



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank Of Albion
Charter Number 14435**

**10 West Elm Street
Albion, IL 62806**

**Comptroller of the Currency
Evansville Field Office
101 NW 1st Street Suite 207
Evansville, IN 47708**

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.

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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 CRA performance of **Citizens National Bank of Albion** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 29, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Citizens National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance as compared to similarly situated banks in the area.
- The ratio of loans made within the bank's assessment area (AA) is reasonable.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels.
- The geographic distribution of loans is reasonably dispersed throughout the AA and meets the standards for satisfactory performance.
- There are no complaints with respect to the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is a full-service bank located in Albion, Illinois. Citizens Bancshares, Inc., a one-bank holding company also located in Albion, Illinois, wholly owns CNB. On September 30, 2002, CNB had total assets of \$149 million. Table 1 depicts several key balance sheet figures:

Balance Sheet as of September 30, 2002			
Net Loans	\$73,811,000	Total Deposits	\$115,895,000
Investments	66,747,000	Other Liabilities	6,654,000
Other Assets	8,903,000	Total Liabilities	122,549,000
		Total Equity Capital	26,912,000
Total Assets	\$149,461,000	Total Liabilities & Capital	149,461,000

Source: Report of Condition

As of September 30, 2002, net loans of \$74 million represent 49% of CNB's total assets. The bank is primarily an agricultural lender. Agricultural loans total \$30 million and represent 41% of net loans. Residential 1-4 family real estate loans total \$18 million and represent 24% of net loans. We chose agricultural and 1-4 family residential real estate loans as the primary product focus because they contain the largest percentage of loans. The remainder of the loan portfolio consists of \$19 million in commercial loans, \$8 million in consumer loans and less than \$1 million in other loans, which represents 25% and 11%, respectively of, net loans.

The main office hours of operation are Monday through Thursday from 9:00 am to 3:30 pm and Friday from 9:00 am to 6:00 pm. Drive-up facilities are available on Saturday from 8:30 am to noon. The bank opened its first branch office on January 22, 2002 in nearby Olney, Illinois. Their hours of operation are Monday through Thursday from 8:00 am to 4:00 pm, Friday from 8:00 am to 5:00 pm, and Saturday from 9:00 am to 11:00 am. A night depository for deposits after hours is provided at both locations. Automated Teller Machines (ATMs) are available at the main office and two grocery locations—Borowiak's IGA in Albion and West Salem Country Market in West Salem, Illinois. No branch offices were closed since the last examination.

There are no legal, financial, or other factors to impede the bank's ability to help meet the credit needs in its assessment area. The last Community Reinvestment Act (CRA) evaluation dated December 25, 1997 rated the bank "Satisfactory Record of Meeting Community Credit Needs." The evaluation for this PE is from December 26, 1997 through October 29, 2002.

DESCRIPTION OF ASSESSMENT AREA

Management defines its assessment area as Edwards County, Richland County, one geography in Wabash County (9572) and one geography in Wayne County (9549). The assessment area consists of 10 geographies. One is designated as a moderate-income area and the remaining nine are designated as a middle-income area. There are no low-income geographies in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Both the main office and the branch are located in a middle-income geography.

Income levels of geographies are based on the statewide Metropolitan Statistical Area (MSA) median family income. The income categories are defined as low, moderate, middle, and upper, which is less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectfully, of the MSA median family income. The 2001 updated Department of Housing and Urban Development (HUD) weighted-average median family income (MFI) for the AA is \$44,900.

Albion has a population of approximately 2,000 and is located in Edwards County, Illinois, approximately 50 miles west of Evansville, Indiana. Olney has a population of approximately 10,000 and is located in Richland County, Illinois, approximately 25 miles north of Albion and to the west of Vincennes, Indiana. The total population of the assessment area is 31,636.

