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PUBLIC DISCLOSURE

July 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Central National Bank and Trust Company
Charter Number: 3755**

**2 South Perry Street
P.O. Box 249
Attica, Indiana 47918**

**Office of the Comptroller of the Currency
Indianapolis Field Office
8777 Purdue Road, Suite 105
Indianapolis, Indiana 46268**

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 The Central National Bank and Trust Company prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 7, 1999. 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.

This rating is based on analyses of the bank's lending performance from January 1, 1996 to June 30, 1999. The Central National Bank and Trust Company (CNB&T) received a satisfactory rating at its last CRA examination, dated February 26, 1996. The lending performance test includes analyses of the distribution of credit to borrowers of different incomes and businesses of different sizes, the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, and the bank's level of compliance with fair lending laws and regulations.

The bank's satisfactory rating is supported by the following:

- CNB&T's loan distribution to borrowers of different incomes and farms of different sizes is reasonable.
- CNB&T's average loan-to-deposit ratio is satisfactory.
- A substantial majority of loans originated during the evaluation period were extended within the bank's assessment area.
- CNB&T is in compliance with fair lending laws and regulations.

DESCRIPTION OF INSTITUTION:

CNB&T is a \$60 million institution located in Attica, Indiana, approximately 75 miles

northwest of Indianapolis, Indiana, the state's capital. The bank has two branches, one which is also located in Attica, Indiana (Jackson Street branch) and one in Newtown, Indiana. All three bank offices are located in Fountain County. CNB&T owns one Automated Teller Machine (ATM), which is located on the premises of the Jackson Street branch. CNB&T is 100% owned by CNB Bancorp, a one-bank holding company also located in Attica, Indiana. CNB&T's primary focus is residential and agricultural lending, as these loans comprised the largest portion of the bank's loan portfolio on its March 31, 1999 Call Report. Loans comprise \$37 million (62%) of the bank's total assets. CNB&T's loan portfolio is broken down as follows: \$18 million (49%) in mortgage loans, \$11 million (30%) in agriculture loans, \$3 million (8%) in commercial loans, and \$5 million (13%) in loans to individuals and other loan types. CNB&T makes adjustable-rate mortgage loans only. Customers seeking fixed-rate loans are referred to an outside mortgage company. The bank does not have any legal impediments that would hinder meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA:

CNB&T's assessment area is comprised of five block numbering areas (BNAs). These include two BNAs in Fountain County, one BNA in Montgomery County, and two BNAs in Warren County. All five BNAs in the bank's assessment area are middle-income BNAs, based on 1990 US Census Data. The US Census 1990 nonmetropolitan median family income of Indiana is \$30,800. CNB&T's assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

According to 1990 Census data, the population of the bank's assessment area is 16,893. There are 4,853 families residing in the bank's assessment area. Using the Department of Housing and Urban Development's (HUD) 1999 median family income of \$43,600 for Indiana's nonmetropolitan areas, the breakdown of families by income category is as follows: 16% low-income, 21% moderate-income, 27% middle-income, and 36% upper-income. The local economy is stable with low unemployment and minimal population growth.

The assessment area's primary industries are agriculture, manufacturing, retail trade, and local government. Major employers in the area include Harrison Steel Castings Company, C&D Power Systems, and the Attica Consolidated School Corporation. CNB&T's main competitors include branches of Covington Bank, Old National, and Bank of Western Indiana; Fountain Trust; Fowler State Bank, and Montgomery Bank. Attica residents largely work in Lafayette, IN and competition also stems from numerous institutions in that market.

We made two contacts within the community to discuss the community's credit needs, one with a member of the local government and the other with a local realtor. Neither of the individuals could identify any specific credit needs in the community, but stated that there is a shortage of "starter" homes for sale. They stated that the city does not have land available for new developments and that the housing stock that is available is older and would require improvements or rehabilitation. According to 1990 US Census data, the median home value is \$38,927 and the median year of homes built is 1952. The realtor we spoke with indicated that he recently performed an analysis of the average sales price of homes in the area, which showed an average price of \$85,000. The realtor also stated that demand for homes in the area is much greater than the number of homes for sale.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

CNB&T's average loan-to-deposit ratio is good compared to its local peer banks. We used loan-to-deposit information for each quarter between January 1, 1996 and March 31, 1999 and compared CNB&T to all banks in the assessment area with total assets under \$250 million. CNB&T's average loan-to-deposit ratio ranked fourth of seven peer banks. CNB&T's average loan-to-deposit ratio for this time period was 73.21%, compared to the seven banks' average of 71.08%. Average loan-to-deposit ratios for the seven banks ranged from 42.03% to 85.47%.

