



Office of the Comptroller of the Currency
Administrator of National Banks
Washington, DC

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**First Citizens National Bank
Charter Number 13618
15 South Main Street
Mansfield, Pennsylvania 16933**

**Office of the Comptroller of the Currency
Northern Pennsylvania Field Office
100 Hazle Street, Suite 202
Wilkes-Barre, Pennsylvania 18702**

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.

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 CRA performance of **First Citizens National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 30, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The primary factors supporting the bank's overall rating include:

- an average loan-to-deposit ratio of 73.5% since the previous CRA examination, dated January 17, 1996;
- the majority of 1-4 family residential loans, 100% based on a sample, were originated in the assessment area for 1996 and 1997;
- the loan distribution indicates a satisfactory mix among moderate-income geographies and borrowers of different incomes; and
- there is an excellent penetration of loans to small businesses.

The following table indicates the performance level of **First Citizens National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	First Citizens National 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

First Citizens National Bank (FCNB) is a wholly owned subsidiary of Citizens Financial Services Incorporated, a one bank holding company headquartered in Mansfield, Pennsylvania. As of September 30, 1997, the bank's total assets were \$292 million and net loans were \$187 million. The loan portfolio composition is as follows: real estate loans 83%, commercial loans 8%, individual loans 7%, and agriculture and all other loans 2%. There are ten branches located in the following Pennsylvania towns: Mansfield, Blossburg, Ulysses, Genesee, Sayre, Wellsboro (2 locations), Troy, Canton, and Gillett. There are nine ATM locations, including three stand alone ATMs (two in Mansfield and one Wellsboro), and a total of seven drive ups to serve customers. Only two of the ten offices (Genesee and Ulysses) are in moderate-income areas, both located in rural Potter County. FCNB is a community bank offering traditional loan products, deposit products, and trust services. FCNB's market place is highly competitive with approximately ten financial institutions, including branches of regional banks, having a presence in the assessment area. Management has positioned the bank as a locally owned and operated institution that provides a higher level of customer service than its competitors and provides credit and banking services at competitive rates. FCNB is not subject to any legal or regulatory restrictions, nor any other impediment that would preclude the institution from addressing the credit needs of the assessment area.

Management has no immediate plans that would cause a significant increase in asset size.

However, management continues to review opportunities for growth. Three new branches were opened since the previous CRA examination, with two of the branches purchased from other area institutions. If FCNB had not purchased one of the branches, then the office would have been closed by the previous owner of the branch.

Description of Assessment Area

The assessment area meets the criteria of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The area includes all of Bradford and Tioga counties in Pennsylvania; the central and eastern sections of Potter County, Pennsylvania; the northern most sections of Lycoming and Sullivan counties in Pennsylvania; the southern most sections of Allegany, Tioga, and Chemung counties in New York; and a very small southern section of Stuben County, New York.

FCNB's assessment area is located in a non-Metropolitan Statistical Area. Median 1997 family income for non-metropolitan Pennsylvania is \$34,500 and for New York is \$37,100. The assessment area is very rural. The total population for the assessment area is 174,341 with 64,231 households. The assessment area contains 41 areas; six are moderate-income and the remainder are middle-income areas. The percentage of families for each income category within the assessment area is as follows: 21% are low-income, 21% are moderate-income, 25% are middle-income, and 33% are upper-income.

Major employers are manufacturing companies, medical centers, education facilities, county governments, and agriculture. The towns of Corning and Elmira in New York also provide employment opportunities. Unemployment is 3% in the assessment area.

One community group, a housing authority, was contacted during this CRA review. The contact indicated that, in general, additional credit needs within the area are programs for first time home buyers, especially assistance with down payments and closing costs. Management offers mortgages with Private Mortgage Insurance (PMI) and refers first time home buyers to other institutions with programs that can accommodate the borrower's needs.

Conclusions with Respect to Performance Criteria

Loan to Deposit Ratio

The average loan-to-deposit (LTD) ratio for the last seven financial quarters is 73.5%. The bank sold mortgages in 1996 and 1997 in the amounts of \$1,639,000 and \$1,185,000, respectively. The sale of mortgages has the effect of reducing the average LTD ratio. The LTD ratio compares reasonably to the September 30, 1997 national peer average LTD ratio of 74.5%. FCNB's LTD ratio has ranged from a high of 75.3% to a low of 71.1%. In summary, the loan-to-deposit ratio is considered satisfactory.

