



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

December 10, 2007

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank of Greater St. Louis  
Charter Number: 12955

7305 Manchester Avenue  
Maplewood, MO 63143

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

**NOTE:** This document is an evaluation of this 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. 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.

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

- Citizens National Bank (CNB) of Greater St. Louis's distribution of loans to individuals of different income levels and to businesses of different sizes is reasonable. CNB's mortgage lending levels are near to or exceed the percentage of low- and moderate-income families in its assessment area (AA), especially when you consider that 6% of the households in the AA are living below the poverty level. CNB's home purchase loans (18%), home improvement loans (22%), and refinance loans (23%) made to moderate-income borrowers exceed the 17% of moderate-income families in the AA. Given the demographics of the AA, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Of the number of small business loans originated by CNB, 50% were to businesses with gross annual revenues of \$1 million or less compared to the 66% of businesses in the AA reporting revenues equal to or less than \$1 million.
- The geographic distribution of loans reflects reasonable penetration among the census tracts (CTs) in the AA. CNB's geographic distribution of residential lending reflects an excellent level of penetration in CTs of different income levels. The level of home purchase loans (13%), home improvement loans (13%), and refinance loans (13%) exceeds the level of owner-occupied homes located in the moderate-income geographies (11%). CNB's geographic distribution of commercial lending reflects reasonable penetration in the CTs of different income levels. Based on our sample of small business loans originated in the evaluation period, the percentage made in moderate-income CTs (10%) is similar to the level of commercial businesses located in these CTs (11%).
- Community development (CD) performance demonstrates adequate responsiveness to the needs of the AA through loans, qualified investments, and services. CNB has 37 qualifying CD loans totaling \$4,013,892 and qualifying investments and donations totaling \$953,210. During this evaluation period, a few of the bank's employees were involved in, and provided financial services to, some organizations that have a CD purpose.

## Scope of the Examination

CNB's performance was evaluated using Intermediate Small Bank Procedures. These procedures evaluate a bank's lending and CD performance separately. Mortgage and small business loans from 2005 to 2007 were analyzed to determine their significance in the bank's loan portfolio and the impact on communities the bank serves. Home Mortgage Disclosure Act (HMDA) reported loans included home purchase, home improvement, and refinancing. In total, these loans comprise the bank's primary lines of business and are indicative of its overall lending performance.

- The evaluation period covers loans originated or purchased and CD activities from May 3, 2004 to December 10, 2007.
- CNB has one AA, which consists of portions of Jefferson County and St. Louis City, and all of St. Charles and St. Louis Counties.
- Conclusions regarding the bank's lending performance are based on CNB's primary loan products, which included residential mortgage and small business.

Under the CD test, we evaluated lending, qualified investments, and services.

## Description of Institution

Citizens National Bank of Greater St. Louis is a \$451 million intrastate financial institution headquartered in Maplewood, Missouri. The bank has a total of six branches located in Missouri; five are located in middle-income CTs (Maplewood, Florissant, Affton, Maryland Heights, and St. Peters), and one is located in an upper-income CT (St. Charles). CNB is a wholly owned subsidiary of Cardinal Bancorp Inc., a one-bank holding company headquartered in St. Louis, Missouri.

As of September 30, 2007, net loans totaled \$357 million, representing 79% of total assets. The loan portfolio consisted of 63% commercial real estate and business, 13% residential real estate, 16% construction, 3% consumer loans, 3% multi-family, and 2% municipal loans. Commercial real estate and business represent the highest percentage of the loans originated during this evaluation period by dollar value and by number of loans granted. At September 30, 2007, Tier One Capital totaled \$42 million.

There are no legal or financial constraints placed on the bank's ability to help meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

To further our understanding of the community's credit needs, we made five community contacts about the areas served by the bank. Our contacts did not identify any unmet

credit needs and felt that local banks are involved in the community and are adequately meeting its credit needs.

CNB's CRA performance was rated Satisfactory at the last CRA examination dated May 3, 2004. That examination was conducted using Large Bank CRA examination procedures. This is the bank's first evaluation under the Intermediate Small Bank CRA examination procedures, which became effective September 1, 2005.

## **Description of Assessment Area**

The bank's AA includes all of St. Louis and St. Charles Counties in Missouri, and portions of Jefferson County and the City of St. Louis in Missouri. The bank's AA consists of 269 CTs within the Missouri portion of the St. Louis Missouri Metropolitan Statistical Area (MSA). Based on the 2000 census median family income of \$53,435, three (1%) CTs are designated low-income, 38 (14%) moderate-income, 128 (48%) middle-income, 99 (37%) upper-income, and 1 (less than 1%) was not assigned an income designation.

Economic conditions for the AA are good. Large employers include The Boeing Company, Schnucks Markets, Inc., SSM Health Care System, Washington University, and St. Johns Health Care. Management, professional, and related occupations account for the largest employment sector, followed by sales and office occupations. Other major employment sectors include service, construction, and maintenance occupations.

