



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 13, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Central National Bank and Trust Company
Charter Number 3755

2 South Perry
Attica, IN 47918-0000

Office of the Comptroller of the Currency

Indianapolis Field Office
8777 Purdue Road, Suite 105
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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 Central National Bank & Trust Company (CNB&T) has satisfactory performance in meeting the credit needs of its community.

- A substantial majority of CNB&T's loans are originated within the bank's assessment area (AA).
- The distribution of loans reflects reasonable penetration among borrowers of differing income levels given the performance context of the institution.
- CNB&T's loan-to-deposit ratio is reasonable based on its size, financial condition, and the assessment area's credit needs.

SCOPE OF EXAMINATION

CNB&T was evaluated under the small bank examination procedures, which assesses the bank's record of meeting the credit needs of its AA through lending activities. The evaluation period is from March 3, 2005 to September 13, 2010. To evaluate the bank's lending performance, we utilized loans originated from January 1, 2008 to July 31, 2010. The loan sampling period is representative of the evaluation period as the bank's strategic plan has not changed significantly since last examination. CNB&T originated 364 loans totaling approximately \$12 million during this period. The distribution of loans originated is displayed in the chart below.

Loans Originated during Loan Sampling Period		
Loan Type	% by dollar	% by number
Commercial Loans	12%	6%
Agricultural Loans	28%	6%
Consumer Loans	21%	68%
Residential Real Estate Loans	33%	18%
Municipal	6%	2%

Source: CNB&T internally generated new loan lists from 2008 through July 2010

Due to the economic downturn in 2008 and its subsequent impact on the local economy, loan demand in the market area was primarily geared towards funding necessities and providing stability to families. This form of stability was provided by financing and refinancing primary residences and funding personal loans for consumers' primary means of transportation or other personal needs. As a result, the bank's primary loan products are residential real estate and consumer loans based on both number and dollar volume. We selected a sample of loans from each of the primary loan products to evaluate the bank's CRA performance.

DESCRIPTION OF INSTITUTION

CNB&T is a \$54 million intrastate institution headquartered in Attica, Indiana. CNB Bancorp, a one-bank holding company, owns the institution. Attica is located in northern Fountain County in West-Central Indiana. As of 2010, Attica’s population was estimated at 3,214 residents, a nearly 8% decline from the 2000 census data.

CNB&T has a main office, one branch, and two ATM locations in Attica. The two ATMs are located at the Jackson street branch facility. The bank closed a branch office in Newtown, IN on April 17, 2009. Newtown had a very small and decreasing population, and the branch closing did not adversely affect operations or the bank’s ability to service the community.

CNB&T offers a full range of deposit and loan products and trust services. As of June 30, 2010, net loans and leases were \$18 million, or 33% of total assets. The loan portfolio mix consisted of 54% residential real estate loans, 18% commercial loans, 17% agricultural loans, and 9% consumer loans. There are no legal or financial impediments to the bank’s ability to meet the credit needs of its assessment area. The bank was rated Satisfactory at its last CRA examination dated March 2, 2005.

DESCRIPTION OF ASSESSMENT AREA(S)

CNB&T’s assessment area (AA) consists of two census tracts in Fountain County. The AA is not located in a Metropolitan Statistical Area. According to 2000 US Census data, both tracts are middle-income tracts. The AA conforms to the regulation and does not arbitrarily exclude any low- or moderate-income areas. The following is a summary of demographic information for the combined assessment areas:

Demographic Information for Assessment Area (AA)	
Population:	5,537
Housing Stock: <i>1-4 family housing units</i>	92%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	66%, 25%, 9%
Home Values: <i>Median home value</i>	\$74,194
Age of Homes: <i>Median year of homes built</i>	1951
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	16%, 23%, 23%, 37%
Household Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	22%, 20%, 21%, 37%

Source: 2000 US Census data

Attica is the largest city in Fountain County and makes up a majority of the AA. The local economy has begun to stabilize after experiencing significant adverse trends during the national economic recession. As of July 2010, the unemployment rate remains high at 11.40%, which is higher than the state and national averages of 10.2% and 9.5%, respectively. Manufacturing is the leading industry in the area with employers such as Harrison Steel Castings and C & D Batteries. The forecast is positive for the manufacturing industry due to anticipated job growth throughout the state in the near future. Attica Consolidated School Corporation also remains one of the largest employers in the area.

Competition from other financial institutions is moderate. The bank's competition consists of four institutions, including two significantly larger community banks. These institutions have a combined total of 12 locations within Fountain County, but only one has a branch office located in the AA.