Lending in the Assessment Area

An examiner sample of 60 and 52 mortgages originated in 1997 and 1996, respectively, revealed that 100% of the loans were granted in the assessment area. An internally generated report based on outstanding loans indicates that percentages of the number and dollar volume of credits located within the assessment area are 88% and 89%, respectively. In conclusion, lending in the assessment area exceeds the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The following tables depict the findings of an examiner sample of 60 mortgages totaling \$2,517,000 and 52 mortgages totaling \$2,030,000 originated in years 1997 and 1996, respectively.

1997 LOAN ORIGINATIONS BY INCOME CATEGORY OF BORROWER								
	PURCHASE		REFINANCE		CONSTRUCTION		TOTAL #	*
	#	\$	#	\$	#	\$		
LOW	1%	0%	7%	3%	0%	0%	8%	21%
MODERATE	7%	4%	13%	12%	0%	0%	20%	21%
MIDDLE	12%	8%	13%	12%	5%	9%	30%	25%
UPPER	12%	15%	27%	30%	3%	7%	42%	33%
TOTAL	32%	27%	60%	57%	8%	16%	100%	100%

* Percentage of households within each income level.

1996 LOAN ORIGINATIONS BY INCOME CATEGORY OF BORROWER								
	PURCHASE		REFINANCE		CONSTRUCTION		TOTAL #	*
	#	\$	#	\$	#	\$		
LOW	2%	1%	0%	0%	0%	0%	2%	21%
MODERATE	6%	5%	14%	11%	2%	0%	22%	21%
MIDDLE	6%	4%	42%	38%	0%	0%	48%	25%
UPPER	7%	9%	21%	32%	0%	0%	28%	33%
TOTAL	21%	19%	77%	81%	2%	0%	100%	100%

* Percentage of households within each income level.

Lending to low-income individuals does not compare favorably to the total low-income households within the assessment area. However, the bank improved its lending to low-income individuals from 1996 to 1997 and very few loan applications are rejected or withdrawn, indicating that management is working with customers. As noted previously, the bank offers PMI and a referral program for customers who are looking for specific first time home buyers programs. Lending to moderate-income individuals is favorable for both 1996 and 1997.

The bank has an excellent record of lending to small businesses and small farms. The data from the June 30, 1997 Call Report indicates that 100% of Commercial Real Estate Loans, Commercial Loans, and Agriculture Loans were made to small businesses and small farms, and that 74% of the Agricultural Real Estate were made to small farms.

Geographic Distribution of Loans

The following tables depict the findings of an examiner sample of 60 mortgages totaling \$2,517,000 and 52 mortgages totaling \$2,030,000 originated in years 1997 and 1996, respectively.

1997 LOAN ORIGINATIONS BY GEOGRAPHIC DISTRIBUTION								
	PURCHASE		REFINANCE		CONSTRUCTION		TOTAL #	*
	#	\$	#	\$	#	\$		
LOW	0%	0%	0%	0%	0%	0%	0%	0%
MODERATE	7%	5%	2%	1%	1%	3%	10%	15%
MIDDLE	25%	22%	58%	56%	7%	13%	90%	85%
UPPER	0%	0%	0%	0%	0%	%	0%	0%
TOTAL	32%	27%	60%	57%	8%	16%	100%	100%

* Percentage of geographies within the assessment area.

1996 LOAN ORIGINATIONS BY GEOGRAPHIC DISTRIBUTION								
	PURCHASE		REFINANCE		CONSTRUCTION		TOTAL #	*
	#	\$	#	\$	#	\$		
LOW	0%	0%	0%	0%	0%	0%	0%	0%
MODERATE	7%	4%	8%	7%	0%	0%	15%	15%
MIDDLE	14%	15%	69%	74%	2%	0%	85%	85%
UPPER	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL	21%	19%	77%	81%	2%	0%	100%	100%

* Percentage of geographies within the assessment area.

The above tables indicate that the bank has a satisfactory record of lending within the moderate-income geographies with lending patterns similar to the geography of the assessment area.

A concurrent Fair Lending examination did not disclose any violation of the Equal Credit Opportunity Act or Fair Lending regulations, nor the presence of disparate or discriminatory lending practices.