

PUBLIC DISCLOSURE

July 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Bank
RSSD# 535641

P. O. Box 205

Hartford, Kentucky 42347

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 **July 15, 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. The bank's loan-to-deposit ratio is reasonable given the institution's size, its financial condition, and the credit needs of the assessment area. A majority of the bank's loans and other lending related activities are within its assessment area. The loan distribution reflects reasonable penetration among individuals of different income levels and among businesses of different sizes.

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, the smallest of four banks headquartered in Ohio County, Kentucky, is independently owned. The bank's main office and one of its branches are located in Hartford, Kentucky. The second branch office is located in Beaver Dam, Kentucky, about four miles south of Hartford. As of March 31, 1996, the bank reported \$15.2 million in assets. The bank's competitors include a bank and a branch of a savings and loan institution, both located in Hartford, a bank located

in Beaver Dam, Kentucky, and a bank located in Dundee, Kentucky, about 18 miles northeast of Hartford. As of March 31, 1996, competitors' assets ranged from \$44.6 to \$69 million. The bank's primary lending focus is real estate and consumer lending. Much of the bank's consumer portfolio consists of small loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as all of Ohio County, Kentucky, which is primarily rural and includes the following cities and/or towns:

Baizetown	Beaver Dam	Beca	Bells Run
Centertown	Cool Springs	Cromwell	Dan Deane field
Dundee	Fordsville	Hartford	Herflin
McHenry	Olaton	Prentiss	Rockport
Rosine			

Ohio County, located in Kentucky's western coal field region, is a major coal-producing area of the state. The county's western boundary is the Green River, one of Kentucky's major transportation waterways. The total population of the assessment area is 21,105. Beaver Dam, the county's largest city, had an estimated 1992 population of 2,948, and is located four miles south of Hartford, the county seat. Hartford had an estimated 1992 population of 2,712, and is located 11 miles north of Nashville, Tennessee, 115 miles southwest of Louisville, Kentucky, and 231 miles southeast of St. Louis, Missouri. Both Hartford and Beaver Dam are located in the southwest quarter of the county and comprise about 1/4 of its population. Ohio County includes seven block numbering areas (BNAs), numbers 9801.00 through 9807.00. One BNA is moderate-income and the remaining six are middle-income.

The 1990 census shows that the median family income is \$20,968 for Ohio County compared to the statewide nonmetropolitan median family income of \$22,543. The bank's assessment area consists of 25.9 percent low-income families, 16.5 percent moderate-income, 21.4 percent middle-income, and 36.3 percent upper-income families.

Manufacturing, mining, and government are the predominant labor markets in the assessment area with approximately 49 percent of employment in these enterprises. According to information generated by the Kentucky Department of Employment Security, the unemployment rate for Ohio County as of April, 1996 was 9.2 percent, while the state average was 5.1 percent. The higher than average unemployment rate is due in part to the reduction in mining over the past few years. The recent decision of Perdue Industries to locate a poultry processing facility in the area has decreased unemployment and the company expects to employ about 800 people within the year.

Outside contacts indicated that the area is experiencing economic expansion due to Perdue Industries= involvement in the area. A need for loans to construct affordable housing units and for major rehabilitation of some existing housing stock was indicated. It was further stated that many of the potential recipients of this type lending would not qualify without some form of special financing or financial assistance. Education of the population in the use of credit and in budgeting was also noted as a major need.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank=s size, local economic condition, and the assessment areas= credit needs. Financial information for five of the six quarters since the previous examination (2-13-95) reflects the bank's average loan-to-deposit ratio is 49.92 percent which is slightly lower than its competitors. The average loan-to-deposit ratios of the three competitor banks within Ohio County are 51.93, 63.82, and 68.53 percent for this same period. However, competitor banks= assets as of March 31, 1996 were significantly higher than the bank=s, at \$44.6, \$46.2 and \$69 million, compared to the bank=s \$15.2 million.