The area surrounding Albion is rural. Edwards County reported an unemployment rate of 4.0% at August 2002, which is up only slightly from 3.9% in May 2002. The unemployment rate for

Richland County as of August 2002 was 5.3%. This was the same figure that was reported in May. Both counties compare favorably to the State of Illinois average of 6.2% and the national average of 5.7%. Primary competition is from small, locally owned community banks that include Fairfield National Bank, First National Bank of Allendale, First National Bank of Carmi and First National Bank of Olney, Illinois.

The area’s employment base is comprised mainly of manufacturing, service, and retail jobs. Farming is also a major occupation in the area. Major employers are Champion Laboratories, Inc., which has begun work on their 50,000 square foot addition to the Albion plant. Currently, employees total approximately 2,500—40% reside in Albion and 60% commute from surrounding communities. The Wal-Mart Distribution Center in Olney and the Toyota Manufacturing plant in Princeton, Indiana continue to be stable employers in the area as well. It is expected they will continue to hire qualified workers from within the nearby communities.

As part of the evaluation of CNB’s lending performance, we conducted one community contact. We met with a Chamber of Commerce executive in the assessment area to determine opportunities for financial institutions to help meet local credit needs and to understand community perceptions of local financial institutions’ performance in meeting those needs. The contact indicated local financial institutions are responsive to community credit needs. In particular, the contact stated the performance of this local financial institution has been excellent and employees are active in the community. No salient, unaddressed community credit needs were identified during this contact.

The following table depicts the demographic information for the assessment area. The table reveals 21% of the households have low incomes and 19% have moderate-incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels. The table also depicts the geographic distribution by number and percentage of the owner occupied housing units by income level of the geography throughout the assessment area. There are less than 7% of owner occupied housing units located in low- or moderate-income geographies. This information was used to determine the lending opportunities for residential real estate loans in the assessment area.

Demographic Information for Full Scope: Citizens National Bank’s Assessment Area						
Demographic Characteristics	#	Low %of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies	10	0.0	10.0	90.0	00.0	0.0
Population by Geography	31,636	0.0	7.7	92.3	00.1	0.0
Owner-Occupied Housing by Geography	9,815	0.0	6.3	93.7	00.0	0.0
Business by Geography	1,318	0.0	14.7	85.3	00.0	0.0
Farms by Geography	455	0.0	1.5	98.5	00.0	0.0
Family Distribution by Income Level	9,072	20.8	19.1	26.4	33.8	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	3,611	0.0	9.9	90.1	00.0	0.0
Median Family Income (MFI)		29,693	Median Housing Value		34,846	
HUD Adjusted Median Family Income for 2001		44,900	Unemployment Rate		3.36%	
Households Below Poverty Level		13.95	(1990 US Census)			

Source: 1990 US Census and HUD update MFI

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Sampling Information

Our review focused on CNB's primary products of 1-4 family residential real estate loans and agricultural loans. We used the Fair Housing *Monthly Home Loan Activity Format* (MHLAF) reports to break out the residential real estate loans by home purchase loans, refinance loans, and home improvement loans originated between January 1, 2000 and September 30, 2002. We selected 1-4 family residential real estate loans because they are one of the primary product types the bank offers as stated in the *Description of Institution* on page 3. We confirmed accuracy of the MHLAF data information compiled by the bank by sampling sixty residential real estate loans originated from January 1, 2000 and September 30, 2002.

Agricultural loans were selected as a primary product type because of the size of the portfolio, which totaled \$30 million. We sampled twenty agricultural loans. For the *Lending to Borrowers of Different Incomes* and *Geographic Distribution of Loans* analyses, we omitted loans that were made outside of the AA. Agricultural loans sampled were originated between January 1, 2000 and September 30, 2002, and selected at random.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance. The quarterly average loan-to-deposit ratio since the last CRA examination is 55% (low of 50% at 12-31-97 to a high of 63% as of 6-30-02). Analysis of four independent banks in nearby communities revealed their loan-to-deposit ratios ranged from 61% to 76%. Management's identification of primary competitors and total asset size determined the definition of similarly situated financial institutions.

