



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 30, 2013**

### **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

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 major factors that support the rating of Satisfactory are as follows:

- A substantial majority of the bank's loans were made within the assessment area (AA).
- The level of lending is more than reasonable based on the average quarterly loan-to-deposit (LTD) ratio since the last CRA evaluation.
- The distribution of loans to businesses of different sizes is reasonable.

**SCOPE OF EXAMINATION**

This Performance Evaluation of the Citizens National Bank of Albion (CNB) assesses CNB's record of meeting the credit needs of the communities in which it operates. We evaluated CNB under the Small Bank performance criteria. CNB's AA received a full-scope review.

The evaluation period runs from July 13, 2009 to April 30, 2013. Our analysis focused on loans originated or purchased from January 1, 2010 through December 31, 2011. Conclusions regarding the bank's lending performance are based on CNB's primary loan products, business (non-agricultural) loans and farm loans. The loan data we analyzed consisted of forty business and twenty farm loans that were originated or purchased during the evaluation period.

**DESCRIPTION OF INSTITUTION**

CNB is wholly owned by Citizens Bancshares, Inc., a one-bank holding company located in Albion, Illinois. As of December 31, 2012, CNB reported total assets of \$283 million and Net Tier One Capital of \$41 million.

CNB's business strategy focuses on business and farm loans. Based on the number of loans, these two loan types represented 37% and 42%, respectively, of all loans originated or purchased during the evaluation period. Loan products offered include one-to-four family residential real estate loans, agricultural loans, commercial loans, and consumer loans. As of December 31, 2012, net loans represented 57% of total assets and consisted of commercial and commercial real estate loans (34%), residential real estate loans (24%), agricultural and agricultural real estate loans (36%), and consumer loans (6%).

CNB is an intrastate bank located in southeastern Illinois. There are no legal, financial, or other factors impeding CNB's ability to help meet the credit needs of the AA it serves. Since the last CRA evaluation, CNB did not open or close branch locations.

CNB was rated Satisfactory at its last CRA evaluation dated July 13, 2009.

## DESCRIPTION OF ASSESSMENT AREA

CNB's AA, consisting of Edwards, Richland, Wayne, and White Counties, is located in southeastern Illinois. CNB has four banking offices (one in each county), five full-service ATMs, and one cash-dispensing ATM. CNB's deposits totaled \$238 million as of December 31, 2012. Edwards County has three census tracts (CTs) that are designated as Underserved Middle-Income Nonmetropolitan Tracts.

Based on FDIC deposit market share data as of June 30, 2012, CNB is the second largest deposit-taking institution in the AA with a 17% market share. Competition for financial services is strong, as ten other financial institutions have a presence in the AA. Two large multi-state banks, two regional banks, and six community banks operate 24 offices in the AA.

Based on 2000 Census information, the 4-county AA encompasses 18 CTs, of which 2 are moderate-income and 16 are middle-income geographies. There are no low- or upper-income geographies within the AA. One of the moderate-income geographies is CT 9580, within the city of Carmi (White County), seven miles from CNB's closest branch office in the city of Crossville. Three financial institutions are located within Carmi. The other moderate-income geography is CT 9780, within the city of Olney (Richland County). Three financial institutions operate within this CT. CNB's Olney branch office is located in an adjacent CT.

Major industries consist of agriculture and services. In the AA, non-agricultural wage and salaried employment decreased 4.5% from May 2009 to December 2012. During the same period, the unemployment rate increased slightly from 8.7% to 9.1%. The State of Illinois' unemployment rate was 8.6% as of December 2012. Based on 2000 Census data, 13% of households in the AA live below the poverty level. The 2011 Department of Housing and Urban Development adjusted statewide non-metropolitan area median family income for the AA is \$56,600. Based on 2000 Census data, 27% and 19% of households are low- and moderate-income, respectively.

In 2011, the AA counted 4,507 non-farm businesses, of which 3,044 (67.5%) had revenues of \$1 million or less, 112 (2.5%) had revenues over \$1 million, and 1,351 (30%) did not report revenues. Of the total non-farm businesses, 586 (13%) were located in the moderate-income CTs.

