

PUBLIC DISCLOSURE

March 3, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank of Norborne
Certificate Number 9802**

**112 South Pine Street
P. O. Box 222
Norborne, Missouri 64668-0111**

**Federal Deposit Insurance Corporation
2345 Grand Boulevard, 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.

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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 of Norborne, Norborne, Missouri**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 3, 2005**. 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 Satisfactory.

Citizens Bank of Norborne (Citizens Bank), Norborne, Missouri, has demonstrated a satisfactory commitment to community reinvestment that is supported by the following conclusions.

- A majority of the farm loans originated by the bank are within the bank's assessment area, reflecting a good commitment to meeting the credit needs of the assessment area.
- An analysis of sampled farm loans reveals a reasonable distribution of loans among farms of different sizes.
- The bank's average net loan-to-deposit ratio reflects a reasonable willingness to provide credit given the bank's size, financial condition, and community credit needs.

DESCRIPTION OF INSTITUTION

Citizens Bank's sole office is located at 112 Pine Street, Norborne, Missouri. The bank operates one automated teller machine located in Norborne, Missouri. As of December 31, 2004, the institution's total assets equaled \$22,987,000 of which total loans represented \$17,608,000. The bank's largest loan products by dollar volume are agricultural loans (agricultural real estate and agricultural production), which represents 65 percent of total loans. Bank management indicated that the bank's primary credit focus is agriculture lending.

The bank is owned by Kanbanc, Inc., Overland, Kansas, a multi-bank holding company. The number of participations sold or purchased by the institution is immaterial and does not impact this evaluation. The institution is not subject to any financial or legal impediments that would hinder its ability to help meet the credit needs of its assessment area. The bank was rated Outstanding at the previous CRA Performance Evaluation dated March 24, 1999.

DESCRIPTION OF ASSESSMENT AREA

The bank has defined its assessment area as census tract 801 in Ray County and 9602 in Carroll County, Missouri. Census tract 801 in Ray County is part of the Kansas City Metropolitan Statistical Area (MSA), while census tract 9602 in Carroll County is part of non-metropolitan Missouri. Based on the 2000 U.S. Census, the bank's sole facility is located in census tract 9602. The assessment area is rural with an agricultural-based economy and encompasses several small towns widely dispersed across the assessment area, including Board, Hardin, Henrietta, and Norborne, Missouri. According to the 2000 Census, Norborne has a population of 805, and has the largest population in the assessment area.

The 2002 Census of Agriculture indicates that the average size of farms located in Carroll County slightly decreased in land size from 387 acres to 386 acres from 1997 to 2002; however, the number of farms increased from 1,062, in 1997, to 1,081, by 2002. The same trends are found in Ray County as well. For Ray County the average size of farms decreased in land size from 240 acres to 237 acres from 1997 to 2002; however, the number of farms increased from 1,222 in 1997, to 1,231 in 2002.

The agricultural industry in the assessment area is mainly row crop farming with a limited number of livestock productions (mostly cow/calf operations). According to management, the current agriculture economy is good with 2004 reported as a banner year. Management stated the bank's major competitor for agricultural loans is Farm Credit Services.

Using 2000 Census data, the bank's assessment area has all middle-income geographies. These classifications are based on the 2000 U.S. Census median family income (MFI) for the Kansas City MSA, which is \$55,779 and the non-metropolitan Missouri MFI which is \$36,864. Unless otherwise stated, all demographic information presented is from the 2000 U.S. Census. A breakdown of income levels for the census tracts within the Kansas City MSA and non-metropolitan Missouri are presented in Table 1.

<i>Table 1 – 2000 Census Tract Income Levels</i>			
<i>Geography Income Level</i>	<i>Percent of MFI</i>	<i>Kansas City MFI</i>	<i>Non-Metropolitan Missouri MFI</i>
<i>Low</i>	< 50%	< \$27,890	< \$18,432
<i>Moderate</i>	50% to < 80%	\$27,890 to < \$44,623	\$18,432 to <\$29,491
<i>Middle</i>	80% to <120%	\$44,623 to < \$66,935	\$29,491 to <\$44,237
<i>Upper</i>	120% and greater	\$66,935 and greater	\$44,237 and greater

Data Source: 2000 U.S. Census.

