

PUBLIC DISCLOSURE

August 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens Bank of Sparta
12459**

**7509 State Highway 14 East
Sparta, Missouri 65753**

Federal Deposit Insurance Corporation

**2345 Grand Avenue, Suite 1500
Kansas City, Missouri 64108**

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.

TABLE OF CONTENTS

I.	General Information	1
II.	Institution Rating	1
III.	Description of Institution	2
IV.	Description of Assessment Area	2
V.	Conclusions	3

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 **The Citizens Bank of Sparta, Sparta, Missouri**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **August 6, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The Citizens Bank of Sparta's average net loan-to-deposit ratio is indicative of a more than satisfactory responsiveness to the credit needs of the bank's assessment area. This ratio is considered exceptional when factors such as the lending performance of similarly situated financial institutions and the local economic climate are considered. The bank has granted a majority of its loans within the assessment area, and its lending record regarding borrowers of different income levels and businesses of different sizes exceeds the standards for satisfactory performance.

DESCRIPTION OF INSTITUTION

The Citizens Bank of Sparta is a \$37,750,000 financial institution operating from a main office located at 7509 State Highway 14 East in Sparta, Missouri. The bank has no branches, but does offer ATM and drive-up banking services at its main office.

The Citizens Bank of Sparta offers a variety of credit products including mortgage loans, business and commercial credits, consumer loans, and agricultural-related loans. The bank's loan portfolio mix has not changed significantly since the previous evaluation, with residential real estate remaining the most prevalent credit category. The bank's portfolio distribution as of the June 30, 1998, Report of Condition reflects total loans of \$25,619,000. As of the same date, 48 percent of the loan portfolio consisted of 1-4 family residential loans, 14 percent consisted of commercial loans, 12 percent consisted of consumer loans, and 26 percent consisted of agricultural-related loans.

DESCRIPTION OF ASSESSMENT AREA

The Citizens Bank of Sparta's assessment area includes a portion of Christian County in Missouri. Specifically, the assessment area is comprised of three distinct Christian County Census Tracts (CTs), 203, 204, and 205. The city of Sparta is located in CT 204. The only other city of notable size within the assessment area is Ozark, Missouri, which is located in CT 203. Christian County is one of three counties comprising the Springfield, Missouri, Metropolitan Statistical Area (MSA). Although Sparta is located in the MSA, the bank's assessment area is largely rural. According to 1990 census data, the populations of Sparta and Ozark, Missouri are 751 and 4,243, respectively. All three CTs comprising the assessment area are classified as middle-income geographies.

The economy for the MSA is primarily driven by employment opportunities in the large metropolitan city of Springfield, Missouri, which is located 22 miles northwest of Sparta. Considered the urban center of Southwest Missouri, Springfield is experiencing rapid population growth and has been projected by the Census Bureau to be the fastest growing metropolitan area in Missouri through the year 2000. According to 1990 census data, the population of Springfield is 140,494. Springfield's economy is supported by the areas of health care, tourism, manufacturing, retail, and education. Many Sparta and Ozark residents commute to Springfield for work purposes. In addition, the city of Springfield is currently served by over 20 financial institutions and many actively compete for loan customers throughout the entire MSA. CT 203, which is located due south of Springfield on the Christian/Greene County border, lies in a rapidly growing portion of Missouri, both from the standpoint of population growth and commercial activity. Conversely, CTs 204 and 205 have experienced only moderate population increases and commercial growth activity in recent years.

In addition to the subject bank's office, the city of Sparta is served by a branch office of First Home Savings Bank, Mountain Grove, Missouri. Financial institutions located in Ozark include Southwest Community Bank, Ozark Bank, and Union Planters Bank of Southwest Missouri. Ozark is also home to branch offices of the following financial institutions: Commerce Bank, N.A., Springfield, Missouri; Metropolitan National Bank, Springfield, Missouri; and Great Southern Bank, Springfield, Missouri.

In an effort to identify the income characteristics of local residents, examination personnel reviewed 1990 census income data for all families reporting from within the three geographies comprising the bank's assessment area and calculated percentages for each income category. This analysis revealed the collective population of the assessment area to be divided as follows: 38 percent of the reporting families were upper-income wage earners, 26 percent were middle-income wage earners, 20 percent were moderate-income wage earners, and 16 percent were low-income wage earners.

Statistics from the Missouri Department of Labor and Industrial Relations indicated the entire MSA's unemployment rate to be 3.2 percent as of May of 1998. The unemployment rate of Christian County was 3.5 percent as of the same date. Missouri's statewide unemployment rate was 4.2 percent for the same time period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

The Citizens Bank of Sparta has an average net loan-to-deposit (LTD) ratio of 81 percent. This figure is calculated by averaging the net LTD ratios for each quarter since the prior evaluation dated January 24, 1996. Current lending levels directly reflect management's lending philosophy of maximizing credit opportunities within the assessment area.

