



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 10, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citizens National Bank of Paris  
Charter #6451**

**110-114 W. Court St.  
Paris, IL 61944**

**Comptroller of the Currency  
Champaign Field Office  
3001 Research Road, Suite E-2  
Champaign, IL 61820**

**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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## **INSTITUTION'S CRA RATING**

**This institution is rated “Satisfactory”.**

The major factors that support the rating are:

- The distribution of loans reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes.
- The bank’s loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, and assessment area credit needs.
- A substantial majority of loans are in the bank’s assessment area.

## **DESCRIPTION OF INSTITUTION**

The Citizens National Bank of Paris (Citizens) is a \$195 million intrastate bank situated in Paris, Illinois. Paris is located in Edgar County, and is located 25 miles northwest of Terre Haute, Indiana. This institution is owned by First Citizens of Paris, Inc., a one-bank holding company located in Paris. Citizens operates out of four locations, two in Paris, one in Oakland, and one in Charleston. The bank closed an additional branch location in Charleston on November 30, 2002. The bank does offer five ATMs for customer service and convenience, three of which accept deposits. Three of the ATM’s are located in Paris, and one in each of Oakland and Charleston.

Citizens offers a full range of retail and commercial banking products normally associated with a community bank. The bank also offers commercial/agricultural leases. Net loans were \$103.5 million on December 31, 2002 and made up 53% of total assets. The bank is primarily an agricultural and commercial lender. Based upon the information that was available, the bank’s portfolio mix has not significantly changed during this evaluation period. The following represents this institution’s loan and lease portfolio mix as of December 30, 2002:

|                         |     |
|-------------------------|-----|
| Agricultural Related    | 39% |
| Commercial              | 37% |
| Residential Real Estate | 19% |
| Consumer Installment    | 5%  |

Citizens is involved in the State of Illinois Agriculture Deposit Loan program and the Illinois Farm Development Authority Beginning Farmer Bond Program.

Citizens did acquire an operating subsidiary, Citizens Insurance Services, Inc., at year-end 2000. Citizens Insurance is headquartered out of Oakland, with its main office in Paris, adjacent to the bank. Citizens Insurance is profitable and does not negatively affect the bank’s ability to meet the communities credit needs.

Tier one capital totals \$17.3 million. The bank does not have any financial or legal impediments

restricting it from meeting the credit needs of its local community. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capability, local economic conditions, and credit needs of the community. Citizens' last CRA examination was October 23, 1997 and rated the bank "Satisfactory".

## **DESCRIPTION OF THE ASSESSMENT AREA**

The bank's assessment area includes all of Edgar County, the west side of Coles County, and one Block Numbering Area (BNA) in Douglas County. The BNAs are #0001, #0005, #0006, #0007, #0008, #0009, #0701, #0702, #0703, #0704, #0705, and #9520. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. Two BNA's (17%) (#0007, and #0009) are upper-income geographies. The other ten BNAs (83%) are middle-income areas based on 1990 census data. There are no low- or moderate-income BNAs located in the assessment area. The following demographic information on the bank's assessment area is based on 1990 census data:

|                   |   |
|-------------------|---|
| Population:       | 50,432 people live in the assessment area.  |
| Housing Stock:    | 81% of the housing units are 1-4 family.  |
| Occupancy:        | 62% owner occupied, 30% renter occupied and 8% vacant.  |
| Home Values:      | The median home value is \$41,733.  |
| Age of Homes:     | The median year of homes built is 1956.   |
| Income:           | Median family income of the assessment area is \$29,693.  |
| Income Levels:    | 19% of the families are low-income, 19% are moderate-income, 24% are middle-income, while 38% are upper-income. |
| Updated Income:   | 2002 HUD non-MSA Illinois median family income is \$46,700.   |
| Small Farms:      | Small farms make up 99% of the farms located in the assessment area.  |
| Small Businesses: | Small businesses make up 82% of the businesses in the assessment area.  |

The local economy is stable and driven by agriculture. Charleston and Paris have several service, industry, and higher education employers. Additional employment opportunities are in Terre Haute, IN and Mattoon, IL. Some of the major employers in Paris and Charleston include: North American Lighting; Arkay Industries; Simonton Windows; Eastern Illinois University; Vesuvius; and the Charleston School District Unit #1. December 2002 unemployment rates for Coles and Edgar Counties were 5.6% and 6%, respectively. The state unemployment rate was 6.3%, compared to the national rate of 5.7%.

There are two other banks that are headquartered in the assessment area with asset sizes between \$100 million-\$250 million. These banks are The Edgar County Bank and Trust Co., and the First Bank and Trust, SB. Both of these banks are also headquarter in Paris. There are a total of eleven financial institutions located in the assessment area.

