PUBLIC DISCLOSURE

April 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Bank

RSSD# 1001853

100 Circle Drive
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 April 20, 1998. The agency evaluates performance in assessment area(s), as they are delineated by this institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CRF Part 228.*

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

Citizens Bank meets the criteria necessary to receive an outstanding rating. The loan-to-deposit ratio is exceptional given the institution's size, its financial condition, the performance of its competitors, and the credit needs of the assessment area. A substantial majority of the bank's loans and other lending related activities are extended within its assessment area. The distribution of loan originations reflects a reasonable distribution of loans across the geographies of the bank's assessment area. Furthermore, the distribution of loan originations reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

The factors discussed above were reviewed under the CRA small bank performance standards. The results of this review were further supported by an analysis of the bank's qualifying community development investments and services. This analysis confirmed that the bank actively addresses and meets the credit needs of its community.

DESCRIPTION OF INSTITUTION:

Citizens Bank is a subsidiary of Citizens Financial Group, Incorporated, a one-bank holding company. The bank's main office is located in New Haven, Missouri. In addition, the bank operates three other facilities, including two branches in Pacific, Missouri, and one location in Gerald, Missouri. All of the bank's locations are full-service banking facilities. The bank also operates two automated teller machines (ATMs). One of those ATMs is located in New Haven at the bank's main office, and the second is located at the bank's Pacific East location. Citizens Bank is a commercial and retail institution, whose primary credit products include commercial loans, one-to-four family residential loans and consumer loans. Loans account for 74.0 percent of the bank's total assets.

As of December 31, 1997, the bank reported $73.5 million in total assets. The bank currently competes for customers with at least six other financial institutions located in various communities surrounding New Haven. Total assets for these competing institutions ranged from $28.5 million to $1.4 billion as of December 31, 1997.

DESCRIPTION OF ASSESSMENT AREA:

The bank defines its assessment area as block numbering areas (BNAs) 9601 through 9605 in Gasconade County; census tracts 8001 through 8009 in Franklin County; census tract 7004 in Jefferson County; and census tracts 2152.03, 2215.00, 2216.01 and 2216.02 in St. Louis County.[1] In total, the bank's assessment area contains nineteen geographies and includes the following towns: Chesterfield, Clarkson, Eureka, Gerald, Gray Summitt, Hermann, New Haven, Owensville, Pacific, Union and Washington. Fourteen of the nineteen geographies in the assessment area are located within metropolitan statistical area (MSA) 7040. With a population of nearly 12,000, Washington is the largest city in the assessment area. According to the 1990 census, the population of the entire assessment area is 138,038.

As of the 1990 census, the median family income for the assessment area was $40,643, compared to the statewide nonmetropolitan median family income of $24,325 and the 1990 MSA median family income of $37,995.

Based on these figures, BNAs 8007 and 8009 can be classified as moderate-income, and census tracts 2152.03, 2215.00, 2216.01 and 2216.02 can be classified as upper-income.[2] The thirteen remaining geographies are considered middle-income. Although

[1] Individual geographies are defined as either block numbering areas (BNAs) or census tracts depending on whether the geography is located inside a Metropolitan Statistical Area (MSA). Those geographies located inside a MSA are defined as census tracts. Those geographies located in a non-MSA are normally considered BNAs.

[2] Low-income is defined as individual income or, in the case of a geography, a median family income that is less than 50 percent of the MSA median family income or statewide nonmetropolitan median family

the bank's assessment area contains no low-income geographies, low- and moderate-income (LMI) families are present throughout the area. The following table depicts the income characteristics of the population in the assessment area per the 1990 census:

Income Characteristics of Assessment Area Population				
Income Level	Low	Moderate	Middle	Upper
Population Percentage	14.4%	16.1%	24.0%	45.5%

According to bank management and community contacts, the economy of the assessment area is in a period of considerable growth. Over the last several years, the economic expansion has been characterized by sizeable increases in both the assessment area's population and job opportunities. Growth of available jobs, however, has outpaced the population expansion. As a result, many of the assessment area's larger communities have achieved "full-employment." Many industrial operations are having difficulty meeting staffing demands as skilled workers become less available in the job market. Consequently, continued economic growth in the area is threatened by this lack of a sufficient work force.

