



SMALL BANK

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

PUBLIC DISCLOSURE

November 06, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 10465**

**302 South Main Street
Cloverdale, IN 46120**

**Comptroller of the Currency
Central Illinois & Central Indiana
3001 Research Road Suite E2
Champaign, IL 61822**

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 Outstanding.

The primary factors supporting FNB's rating include:

- A more than reasonable average loan to deposit ratio during the evaluation period.
- A substantial majority of FNB's home mortgage and small loans to businesses are within the bank's assessment area.
- A more than reasonable penetration of loans to borrowers of different income levels and business of different sizes.
- The geographic distribution of home mortgage and small loans to businesses reflects more than reasonable dispersion throughout the assessment areas (AAs).

Scope of Examination

This performance evaluation assesses First National Bank's capacity to help meet the credit needs of the communities in which it operates. A small bank is subject to a lending test, which evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities.

Conclusions regarding the bank's lending performance are based on residential mortgage and small loans to businesses originated or purchased from January 1, 2004 – October 31, 2006. Residential mortgages and business loans are the bank's primary products based on a review of the number and dollar of originations during this period. As a majority of the residential mortgage loans were either home purchase or home refinance, these were the mortgage products reviewed.

The bank's assessment area includes Putnam, Hendricks, Johnson, and small portions of Morgan and Marion counties.

As part of this CRA evaluation, we reviewed publicly filed information for HMDA reportable loans and found the data integrity to be accurate.

Description of Institution

First National Bank (FNB) is a \$211 million intrastate institution located approximately 45 miles southwest of Indianapolis. The institution is a wholly owned subsidiary of First National Bank Corp, a one bank holding company. There is one insurance service affiliate. The bank's affiliates do not negatively impact the bank's ability to meet the credit needs of the community and were not included as part of this evaluation.

FNB has seven branches in central Indiana. The institution's main office and one branch are located in Cloverdale (Putnam County), Indiana. Additional branches are located in Franklin (Johnson County), Greencastle (Putnam County), Coatesville (Hendricks County), Belleville (Hendricks County), and Plainfield (Hendricks County), Indiana. FNB has seven ATMs located at the main office and branches and two additional ATMs located in Coatesville, Indiana and Plainfield, Indiana.

FNB offers a full range of retail and commercial banking products normally associated with a community bank. Net loans were \$170 million on June 30, 2006, or 78% of total assets.

Residential real estate, commercial, agricultural, and consumer loans make up 43%, 47%, 6%, and 4% of the loan portfolio, respectively as of June 30, 2006.

During 2004, 2005, and year-to-date 2006, the bank originated 1,447 loans, as noted below.

Residential Real Estate	\$46.9 million	440 loans
Commercial	\$63.5 million	268 loans
Agricultural related	\$6.6 million	55 loans
Consumer Installment	\$4.9 million	684 loans

Source: Bank's internally generated new loan lists for 2004, 2005, and year-to-date 2006.

Tier one capital totals \$18 million. There were no financial, legal, or other impediments that would 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 June 21, 2001.

Description of FNB Assessment Area

FNB's AA meets the requirements of the CRA and does not arbitrarily exclude low or moderate-income geographies. The AA, located in MSA #26900, includes the following Central Indiana counties: Putnam, Hendricks, and Johnson. The AA also includes the southwest corner census tract in Marion County and three census tracts in the northwest section of Morgan County.

Our review included contacting a community organization that provides programs and services to low income individuals in the Greater Indianapolis area, including Hendricks County. This contact stated that there is a need for construction loans to rehab houses and to develop senior housing.

According to the 2000 census data, seven percent of the AA's census tracts are in moderate-income areas; seventy-nine percent of the census tracts are in middle-income areas; and fourteen of the census tracts are in upper-income areas. The following demographic information is based on these forty-three census tracts:

Demographic Information for Indianapolis MSA AA	
	2000 Census Data
Population:	287,376
Housing Stock: <i>1-4 family housing units</i>	91%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	75%, 19%, 6%
Home Values: <i>Median home value</i>	\$120,323
Age of Homes: <i>Median year of homes built</i>	1976
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	15%, 18%, 26%, 41%
2000 Weighted Average of MSA Median Family Income	\$55,425
2006 HUD Updated Weighted Average of MSA Median Family Income	\$65,100
Households Below Poverty Level	5%

The total number of businesses located in the assessment area is 17,765. Of this total, 4 percent are located in the moderate-income tracts, 81 percent are located in middle-income tracts, and 15 percent are located in upper-income tracts. Small businesses (gross revenues of less than \$1 million) make up 65 percent of the businesses in the assessment area.

Unemployment rates for Hendricks, Johnson, and Putnam counties were 3.4%, 3.8%, and 5.6%, respectively as of August 2006. These ratios are similar to the Indianapolis-Carmel MSA, state of Indiana, and national averages which were 4.6%, 5.2%, and 4.7%, respectively as of August 2006.

FNB is fifth in deposit market share in Putnam, Johnson, and Hendricks counties. Thirty-one banks have at least one office in these three counties. These banks consist of small community banks, regional banks, and large banks. Additional competition in the assessment area comes from credit unions and other financial service providers.