Lending in Assessment Area

The bank's record of lending within the assessment area meets the standards for satisfactory performance. This conclusion is based on residential real estate loans (60 loans totaling \$2,502,643) and our agricultural loan sample (20 loans totaling \$705,231) from internal bank reports. A majority of residential real estate loans (Home Purchases, Refinance and Home Improvement) and the agricultural loan sample during the period reviewed (2000/2001/2002) were originated in the assessment area. During the evaluation period, over 91% of the number and 95% of the dollar volume of residential real estate loans were secured by properties inside the assessment area. The sample of agricultural loans during the same evaluation period showed 95% of the number and over 96% of the dollar volume of loans were made inside the assessment area. The following table details the bank's lending within and outside the assessment area by the number and dollar volume of loan originations.

<u>LENDING IN/OUT OF THE ASSESSMENT AREA</u>				
<i>Loan Type</i>	<i>Number of Loans</i>		<i>Dollar Volume</i>	
	<i>In AA</i>	<i>Out of AA</i>	<i>In AA</i>	<i>Out of AA</i>
Home Purchase	17	3	\$587,060	\$69,000
	85.0%	15.0%	89.5%	10.5%
Refinance	18	2	\$1,291,263	\$37,000
	90.0%	10.0%	97.2%	2.8%
Home Improvement	20	0	\$518,320	\$0
	100.0%	0%	100.0%	0%
Agricultural	19	1	\$679,231	\$26,000
	95.0%	5.0%	96.3%	3.6%
	74	6	\$3,075,874	\$132,000
TOTAL	92.5%	7.5%	95.9%	4.1%

Source: OCC's review of bank reports. Loans originated year's 1998/1999/2000/2001/2002.

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

CNB meets the standards for satisfactory performance for loans made to individuals with different income levels and to farms of different sizes. Sixty residential real estate loans broken down by home purchase, refinance, and home improvement loans and a sample of 20 agricultural loans made within the AA were used for this evaluation. All loans were originated during the same review period. CNB's distribution for these primary loan products reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals and to farms of different sizes.

Home Mortgage Loans

CNB's borrower distribution of home mortgage loans reflects good dispersion among borrowers of different income levels throughout the AA and meets the standards for satisfactory performance. In CNB's assessment area we placed significant weight on home mortgage loans because they represented a fair percentage (24%) of the bank's net loan/leases. The table below illustrates the borrower distribution of the home purchase, refinance, and home improvement loans made within the AA.

Borrower Distribution of Home Purchase, Refinance, and Home Improvement Loans									
Income Level		LOW		MODERATE		MIDDLE		UPPER	
AA % Families **		20.75		19.06		26.37		33.83	
	Total Loans by # / \$ (000s)	% of Number	% of Amount						
Home Purchase	20/827	20.0	12.8	20.0	16.5	45.0	47.1	15.0	23.6
Refinance	20/1,260	15.0	5.8	20.0	13.6	30.0	17.1	35.0	63.5
Home Improvement	20/518	15.0	10.4	10.0	11.1	40.0	35.7	35.0	42.8

*OCC's review of bank records for a sample of 20 home purchase, refinance and home improvement loans made within AA during 2000/2001/2002.

**Source: 1990 US Census.

Home Purchase Loans

CNB has done an excellent job of addressing the low- and moderate-income borrower credit needs for home purchase loans. The portion of home purchase loans to low-income borrowers (20.0%) is slightly lower than the portion of AA families that are low-income (20.75%). The portion of home purchase loans to moderate-income borrowers (20.0%) exceeds the portion of AA families that are moderate-income (19.06%).

Home Refinance Loans

CNB has done a good job of addressing the low- and moderate-income borrower credit needs for refinance loans. The portion of refinance loans to low-income borrowers (15.0%) is somewhat lower than the portion of AA families that are low-income (20.75%). Refinance loans to moderate-income borrowers (20.0%) exceeds the portion of AA families that are moderate-income (19.06%).