That same year, 607 farms were established in the AA, with 599 (98.5%) of them having revenues of \$1 million or less, 5 (1%) having revenues over \$1 million, and 3 (0.5%) not reporting revenues. Only 18 farms (3%) were located in the moderate-income CTs.

CNB participates in the Illinois Finance Authority's Beginning Farmers program to assist new farming operations. In 2010 and 2011, they funded 5 loans totaling \$808,450.

Two community contacts were made to a social services agency and a housing agency. The contacts indicated affordable rental units, affordable mortgages, emergency shelters, and home buyer counseling programs are primary needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

CNB's LTD ratio is more than reasonable given the institution's size, its financial condition, and AA credit needs. As of December 31, 2012, CNB's LTD ratio was 68.1%. The bank's quarterly average LTD ratio for the 14 quarters since the last CRA evaluation was 72.9%. This average quarterly ratio is higher than four comparable banks in the AA, whose assets range from \$175 million to \$419 million. The quarterly average LTD ratios of these banks range from 58% to 70% for the same time period.

### Lending in Assessment Area

A substantial majority (90%) of the number of loans were made within CNB's AA. Based on our sample of twenty business and twenty farm loans, 90% by number were originated or purchased within the bank's AA. The percentages by dollar volume are weaker because the few loans made outside the AA were larger loans.

<b>Lending in Edwards, Richland, Wayne, and White Counties</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Business Loans	18	90%	2	10%	20	\$605	51%	\$585	49%	\$1,190
Farm Loans	18	90%	2	10%	20	\$1,006	39%	\$1,577	61%	\$2,583
Totals	36	90%	4	10%	40	\$1,611	43%	\$2,162	57%	\$3,773

Source: Sample of 20 business and 20 farm loans.

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

CNB's lending distribution to borrowers of different income levels and businesses of different sizes is reasonable. More weight was given to business loans because non-farm businesses represent 88% of the total businesses in the AA.

#### Business Loans

The distribution of loans to businesses of different sizes is excellent, based on a sample of 20 loans originated or purchased during the evaluation period. All of the loans in our sample were extended to businesses with revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in Edwards, Richland, Wayne, and White Counties</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.5%	2.5%	30%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of 20 business loans; 2011 Dunn and Bradstreet Data.

**Farm Loans**

The distribution of loans to small farms is reasonable, based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of loans extended to farms with revenues less than \$1 million was lower than the percentage of small farms in the AA.

<b>Borrower Distribution of Loans to Farms in Edwards, Richland, Wayne, and White Counties</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.7%	0.8%	0.5%	100%
% of Bank Loans in AA by #	90.0%	10.0%	0.0%	100%
% of Bank Loans in AA by \$	86.2%	13.8%	0.0%	100%

Source: Sample of 20 farm loans; 2011 Dunn and Bradstreet Data.

**Geographic Distribution of Loans**

The geographic distribution of the bank’s business loans originated or purchased during the evaluation period is reasonable. There are no low- or upper-income geographies in this AA. The bank lends in most geographies in the AA.

**Business Loans**

The geographic distribution of business loans is poor. The percentage of business loans originated or purchased in moderate-income geographies is well below the percentage of businesses within those geographies. Local economic conditions and the high level of competition for these loans mitigate the lower distribution in moderate-income geographies.

<b>Geographic Distribution of Loans to Businesses in Edwards, Richland, Wayne, and White Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business Loans	N/A	N/A	13.0%	3.0%	87.0%	97.0%	N/A	N/A

Source: Sample of 40 business loans; 2011 Dunn and Bradstreet Data.

**Farm Loans**

The dispersion of farm loans in the AA is reasonable. No loans in our sample were originated in the moderate-income geographies; nevertheless, the geographic distribution of farm loans is considered adequate because only 18 farms are situated in the moderate CTs. There is a high level of competition for lending to those farms located in the AA.

<b>Geographic Distribution of Loans to Farms in Edwards, Richland, Wayne, and White Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans						
Farm Loans	N/A	N/A	3%	0%	97%	100%	N/A	N/A

Source: Sample of 20 farm loans; 2011 Dunn and Bradstreet Data.

### **Responses to Complaints**

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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