



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 21, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens First National Bank
Charter Number: 2413

606 South Main Street
Princeton, IL 61356-2070

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE
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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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating include:

- Citizens First National Bank (CFNB) achieved satisfactory lending performance. Distribution of loans to individuals of different income levels and business and farms of different sizes is reasonable.
- A majority of the loans originated by CFNB are to customers from within its assessment area (AA).
- CFNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- CFNB's community development performance demonstrates adequate responsiveness to the community development needs of its AA. Bank personnel provided a satisfactory level of financial expertise through participation in community development services.

Scope of Examination

This Performance Evaluation assesses CFNB's record of meeting the credit needs of the communities in which it operates. We evaluated CFNB under the Intermediate Small Bank Community Reinvestment Act performance criterion, which includes a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities. The community development test evaluates a bank's community development lending, qualified investment, and community development services activities.

The time period for this evaluation is from October 9, 2006, to July 21, 2009. Conclusions regarding the bank's lending performance are based on residential mortgage, commercial, and agricultural loans originated or purchased from January 1, 2007, through June 30, 2009.

CFNB has three AAs. CFNB generates deposits equally in the Non-MSA AA and Chicago-Naperville-Joliet-IL Metropolitan District (Chicago MD) AA; therefore, they will each receive a full-scope review. The Peoria-IL MSA AA consists of only three CTs and will only receive a limited-scope review.

The majority of the loans are made in the Non-MSA AA. CFNB's primary lending products in the Non-MSA AA are agricultural and commercial lending, accounting for

81 percent of the amount of all loan originations during the evaluation period in that AA. CFNB's primary lending products in the Chicago MD AA are commercial and residential real estate that account for 84 percent of the amount of loan originations during the evaluation period in that AA. Within the Chicago MD AA, the bank's primary home mortgage products are refinance and home purchase loans, accounting for 76 and 22 percent of all home mortgage loans, respectively. The lending test rating will weight refinance and home purchase loans heavier than home improvement loans, since they account for only two percent of home mortgage loan originations and purchases.

We conducted Data Integrity reviews of the Home Mortgage Disclosure Act (HMDA) and small business and small farm data by comparing information to actual loan files. We found the HMDA and small business and small farm data to be relatively accurate and reliable for use in this examination. Loan data includes all loans originated or purchased from January 1, 2007, through June 30, 2009.

The evaluation period for the community development test is October 9, 2006, through July 21, 2009. We reviewed community development activities to ensure regulatory definitions were met.

Description of Institution

CFNB is a large community bank headquartered in Princeton, IL. As of March 31, 2009, CFNB reported total assets of \$1.2 billion. CFNB is an intrastate financial institution with 20 offices serving all of Bureau, Kendall, and Putnam Counties and portions of DeKalb, Grundy, Kane, LaSalle, Marshall, McHenry, and Will Counties. Since the previous CRA evaluation, CFNB has opened one new office in Plainfield, IL. All offices are equipped with drive-up facilities, with the exception of DePue and the main bank location in downtown Princeton. CFNB has 25 ATMs located throughout the AA, with multiple locations in Princeton and Sandwich.

The bank is a wholly-owned subsidiary of Princeton National Bancorp, Inc. (PNBI), a one-bank holding company headquartered in Princeton, IL. As of March 31, 2009, the holding company had total assets of \$1.2 billion. The holding company has one statutory business trust that is an unconsolidated subsidiary. CFNB's affiliate does not negatively impact the bank's ability to meet the credit needs of the community. In the first quarter of 2007, PNBI acquired the Plainfield, IL branch from HomeStar Bank in Manteno, IL. The acquired office enlarged the bank's AA from the previous evaluation to include the northwest portion of Will County and became contiguous with the CTs served by the Aurora, Millbrook, Newark, and Plano offices. CFNB's strategy is to provide quality financial products and services with a focus on customer service and innovative delivery systems to meet the needs of the customers in the communities they serve.

CFNB offers a full range of retail and commercial banking products normally associated with a community bank. As of March 31, 2009, the bank reported \$770 million in outstanding loans and had a net loans and leases to total assets ratio of 63 percent.

There are no financial conditions, legal constraints, or other factors that would hinder the bank’s ability in helping to meet the credit needs of the communities within its assessment area. Tier 1 capital was reported at \$82 million as of March 31, 2009. The bank’s previous CRA rating as of October 9, 2006, was Satisfactory.

Description of Assessment Areas

The Non-MSA AA consists of 26 census tracts (CTs). The AA includes all of Bureau and Putnam Counties and portions of La Salle County. La Salle County has one moderate- income CT. All remaining CTs are middle-or upper-income. There are no low-income CTs.