Conclusions about Performance Criteria

Loan-To-Deposit

The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, and the assessment area's credit needs. During the past twenty-one quarters, FNB's loan-to-deposit ratio has averaged 87 percent. This average ratio is above the peer bank's quarterly average of 75 percent, and is the highest in its peer group. The other seven peer bank ratios ranged from the bank's high of 83 percent to a low of 65 percent. Peer banks include banks headquartered in Putnam, Hendricks, Johnson, Owen, and Morgan counties, with total assets ranging from \$125 million to \$287 million.

Lending in the Assessment Area

A substantial majority of the loans are originated within the bank's assessment areas. Based on 425 home purchase and home refinance loans originated by the bank, and a sample of twenty small loans to businesses originated by the bank during the evaluation period; 89 percent of the number of loans and 86 percent of the dollars of loans are to borrowers located in the AAs.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	89	83.18%	18	16.82	107	\$9,672	83.21%	\$1,951	16.79%	\$11,623
Home Refinance	290	91.19%	28	8.81%	318	\$30,691	87.87%	\$4,238	12.13%	\$34,929
Commercial Loans	17	85.00%	3	15.00%	20	\$2,330	82.76%	\$485	17.24%	\$2,815
Total	396	88.99%	49	11.01%	445	\$42,693	86.48%	\$6,674	13.52%	\$49,367

Source: Home Purchase and Home Refinance data is obtained from the HMDA Loan Application Register for 2004, 2005, and year-to-date 2006. Commercial loans is based off of a sample of twenty small loans made to businesses that were originated in 2004, 2005, and year-to-date 2006.

Distribution of Loans by Income Level of the Borrower

The borrower distribution of FNB's home mortgage loans and commercial loans reflected an outstanding dispersion among borrowers of different income levels throughout the bank's AA.

Home Mortgage Loans

The overall borrower distribution of home mortgage loans by income levels is more than reasonable.

The borrower distribution of home purchase loans is good. Although the percentage of home purchase loans made to low-income borrowers was a little below the percentage of low-income families in the AA, the performance is reasonable in light of the fact that 5% of all households are below poverty level. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families living in the bank's full scope AA.

The borrower distribution of refinance loans is also good. Although the percentage of refinance loans made to low-income borrowers was slightly below the percentage of low-income families in the AA, it is reasonable in light of the poverty level. The distribution of loans to moderate-income families is more than reasonable compared to the demographics.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Home Purchase	14.67%	11.49%	18.00%	21.84%	26.59%	20.69%	40.74%	45.98%
Home Refinance	14.67%	13.14%	18.00%	22.03%	26.59%	26.27%	40.74%	38.56%

Source: HMDA LAR information for January 1, 2004 – October 31, 2006

Small Loans to Businesses

The borrower distribution of small loans to businesses is strong. Sixty-five percent of businesses in the AA have less than one million in gross revenues and are considered small businesses. Seventy-five percent of the small loans to businesses made in the AA were to small businesses.

Borrower Distribution to Businesses in AA				
Business Revenues	<=\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	64.59%	4.55%	30.86%	100.00%
% of Bank Loans in AA by #	75.00%	20.00%	5%	100.00%
% of Bank Loans in AA by \$	83.28%	15.77%	0.95%	100.00%

Source: Sample of twenty small loans to businesses originated within the AA from January 1, 2004–October 31, 2006.

Distribution of Loans by Income Level of the Geography

The overall geographic distribution of FNB's home mortgage loans and small loans to businesses reflects strong penetration throughout the full-scope AA geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects a more than reasonable distribution among the different income-level geographies. The AA does not have any low-income tracts. The bank's level of home purchase and home refinance lending significantly exceeds the percentage of owner-occupied housing units in the moderate-income geographies.

Geographic Distribution of Home Mortgage Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Loans	% of Number of Loans
Home Purchase	NA	NA	4.64%	19.10%	78.51%	77.53%	16.85%	2.78%
Home Refinance	NA	NA	4.64%	28.17%	78.51%	69.05%	16.85%	3.37%

Source: HMDA LAR information for January 1, 2004 – October 31, 2006

Small Loans to Businesses

The geographic distribution of small loans to businesses reflected a good distribution among moderate, middle, and upper-income geographies. The geographic distribution of small loans to businesses made in moderate-income geographies exceeds the percentage of businesses located in moderate-income geographies in the full scope AA.

Geographic Distribution of Commercial Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Type of Loan	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	NA	NA	4.25%	10.00%	81.15%	85.00%	14.60%	5.00%

Source: Sample of twenty loans originated within the AA from January 1, 2004 – October 31, 2006.

Lending Gap Analysis

Reports and maps detailing FNB's lending activity over the evaluation period for home mortgage loans was reviewed to identify gaps in the geographic distribution of these loans. FNB lends to a majority of the census tracts in the AA. No unexplained conspicuous gaps were identified in the assessment area.

Responses to Complaints

FNB 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 inconsistent with meeting the community credit needs.