



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 25, 1997

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
Evansville Field Office
P.O. Box 20130
Evansville, Indiana 47708**

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 Community Reinvestment Act (CRA) performance of Citizens National Bank of Albion (Citizens) for the time period of April 27, 1995 through December 25, 1997. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. 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 record of meeting community credit needs”.

Citizens has a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes. A substantial majority of the bank’s loans are to customers living within the assessment area.

DESCRIPTION OF INSTITUTION

Citizens National Bank of Albion (Citizens) is a full-service bank located in Albion, Illinois. Citizens is 100% owned by Citizens Bancshares, Inc., a one bank holding company, that is locally owned. On September 30, 1997, Citizens had total assets of \$116 million. Earnings as of this date were \$1,292,000, representing a 1.51% return on average assets.

Citizens is a full-service lender focusing on small farm loans, commercial/small business loans, and residential real estate loans. There are no financial or legal impediments which would hamper the bank's ability to meet the credit needs of the community. Citizens has a strong capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Net Loans	\$49,384,000	Total Deposits	\$94,362,000
Investments	\$61,184,000	Other Liabilities	\$2,932,000
Other Assets	\$5,638,000	Total Liabilities	\$97,294,000
		Total Equity Capital	\$18,912,000
Total Assets	\$116,206,000	Total Liabilities & Capital	\$116,206,000

Source: FFIEC Report of Condition

As of September 30, 1997, the loan portfolio consisted of 43.2% agriculture loans (60.8% secured by farm real estate), 25% commercial/small business loans, 16.4% 1-4 family residential loans, 12.8% consumer loans and 2.6% other types of loans.

Citizens offers banking hours Monday through Thursday from 9:00 A.M. to 3:00 P.M. and Friday 9:00 A.M. to 6:00 P.M. at the main office. Drive-up hours at the main office are offered Monday through Thursday from 8:30 A.M. to 3:30 P.M., Friday 8:30 A.M. to 6:00 P.M., and Saturday 8:30 A.M. to Noon. Automated Teller Machines (ATM's) are provided at the main office, at a local grocery, and a stand-alone facility at a grocery in West Salem, IL. A night depository is provided at the main office for deposits after hours. Touchtone banking by telephone is also provided. There have been no branches opened or closed since the last CRA examination.

DESCRIPTION OF ASSESSMENT AREA

Management has defined the bank's assessment area as all of Edwards County and Block Numbering Area (BNA) #9549 of Wayne County in southeastern Illinois. The assessment area contains four BNA's, all of which are classified as middle income. Income levels of BNA's are based on the statewide non-Metropolitan Statistical Area median family income.

The income categories are defined as low, moderate, middle, and upper, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$37,600. The assessment area follows the regulation guidelines.

Table 2 depicts the number and percentage of families within the bank’s assessment area based upon income level. The table reveals that 40.3% of the families have low or moderate incomes. This information is used to compare the bank’s lending patterns to borrowers of different income levels.

Table 2 Number and Percentage of Families in Each Income Level				
Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families	Total
685 21.3%	613 19.0%	872 27.0%	1,053 32.7%	3,222 100%

Source: 1990 U.S. Census Bureau Data

The area surrounding Albion is rural. Businesses in small surrounding towns offer moderate employment and economic support. The economy is dependent on agricultural and oil production. The largest area employer is Champion Laboratories with local employment of 2,027. The unemployment rate in Edwards County is 4.3% and 4.6% in Wayne County compared to the State of Illinois average of 4% as of October 1997. Competition is provided by financial institutions affiliated with Evansville bank holding companies and independent community banks in the nearby communities of Fairfield, Olney, Grayville, Carmi, and Allendale.

Table 3 depicts the number and percentage of small businesses within the bank’s assessment area. Demographic data on the number of small farms was not available. Small businesses and small farms are defined as those with annual revenues of less than \$1,000,000. The table reveals that the majority of businesses in Edwards County and BNA 9549 in Wayne County are small. Review of the bank’s loan originations for January 1997 through November 1997 using loan size as an indicator, reflects that the majority of farm loans made by Citizens are to small farms. No farm loans were made to farming entities with annual revenues greater than \$1,000,000 during the period reviewed.