Lending in the Assessment Area

The bank=s lending inside the assessment area is exceptional with a substantial majority of its loans located within its assessment area. Of the 220 loans sampled, 193 or 87.7 percent are within the assessment area. The following table reflects the loan distribution.

Loan Type	Sample Size	In Assessment Area		Out of Assessment Area	
		Count	Percentage	Count	Percentage
Installment	90	81	90.00%	9	10.00%
Real Estate	58	52	89.66%	6	10.34%
Single Pay	72	60	83.33%	12	16.67%
Total	220	193	87.73%	27	12.27%

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

The analysis of the loan samples indicates the bank=s lending to loan applicants of all income levels is adequate. Using the statewide nonmetropolitan median family income of \$22,543 from 1990 census data to determine the income level, the bank=s lending to consumer applicants of various income levels is as follows:

Low-income¹ (\$0 - 11,271)	Moderate-income² (\$11,272 - 18,033)	Middle-income³ (\$18,034 - 27,051)	Upper-income⁴ (Over \$27,052)	Income Not Available
Loans Sampled				
49 (22.3%)	41 (18.6%)	22 (10.0%)	33 (15.0%)	75 (34.1%)
Families in Assessment Area				

¹Low-income is defined as income that is less than 50 percent of the statewide nonmetropolitan median family income.

²Moderate-income is defined as income that is at least 50 percent and less than 80 percent of the statewide nonmetropolitan median family income.

³Middle-income is defined as income that is at least 80 percent and less than 120 percent of the statewide nonmetropolitan median family income.

⁴Upper-income is defined as income of 120 percent or more of the statewide nonmetropolitan median family income.

25.9%	16.5%	21.4%	36.3%	
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As shown in the above table, the samples of loans analyzed indicate the bank makes a significant percentage of its loans (41 percent) to low- and moderate-income families. This compares very favorably to the percentage of low- and moderate- income families within the bank=s assessment area (42.4 percent). Only 25 percent of the loans sampled were to middle- and upper- income families. The bank did not collect income data for a large percentage of the loans.

Using the loan balance as an indicator of the business size or income level, business and agricultural lending in the previous six months revealed the following:

Loan Size	Number	Percentage
Under \$11,272	5	50.00%
\$11,272 - 27,052	4	40.00%
Over \$27,052	1	10.00%

Business and agricultural lending are not a major product line for the bank, although it continues to assist in these needs. A majority of its business and agricultural lending is to small operators. With the increased involvement of Perdue in the area, the need for agricultural lending has increased and the bank is helping to meet this need.

Geographic Distribution

The geographic distribution of the bank=s loans is good. The bank periodically analyzes the geographic distribution of its loans by BNA number and city/town. In addition, on an annual basis, it analyzes the geographic distribution of the loan portfolio by zip code. Loans are plotted on a map of the assessment area as they are made. Analysis of the samples of installment, single payment, and real estate loans during the examination is consistent with the results of the bank=s geographic analysis.

As reflected in the following table, the analysis performed during the examination revealed that loans are reasonably distributed throughout the bank=s assessment area.

Block Numbering Area	Number of Loans	
9801.00	22	10.00%
9802.00	21	9.55%
9803.00	52	23.64%
9804.00*	9	4.09%
9805.00	52	23.64%
9806.00	27	12.27%
9807.00	10	4.55%
TOTAL INSIDE ASSESSMENT AREA	193 (87.73%)	
TOTAL OUTSIDE ASSESSMENT AREA	27 (12.27%)	

* Moderate-income tract. The remaining tracts are middle-income.

The bank=s main office and one of its branches are located in BNA 9803.00 and a second branch is in BNA 9805.00. As expected, the highest concentration of loans is in BNAs within close proximity to banking offices. The lower level of lending to BNAs 9804 and 9807 may be attributable to the fact that competitor financial institutions are in closer proximity to those BNAs.

Review of Complaints

No complaints were received since the prior examination.

Additional Information:

A fair lending analysis focusing on the Equal Credit Opportunity Act and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations.