



PUBLIC DISCLOSURE

October 20, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank of Albion
Charter Number 14435

10 West Elm Street
Albion, IL 62806

Office of the Comptroller of the Currency

Indianapolis Field Office
8777 Purdue Road, Suite 105
Indianapolis, IN 46268

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

Citizens National Bank of Albion (CNB or bank) has a satisfactory record of meeting the credit needs of its community. Factors supporting the Satisfactory rating include:

- More than reasonable loan-to-deposit (LTD) ratio;
- Majority of primary product loans made inside the assessment area (AA);
- Excellent penetration to businesses of different sizes; and,
- Reasonable dispersion in lending in low- and moderate-income (LMI) geographies.

SCOPE OF EXAMINATION

This performance evaluation (PE) assesses the CRA performance of CNB. We evaluated CNB's performance utilizing the Small Bank evaluation procedures, which include the lending test. The lending test focuses on the bank's record of meeting the credit needs of its community through lending activities. The lending test evaluates CNB's lending practices with respect to the following criteria:

- LTD ratio, considering internal and external factors;
- Percentage of loans originated or purchased within CNB's AA;
- Lending to borrowers of different income levels and businesses of different sizes;
- Lending to low- and moderate-income geographies within CNB's AA; and,
- CNB's record of taking action on written complaints regarding its performance in helping meet the credit needs of its AA.

The evaluation period is from April 30, 2013 through October 20, 2016. In order to evaluate CNB's lending performance, we reviewed loan originations from January 1, 2014 through December 31, 2015. Conclusions regarding the bank's lending performance are based on CNB's primary loan products, which we determined to be commercial and agriculture loans.

DESCRIPTION OF INSTITUTION

CNB is a federally chartered bank wholly owned by Citizens Bancshares, Inc., a one-bank holding company. CNB operates its main office in the town of Albion, which is located in Edwards County in southeastern Illinois. CNB has five additional branches. Two branches are located in Lawrence County, one branch in Richland County, one in Wayne County, and one branch in White County. Since the previous performance evaluation, CNB acquired one of the Lawrence County branches as a result of merging with The Bank of Lawrence County. CNB also operates seven deposit-taking automated teller machines (ATMs).

As of June 30, 2016, CNB had total assets of \$313.4 million. The loan portfolio totaled \$227.4 million or 72.6 percent of total assets. CNB's lending strategy focused on business and farm loans. These loans represented 39.0 percent and 36.5 percent, respectively, of the dollar value of all loans originated or purchased during the review period. In addition to these loan products, CNB offers one-to-four family residential real estate and consumer loans. The table below provides an overview of CNB's loan portfolio, as of June 30, 2016.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Real Estate Loans	\$137,606	60.5%	43.9%
Commercial Loans	45,725	20.1%	14.6%
Agricultural Loans	31,145	13.7%	9.9%
Individual and Other	12,916	5.7%	4.1%
Total	\$227,392	100.0%	72.6%

Source: Call Report data as of June 30, 2016

There are no financial or legal factors that impair the bank's ability to meet the credit needs of its AA. CNB received a rating of "Satisfactory" in its prior CRA performance evaluation, dated April 30, 2013.

DESCRIPTION OF ASSESSMENT AREA

CNB's AA consisted of Edwards, Lawrence, Richland, Wayne, and White Counties in southeastern Illinois. CNB's AA did not arbitrarily exclude any low- or moderate-income geographies. The AA consisted of 23 census tracts, five of which were moderate-income and the remaining 18 were middle-income census tracts. The AA had no low- or upper-income CTs.

Based on the FDIC's market share data, CNB had the second largest deposit market share within their AA. As of June 30, 2016, CNB had 15.3 percent of total deposits. Competition within CNB's AA was relatively strong, as thirteen other financial institutions had a presence. The Fairfield National Bank ranked first in deposit market share, with 19.4 percent of deposits, and First National Bank in Olney ranked third, with 11.5 percent of deposits.

The major industries supporting the local economy of CNB's AA were services and agriculture. As of June 30, 2015, services and agriculture comprised 39.7 percent and 15.2 percent, respectively, of total businesses within the AA. The vast majority, or 98.5 percent of total farms, were small farms and reported less than \$1 million in total revenue. Of the total farms in the AA, 6.9 percent were located in moderate-income CTs and the remaining 93.1 percent were in middle-income CTs. Non-farm businesses, with revenues of \$1.0 million or less, accounted for 73.2 percent of businesses in the AA. Of those, 29.6 percent were located in moderate-income CTs and 70.4 percent were in middle-income CTs.

The economic condition of CNB’s AA was slightly below state and national conditions based on unemployment statistics. The counties of Edwards, Lawrence, Richland, Wayne, and White had unemployment rates of 5.1 percent, 7.4 percent, 6.2 percent, 8.4 percent, and 6.5 percent, respectively, as of June 2016. This is compared to the state of Illinois unemployment rate of 6.2 percent and national unemployment rate of 4.9 percent during the same period.