Table 3 Number of Businesses in Citizens Assessment Area				
	Annual Revenues of less than \$1,000,000		Annual Revenues of \$1,000,000 or more	
	#	%	#	%
Businesses	176	91%	17	9%

Source: 1990 U.S. Census Bureau Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed 40 residential real estate loans that originated between January 1, 1997 and November 30, 1997. This review was used to evaluate the bank's volume of lending inside the assessment area and loans to borrowers of different income levels. A review of the geographic distribution of loans would be of no value due to the assessments areas composition of all middle income BNA's.

Lending inside assessment area:

The residential real estate sample revealed that a substantial majority of the bank's loans are secured by property located within the assessment area. Table 4 illustrates the results of this sample:

Table 4 Loans Originated Inside the Assessment Area				
	Number of Loans Sampled		Dollar Volume of Loans Sampled	
	#	%	\$	%
Inside the Assessment Area	33	83%	\$1,149,600	76%
Outside the Assessment Area	7	17%	\$366,000	24%
TOTAL	40	100%	\$1,515,600	100%

Source: OCC's sample of Residential Real Estate loans

Of the 40 residential real estate loans sampled, 83% of the number and 76% of the dollar volume were secured by property located inside the bank's stated assessment area. Citizens record of lending to borrowers in the assessment area is good.

Lending to borrowers of different incomes and to businesses of different sizes:

HOME MORTGAGE LOANS

To determine Citizens record of extending home loans to individuals of different income levels in the assessment area, we reviewed the annual income of the borrowers selected in the residential real estate sample. Table 5 reveals that the number of home mortgage loans to low- and moderate-income borrowers is 30%, and the dollar volume is 22% of the loans sampled. This compares reasonably to the number of low- and moderate-income families in the assessment area of 40.3% as illustrated in Table 2 when you consider that 10.4% of the low income families have incomes below the poverty level and would possibly not qualify for a home loan.

Table 5 Mortgage Loans Originated by Borrower Income				
Borrower Income *	Number of Loans		Dollar Volume	
	#	%	\$	%
Low-income	2	6%	\$30,000	3%
Moderate-income	8	24%	\$221,300	19%
Middle-income	8	24%	\$326,800	28%
Upper-income	15	46%	\$571,500	50%
TOTAL	33	100%	\$1,149,600	100%

Source: OCC's sample of Residential Real Estate loans

* The non-MSA median family income for the state of Illinois is \$37,600. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of \$37,600.

SMALL BUSINESS AND SMALL FARM LOANS

To determine the bank’s record of extending loans to businesses and farms of different sizes, we sampled 54 business and farm loans that originated since the last CRA examination. Table 6 illustrates the distribution of business and farm loans by revenue level:

Table 6 Volume of Loans to Businesses and Farms				
	Business Loans		Farm Loans	
	#	\$	#	\$
Those with revenues of less than \$1,000,000	22 81.5%	\$342,958 47.8%	27 100%	\$1,365,359 100%
Those with revenues of \$1,000,000 or more	5 18.5%	\$374,429 52.2%	0 0%	0 0%

Source: OCC’s sample of Business and Farm loans

We found that the bank’s volume of loans to small businesses (81.5%) and small farms (100%) is good. The demographic data contained in Table 3 indicates that 91% of all businesses in Citizens assessment area have annual incomes of less than \$1,000,000.

Table 7 summarizes the 54 small business and small farm loans depicted in Table 6 by loan amount:

Table 7 Small Business and Small Farm Loans By Loan Amount at Origination				
Loan Amount at Origination	#	%	\$	%
\$0 - \$100,000	50	92.6%	\$1,257,746	60.4%
\$100,001 - \$250,000	4	7.4%	\$825,000	39.6%
\$250,001 - \$1,000,000	0	0%	\$0	0%
Over \$1,000,000	0	0%	\$0	0%
TOTAL	54	100%	\$2,082,746	100%

Source: OCC’s sample of Business and Farm Loans

Table 7 illustrates that the bank has a good record of making small dollar volume loans to small businesses and farms. This is evidenced by the fact that 92.6% of the small business and small farm loans were in amounts less than \$100,000. These loans comprise 60.4% of the dollar volume of small business and small farm loans sampled. The bank’s penetration of loans to small businesses and small farms is good.

Loan to deposit ratio:

Citizens loan to deposit ratio since the last CRA examination averages 48%. This is somewhat lower than the average loan to deposit ratio of other competitor banks of similar size for the same time period. The ratio for these banks ranges from 55% to 81%.

Response to complaints:

Citizens National Bank of Albion has received no letters from the public regarding its CRA activities.

Compliance with antidiscrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.