Housing does not appear to be an issue for the assessment area. The available housing stock was reported to be sufficient for meeting demands for residential property. Furthermore, the quality of the available housing stock appears to be adequate.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS:

In order to pursue an outstanding rating under this CRA evaluation, the bank chose to have its community development investment and services reviewed. The analysis of the qualifying investments and services complements the bank's performance. The following is a discussion of the bank's performance as reviewed under the CRA small bank performance standards. Evaluative criteria considered under the performance standards are discussed in their order of importance for contribution to this institution's overall CRA rating.

---

income. MSA median family income is used for evaluating geographies located within an MSA, while the statewide nonmetropolitan median family income is used for geographies located outside of an MSA.

Moderate-income is defined as individual income, or in the case of a geography, a median family income that is at least 50 percent and less than 80 percent of the MSA median family income or statewide nonmetropolitan median family income.

Middle-income is defined as individual income or, in the case of a geography, a median family income that is at least 80 percent and less than 120 percent of the MSA median family income or statewide nonmetropolitan median family income.

Upper-income is defined as individual income or, in the case of a geography, a median family income that is at least 120 percent of the MSA median family income or statewide nonmetropolitan median family income.

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

To complete this review, statistical samples of home improvement loans, conventional home purchase loans, home refinancing loans and small business loans, four of the bank's primary credit products, were evaluated for penetration among individuals of different income levels and businesses of different revenue sizes.[3] The sample of small business loans included loans originated during the six-month period ending March 16, 1998. Samples of the remaining three loan types, which are required to be reported by the bank under the Home Mortgage Disclosure Act (HMDA), included all such loans originated in calendar years 1996 and 1997.

Consideration of the demographics and economic conditions of the assessment area and the distribution of loans originated by the institution reveals the bank achieves excellent loan penetration among individuals of different income levels and businesses of different revenue sizes.

The following table reflects the penetration of home improvement, conventional home purchase, and home refinancing loans among borrowers of different income levels:

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower					
Loan Type	Borrower Income Classification[4]				Totals
	Low-	Moderate-	Middle-	Upper-	

[3]The borrowers' income levels were compared to the 1997 statewide nonmetropolitan median family income of $29,500 and the MSA 4400 median family income of $42,200, as made available by the Department of Housing and Urban Development. Borrowers were categorized using the income definitions in footnote one.

[4]Distribution percentages exclude loans where income information was unavailable.

Home Improvement	11 33.3%	9 27.3%	11 33.3%	2 6.1%	33 100%
	$114,000 32.0%	$61,000 17.2%	$161,000 45.2%	$20,000 5.6%	$356,000 100%
Conventional Home Purchase	17 14.3%	28 23.5%	40 33.6%	34 28.6%	119 100%
	$523,000 8.0%	$1,439,000 21.9%	$2,671,000 40.7%	$1,935,000 29.4%	$6,568,000 100%
Home Refinancing	22 15.1%	36 24.6%	54 37.0%	34 23.3%	146 100%
	$1,200,000 15.3%	$1,781,000 22.6%	$2,738,000 34.8%	$2,143,000 27.3%	$7,862,000 100%
Total Loans Sampled	50 16.8%	73 24.5%	105 35.2%	70 23.5%	298 100%
	$1,837,000 12.4%	$3,281,000 22.2%	$5,570,000 37.7%	$4,098,000 27.7%	$14,786,000 100%
Assessment Area Population	14.4%	16.1%	24.0%	45.5%	100%

As depicted in the table above, 41.3 percent of the bank's loans were originated to borrowers classified as LMI. By dollar volume, 34.6 percent of the loans were originated to those borrowers. With 30.5 percent of the assessment area population classified as LMI, the distribution of loans to those population segments significantly exceeds their assessment area representation. In fact, in each of the three loan categories reviewed, the percentage of loans originated to LMI borrowers was considerably larger than the proportion of the population comprised of those borrowers. The bank's performance in extending home improvement credit was particularly noteworthy. Of the 33 home improvement loans originated, 20 (60.6 percent) were originated to LMI borrowers.

The bank's excellent performance in lending to borrowers of different income levels is complemented by similar results in the distribution of its small business loans by the revenue sizes of the borrowing entities. The following table illustrates the level of lending to businesses of different sizes.

