



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens First National Bank of Princeton
Charter No. 2413
606 South Main Street
Princeton, Illinois 61356-2080**

**Office of the Comptroller of the Currency
111 W. 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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Citizen's First National Bank of Princeton (CFNB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of February 20, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Median Family Income - The median income determined by the United States Census Bureau. This figure is based on estimations developed by the Department of Housing and Urban Development and is updated annually.

Low- and Moderate-Income (LMI) - Income levels which are less than 80% of the median family income.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (i.e. made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancings of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)

Citizens First National Bank of Princeton (CFNB)

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance record in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "Outstanding Record of Meeting Community Credit Needs." The evaluation period covers January 1995 through the date of this report.

Reasonableness of Delineated Communities

The bank's delineated communities are reasonable. The delineations meet the legal requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. The bank's delineated community is designated by an equidistant circle around each office in Princeton, Oglesby, Peru, DePue, Spring Valley, Henry, Plano, Sandwich, and Minooka. The radius of each circle ranges from three to seventeen miles based on the location of loan and deposit concentrations.

The Genoa/Hampshire delineation is defined as an area along Illinois Route 72 from Fairdale on the west to approximately 5 miles east of Hampshire, extending north and south from that line for a distance of approximately 5 miles.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

BANK PROFILE

Citizens First National Bank of Princeton is a \$419 million rural bank located in North Central Illinois, approximately 65 miles north of Peoria. The bank is a member of a one-bank holding company, Princeton National Bancorp, Inc.

The main office is located in Princeton with thirteen branches dispersed throughout the communities of Princeton, DePue, Genoa, Hampshire, Henry, Minooka, Oglesby, Peru, Plano, Sandwich, and Spring Valley. The area is also served by thirteen automated teller machines (ATMs).

The market for financial services is moderately competitive. There are five similarly situated institutions in the bank's delineated communities based on asset size and/or business focus. The bank has historically been a leader in agricultural lending. Due to several mergers and acquisitions since 1993, the majority of loan volume shifted to residential real estate lending. The bank offers traditional banking services and lending products. The loan portfolio mix is as follows: real estate 56%, commercial 16%, agricultural 14%, and instalment 14%.

The bank's average loan-to-deposit ratio is satisfactory. Their average loan-to-deposit ratio for the eight quarters ending December 31, 1996 equals 67% comparable to the average ratio of 68% for local similarly situated banks. During these eight quarters, CFNBs loan-to-deposit ratio has increased from 62.06% on March 31, 1995 to 72.04% on December 31, 1996.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to meet the credit needs of its delineated area. An "Outstanding" rating was received during the January 31, 1995 CRA examination.

COMMUNITY PROFILE

Citizens First National Bank of Princeton's delineated communities include portions of Bureau, Putnam, Marshall, LaSalle, DeKalb, Kendall, Grundy, Will, and Kane counties.

Princeton, the county seat of Bureau County, has a population of 7,500. Princeton's economy is considered strong and is primarily centered around agriculture. Approximately 92% of the county's land area is utilized as farmland. Some of the other industries in Princeton are Jostens, Terry Farms, Champion Pneumatic Machinery Co., Harper-Wyman, LCN Closers, Ace Distribution Center, and General Business Forms.

The total population in CFNB Princeton's delineated branch communities equates to approximately 61,900 people. The 1996 non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$36,000. The delineation contains 1 moderate-income census tract which is located in the community of LaSalle.

Branch communities are supported by many industry, retail, service, and agribusiness establishments, including Illinois Valley Community College, the Peru Mall, and St. Margaret's Hospital in Spring Valley. Unemployment is low at 3% in Bureau, Putnam, LaSalle, Grundy, Will and Kane counties and low at 2% in Marshall, Kendall, and DeKalb counties.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Citizens ascertainment efforts are proactive. The bank has developed an on-going program to determine the credit needs of its community. Methods include an officer call program, bank advisory boards, a Community Development Committee, questionnaires, community comment boxes, management and Board involvement in local community groups, and a focus group.

