provides ample job opportunities for area residents. The most recent figures show unemployment for December 1995 at a rate of 4.0 percent for Franklin county and 3.0 percent for Gasconade county. This compares to a state-wide rate of 3.6 percent.

As a part of this examination, contacts were made with two members of the community. These contacts provided pertinent information about the assessment area in which the bank operates. This information was used to provide a context in which to evaluate the bank's performance.

*CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:*

Loan-to-Deposit Ratio

Citizens Bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio reflects its ability to respond to high and increasing loan demand as the community grows.

The average loan-to-deposit ratio is 88.19 percent for the seven quarters since the previous examination. This figure has remained fairly stable, and in fact, has shown an overall increasing trend.

As of December 31, 1995, the bank's net loan-to-deposit ratio was 87.45 percent. While this is much higher than its national peer's 68.45 percent, it is comparable with its local competitors, whose ratios range from 62.59 percent to 97.35 percent.

Lending in Assessment Area

A substantial majority of the bank's loans were extended inside its assessment area. Of the 266 loans sampled, 243, or 91 percent, were extended within the bank's defined assessment area.

Location of Loans by Type

Loan Type	Sample Size	Number Inside	Percent Inside	Number Outside	Percent Outside
Real Estate	141	128	91%	13	9%
Consumer Auto	59	56	95%	3	5%
Commercial	66	59	89%	7	11%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of the bank's lending reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

The income levels for borrowers located inside the St. Louis metropolitan statistical area were calculated as a percentage of

the median household income of the MSA. For those borrowers located outside the metropolitan statistical area (Gasconade county), income levels were calculated as a percentage of the state-wide, non-metropolitan median household income. The distribution of commercial loans was reviewed using gross revenues.

**Distribution of Loans By Income Level**

	Low Income	Moderate Income	Middle Income	Upper Income
<b>Real Estate</b>	<b>(4) 3.5%</b>	<b>(13) 11.2%</b>	<b>(26) 22.4%</b>	<b>(73) 62.9%</b>
<b>Consumer Auto</b>	<b>(9) 19.15%</b>	<b>(9) 19.15%</b>	<b>(15) 31.9%</b>	<b>(14) 29.8%</b>
<b>Assessment Area Population</b>	<b>19.5%</b>	<b>15.3%</b>	<b>19.6%</b>	<b>45.6%</b>

The high amount of loans made to middle- and upper-income individuals as compared to low- and moderate-income individuals is reasonable when evaluated within the performance context. The number of consumer loans made to individuals of differing income levels closely correlates to the assessment area population of those income levels. The low penetration of real estate lending to low-income individuals reflects the demand for this product type. Because of the high property values, there is less demand for real estate loans from low-income individuals.

**Distribution of Commercial Loans by Gross Revenues**

< 100M	101M- 250M	251M- 500M	501M- 1MM	> 1MM
<b>19</b>	<b>10</b>	<b>7</b>	<b>6</b>	<b>11</b>

Over 79 percent of the commercial loans extended were to small businesses. Small business is defined by the regulation as businesses with gross annual revenues of \$1 million or less.

## Geographic Distribution

The geographic distribution of the bank's loans indicates a reasonable penetration throughout the assessment area. The distribution was evaluated by geo-coding the loans sampled by census tract or block numbering area.

Thirteen of the 18 census tracts and block numbering areas in the bank's assessment area are middle-income tracts. The three tracts in St. Louis county (2215, 2216.01, and 2216.02) are upper-income tracts. The moderate-income tracts in the assessment area are 8007 and 8009.

BNA Loan Distribution by Number and Dollar Amount<sup>1</sup>

	Number	Percent	Dollar Amount (000)	Percent
BNA				
9601 (Mid)	1	.5%	2	.03%
9602 (Mid)	0	0.0%	0	0.0%
9603	1	1.0%	0	0.0%

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<sup>1</sup>The loan distribution does not include real estate loans extended in Gasconade county. Thirty-seven real estate loans were extended in Gasconade county. The dollar amount of these loans totals \$1,010,000. This was not included on the chart because the information could not be broken down by BNA.

<b>(M d)</b>				
<b>9604 (M d)</b>	<b>7</b>	<b>3.5%</b>	<b>93</b>	<b>1.5%</b>
<b>9605 (M d)</b>	<b>4</b>	<b>2.0%</b>	<b>48</b>	<b>.8%</b>

Census Tract Loan Distribution by Number and Dollar Amount

	Number	Percent	Dollar Amount (000)	Percent
<b>Census Tracts</b>				
<b>8001 (M d)</b>	<b>7</b>	<b>3.5%</b>	<b>376</b>	<b>6.2%</b>
<b>8002 (M d)</b>	<b>3</b>	<b>1.5%</b>	<b>156</b>	<b>2.6%</b>
<b>8003 (M d)</b>	<b>7</b>	<b>3.5%</b>	<b>79</b>	<b>1.3%</b>
<b>8004 (M d)</b>	<b>117</b>	<b>58.79%</b>	<b>3761</b>	<b>61.7%</b>
<b>8005 (M d)</b>	<b>15</b>	<b>7.5%</b>	<b>380</b>	<b>6.2%</b>
<b>8006 (M d)</b>	<b>8</b>	<b>4.0%</b>	<b>240</b>	<b>3.9%</b>
<b>8007 (M d)</b>	<b>12</b>	<b>6.0%</b>	<b>363</b>	<b>6.0%</b>
<b>8008 (M d)</b>	<b>11</b>	<b>5.5%</b>	<b>446</b>	<b>7.3%</b>
<b>8009 (M d)</b>	<b>1</b>	<b>.5%</b>	<b>40</b>	<b>.7%</b>
<b>2215 (U)</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>2216.01 (U)</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>2216.02 (U)</b>	<b>2</b>	<b>1.0%</b>	<b>80</b>	<b>1.3%</b>
<b>7004 (U)</b>	<b>2</b>	<b>1.0%</b>	<b>29</b>	<b>.5%</b>

While the majority of the lending activity is in census tract 8004, this is reasonable. Two of the bank's offices are located in census tract 8004. The bank only recently opened a third office in Pacific which is in the eastern portion of the county. It is expected that the amount of lending in that area will increase with the addition of this office.

Loan volume in the assessment area's only moderate-income census tract is relatively low. However, loan demand from this area is nominal because competition from other financial institutions in this census tract is high. In addition, the bank's distance from this census tract affected the number of loans extended. However, it is anticipated that loan volume will increase in this tract with the opening of the bank's Pacific office.

## Review of Complaints

No complaints were received since the prior examination.

## Record of Compliance with Anti-discrimination Laws

This examination included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act.

Although procedural violations of the substantive provisions of the Equal Credit Opportunity Act were identified; the violations did not pertain to discrimination.