Distribution of Small Business Loans				
Gross Revenue	**Loan Origination Amount $(000's)**			**Total Loans**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
Less than $1 million	39 73.6%	3 5.6%	1 1.9%	43 81.1%
	$894,148 36.5%	$487,981 19.9%	$260,000 10.6%	$1,642,129 67.0%

$1 million or more	8 15.1%	1 1.9%	1 1.9%	10 18.9%
	$227,073 9.3%	$160,000 6.5%	$420,851 17.2%	$807,924 33.0%
Total Loans	47 88.7%	4 7.5%	2 3.8%	53 100%
	$1,121,221 45.8%	$647,981 26.4%	$680,851 27.8%	$2,450,053 100%

The table above shows that 81.1 percent of the bank's small business loans were originated to entities with gross annual revenues of less than $1 million. Furthermore, nearly 89 percent of the loans were originated in amounts of $100,000 or less. These factors reveal that the bank's efforts to address the credit needs of small businesses are more than adequate. As such, the bank's overall loan penetration, among borrowers of different income levels and businesses of different sizes, exceeds the criteria for satisfactory performance.

Geographic Distribution

The bank's assessment area contains two moderate-income geographies, thirteen middle-income geographies, and four upper-income geographies. There are no low-income geographies in the bank's assessment area.

The following table depicts the distribution of the bank's home improvement, conventional home purchase, home refinancing, and small business loans across these geographies:

Geographic Distribution of Loans (Number and Dollar Volume) Across Assessment Area by Income Level of Geography

Loan Type	Census Tract Income Classification			Totals
	Moderate-	Middle-	Upper-	
Home Improvement	3 8.3%	33 91.7%	0 0.0%	36 100%
	$41,000 10.8%	$337,000 89.2%	$0 0.0%	$378,000 100%
Conventional Home Purchase	32 25.8%	91 73.4%	1 0.8%	124 100%

	$1,372,000 20.2%	$5,274,000 77.8%	$134,000 2.0%	$6,780,000 100%
Home Refinancing	24 15.9%	123 81.5%	4 2.6%	151 100%
	$1,298,000 15.9%	$6,468,000 79.5%	$373,000 4.6%	$8,139,000 100%
Small Business	8 14.5%	42 76.4%	5 9.1%	55 100%
	$179,985 7.0%	$2,225,799 86.9%	$157,121 6.1%	$2,562,905 100%
Total Loans Sampled	67 18.3%	289 79.0%	10 2.7%	366 100%
	$2,890,985 16.2%	$14,304,799 80.1%	$664,121 3.7%	$17,859,905 100%
Percentage of Assessment Area Population	11.8%	54.9%	33.3%	100%

As illustrated in the table above, 18.3 percent of the bank's loan originations were made to individuals and businesses residing in moderate-income geographies. By dollar volume, 16.2 percent of the bank's originations went to those geographies. In comparison, only 11.8 percent of the population in the bank's assessment area resides in moderate-income geographies. In contrast, only 2.7 percent of the bank's loans were originated to upper-income geographies, where 33.3 percent of the assessment area population resides. These figures demonstrate the bank's strong efforts to meet the credit needs of its entire assessment area regardless of the underlying income characteristics of individual geographies, with particular emphasis on LMI individuals.

The bank performed particularly well in the origination of conventional home purchase loans. As shown above, 32 of the 124 conventional home purchase loans sampled (25.8 percent) were originated to borrowers purchasing homes located in moderate-income geographies. Based on this overall analysis, it can be concluded that the bank's performance under this criterion exceeds the standard for satisfactory performance.

Lending in the Assessment Area

A review of the aforementioned samples of home improvement, conventional home purchase, home refinancing and small business loan originations revealed that a substantial majority of the bank's loans were originated within the assessment area. The following table identifies, by loan type, the number, dollar volume and percentage of loans originated inside the assessment area.

Distribution of Loans In/Out of the Assessment Area[5]

[5] Distribution percentages and sample size figures exclude loans in the original samples where property location information was unavailable.

