



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**March 2, 2005**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Central National Bank & Trust Company  
Charter Number 3755**

**2 South Perry  
Attica, Indiana 47918**

**Office of the Comptroller of the Currency  
Indianapolis Field Office  
8777 Purdue Road, Suite 105  
Indianapolis, Indiana 46268-3109**

**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.

- A substantial majority of the loans are originated within the bank's assessment area.
- The distribution of loans to borrowers with different incomes and to small farms provides reasonable penetration given the demographics of the assessment area.
- The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and the assessment area's credit needs.

## DESCRIPTION OF INSTITUTION

The Central National Bank & Trust Company (CNB&T) is a \$59 million intrastate institution headquartered in Attica, Indiana. Attica is located in northern Fountain County in West-Central Indiana. CNB Bancorp, a one-bank holding company, owns this institution.

In addition to the main office in Attica, CNB&T operates two branch facilities, one in Attica (Jackson Street) and one in Newtown. CNB&T has three ATM locations. Two ATMs are located at the Jackson street facility and one is located in Newtown. Two of the three ATMs were installed in 2004. CNB&T has not closed a branch since the prior examination.

CNB&T offers a full range of retail and commercial banking products normally associated with a community bank. Net loans were nearly \$29 million on December 31, 2004, or 49% of total assets. The following represents this institution's loan and lease portfolio mix as reported on the December 31, 2004 Call Report:

Residential Real Estate	\$ 15.75 million	53%
Agricultural related	\$ 8.37 million	29%
Commercial	\$ 3.27 million	11%
Consumer Installment	\$ 2.05 million	7%

During 2003 and 2004, the bank originated 653 loans for a total of \$26.77 million, as noted below.

Residential Real Estate	\$13.96 million	52%
Agricultural related	\$5.66 million	21%
Consumer Installment	\$4.3 million	16%
Commercial	\$2.85 million	11%
Consumer Installment	358 loans	55%
Residential Real Estate	229 loans	35%
Agricultural related	48 loans	7%
Commercial	18 loans	3%

*Source: Bank's internally generated new loan lists for 2003 & 2004.*

Tier one capital totals \$11.2 million. There are no financial, legal, or other impediments that hinder the bank’s ability to help meet the credit needs of its assessment area. Bank activities are consistent with the bank’s size, its financial capability, local economic conditions, and credit needs of the community. The bank was rated “Satisfactory” at its last CRA examination on July 7, 1999.

## DESCRIPTION OF THE ASSESSMENT AREAS

CNB&T’s assessment area (AA) consists of five census tracts in Fountain County, two census tracts in Warren County, and one census tract in Montgomery County. The AA is not located in a Metropolitan Statistical Area (MSA). According to the 2000 census data, all of the AA’s eight census tracts are middle-income areas. The AA conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the combined assessment areas is based on census data:

<b>Table 1 – Demographic Information for Assessment Area (AA)</b>	
	<b>2000 Census Data</b>
Population:	29,618
Housing Stock: <i>1-4 family housing units</i>	88%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	73%, 19%, 8%
Home Values: <i>Median home value</i>	\$72,688
Age of Homes: <i>Median year of homes built</i>	1957
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	15%, 20%, 27%, 38%
Household Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	20%, 17%, 23%, 40%

The local economy is relatively stable. December 2004 unemployment rates for Warren County (4.7%) and Montgomery County (4.0%) are favorable when compared to the State of Indiana (5.0%) and national (5.5%) averages. Fountain County’s unemployment rate (5.3%) for December 2004 is slightly higher than the state average and slightly lower than the national average. Major employers in the AA include Harrison Steel Castings, C&D Batteries, and the Attica Consolidated School Corporation.

CNB&T faces competition from several community banks, four larger regional banks, and one thrift institution. These institutions have a combined total of 37 locations within the bank’s assessment area.

A local community leader familiar with the local government and area businesses was contacted during this examination. According to the contact, local community banks are meeting community credit needs and are supportive of community projects. The contact felt that the local housing market was weak, which was also reiterated by bank management. The contact also felt that those individuals who are in the low- to moderate-income bracket, typically occupy rental properties. Finally, the contact mentioned that knowledge of personal finance among members of the community could be improved upon and suggested that educational programs could be developed and taught to those residents whose financial skills are lacking.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank’s primary loan products, which based on origination information provided by the bank, included residential refinances, agricultural loans, and consumer loans. We reviewed 2003 and 2004 originations to evaluate the bank’s performance. Census data (2000) was utilized for evaluating residential and consumer loans originated.