There are 99,435 businesses located in the AA; of these businesses, 66% have revenues less than \$1 million, 7% have revenues greater than \$1 million, and 27% did not report revenues. Of the businesses in the AA, 318 (less than 1%) are in low-income CTs, 11,017 (11%) are in moderate-income CTs, 44,511 (45%) are in middle-income CTs, and 43,588 (44%) are in upper-income CTs.

The 2000 census data indicates that there are 613,750 total housing units in the AA, with owner-occupied units at 72.5%, occupied rental units at 23%, and vacant housing units at 4.5%. Less than 1% of the owner-occupied units are located in low-income geographies, 11% are in moderate-income geographies, 49% are in middle-income geographies, and 40% are in upper-income geographies. Per the 2000 census data, the weighted average median value for housing is \$127,000 and the weighted average median age of the home is 39 years old. The weighted average median rent is \$602 per month.

The 2000 census indicates that the AA has a total of 403,747 families. Of these families, 55,895 (14%) are classified as low-income, 67,414 (17%) as moderate-income, 90,842 (22%) as middle-income, and 189,596 (47%) as upper-income. The HUD updated MSA median family income for 2007 is \$63,300. As of August 2007, the unemployment rate is 5.20% for Missouri and 5.30% for the Missouri portion of the St. Louis MSA. Both of these are above the national unemployment rate of 4.60%.

According to 2000 census data, 36,532 (6%) of total households live below the poverty level.

Competition in the AA is provided by 67 other financial institutions. As of June 30, 2007, the bank's total deposits inside the market are \$355 million, or a 0.93% market share. Five large banks (all with total assets over \$49 billion), five mid-size banks (all with total assets between \$3 and \$15 billion), and 57 smaller community banks operate in the bank's AA. Three large banks dominate the market: US Bank (19% market share), Bank of America (16%), and Commerce (9%); each has deposits greater than \$3.5 billion.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

CNB's performance is reasonable in meeting the credit needs of its AA, including those of low- and moderate-income people, given the performance context, demographics, economic factors, and competitive pressures.

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

The bank's lending distribution to borrowers of different income levels and to businesses of different revenue sizes is reasonable.

#### Residential Real Estate Loans

CNB's mortgage lending is excellent. The bank's home purchase, home improvement, and home refinance lending levels are near to or exceed the percentage of low- and moderate-income families in its AA, especially when you consider that 6% of the households in the AA are living below the poverty level.

CNB's lending to low- and moderate-income borrowers for purchase loans (5% and 18%, respectively) is excellent in comparison to the percentage of low- and moderate-income families in the AA (14% and 17%, respectively).

CNB's lending to low- and moderate-income borrowers for home improvement loans (13% and 22%, respectively) is excellent in comparison to the percentage of low- and moderate-income families in the AA (14% and 17%, respectively).

CNB's lending to low- and moderate-income borrowers for refinancing loans (8% and 23%, respectively) is excellent in comparison to the percentage of low- and moderate-income families in the AA (14% and 17%, respectively).

The data used to evaluate CNB's residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14%	5%	17%	18%	22%	16%	47%	32%
Home Improvement	14%	13%	17%	22%	22%	16%	47%	35%
Refinancing	14%	8%	17%	23%	22%	22%	47%	38%

Source: 2000 US census data, 2007 HUD updated median income information, and HMDA data for loans originated during 2005, 2006 and year-to-date 2007. Note: 29% of the home purchase, 13% of the home improvement, and 9% of the refinance loans did not have income information available. The majority of loans without income information were loans to corporations or bank employees.

**Small Business Loans**

Given the demographics of the AA, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Based on a sample of 20 commercial loans made during the evaluation period, 50% were to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. The demographic data shows 66% of the businesses in the AA have annual gross revenues equal to or less than \$1 million.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA.

Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	7%	27%	100%
% of Bank Loans in AA by #	50%	40%	10%	100%
% of Bank Loans in AA by \$	30%	61%	9%	100%

Source: 2007 Business Geodemographic data and a sample of small business loans originated between January 1, 2005 and June 29, 2007.

**Geographic Distribution**

The geographic distribution of CNB’s home purchase, home improvement, refinance, and small business loans reflects reasonable dispersion throughout the AA.

**Residential Real Estate Loans**

CNB’s geographic distribution of residential lending reflects an excellent level of penetration in CTs of different income levels. The level of home purchase (1%) and home improvement (2%) loans in low-income CTs compares favorably with the percentage of owner-occupied housing units in the low-income geographies. The level of home purchase (13%), home improvement (13%), and refinance (13%) loans exceeds the level of owner-occupied homes located in the moderate-income geographies.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	<1%	1%	11%	13%	49%	56%	40%	30%
Home Improvement	<1%	2%	11%	13%	49%	62%	40%	24%
Refinance	<1%	0%	11%	13%	49%	53%	40%	34%

Source: 2000 US census data, 2007 HUD updated median income information, and HMDA data for loans originated during 2005, 2006 and year-to-date 2007.