The community contact made within this AA noted that counties in southeastern Illinois are very rural and have experienced minimal changes over the past ten years. The economy of these counties has been very dependent upon the agriculture industry. The community contact noted that lending opportunities are low in a very competitive environment. The contact discussed that financial institutions may have opportunities to finance senior housing facilities due to an aging population. The contact has had only positive experiences with financial institutions in southeastern Illinois.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB’s performance in helping meet the credit needs of its AA through lending is satisfactory.

Loan-to-Deposit Ratio

CNB's LTD ratio was more than reasonable given the institution’s size, financial condition, and AA credit needs. The quarterly average LTD ratio was 78.5 percent since the previous evaluation. This represents the 13 quarters from April 1, 2013 through June 30, 2016. The ratio ranged from a high of 88.2 percent in the second quarter of 2016 to a low of 69.1 percent during the first quarter of 2014. The following table details CNB's LTD ratio compared to similarly situated financial institutions. Similarly situated institutions operate in Edwards, Lawrence, Richland, Wayne, or White Counties in Illinois and have total assets between \$100 million and \$600 million.

Table 2 Loan-to-Deposit (LTD) Ratio		
Institution	Assets as of 6/30/16 (\$000)	Average LTD Ratio (%)
<i>Citizens National Bank of Albion</i>	\$313,414	78.47%
Trustbank	176,004	77.89
The Fairfield National Bank	504,224	74.22
The First National Bank of Carmi	393,690	74.07
First National Bank in Olney	338,432	69.32

Source: Call Report data as of June 30, 2016

Lending in Assessment Area

CNB originated a majority of primary product loans to borrowers located in the bank’s AA. A random sample of 20 business loans and 20 agricultural loans, for the period of January 1, 2014 through December 31, 2015, were analyzed to determine the bank's lending in its AA. The bank

originated 77.5 percent of loans by number and 73.9 percent by dollar volume in their AA. The table below illustrates the number and dollar volume of loans originated inside and outside the bank's AA during the evaluation period:

Table 3 - Lending in Illinois NonMSA AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	13	65.00%	7	35.00%	20	\$1,366	69.48%	\$600	30.52%	\$1,965
Commercial Loans	18	90.00%	2	10.00%	20	\$469	90.37%	\$50	9.63%	\$519
Totals	31	77.50%	9	22.50%	40	\$1,835	73.85%	\$650	26.15%	\$2,485

Source: Sample of 20 business loans and 20 agricultural loans

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

CNB's borrower distribution of loans represented excellent penetration among businesses of different sizes. Non-farm business loans (referred to as business loans below) received more weight, as they represented a larger percentage of CNB's lending activity and made up a larger percentage of businesses within the AA.

Business Loans

The borrower distribution of business loans was excellent. The distribution of loans to businesses with revenues of \$1.0 million or less exceeded the percentage of AA businesses with revenues of \$1.0 million or less. The table below illustrates the distribution of business loans by number and dollar volume:

Table 4A - Borrower Distribution to Businesses in Illinois NonMSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	73.19%	4.91%	21.90%	100.00%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AA by \$	85.46%	14.54%	0.00%	100.00%

Source: Sample of 20 business loans; Dunn & Bradstreet data as of June 2015; 2010 US Census data

Farm Loans

The borrower distribution of farm loans was reasonable. The distribution of loans to farms with revenues of \$1.0 million or less was near to the percentage of AA farms with revenues of \$1.0 million or less. The table below illustrates the distribution of farm loans by number and dollar volume:

Table 4B - Borrower Distribution to Farms in Illinois NonMSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	98.46%	1.08%	0.46%	100.00%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100.00%
% of Bank Loans in AA by \$	93.61%	6.39%	0.00%	100.00%

Source: Sample of 20 agricultural loans; Dunn & Bradstreet data as of June 2015; 2010 US Census data

Geographic Distribution of Loans

CNB's geographic distribution of loans represented reasonable dispersion in the AA. The bank originated loans in most CTs within their AA. There are no low- or upper-income CTs in the AA.

Business Loans

The geographic distribution of business loans was reasonable. There are no low-income CTs in the AA. The distribution of business loans in moderate-income CTs was within a reasonable range of the percentage of AA businesses in moderate-income CTs. The table below illustrates the geographic distribution of business loans within the AA:

Table 5A - Geographic Distribution of Business Loans in Illinois NonMSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.00%	0.00%	29.59%	20.00%	70.41%	80.00%	0.00%	0.00%

Source: Sample of 20 business loans; Dunn & Bradstreet data as of June 2015; 2010 US Census data

Farm Loans

The geographic distribution of farm loans was reasonable. There are no low-income CTs in the AA. The bank did not originate any loans in moderate-income CTs; however, this is reasonable when considering the low percentage of farms located in those CTs. The table below illustrates the geographic distribution of farm loans within the AA:

Table 5B - Geographic Distribution of Farm Loans in Illinois NonMSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
% of Total	0.00%	0.00%	6.92%	0.00%	93.08%	100.00%	0.00%	0.00%

Source: Sample of 20 agricultural loans; Dunn & Bradstreet data as of June 2015; 2010 US Census data

Responses to Complaints

There were no consumer complaints related to the bank's CRA performance during the evaluation period.

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.