Bank officers participate in an officer call program. The purpose of the program is to maintain continual contact with customers and noncustomers, businesses, government officials, and community leaders within the market area.

Bank Advisory Boards are established at the Oglesby, Peru, Genoa, Spring Valley, Henry, and Minooka branches. Each is comprised of community leaders from their respective communities. The Boards meet bi-monthly to discuss community development activities and identify financial products and services needed in the community.

Bank management maintains ongoing contact with a variety of city officials, community organizations, and individuals. These include, but are not limited to, DeKalb County Extension, Genoa Main Street Inc., Henry Economic Development Council, Oglesby Economic Development Committee, Princeton Industrial Development Commission, and the Upper Illinois River Valley Development Corporation.

Customer comment cards are available at all office locations. Management reviews the cards to determine if products and services continue to meet customer banking needs. Additionally, customers are asked to complete a questionnaire when they open or close an account to evaluate their satisfaction with bank products and services.

Management regularly reviews credit products to ensure the bank's products are meeting community credit needs. The Board and management have demonstrated a willingness to offer a variety of loan products with flexible terms in an effort to address identified credit needs.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The Board actively participates in the overall CRA process. CRA is incorporated into the banks's strategic planning process. Additionally, the Board has adopted a CRA policy which details responsibilities and guidelines to ensure compliance with the technical requirements and the spirit of CRA. CRA training sessions are provided to all bank employees to maintain ongoing awareness and compliance.

A CRA/Compliance committee consists of representatives from various departments and branches of the bank. This committee oversees all CRA activities throughout the bank. The CRA officer attends monthly Executive Officers' committee meetings and reports quarterly to the Directors CRA/Compliance committee. The Board is kept current of regulatory requirements and changes during this quarterly meeting.

The Board of Directors annually approves the CRA statement which was last approved in July 1996. The CRA statement has been expanded to summarize the bank's efforts to ascertain community credit needs. It also details products and financial services offered in efforts to meet community credit needs.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Marketing and advertising programs are aggressive and effectively reach all segments of the community. Advertisements are designed to inform the community of its lending services, including special programs/products, as well as promote the image of the bank. A formal marketing plan is approved annually by the Board.

Bank products and services are advertised through a variety of media including radio, newspapers, direct mailings, billboards, statement stuffers, and word of mouth. Additionally, the bank communicates its credit services through an officer call program, brochures, guest speaking, and bank-sponsored seminars. The bank also advertises in the following free local newspapers: NEWSopper, Illinois Valley Shopping News, Midweek, and Valley Free Press. This ensures the entire community, including low- and moderate-income individuals, is aware of the bank's services.

Officers regularly contact realtors and local car dealerships to explain lending programs available through the bank. Specific credit products are also promoted on monthly statements to customers.

Loan officers routinely provide assistance and technical support to individuals/groups in understanding and applying for credit. Worksheets are available to help customers determine the amount of credit they can afford. Specialized informational brochures have been developed for many bank products.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

The bank originated a significant number of small business and small farm loans. In 1996, Citizens originated 1,161 small business and small farm loans for a total of \$57,640,402. Small businesses and small farms are defined as those with annual revenues of \$1 million or less. A substantial portion of these loans originated within the bank's delineated communities.

The volume of HMDA-reportable lending by CFNB is good. In 1996, the bank originated 550 HMDA-reportable loans. A substantial portion of these loans originated within the banks' delineated communities.