**Small Business Loans**

CNB’s geographic distribution of commercial lending reflects reasonable penetration in the CTs of different income levels. Based on our sample of small business loans originated in the evaluation period, the percentage made in moderate-income CTs (10%) is similar to the level of small businesses located in these CTs (11%). It is reasonable that the bank did not make any small business loans in the low-income CTs since there are only 318 businesses located in these geographies.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	<1%	0%	11%	10%	45%	55%	44%	35%

Source: 2007 Business Geodemographic data and a sample of small business loans originated between January 1, 2005 and June 29, 2007.

**Lending in Assessment Area**

A substantial majority of loans and other lending related activities were originated in the bank’s AA. We analyzed HMDA data to review residential real estate loans and a sample of small business loans originated from 2005 through June 2007. The data shows that 80% by number and 93% by dollar amount of these loans were made within the bank’s AA.

**Loan-to-Deposit Ratio**

CNB’s loan-to-deposit (LTD) ratio is reasonable. As of September 30, 2007, the bank’s LTD ratio was 105%. CNB’s quarterly average LTD ratio since the 2004 CRA examination was 97%. This is comparable to ten similarly situated banks in the area whose quarterly average LTD ratios ranged from 71% to 105%. The bank’s LTD ratio is higher than five banks and lower than five banks. We used ten banks with total assets

ranging from \$324 million to \$580 million in St. Louis City, St. Louis County, St. Charles County, and Jefferson County. These banks are considered similarly situated because of their size, location, and lending opportunities.

### **Responses to Complaints**

Neither the bank nor the OCC has received any CRA-related complaints since our last examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **COMMUNITY DEVELOPMENT TEST**

CNB's community development performance demonstrates adequate responsiveness to the needs of its AA through loans, qualified investments, and services.

### **Community Development Loans**

CD lending is adequate. We focused on 2005 to 2007 information but also reviewed reports since the previous examination. We concluded that the bank has had an ongoing commitment to community development. CNB has 37 qualifying CD loans totaling \$4,013,892. All but 4 loans totaling \$494,171 were made to purchase properties inside counties within the bank's AA. A summary of the more significant loans is detailed below:

- CNB originated a \$60,000 loan to a development corporation for the construction of a single family low-income residence. The residence was located in a low-income CT in the City of St. Louis, outside of the bank's designated AA.
- CNB's mortgage department closed 36 loans totaling \$3,953,892 under a program offering first-time homebuyers affordable mortgages. These loans are made with interest rates below normal market rates. These loans were not included in the bank's HMDA information since these were investor loans and not retained in the bank's loan portfolio.

### **Qualified Investments**

CNB's qualified investments and donations totaled \$953,210 and are considered adequate. CNB's investments and donations to CD organizations assist low-and moderate-income individuals and families within the AA. These investments help revitalize and stabilize enterprise zone areas.

The bank purchased five qualified investments during the evaluation period. These investments totaled \$900,000 and were for purposes related to revitalizing or stabilizing low- or moderate-income geographies. As of yearend 2007, the bank has committed \$700,000 to an organization that provides for affordable housing by purchasing low-income housing tax credits. To date, the total funded amount is \$169,001 and the unfunded amount is \$530,999. An investment totaling \$200,000 was made in 2007 to support a new building for a public library located in a moderate-income CT within the designated AA. This project helped to revitalize this geography by renovating a vacant building.

Total donations from 2004 to 2007 were \$53,210. Nine donations totaling \$51,960 were used for community service and one donation for \$1,250 was used for affordable housing.

## **Service Test**

### Retail banking Services

CNB is a full service banking institution, with six branches including its main office in its AA. Of the six branches, two are adjacent to moderate-income CTs and three are located near moderate-income CTs. Branch hours offer reasonable access and convenience.

The bank offers a variety of retail and commercial banking services. In addition, CNB offers a wide variety of deposits, loan, and investment services to its individual and business customers. These include internet banking services and corporate cash management products, which are updated regularly. In addition to the automated teller machines (ATMs) at each branch location, there are two ATMs off premise located in the lobby of Schlafly Micro Brewery and Restaurant in Maplewood and in the Tap Room, a restaurant in St. Louis City. CNB offers deposit, withdrawal, and account information service through each of its ATMs.

CNB also offers credit services, which includes installment, residential, home improvement, investment, and other credit facilities as well as a broad variety of loans to businesses tailored to meet requirements of each particular situation.

### Community Development Services

CNB provides an adequate level of CD services based on the capacity of the bank and the needs and availability of opportunities in the AA. During this evaluation period, a few of the bank's employees were involved in, and provided financial services to, some organizations that have a CD purpose. Services target low- and moderate-income individuals within the AA or focus on revitalization and attracting the investment necessary for sustainable economic and community development. Specific services include:

- CNB along with another organization applied for and obtained grants for low- to moderate-income individuals for home repair. The purpose of this program is to provide forgivable loans of up to \$7,500 per applicant to permit them to bring

their homes up to city code requirements. To date, 15 grants have been approved and funded, with 13 made to low-income applicants and 2 made to moderate-income applicants. All 15 grants were funded within the AA.

- Two bank employees serve as finance committee members to organizations that provide community services and affordable housing to low- and moderate-income individuals.