



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

August 23, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Macomb
Charter Number 14415
127 South Side Square
Macomb, Illinois 61455**

**Office of the Comptroller of the Currency
Peoria Field Office
111 West Washington Street, Suite 300
East Peoria, Illinois 61611**

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 **Citizens National Bank of Macomb (CNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 23, 1999**. This evaluation is based on information from the last CRA examination dated May 9, 1996, to the current examination dated August 23, 1999. 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."

- C A majority (76%) of CNB's loan originations are located within the bank's assessment area.
- C The geographic distribution of lending shows adequate penetration in all income level block numbering areas.
- C The bank's distribution of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- C CNB's record of lending to small farms and small businesses within its assessment area is good.

DESCRIPTION OF INSTITUTION

Citizens National Bank of Macomb (CNB) is a \$188 million bank in Macomb, Illinois. CNB's main office, located in downtown Macomb, is equipped with a drive-up facility and two Automated Teller Machines (ATMs). The bank has a branch with a drive-up facility and ATM located on Highway 136 East near a commercial shopping area in Macomb. CNB also has a full service branch with a drive-up and ATM in Roseville, Illinois, approximately 20 miles north of Macomb. Furthermore, the bank serves customers with five additional ATMs. The main office, Macomb branch and two ATMs are located in low- and moderate-income Block Numbering Areas (BNAs).

In the past quarter, the bank acquired the deposits of five branches located in Galva, Mt. Pulaski, Staunton, Bunker Hill, and Carlinville, Illinois. Our analysis was based on the bank's assessment area prior to the purchase of these branches, as the majority of the evaluation period did not include the activity of these branches.

CNB is wholly owned by Citizens Central Bancorp., Inc., a one-bank holding company. The bank offers traditional banking services and lending products. The loan portfolio mix is as follows: residential real estate 41%; instalment 27%; agricultural 19%, and commercial 13%. Net loans-to-assets was 48% as of June 30, 1999.

There are no financial conditions, legal constraints or other factors that hinder the bank's ability to help meet the credit needs of its assessment area (AA). A "Satisfactory" rating was received at the May 9, 1996, CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of McDonough and Warren Counties in Illinois. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The location of the BNAs by income level is as follows:

- C Low-income: 105 & 108 in McDonough County
- C Moderate-income: 106 in McDonough County
8705 in Warren County
- C Middle-income: 101, 102, 109, 110, and 111 in McDonough County
8701, 8702, 8703, and 8704 in Warren County
- C Upper-income: 103, 104, and 107 in McDonough County

According to 1990 census data, the population of the bank's AA is 54,425. The 1999 non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$41,500. Potential borrowers earning less than 50% of the non-MSA statewide median family income are designated as low-income, while those earning 50% - 80%, 80% - 120% and more than 120% are designated as

moderate-, middle- and upper-income, respectively. Within the AA, 20% of the families are low-income, 20% are moderate-income, 25% are middle-income and 35% are upper-income. Eighteen percent of the population is below poverty level.

Western Illinois University (WIU) is located in BNA 105, a low-income BNA, in the City of Macomb. This BNA consists of university buildings, dormitories and student housing. BNA 108, the other low-income area, consists mainly of the business district in downtown Macomb. Owner-occupied housing is only 10% in this BNA. There are 21,486 total housing units in the AA, of which 59% are owner-occupied, 32% are rental-occupied and 9% are vacant. The median age of homes in the AA is 45 years, while the median housing price is \$37,633.

Economic Data

Economic conditions in the AA are stable. The local economy includes manufacturing, agricultural and professional services, in addition to employment in the farming sector. WIU has a significant impact to the local economy, providing employment to nearly 1,700 people and serving a student population in excess of 13,000. Macomb maintains its position as a retail shopping center. Additionally, NTN-Bower corporate headquarters, a manufacturer of roller bearings, has helped support a stable economy. Unemployment is low at 3%.