Citizens 95% Fixed Rate Loan Program and the Multi-Family Investment loan program are a couple of the special real estate loan programs offered. See Appendix A and B for further explanation of the bank's loan programs. All products are available throughout the entire community, including the low- and moderate-income areas.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Citizens First National Bank of Princeton is a frequent participant in government insured, guaranteed, or subsidized loan programs. Management utilizes the government lending programs to expand the availability of credit. Refer to Appendix A and Appendix B for a summary of loan programs in which the bank participates.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

An analysis of the geographic distribution of the bank's credit extensions exhibits a reasonable penetration in all areas of the delineated communities, including low- and moderate-income areas. A CRA mapping service is contracted bi-annually to perform an extensive geographic distribution analysis of the bank's credit extensions based on zipcodes. According to this analysis, originations within the delineated communities totaled 82% of the dollar volume and 87% of the number of loans.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

The bank is reasonably accessible to all segments of the delineated communities. Bank management regularly reviews business hours and services to ensure they meet customer needs. Hours and services accommodate all areas of the community. The bank has extended its hours at five branches and six drive-ups to accommodate customers. Management is also available for after-hours appointments to accommodate customers if necessary.

Citizens has fifteen offices, eleven drive-up facilities, and thirteen ATMs serving its delineated communities. A branch closing policy has been adopted by the Board which provides guidelines for sufficient research and adequate documentation prior to a facility or ATM being closed. No offices have been closed since the last CRA examination. Since January 31, 1995, offices have been opened or acquired in Hampshire and Sandwich.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

No evidence of practices that would discourage applicants from applying for credit were noted. All types of credit listed in the CRA statement are available to all areas of the community, including low- and moderate-income areas. Policies and procedures to help prevent discrimination in lending and credit activities are adequate. No minimum mortgage balance is required, which benefits low- and moderate-income families.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

The bank is in substantial compliance with antidiscrimination laws and regulations. No evidence of illegal credit practices were noted. A secondary review process reviews credit denials to ensure no disparate treatment.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

The bank has taken a leadership role in participation in community development and redevelopment. The board and senior management's involvement in local community and civic groups also aids the bank in keeping abreast of community development/redevelopment opportunities.

The bank was instrumental in the development of the Upper Illinois River Community Development Corporation (CDC). Citizens committed \$50,000 to this CDC which will provide programs such as equity financing and loan guarantees for small businesses. This program is designed to stimulate economic development and job creation for low- and moderate-income persons and families, underserved rural communities, or governmental designated redevelopment areas.

The Princeton Community Development Committee consists of six bank officers, a bank officer who also serves as an officer of the Princeton Chamber of Commerce, and a local attorney. This CDC promotes Main Street development, and industrial and agri-business opportunities in the Princeton area. The group was instrumental in the formation of the Retail Merchants Association which promotes retail business in Princeton as well as identify potential new business for the community. The committee also reviews proposed bank investments in community development.

Bank management is very involved with the DeKalb County Economic Development Corporation, Small Business Development Corporation, Henry Economic Development Council, and the Downtown Economic Development Committee in Ogleby to name a few. These organizations promote business and economic growth in their respective communities.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Citizens contributes to, and is involved with, many organizations that help to meet the communities' credit and other economic needs throughout its delineated areas. CFNB made continuing donations to several of the following local community organizations: DeKalb County Community Foundation, Dekalb County Economic Development Corporation, Genoa Main Street Inc., Henry 2000, and Henry Economic Council, to name a few.

Bank employees speak at a variety of community/educational functions throughout the year. Topics range from financial management to senior citizens groups, employee benefit plans at local businesses, money management, and bank products and services.

APPENDIX A

SPECIAL REAL ESTATE LOAN PROGRAMS

Federal Housing Administration (FHA)

The FHA provides federally-insured loans for residential real estate loans at current market rates with flexible terms and minimal downpayments.

Veterans Administration (VA)

Qualified veterans can obtain government-insured loans with no downpayment at loan rates established by the VA.

Federal Home Loan Mortgage Corporation (Freddie Mac)

The bank offers 15- and 30-year fixed-rate loans which are sold in the secondary market to Freddie Mac. Loan-to-value ratios for these loans may exceed 80% with private mortgage insurance coverage. Loan rates are established by Freddie Mac based on the current market.