Demographic Information for Full Scope Area: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	26	0.00	3.85	69.23	26.92	0.00
Population by Geography	105,174	0.00	2.39	62.61	35.00	0.00
Owner-Occupied Housing by Geography	31,143	0.00	1.63	64.61	33.76	0.00
Business by Geography	7,325	0.00	4.75	58.39	36.86	0.00
Farms by Geography	941	0.00	0.53	71.52	27.95	0.00
Family Distribution by Income Level	28,526	14.58	15.80	22.80	46.82	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	8,667	0.00	3.44	69.01	27.55	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		43,613 54,400 8%	Median Housing Value Unemployment Rate (2000 US Census)		90,145 2.33%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2009 HUD updated MFI

The Chicago MD AA consists of 21 CTs. The AA includes all of Kendall County and portions of DeKalb, Grundy, Kane, McHenry, and Will Counties. All CTs are designated as middle- or upper-income. There are no low-or moderate-income level CTs.

Demographic Information for Full Scope Area: Chicago MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	21	0.00	0.00	71.43	28.57	0.00
Population by Geography	140,333	0.00	0.00	49.96	50.04	0.00
Owner-Occupied Housing by Geography	40,398	0.00	0.00	49.53	50.47	0.00
Business by Geography	12,435	0.00	0.00	47.81	52.19	0.00
Farms by Geography	742	0.00	0.00	70.49	29.51	0.00
Family Distribution by Income Level	38,399	8.68	13.81	25.22	52.30	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	8,633	0.00	0.00	69.30	30.70	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		60,166 74,600 3%	Median Housing Value Unemployment Rate (2000 US Census)		186,207 1.71%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2009 HUD updated MFI

The Peoria MSA AA consists of three CTs in a portion of Marshall County. All CTs are designated as middle-income.

Demographic Information for Limited Scope Area: Peoria MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0.00	0.00	100.00	0.00	0.00
Population by Geography	7,958	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	2,501	0.00	0.00	100.00	0.00	0.00
Business by Geography	507	0.00	0.00	100.00	0.00	0.00
Farms by Geography	106	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	2,279	19.44	22.64	27.07	30.85	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	959	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		52,122 65,800 7%	Median Housing Value Unemployment Rate (2000 US Census)		78,316 1.91%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2009 HUD updated MFI

CFNB's AAs meet the requirements of the regulation and do not arbitrarily exclude any low-or moderate-income areas.

CFNB ranks eighth in deposit market share among 138 financial institutions operating in the combined assessment area. Pursuant to the June 30, 2008, Federal Deposit Insurance Corporation Deposit Market Share Report, CFNB's deposits in the assessment area totaled \$905 million and represented 2.82 percent of the market. Major competitors include Harris National Association, with 12.36 percent of the market and Old Second National Bank of Aurora, with 6.78 percent of the market.

Economic Data

The local economy remains relatively stable despite the unemployment rate. The June 2009 unemployment rates for two of the nine counties within the AA compare favorably to the national average and to the State of IL average rate.

Unemployment Rate June 2009	
National Average	9.5%
State of IL	10.3%
CFNB AA	
Marshall County	9.2%
Bureau County	9.4%
McHenry County	10.9%
LaSalle County	11.0%
DeKalb County	11.3%
Kane County	11.5%
Will County	11.5%
Kendall County	12.1%
Grundy County	13.7%

Source: United States Department of Labor: <http://stats.bls.gov>

The economy of the AA is concentrated in the retail, healthcare, education, manufacturing, and agricultural industries. Major employers include: Caterpillar, Menards, Dreyer Medical Center, St. Margaret's Hospital, Illinois Valley Community Hospital, Wal-Mart, LCN Door Closers, the local school districts, and city and county governments.

We contacted a local economic development official in Princeton during the examination. The contact believes the local economy is stable. The primary credit needs in the area are mortgage-related products for land development, construction, commercial business, and residential. She felt CFNB and the other financial institutions in the Princeton and surrounding areas actively meet the credit needs of the area. She said there are not many low- or moderate-income areas and the community development opportunities for low- and moderate-income families are limited.

The contact indicated the financial institutions are very active in and provide good financial guidance to the community. The contact did not know of any credit needs or banking services not met or provided for by the local financial institutions. The contact noted that CFNB employees remain actively involved in the communities they serve and are often in leadership roles.

LENDING TEST

CFNB's performance under the Lending Test is satisfactory. In making this determination, we gave more weight to the performance of lending in the Non-MSA AA, as a majority of loan originations are from this AA.