LENDING IN THE ASSESSMENT AREA

The majority of CNB&T's lending is within its assessment area. We sampled 41 residential real estate loans originated during our evaluation period to perform our analysis. We determined that 37 of 41 the number of loans (90%) and \$2,440,834 of \$2,683,434 loan dollars (91%) were extended within the bank's assessment area. We also reviewed a sample of 21 farm loans. We noted that CNB&T extended 14 of these 21 loans (67%) and \$2,232,200 of \$3,626,300 (62%) within the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

CNB&T has a reasonable distribution of residential loans to borrowers of different incomes. We reviewed a sample of 37 residential real estate loans that were originated in the bank's assessment area during our evaluation period to determine the distribution of loans by borrower income. Only those loans with income information in the files were used in our analysis. Income levels used in our analysis are based on the 1999

nonmetropolitan median family income (MFI) for Indiana of \$43,600, the 1998 nonmetropolitan MFI of \$41,100, the 1997 nonmetropolitan MFI of \$39,000, and the 1996 nonmetropolitan MFI of \$37,200. Our loan sample included loans from 1996, 1997, 1998, and through June 30, 1999. The applicable year's MFI was used in our analysis. Table 1 reflects the bank's lending performance to borrowers of different income levels.

Table 1 - Home Loan Distribution by Borrower Income Level

Borrower Type	# of Loans	%	\$ of Loans (\$000s)	%	% AA Population
Low-income 0-49% of MFI	1	3%	25	1%	16%
Moderate-income 50-79% of MFI	7	22%	285	14%	21%
Middle-income 80-119% of MFI	7	22%	387	18%	27%
Upper-income Over 120% of MFI	17	53%	1,425	67%	36%
Totals	32	100%	2,122	100%	100%

Source: This table is a pro forma analysis based on a sample of 37 real estate loans originated in the bank's assessment area between 1/1/96 and 6/30/99.

Although the percentage of loans to low-income individuals is lower than the assessment area population of low-income families, there are several factors that explain this discrepancy. To be considered low-income, a family must make \$21,364 or less, based on the 1999 HUD median family income of \$43,600. We previously noted that the current average sales price of homes in the area is \$85,000, that there is little land available for development, and that demand exceeds available housing. The average sales price of homes is almost four times the maximum income of low-income families, which is in itself a barrier to home ownership.

Given the bank's limited commercial loan portfolio, our review focused on agricultural lending. We reviewed a sample of 14 farm loans in the bank's assessment area that were extended during the evaluation period to determine the breakdown of loans by gross farm revenue. The bank's record of lending to small farms within the assessment area is good. Table 2 shows the results of our loan sample review. We included only those loans where gross revenue information was available.

Table 2 - Distribution of Farm Loans by Gross Revenues (\$000s)				
Gross Revenues	# Loans Extended	% of Total Extended	\$ Loans Extended	% of Total Extended
\$0-\$100,000	4	31%	441	21%
\$100,000-\$250,000	4	31%	675	31%
\$250,000-\$500,000	5	38%	1,036	48%
Over \$500,000	0	0%	0	0%
Totals	13	100%	2,152	100%

Source: This table is a pro forma analysis of 14 farm loans extended with CNB&T's assessment area during our evaluation period.

Table 2 shows that 100% of the number and dollar amount of farm loans sampled were extended to small farms with gross revenues under \$500,000. We used this analysis for small farms as defined by the CRA, as loans under \$500,000 are typically extended to smaller farms. The percentage of farms with revenues under \$500,000 compares favorably to the percentage of small farms in CNB&T's assessment area (97%).

GEOGRAPHIC DISTRIBUTION OF LOANS

We did not evaluate CNB&T's geographic distribution of loans within its assessment area. Such an analysis would not provide meaningful information, as all BNAs in the bank's assessment area are middle-income.

RESPONSE TO COMPLAINTS

CNB&T has not received any complaints regarding CRA performance during this evaluation period.

COMPLIANCE WITH FAIR LENDING LAWS

We reviewed a sample of consumer loans to ensure that these loans complied with the provisions of the Equal Credit Opportunity Act and other fair lending laws and regulations when the loans were originated. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