Citizens 95% Fixed-Rate Loan Program

The bank offers residential real estate loans which require only a 5% downpayment after buyers participate in a home buyer education program. The bank provides the resources for the education. This program provides a fixed-rate financing alternative to borrowers who may not otherwise qualify for conventional financing.

Multi-Family Investment Loan Program

This program is designed to assist contractors and developers in the acquisition, improvement, and construction of multi-family housing. In November 1991, the bank committed \$500,000 at below market rates to help developers in the construction of multi-family housing in Genoa and surrounding area.

SPECIAL AGRICULTURAL LOAN PROGRAMS

Illinois State Treasurers Ag Production/Loan Deposit Program

This program is funded by the state of Illinois and provides a lower interest rate to farm customers for farm operating expenses.

Illinois Farm Development Authority Program (IFDA-Tax-Free)

This program is for beginning farmers who are first-time buyers of farmland. Loans are originated for normal terms offered by the bank. However, the interest income earned by the bank is tax-free so the rates offered to the customer are below market.

Farm Service Agency Guaranteed Program (FSA)

This program (formerly Farmers Home Administration- FmHA) allows farmers to finance carryover debt at a reduced interest rate and thus improve cash flow. The indebtedness is 90% guaranteed by the Farm Service Agency. This program allows the bank to offer financing to farmers who would not otherwise obtain credit.

Farm Machinery Loan Program

This program provides below market fixed- or variable-rate farm machinery loans.

Fixed-Rate Agricultural Real Estate Loans

Customers can obtain a fixed-rate ag real estate loan through Mutual Benefit Life Insurance Company. Interest rates are established by Mutual Benefit based on the current market.

OTHER SPECIAL PROGRAMS

Small Business Administration (SBA)

The SBA provides a financing alternative to established business borrowers and promotes the development of new business in the bank's market area. The SBA guarantees a portion of debt incurred by the small businesses.

Federal Stafford Loan Program

This program provides subsidized and unsubsidized low-interest loans through the Illinois Student Assistance Commission (ISAC) to help qualified students fund college expenses.

Federal PLUS Loan Program

This program offers long-term educational loans to qualified parents or legal guardians of dependent undergraduate and graduate college students. The loans are made available through a cooperative effort of the ISAC, private lending institutions, and the federal government.

Federal Supplemental Loans for Students Loan Program (SLS)

The SLS program offers long-term educational loans to independent undergraduate and dependent or independent graduate/professional students. The loans are made available through a cooperative effort of the ISAC, private lending institutions, and the federal government. Loans funded by the bank are guaranteed by the federal government.

APPENDIX B

CITIZENS SPECIAL LOAN PROGRAM BALANCES

LOAN PROGRAM	# OF LOANS	OUTSTANDING BALANCE (\$)
Federal Home Loan Mortgage Corporation	670	36,061,271
Federal Housing Administration	8	276,474
Veterans Administration	18	593,969
Federal Family Education Loans	8	8,000
TOTAL LOANS SOLD IN 1996	130	9,011,000

LOAN PROGRAM	OUTSTANDINGS AS OF JANUARY, 1997	
	# OF LOANS	BALANCE (\$)
Citizens Business Investment Loans (Downtown Development)		
Genoa	3	88,015
Henry	6	552,687
Oglesby	10	189,841
Princeton	1	44,402
Spring Valley	4	299,866
Farm Machinery Loans	189	4,120,554
Farmers Home Administration Guarantee	24	2,351,041
IL Farm Development Authority	5	642,428
IL State Treasurers Ag Production	220	8,884,895
Private Line (Overdraft Protection)	186	129,919
Small Business Administration	8	478,584
State of Illinois Linked Deposit	210	8,456,238
TOTAL IN SPECIAL LOAN PROGRAMS	866	26,238,470