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

The overall 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 farms of different sizes.

**Residential Refinance Loan Originations**

The distribution of residential refinance loans originated reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income), despite less than favorable numbers. The weighted average of median housing prices (according to 2000 U.S. Census data) is \$72,688. A low-income family is defined as family income of \$25,999 or less, and a moderate-income family is defined as income of \$26,000-\$41,599. Eight percent of households are below the poverty line. Many families within these income levels simply cannot afford a home and have to resort to rental properties. In fact, the number of renters with rent costs greater than 30% of their income is 16.35% (2000 U.S. Census), which would make it difficult to support a mortgage payment.

Therefore, although the bank’s refinancing of residential real estate loans to low- and moderate-income families is less than favorable compared to the demographic data, the bank’s distribution is reasonable. The following table shows the distribution of residential refinance real estate loan originations among borrowers of different income levels within the assessment area:

<b>Table 2 - Borrower Distribution of Residential Refinance Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Sample	14.56%	10.00%	20.50%	5.00%	27.17%	35.00%	37.76%	50.00%

*Source: % of AA Families columns are derived from 2000 U.S. Census State non-MSA income figures. % of Number of Loans columns are from a sample of 20 residential refinance loans originated by the bank in 2003 & 2004.*

**Agricultural Loans**

The bank’s performance of lending to farms of different sizes is more than reasonable compared

to the area’s demographics. One hundred percent of the number of farm loans originated in the assessment area during 2003 and 2004 were made to small farms. Demographic data shows that 97% of the farms in the assessment area are small farms. Small farms are farms with annual gross revenues of less than one million dollars. The following table shows the distribution of originated agricultural loans among farms of different sizes within the assessment area:

<b>Table 3 - Borrower Distribution to Farms in AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	96.59%	1.59%	1.82%	100.00%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100.00%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100.00%

*Source: % of AA farms is derived from 2000 U.S. Census State non-MSA income figures, while the bank’s information is from a sample of 20 agricultural loans originated by the bank in 2003 & 2004.*

### **Consumer Loan Originations**

The distribution of consumer loans reflects, given the demographics of the assessment area, reasonable penetration for originating consumer loans to individuals of different income levels.

The bank’s performance in originating consumer loans to moderate-income borrowers is significantly favorable compared to demographic data; however, our sample of consumer loans to low-income households was less than favorable when compared to demographic data. It should be noted that eight percent of the household’s in the AA are below the poverty level, which would hinder a portion of the low-income group’s ability to qualify for a loan. The following table displays the distribution of consumer loan originations among borrowers of different income levels within the assessment area:

<b>Table 4 - Borrower Distribution of Consumer Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Sample	19.91%	5.00%	17.28%	50.00%	22.46%	25.00%	40.36%	20.00%

*Source: % of AA Households columns are derived from 2000 U.S. Census State non-MSA income figures. % of Number of Loans column is from sample of 20 consumer loans originated by the bank in 2003 & 2004.*

### **Lending in Assessment Area**

A substantial majority of the loans are originated within the bank’s assessment area. Based on a

sample of twenty loans from each of the three main products originated in 2003 and 2004, nearly 92% of the loans were made in the assessment area. See the following table for more information.

<b>Table 5 - Lending in AA</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family Refinance Mortgage Loans	18	90.00%	2	10.00%	20	\$1,575	79.27%	\$412	20.73%	\$1,987
Consumer Loans	20	100.00%	0	0.00%	20	\$205	100.00%	\$0	0.00%	\$205
Agricultural Loans	17	85.00%	3	15.00%	20	\$2,919	90.85%	\$294	9.15%	\$3,213
<b>Totals</b>	<b>55</b>	<b>91.67%</b>	<b>5</b>	<b>8.33%</b>	<b>60</b>	<b>\$4,699</b>	<b>86.94%</b>	<b>\$706</b>	<b>13.06%</b>	<b>\$5,405</b>

*Source: Data is from a sample of 20 residential refinance loans, 20 consumer loans, and 20 agricultural loans all originated by the bank in 2003 & 2004.*

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

The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and the assessment area's credit needs. During the past twenty-two quarters, CNB&T's loan-to-deposit ratio has averaged 74%. This average ratio is slightly above the peer bank's quarterly average of 71%. Peer banks are four banks headquartered in Fountain and Montgomery Counties, with total assets ranging between \$44 million and \$129 million.

### **Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as CNB&T's AA does not contain any low-income or moderate-income census tracts.

### **Responses to Complaints**

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

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.