Given the economic climate and population characteristics of the assessment area, the bank's average net LTD has exceeded the standards for satisfactory performance. In addition, the ratio is quite higher than the average net LTD calculations of similarly situated lenders. Similarly situated lenders are those financial institutions with similar deposit resources, lending philosophies, and business strategies that serve similar geographic areas. Two other Christian County financial institutions were identified as similarly situated lenders for comparative purposes, Southwest Community Bank, Ozark, Missouri (total assets of \$21,305,000) and Bank of Billings, Billings, Missouri (total assets of \$19,433,000). Southwest Community Bank had a 66 percent average net LTD and Bank of Billings posted a 51 percent average net LTD for the same time period.

Lending in Assessment Area/Geographic Distribution of Loans

Examination personnel analyzed the geographic disbursement of a sampling of recent originations from three of the bank's loan portfolio categories. The sampling included 27 commercial credits, 34 consumer credits, and all 46 HMDA-related credits recorded on the bank's 1998 Loan Application Register. The following table depicts the bank's performance regarding assessment area lending.

LOAN CATEGORIES	Number of Originations Within the Assessment Area	Percentage of the Number Within the Assessment Area
Commercial	19	70%
Consumer	24	71%
HMDA (Real Estate)	34	74%

The table shows that the bank's record of lending in its assessment area meets the standards for satisfactory performance. A majority of the loans sampled were granted to borrowers residing inside the three CTs comprising the bank's assessment area.

As mentioned previously, all three assessment area CTs are middle-income geographies, therefore, an analysis of the specific disbursement of the bank's loan portfolio was not performed. However, a cursory review of borrower addresses revealed lending levels to be highest in CT 204. Since the bank's office is located in CT 204, it is reasonable to expect the majority of the bank's loans to be granted within this area.

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

In order to determine the bank's lending performance regarding borrowers of different income levels, examiners sampled borrower income information from the bank's loan files. Examination personnel reviewed borrower income amounts for the 34 HMDA-related loans granted within the assessment area. Examination personnel also obtained income data for the 24 assessment area consumer originations.

The results of this analysis, which show percentages for both the number of loans granted and the dollar amounts originated for each income category, are detailed in tables of on the following page.

HMDA LOANS	BORROWER INCOME CATEGORIES*			
	Low	Moderate	Middle	Upper
Percentage of Loans Granted	29%	35%	24%	12%
Percentage of Loan Dollar Amounts Granted	19%	39%	24%	18%

CONSUMER LOANS	BORROWER INCOME CATEGORIES*			
	Low	Moderate	Middle	Upper
Percentage of Loans Granted	50%	29%	17%	4%
Percentage of Loan Dollar Amounts Granted	47%	38%	10%	5%

*Categories are based on percentages of the HUD estimated MSA median family income (\$41,600 for 1998).
 Low - Less than 50% of the HUD estimated median family income.
 Moderate - At least 50% and less than 80% of the HUD estimated median family income.
 Middle - At least 80% and less than 120% of the HUD estimated median family income.
 Upper - 120% or more of the HUD estimated median family income.

Given the demographics of the assessment area and the results of the sample as displayed in the preceding tables, the bank's record of lending to borrowers of different income levels is considered exceptional. Low- and moderate-income wage earners account for 79 percent of the total number of consumer loan customers sampled and 64 percent of the total number of real estate loan customers sampled. Both figures are significantly higher than previously referenced census data that revealed 36 percent of the assessment area population classified as low- or moderate-income individuals.

Examination personnel also reviewed gross annual revenue data for the 19 assessment area commercial loans in an effort to analyze the bank's lending performance regarding small business applicants. The results of this analysis, which show percentages for both the number of loans granted and the dollar amounts originated, are detailed in the table on the following page.

GROSS ANNUAL REVENUE CATEGORIES	BUSINESS BORROWERS	
	Percentage of Loans Granted	Percentage of Loan Dollar Amounts Granted
\$0-\$40,000	58%	18%
\$40,001-\$150,000	16%	5%
\$150,001-\$200,000	21%	20%
\$200,001 and Up	5%	57%

The data displayed in the preceding table indicates the bank is putting forth a reasonable effort in granting loans to businesses of different sizes. A vast majority of the bank's commercial loans were granted to businesses having gross annual revenues of \$150,000 or less. The bank is successfully meeting the needs of small business loan applicants, and loans to small businesses represent the largest portion of the bank's commercial loan portfolio.

Response to Complaints

There have been no consumer complaints received by The Citizens Bank of Sparta since the prior evaluation.

Antidiscrimination Review

No violations of the substantive provisions of the fair lending regulations were identified in connection with the present evaluation.