- The distribution of loans to individuals of different income levels and businesses and farms of different sizes is reasonable.
- The geographic distribution of loans reflects very poor dispersion among the moderate-income census tract in the Non-MSA AA. Geographic distribution analysis was not meaningful in the Chicago MD.
- A majority of the loans originated by CFNB are to customers from within its AA.
- CFNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

Loan-to-Deposit Ratio

CFNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. CFNB's quarterly average loan-to-deposit ratio for the period of July 1, 2006, to March 31, 2009, was 77 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from 82 percent to 93 percent. CFNB's average loan-to-deposit ratio is slightly lower but still comparable with six similarly situated banks, which range in asset size from \$471 million to \$1.4 billion. The similarly situated banks utilized for comparison purposes are community banks located in DeKalb, LaSalle, McHenry, and Will Counties.

Lending in Assessment Area

CFNB has originated a majority of its loans to borrowers in its AA. CFNB's lending to customers within the AA for all loan types is reasonable. Specifically, 75 percent of the number of loan originations have been made within the bank's overall AAs. The percentage of loans made within the overall AAs was generally consistent for all three products reviewed.

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

NON-MSA AA

The distribution of loans reflects a reasonable penetration among businesses and farms of different sizes.

Commercial Loans

Given the demographics of the AA, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. In the Non-MSA AA, the percentage of CFNB’s loans to small businesses exceeds the percentage of small businesses reporting revenues. Small businesses are businesses with gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses of Different Sizes in the Non-MSA AA			
Business Revenues	Number of Loans		% Businesses in AA**
	#	%	
≤\$1,000,000	1,471	69.88%	60.31%

Source: Bank small business records on new loans originated January 1, 2007- June 30, 2009; 2008 Geodemographic Data.

** 35.03 percent of AA businesses did not report revenue data.

Agricultural Loans

Given the demographics of the AA, the distribution of agricultural loans reflects reasonable penetration among farms of different sizes. In the Non-MSA AA, the percentage of CFNB’s loans to small farms is near the percentage of small farms. Small farms are farms with gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Farms of Different Sizes in the Non-MSA AA			
Farm Revenues	Number of Loans		% Farms in AA**
	#	%	
≤\$1,000,000	497	89.13%	98.94%

Source: Bank small farm records on new loans originated January 1, 2007- June 30, 2009; 2008 Geodemographic Data.

** 0.43 percent of AA businesses did not report revenue data.

CHICAGO MD AA

The distribution of loans reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Commercial Loans

Given the demographics of the AA, the distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. In the Chicago MD AA, the percentage of CFNB’s loans to small businesses exceeds the percentage of small businesses. Small businesses are businesses with gross annual revenues of \$1 million dollars or less.

Borrower Distribution of Loans to Businesses of Different Sizes in the Chicago MD AA			
Business Revenues	Number of Loans		% Businesses in AA**
	#	%	
≤\$1,000,000	825	80.61%	67.85%

Source: Bank small business records on new loans originated January 1, 2007-June 30, 2009; 2008 Geodemographic data.

** 27.90 percent of AA businesses did not report revenue data.

Residential Loans

Borrower distribution in the Chicago MD AA reflects excellent penetration among individuals of different income levels.

Refinance Loans

CFNB's distribution of refinance loans to borrowers of different income levels is excellent. In the Chicago MD AA, the percentage of CFNB's loans to low-income borrowers is near to the percentage of low-income families. For moderate-income borrowers, the percentage of CFNB's loans significantly exceeds the demographic.

Home Purchase Loans

CFNB's distribution of home purchase loans to borrowers of different income levels is excellent. In the Chicago MD AA, the percentage of CFNB's loans to low-income borrowers is near to the percentage of low-income families. For moderate-income borrowers, the percentage of CFNB's loans significantly exceeds the demographic.

Home Improvement Loans

CFNB's distribution of home improvement loans to borrowers of different income levels is excellent. In the Chicago MD AA, the percentage of CFNB's loans to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income families, respectively.

Borrower Distribution of Residential Real Estate Loans in the Chicago MD AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Refinance	8.68	8.16	13.81	17.35	25.22	28.83	52.30	45.66
Home Purchase	8.68	5.26	13.81	24.56	25.22	23.68	52.30	46.49
Home Improvement	8.68	12.50	13.81	25.00	25.22	50.00	52.30	12.50

Source: HMDA and bank records on loans originated or purchased from January 1, 2007 to June 30, 2009; 2000 Census Data.

PEORIA MSA AA

Based on a limited scope review, the bank's performance in the Peoria MSA AA is not inconsistent with the bank's performance under the Lending Test.

Geographic Distribution of Loans

The geographic distribution of loans reflects very poor dispersion throughout the Non-MSA AA. The geographic distribution loan analysis was limited to the Non-MSA AA because there are no low- or moderate-income census tracts in the Chicago MD AA or in Peoria MSA AA. Also, a geographic distribution of agricultural loans in the Non-MSA was not performed since the one moderate-income census tract is located in the City of LaSalle, therefore the analysis would not be meaningful.