Home Improvement Loans

CNB has done a good job of addressing the low- and moderate-income borrower credit needs for home improvement loans. The portion of home improvement loans to low-income borrowers (15.0%) is somewhat lower than the portion of AA families that are low-income (20.75%). The portion of home improvement loans to moderate-income borrowers (10.0%) is lower than the portion of AA families that are moderate-income (19.06%).

Agricultural Loans

Agricultural loan products were given more consideration because agricultural loans represent a larger portion of CNB's loan portfolio and are a strong focus of its business strategy. The bank's record of agricultural lending to farms with revenues less than \$1 million reflects an excellent level of lending to small farms. The percentage of agricultural loans made to farms with annual revenues of less than \$1 million (100%) is comparable to the percentage of farms with annual revenues of less than \$1 million (97.14%) within the AA. Of the 20 loans in our sample, all 20 loans totaling \$700,463 were made to farms with annual revenues of less than \$1 million.

Revenue Ranges Farms within AA	*Lending to Farms of Different Sizes				**Farms within AA	
	#	Percent	\$(000s)	Percent	#	Percent
\$1 Million or Less	20	100%	\$700	100%	442	97.14
Greater than \$1 Million	0	0	0	0	12	2.64
Revenue not Reported	0	0	0	0	1	.22

*OCC's review of bank records for a sample of 20 farm loans made within AA during 2000/2001/2002.

**Source:1990 US Census.

Geographic Distribution of Loans

Overall, the bank's geographic distribution of loans throughout the AA is reasonable and meets the standards for satisfactory performance. Analysis of the geographic distribution of the bank's loans in its AA is indicative of the makeup of the 10 BNAs. Nine BNAs are classified middle-income with only one classified as moderate. The following tables and analysis illustrate the lending distribution of the sampled residential real estate loans and agricultural loans within the AA.

Home Mortgage Loans

CNB's geographic distribution of home purchase, refinance, and home improvement loans in middle-income geographies, in comparison to the AA percentage of Owner Occupied Units, reflects reasonable dispersion throughout the assessment area and meets the standards for satisfactory performance. The following table illustrates the lending distribution of the home purchase, refinance, and home improvement loans made within the AA. The portion of home purchase, refinance, and home improvement sampled loans in middle-income geographies (100%) exceeds the portion of owner-occupied units that are within those geographies (93.73%).

Geographic Distribution of Home Purchase, Refinance, and Home Improvement Loans									
Borrower Income Level by Geographies		LOW		MODERATE		MIDDLE		UPPER	
AA % Owner Occupied Units **		0.0		6.27		93.73		0.0	
	Total Loans by # / \$ (000s)	% of Number	% of Amount						
Home Purchase	20 / 827	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0
Refinance	20 / 1,260	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0
Home Improvement	20 / 518	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0

*OCC's review of bank records for a sample of 20 home purchase, refinance and home improvement loans made within AA during 2000/2001/2002.

**Source:1990 US Census

Agricultural Loans

The geographic distribution of agricultural loans within the AA is reasonable. The percentage of sampled agricultural loans made in the moderate-income geography at (0%) is comparable to the small percentage of farms within this geography at only (1.54%). Performance is considered reasonable because the bank made seven loans in the moderate-income geography.

Census Tract Income Level	*Percentage of Agricultural Loans				**Percentage of Farms in Tract Category	
	#	Percent	\$(000s)	Percent	#	Percent
Moderate	0	0	0	0	7	1.54
Middle	20	100.00	700	100.00	448	98.46

*OCC's review of bank records for a sample of 20 farm loans made within AA during 2000/2001/2002.

**Source: 1990 US Census.

Responses to Complaints

No complaints have been received from the public specifically related to the bank's performance in helping to meet community credit needs.

Fair Lending Review

An analysis of several years of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.