Loan Type	Sample Size	Inside Assessment Area		Outside Assessment Area	
		Number	Dollar	Number	Dollar
Home Improvement	36	36 100.0%	$378,000 100.0%	0 0.0%	$0 0.0%
Conventional Home Purchase	137	124 90.5%	$6,780,000 92.1%	13 9.5%	$582,000 7.9%
Home Refinancing	160	151 94.4%	$8,139,000 87.5%	9 5.6%	$1,168,000 12.5%
Small Business	59	55 93.2%	$2,562,905 94.4%	4 6.8%	$153,198 5.6%
Total	392	366 93.4%	$17,859,905 90.4%	26 6.6%	$1,903,198 9.6%

As depicted in the table above, 366 of the 392 loans sampled (93.4 percent) were located within the assessment area. By dollar volume, 90.4 percent of the loans sampled were located within the assessment area. As such, the bank's performance under this criterion exceeds the standard for satisfactory performance.

Loan to Deposit Ratio

The bank's average net loan-to-deposit ratio for the eight quarters reported from March 31, 1996 through December 31, 1997, is 85.0 percent. For the same period, the average net loan-to-deposit ratios for the bank's six competitors range from 65.6 percent to 93.8 percent. The analysis of these seven institutions reveals that Citizens Bank ranks third when evaluated against its competitors. When only the last four reported quarters are considered, the bank's average net loan-to-deposit ratio is 86.6 percent. This ratio places the bank second among the seven competing institutions, behind an institution which reported an average net loan-to-deposit ratio of 94.0 percent over the most recent four quarters. The institution with the largest loan-to-deposit ratio benefits from an asset size that is nearly four times that of Citizens Bank.

It should also be noted that Citizens Bank's loan-to-deposit ratio has exhibited a sustained upward trend since the last examination. The bank's quarterly ratio has climbed steadily from a level of 80.7 percent as of March 31, 1996, to a level of 86.5 percent as of December 31, 1997. As a result, the bank's loan-to-deposit ratio is considered exceptional given its performance context. The performance context includes the bank's capacity to lend, the capacity of other similarly situated banks to lend, demographic and economic factors, and lending opportunities available in the bank's assessment area.

QUALIFIED INVESTMENTS

The results of the performance test discussed above illustrate the bank's exceptional performance in meeting the credit needs of its assessment area. The bank's qualified community development investments were also reviewed in an effort to supplement the conclusions derived from the performance test. This review revealed that this institution is responsive to credit and community development needs of the assessment area. Since the last examination, the bank has contributed more than $4,100 to various efforts and organizations that benefit LMI residents of the area. In addition, the bank provided $1.3 million to the local betterment association in the form of a community development loan. The loan funds were combined with an infrastructure grant from the State of Missouri to attract a new commercial operation to the area. According to the terms of the funding agreement, the new business must always fill at least 51 percent of its job positions with LMI persons.[6]

It should also be noted that the bank funds loans through the programs of the Small Business Administration. To date, the bank has funded 12 such loans totaling nearly $1.3 million.[7] Participation in this program demonstrates the bank's commitment to small business development in the area. Given that opportunities for participation in community development investments are severely limited in the bank's assessment area, its performance in providing qualified investments lends additional support to its outstanding performance.

RETAIL BANKING SERVICES

The bank's qualified community development services and retail services were also reviewed to affirm the outstanding performance demonstrated by the small bank performance standard. Review of the community development services revealed that several of the bank's officers are actively involved in organizations that assist and support LMI persons as well as small business development. Each year, bank officials provide over 420 hours of financial related services to these organizations.

In November 1997, the bank opened its second branch in Pacific, Missouri, giving it four full-service locations. This addition improved the accessibility of the bank's delivery systems to all individuals in the assessment area, including LMI residents. The review of retail services also revealed that the bank's delivery systems are accessible to virtually all portions of the bank's assessment area. Furthermore, the bank's services are tailored to the convenience and needs of the assessment area. Given the resources and opportunities available to the bank, its performance in providing retail banking services supports the outstanding rating.

Review of Complaints

[6] This loan is considered as a qualified investment because its size precluded it from being considered as a part of the core performance test.
[7] The vast majority of these loans were precluded from being counted in the core performance test because they were originated prior to the beginning of the sample period.

No CRA-related complaints have been received since the prior examination, dated March 18, 1996.

Additional Information

A fair lending analysis focusing on Regulation B - Equal Credit Opportunity and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of anti-discrimination laws and regulations. Further, results of the analysis suggested that applications were actively solicited from all segments of the bank's assessment area.