The assessment area population is 6,578 and comprises 1,849 families. Of the families in the assessment area, 21 percent are low-income families and 20 percent are moderate-income families. Of the remaining families in the assessment area, 27 percent are middle-income families and 32 percent are classified as upper-income families.

Other Demographic Information

During the evaluation, examiners reviewed a recent contact from a representative of the assessment area (community contact) to obtain a profile of the community, identify community development opportunities and general credit needs, and assess opportunities for participation by local financial institutions. The community contact discussed the general economic conditions of the area and indicated the general economy has continued to decline since September 11, 2001. The contact also indicated that the number of full-time farmers has decreased since the 1980's and local employers are reducing the number of employees.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Conclusions with respect to the following performance criteria, *Lending in Assessment Area, Lending among Farms of Different Sizes, and Geographic Distribution of Loans*, are based on review of the institution's loan portfolio. This analysis is limited to the bank's primary loan product, agricultural loans (including agricultural real estate and agricultural production loans), which comprises 65 percent of the loan portfolio as of December 31, 2004. All loans were analyzed using 2000 U.S. Census data.

Examiners sampled loan transactions originated during 2004 to determine the bank's performance. The agricultural loan universe consisted of 171 loans totaling \$5,694,877. The agricultural loan sample consisted of 36 loans with an original balance of \$1,581,493.

a) Lending in Assessment Area

A majority of the farm loans originated by the bank are within the bank's assessment area, reflecting a good commitment to meeting the credit needs of the assessment area. Of the 36 agricultural loans reviewed, 33, or 92 percent, were originated within the assessment area and accounted for 92 percent of the dollar volume of sampled loans.

b) Lending among Farms of Different Sizes.

An analysis of sampled farm loans reveals a reasonable distribution of loans among farms of different sizes.

Table 2 shows the distribution of the agricultural loan sample among farms of varying sizes based on gross annual farm revenue levels. Table 2 also shows the percentage of farms, by annual gross farm revenue, located in Carroll and Ray Counties based on the 2002 Census of Agriculture data.

<i>Gross Annual Revenue of the Farm</i>	<i>Percentage of Farms in Carroll and Ray Counties by Sales Volume</i>	<i>Number of Loans</i>	<i>Percent of Total Number of Loans</i>	<i>Dollar Amount of Loans</i>	<i>Percent of Dollar Amount of Loans</i>
<i>< \$100,000</i>	91%	21	64%	\$ 406,762	28%
<i>\$100,000 to < \$250,000</i>	5%	7	21%	\$ 438,435	30%
<i>\$250,000 to < \$500,000</i>	3%	2	6%	\$ 105,286	7%
<i>≥ \$500,000</i>	1%	3	9%	\$ 511,010	35%
<i>TOTALS</i>	100%	33	100%	\$1,461,493	100%

Source: 2002 Census of Agriculture and bank data.

The bank achieved a reasonable loan penetration among farms of different sizes. The bank originated 64 percent of its agricultural loans to farms with gross farm revenues of \$100,000 or less, which is less than the percentage of farms within the assessment area in that revenue category. However, the Census of Agriculture indicates that 59 percent of all Missouri farms in that revenue category paid no interest, indicating that a large percentage were very small farm operations that did not obtain any agriculture-related loans. The bank originated 21 percent of its agricultural loans, by number, to farms with gross annual revenues between \$100,000 and \$250,000, which is greater than the Census of Agriculture demographics.

c) Geographic Distribution of Loans

A geographic distribution analysis of lending in the assessment area was not made as all geographies within the assessment area are middle income, making further analysis not meaningful.

d) Loan-to-Deposit Ratio

The bank's average net loan-to-deposit ratio (ratio) reflects a reasonable willingness to provide credit given the bank's size, financial condition, and community credit needs. The bank's ratio, based on 24 quarters since the previous evaluation, is 77 percent. During that period, the bank's ratio fluctuated from a low of 64 percent as of March 31, 2000, to a high of 90 percent as of September 30, 2004. The bank's ratio is consistent with the ratio of similar situated institutions.

e) Response to CRA-Related Complaints

Neither the bank, nor the Federal Deposit Insurance Corporation, has received a CRA-related complaint since the last evaluation.

f) Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.