NON-MSA AA

Commercial Loans

CFNB's geographic distribution of commercial lending reflects a very poor dispersion in census tracts of different income levels, including moderate-income census tracts. Based on the commercial loans originated in the evaluation period, the percentage of commercial loans originated in moderate-income census tracts is significantly below the level of commercial businesses located in the moderate-income census tracts within the Non-MSA AA.

Geographic Distribution of Loans to Businesses in the Non-MSA AA								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Commercial	0%	0%	4.75%	1.84%	58.39%	62.68%	36.86%	35.49%

Source: Bank small business records on new loans originated January 1, 2007 – June 30, 2009; 2008 Business Geodemographic data.

Responses to Complaints

CFNB has not received any complaints about its performance in helping to meet the credit needs within its AAs during this evaluation period.

COMMUNITY DEVELOPMENT TEST

CFNB's community development performance demonstrates adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. Overall the bank has demonstrated a satisfactory volume of services and an adequate volume of community development loans; however, qualified investments are poor.

Number and Amount of Community Development Loans

Non-MSA AA

CFNB's responsiveness to community development needs of the Non-MSA AA through community development loans by number and dollar volume is adequate based on the opportunities to make loans in the AA. During the evaluation period, CFNB had five loans totaling \$1.6 million. The loans were to facilities that support low-and moderate-income individuals.

Chicago MD AA

CFNB's responsiveness to community development needs of the Chicago MD AA through community development loans by number and dollar volume is adequate based on the opportunities to make loans in the AA. During the evaluation period, CFNB had seven loans totaling \$339 thousand; six of the loans were to a facility that supports low-

and moderate-income individuals.

Peoria MSA AA

CFNB did not originate any community development loans in the Peoria MSA AA during this evaluation period. This had a neutral impact on the bank's lending performance in the Peoria MSA AA due to the bank's limited presence within the AA.

Number and Amount of Qualified Investments

Non-MSA AA

CFNB's responsiveness to community development needs of the Non-MSA AA through qualified investments by number and dollar volume is poor based on the opportunities to make investments in the AA. CFNB provided 34 qualified donations totaling \$50 thousand inside the Non-MSA AA during the evaluation period. The bank's qualified investments consisted primarily of charitable contributions to various organizations that provide services to low-and moderate-income individuals or provide affordable housing.

Chicago MD AA

CFNB's responsiveness to community development needs of the Chicago MD AA through qualified investments by number and dollar volume is poor based on the opportunities to make investments in the AA. CFNB provided 20 qualified donations totaling \$8 thousand inside the Chicago MD AA during the evaluation period. The bank's qualified investments consisted primarily of charitable contributions to various organizations that provide services to low-and moderate-income individuals or provide affordable housing.

Peoria MSA AA

CFNB did not make any qualified community development investments in the Peoria MSA AA during this evaluation period. This had a neutral impact on the bank's community development performance due to the bank's limited presence within the AA.

Extent to Which the Bank Provides Community Development Services

Non-MSA AA

CFNB provides a satisfactory level of community developmental services in the Non-MSA AA. Approximately 17 bank employees provided their financial expertise to eleven organizations that promote various community development initiatives in the AA. This includes affordable housing programs for low- and moderate-income individuals and families, such as Habitat for Humanity, services targeted to low- and moderate-income individuals, economic development initiatives, and programs that assist in revitalizing and stabilizing the assessment area.

Chicago MD AA

CFNB provides a satisfactory level of community developmental service in the Chicago MD AA. Approximately four bank employees provided their financial expertise to three organizations that promote various community development initiatives in the AA. This includes services targeted to low-and moderate-income individuals and economic development initiatives and programs that assist in revitalizing and stabilizing the assessment area.

Peoria MSA AA

CFNB provides community development services to the Peoria MSA AA through various organizations that service the Illinois River Valley, which includes Marshall County. This has a neutral impact on the bank's community development service performance in the Peoria MSA AA due to the bank's limited presence within the AA.

Responsiveness to Community Development Needs

CFNB is responsive to the needs of the community. The bank has seven different community bank boards that meet quarterly with City and County governments where they have offices to ensure the bank is providing responsive service to the communities in which they serve.

Delivery systems are reasonably accessible to individuals of different income levels. CFNB operates 20 full-service offices and 25 ATM's in the AA. None of the bank's branches are located in low- or moderate-income tracts. Extended hours are available at all locations, as all offices are open on Saturdays and most drive up locations are open longer on weekdays and Saturdays. All of the bank's loan and deposit products are available at all branch locations.

Fair Lending or Other Illegal Credit Practices Review

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