Ninety-three percent of the businesses in the AA have gross income of less than \$1 million. All of the farms in the AA have revenues of less than \$1 million.

The large number of banks, thrift institutions, CEFCU credit union and Farm Credit Services provide a moderate level of competition in the financial services market. Midwest Bank of Western Illinois, Monmouth Trust and Savings Bank and Union Bank West were identified as similarly situated institutions within the AA based on asset size and/or business focus.

A community contact was made with a local Realtor during the examination. The contact identified the primary credit needs as affordable housing and rental properties. The contact also indicated local financial institutions are responsive to community credit needs and that there are no significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio meets the standards for satisfactory performance. The average loan-to-deposit ratio for the 13 quarters ending June 30, 1999, equals 75% compared to 72% for local similarly situated banks. During the last quarter, CNB acquired the deposits of five branches, which decreased the loan-to-deposit ratio from 78% on March 31, 1999, to 57% on June 30, 1999.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank's lending in and out of the AA by dollar volume and by number of loan originations in the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$31,122,483	\$9,168,664	789	201
	77%	23%	80%	20%
Business	\$10,870,447	\$8,460,438	301	69
	56%	44%	81%	19%
Agricultural	\$25,333,448	\$7,247,509	567	77
	78%	22%	88%	12%
Consumer Instalment	\$18,185,733	\$8,521,456	2,029	830
	68%	32%	71%	29%
TOTAL	\$85,512,111	\$33,398,067	3,686	1,177
	72%	28%	76%	24%

Source: Bank Records (5/31/96 to 8/20/99)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of residential real estate loans reflects adequate penetration among individuals of different income levels, including low- and moderate-income individuals. Based on a sample of 80 residential real estate loans originated within the AA, 1% were originated to low-income borrowers and 19% were originated to moderate-income borrowers.

CNB accommodates low- and moderate-income individuals by granting small dollar real estate loans in the AA. Forty-five percent of the real estate loans originated for less than \$25,000; 26% for \$25,000 to \$49,999; 23% for \$50,000 to \$99,999, and 6% for \$100,000 or more.

This table summarizes the bank’s distribution of loan originations among borrowers of different income levels:

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	20%	\$31,000	1%	1	1%
Moderate-income	20%	\$512,188	12%	15	19%
Middle-income	25%	\$792,789	19%	23	29%
Upper-income	35%	\$2,921,512	68%	41	51%
TOTAL	100%	\$4,257,489	100%	80	100%

Source: Bank Records (5/31/96 to 8/20/99)

CNB’s lending level for small business and small farm loans reflects good responsiveness to community credit needs. All of the small business and small farm loans were made to companies and farms with annual revenues of less than \$1 million. This performance reflects the markets in the bank’s AAs.

A substantial portion of the loans originated during the evaluation period to small businesses and farms originated for less than \$50,000:

**DISTRIBUTION OF SMALL BUSINESS AND FARM LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	183	61%	264	47%
\$25,000 - \$49,999	55	18%	121	21%
\$50,000 - \$99,999	35	12%	105	19%
\$100,000 - \$249,999	23	8%	70	12%
>\$250,000	5	1%	7	1%
TOTAL	301	100%	567	100%

Source: Bank Records.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of residential real estate loans is reasonable based on the demographics of the assessment area. The geographic distribution of lending shows adequate penetration in all income level BNAs. Our analysis is based on a sample of 68% of the residential real estate loans originated in the evaluation period.

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs WITHIN AA					
INCOME LEVEL OF BNA	% OWNER OCCUPIED	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	1%	\$908,616	5%	39	7%
Moderate-income	14%	\$1,034,380	6%	36	7%
Middle-income	64%	\$8,832,384	50%	296	55%
Upper-income	21%	\$6,962,447	39%	166	31%
TOTAL SAMPLE	100%	\$17,737,827	100%	537	100%

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

Our Fair Lending review consisted of a review of the rates and terms of mortgage loans extended to applicants and of loans denied during the evaluation period. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during our examination.