In reviewing AA credit needs and the bank's performance in meeting those needs, we contacted an organization that services local communities, including Fountain County. According to the contact, the communities have experienced a rise in unemployment which is causing financial difficulties for many of their clients. They have seen an increase in the need for financial assistance with household expenses and foreclosure prevention, such as loan modifications. The contact noted that local banks are responsive in meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This review concentrated on the bank's primary loan products, which include residential real estate and consumer installment loans. We reviewed 2008, 2009, and 2010 loan originations to evaluate the bank's performance. CNB&T has a reasonable loan-to-deposit ratio and a substantial majority of the loans originated were within the AA. Borrower distribution among individuals of different income levels was satisfactory. All criteria of the lending test are documented below.

Loan-to-Deposit Ratio

CNB&T's loan-to-deposit ratio is reasonable based on its size, financial condition, and the assessment area's credit needs. During the past twenty-two quarters, or since the last CRA examination, the bank's loan-to-deposit ratio has averaged 53.49%. This average ratio is lower than the 79.88% average loan-to-deposit ratio of the other two financial institutions in Fountain County. The disparity in average ratios is reflective of the differences between the institutions. One of the compared institutions is significantly larger than CNB&T and is available to a larger market of customers with ten office locations. The other institution is comparable in size, but contains no branches in the AA and has a greater focus on commercial lending.

CNB&T management has a conservative lending philosophy. Lending in the AA has historically been low and given the downturn in the economy, loan demand continued to weaken. The bank has responded to community credit needs by approving loan modifications for eligible borrowers. Over \$3 million in loan modifications were granted during the sampling period. In addition, due to the population of the AA, the bank's deposit base includes several large depositors. As of year-end 2009, the top five depositors had balances totaling \$11.3 million, or 28% of total deposits. Two of those five depositors are public funds.

Lending in Assessment Area

A substantial majority of CNB&T’s loans are originated within the bank’s AA. We reviewed a sample of twenty loans from each primary loan product that were originated during the loan sampling period. We found that 70% of loans based on number, and 83% of loans based on dollar, were made in the AA. It is important to note that the bank’s AA reduced in size during the evaluation period as a result of the branch closing. Taking that into account, ratios for lending in the AA are stronger than represented below.

Lending in Assessment Area (AA)										
Type of Loan	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	14	70.00%	6	30.00%	20	\$1,085	86.59%	\$168	13.41%	\$1,253
Consumer Loans	14	70.00%	6	30.00%	20	\$132	61.11%	\$84	38.89%	\$216
Totals	28	70.00%	12	30.00%	40	\$1,217	82.85%	\$252	17.15%	\$1,469

Source: Data is from a sample of 20 residential mortgage loans and 20 consumer loans originated between 1/1/08 and 7/31/10

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

The distribution of loans reflects reasonable penetration among borrowers of differing income levels given the performance context of the institution.

Residential Real Estate Loans

The distribution of residential real estate loans reflects reasonable penetration among individuals of different income levels. The weighted average of median housing prices is \$74,194. Given high unemployment levels and the percentage of households below the poverty level, many families are not able to afford a home and resort to rental properties. 25% of households in the assessment area are renter occupied.

Although residential real estate loan originations to low- and moderate-income families is less than favorable compared to demographic data, the bank’s distribution is reasonable. The bank has also responded to area housing needs by providing residential loan modifications for borrowers in need. The following table shows the distribution of residential real estate loan originations among borrowers of different income levels within the AA:

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Residential Real Estate Loans	16.09%	10.00%	23.44%	10.00%	23.44%	15.00%	37.02%	65%

Source: % of AA Families is derived from 2000 US Census Data / % of Number of Loans derived from a sample of 20 residential real estate loans made within the AA and originated between 1/1/08 and 7/31/10

Consumer Installment Loans

The distribution of consumer installment loans reflects reasonable penetration among individuals of different income levels given the demographics of the AA. Households below the poverty level were 8.01% in the AA, which hinders a portion of the low-income group’s ability to qualify for credit. In addition, the high unemployment rate of 11.4% adversely impacts credit qualification for borrowers across various income levels. It should also be noted that 23% of the population are under the age of 16 and would not be eligible to qualify for credit. Considering these facts, the demographic comparisons are actually more favorable than they appear. The following table shows the distribution of consumer loan originations among borrowers of different income levels within the AA:

Borrower Distribution of Consumer Loans in AA								
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
Consumer Loans	21.97%	10.00%	20.38%	10.00%	20.79%	20.00%	36.86%	60.00%

Source: % of AA Households is derived from 2000 US Census Data / % of Number of Loans derived from a sample of 20 consumer loans made within the AA and originated between 1/1/08 and 7/31/10

Geographic Distribution of Loans

A geographic distribution analysis was not performed. The analysis would not be meaningful for this examination because the bank’s AA does not include any low- or moderate-income census tracts.

Responses to Complaints

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

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.