One community contact with two local government officials was performed during this review.

The credit needs identified by the contacts were moderate housing development, home improvement and downtown redevelopment. According to these contacts, area banks are doing a good job of meeting the small business and small farm credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This review concentrated on the bank's primary loan products. Based upon the bank's portfolio mix, agricultural and commercial loans were the primary loan products. In addition, considering that fixed rate mortgages are sold to the State Bank of Lincoln, originations of residential real estate loans are considered a primary loan type. In 2001 and 2002, only 56 purchase and construction loans were originated, while 345 refinance loans were made in this same period. Based upon this information, the samples used to evaluate the lending performance components were agriculture loans, commercial loans, and refinance residential real estate mortgages. The samples included originations from 2001 and 2002.

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

The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes.

Ninety-five percent of the number, and one hundred percent of the dollar amount of the twenty sampled agricultural loans made within the assessment area, were made to small farms. (The other five percent of the number was a small loan without financial information.) Small farms are farms with annual gross revenues of less than one million dollars. This is expected, as ninety-nine percent of the farms in the assessment area have revenues of equal to, or less than, one million dollars.

Eighty-five percent of the number of commercial loans sampled were to small businesses. Fifty-six percent of the dollar amount of twenty sampled commercial loans, made within the bank's assessment area, were to small businesses. The dollar amount was skewed, as one of the three notes that were reviewed for large businesses was a large note. A small business is defined as those businesses with annual gross revenues of less than one million. Our sample findings are reasonable, as eighty-two percent of the businesses located in the assessment area do have revenues equal to, or less than, one million dollars.

The bank's performance with low-income borrowers is less than favorable compared to demographic data from the 1990 census, which shows that low-income families comprise 19% of the assessment area's population. However, it is important to note that 18% of the assessment area's population is below poverty level. With income that low, it is difficult to own a home. The bank's performance with moderate-income borrowers is comparable with demographic data. The 1990 census data shows that 19% of the assessment area is made up of moderate-income families.

The following table shows the distribution of refinance residential real estate originations among borrowers of different income levels within the assessment area:

| <u>Income Level</u>                    | <u>% of families in the AA</u> | <u># of Loans</u> | <u>% of #</u> | <u>\$ of Loans</u> | <u>% of \$</u> |
|--|--------------------------------|-------------------|---------------|--------------------|----------------|
| Low-Income<br>Less than 50% of Median  | 19%                            | 1                 | 5%            | \$30,000           | 2%             |
| Moderate-Income<br>50% - 79% of Median | 19%                            | 4                 | 20%           | \$123,204          | 10%            |
| Middle-Income<br>80% - 119% of Median  | 24%                            | 6                 | 30%           | \$307,837          | 25%            |
| Upper-Income<br>120% or more of Median | 38%                            | 9                 | 45%           | \$757,479          | 62%            |

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is more than reasonable based on the institution's size and assessment area's credit needs. During the past 21 calendar quarters, Citizens' loan-to-deposit ratio has averaged 83%. Four area competitors (having asset size of \$100 million to \$250 million), with at least one location in the assessment area, were also reviewed. The average loan-to-deposit ratios of these four banks ranged from 78% to 81%.

### **Lending in Assessment Area**

A substantial majority of the loans being originated are within the bank's assessment area. Based upon a sample of loans (20 agricultural, 20 commercial, and 20 refinance residential mortgages) originated in 2001 and 2002, 82% of the number and 75% of the dollar amount of loans were made within the bank's assessment area. The following table shows the dollar amount and the number of loans from our sample that fall within the assessment area and outside the assessment area:

| <u>Type of Loan</u>      | <u>Within Assessment Area</u> |     | <u>Outside Assessment Area</u> |     |
|--------------------------|-------------------------------|-----|--------------------------------|-----|
| Agricultural             | \$1,425,044                   | 84% | \$268,765                      | 16% |
|                          | 16                            | 80% | 4                              | 20% |
| Commercial               | \$1,375,208                   | 57% | \$1,026,043                    | 43% |
|                          | 14                            | 70% | 6                              | 30% |
| Refinance Residential RE | \$1,198,520                   | 96% | \$52,864                       | 4%  |
|                          | 19                            | 95% | 1                              | 5%  |
| Total of Sample          | \$3,998,772                   | 75% | \$1,347,672                    | 25% |
|                          | 49                            | 82% | 11                             | 18% |

### **Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as the assessment area does not include

any low- or moderate-income BNAs.

### **Responses to Complaints**

Citizens has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

### **Fair Lending Review**

An analysis 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 exam was performed in 1997.