



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Washington, DC 20219

PUBLIC DISCLOSURE

June 21, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter #10465**

**302 South Main Street, Box 248
Cloverdale, IN 46120**

**Office of the Comptroller of the Currency
Indianapolis Field Office
8777 Purdue Road, Suite 105
Indianapolis, IN 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 CRA performance of First National Bank (FNB) prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 21, 2001. Our assessment of the bank's performance covers the period since December 17, 1996. The rating received at that time was "Satisfactory Record of Meeting Community Credit Needs." The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors that support FNB's rating include:

- FNB's record of extending credit to individual, agricultural, and business borrowers of different sizes within its assessment areas (AAs) is reasonable. The bank's performance in both the Putnam and Owen Counties AA and the Hendricks and Johnson Counties AA is reasonable.
- FNB's record of extending credit in low- and moderate-income geographies within its assessment areas is reasonable. The bank's performance in the Hendricks and Johnson Counties AA is excellent and in the Putnam and Owen Counties AA is reasonable.
- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a \$190 million intrastate institution operating from seven locations in central Indiana. The bank's main office and one branch are located in Cloverdale (Putnam County), Indiana, approximately forty-five miles west of Indianapolis. Additional branches are

located in Franklin (Johnson County), Greencastle (Putnam County), Coatesville (Hendricks County), Belleville (Hendricks County), Indiana.

The bank's loan portfolio totals approximately \$159 million, or 84 percent of total assets. Tier 1 capital is \$13 million. The loan mix at December 31, 2000 was as follows:

1 - 4 Family Residential Real Estate	59%
Commercial	19%
Agricultural	8%
Consumer	7%
Construction and Other	7%

The bank is a wholly owned subsidiary of First National Bank Corp, a one bank holding company. At December 31, 2000, the holding company assets total approximately \$190 million. There is one insurance service affiliate.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community. The bank's previous CRA rating as of December 17, 1996 was Satisfactory.

Description of Putnam and Owen Counties - Non-MSA

The bank's AA in Putnam and Owen Counties consists of ten Block Numbering Areas (BNAs). The AA contains all of the BNAs within Putnam County, and three BNAs located in the northern portion of Owen County. Based on 1990 census data which indicates a median family income for the AA of \$30,800, one BNA (10 percent) is moderate-income, and nine (90 percent) are middle-income. There are no low-income or upper-income BNAs in the AA. This AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The local economy is good and expanding. Major economic activities consist of agriculture, services, and small manufacturing firms. A significant percentage of the population works in the city of Indianapolis. As of May 2001, the unemployment rate for Putnam County was 1.6 percent, which compares favorably to both the state and national unemployment rates. As of May 2001, the state unemployment rate was 3.0 percent. The national unemployment rate as of June 2001 was 4.5 percent.

The HUD adjusted median family income for the non-MSA portion of the State of Indiana for 2000 is \$46,000. Based on this figure, the following chart provides information on the percentage of families in various income levels within the AA.

Income Level	% of Families within the AA
Low	16.59
Moderate	20.53
Middle	25.18
Upper	37.70

The majority of the housing within the assessment area is owner-occupied (67 percent) and the median housing value is \$47,639. One-to-four family homes account for 76 percent of the local housing stock. Multifamily homes comprise three percent of the housing stock and mobile homes represent nineteen percent of the units.

Small businesses and small farms are a significant segment of the local economy. Businesses with less than \$1 million in annual revenue account for 91 percent of the total businesses in the AA. Farms with less than \$1 million in revenue represent 99 percent of all farms in the AA. Businesses and farms are distributed throughout the AA as follows:

Income Level of Census Tract	Percentage of Businesses	Percentage of Farms
Moderate	1.3	2.6
Middle	98.67	97.4

Major competitors in this AA include a mix of large regional banks and smaller community banks. Specifically, other financial institutions in this AA include Old National Bank, National City Bank of Indiana, Tri-County Bank & Trust Company, and Owen County State Bank. There are also a few much smaller institutions in Putnam and Owen Counties.

We performed one community contact in this AA. The individual represented an economic development agency, which primarily serves the city of Cloverdale. The individual indicated the major credit needs in this AA include affordable housing, especially rental, and small business capital for building improvement and expansion. The individual indicated many of the residents of the community travel to Greencastle, Plainfield, or Terre Haute for their shopping due to bigger and newer facilities. Additionally, this individual felt there was a need for a professional office building in the community to attract doctors, lawyers, and other professionals to this community whose commercial structures are aging and in need of updating.

Description of Hendricks and Johnson Counties - Indianapolis MSA

The bank's AA in Hendricks and Johnson Counties consists of 32 census tracts (CTs). The AA contains all of the CTs within these two counties. Based on 1990 census data which indicates a median family income for the AA of \$37,198, two CTs (6 percent) are moderate-income, twenty-two tracts (69 percent) are middle-income and eight tracts (25 percent) are upper-income. There are no low-income CTs in the AA. This AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

The local economy is good and expanding. Major economic activities consist of agriculture, services, and small manufacturing firms. A significant percentage of the population works in the city of Indianapolis. As of May 2001, the unemployment rate for the Indianapolis MSA was 2.2 percent, which compares favorably to both the state and national unemployment rates. As of May 2001, the state unemployment was 3.0 percent. The national unemployment rate as of June 2001 was 4.5 percent.

The HUD adjusted median family income for the Indianapolis MSA for 2000 is \$57,700. Based on this figure, the following chart provides information on the percentage of families in various income levels within the AA.

Income Level	% of Families within the AA
Low	12.27
Moderate	16.93
Middle	25.19
Upper	45.60

The majority of the housing within the assessment area is owner-occupied (74 percent) and the median housing value is \$74,690. One-to-four family homes account for 83 percent of the local housing stock. Multifamily homes comprise nine percent of the housing stock and mobile homes are seven percent of the units.

Small businesses and small farms are a significant segment of the local economy. Businesses with less than \$1 million in annual revenue account for 89 percent of the total businesses in the AA. Farms with less than \$1 million in revenue represent 99 percent of all farms in the AA. Businesses and farms are distributed throughout the AA as follows:

Income Level of Census Tract	Percentage of Businesses	Percentage of Farms
Moderate	6.2	2.6
Middle	68.3	83.2
Upper	25.2	14.2

Major competitors in this AA include several large regional banks as well as some independent state banks and savings banks. Among the financial institutions in Hendricks and Johnson counties are Fifth Third Bank, National City Bank of Indiana, Bank One Indiana, N.A., First Indiana Bank, Lincoln Federal Savings Bank, Heartland Community Bank, State Bank of Lizton, Hendricks County Bank and Trust Company and Union Federal Bank of Indianapolis.

We did not perform any community contacts in this AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

First National Bank's record of extending credit to individual, agricultural, and business borrowers of different sizes within its assessment areas is reasonable. The bank's performance in both the Putnam and Owen Counties AA and the Hendricks and Johnson Counties AA is reasonable.

Putnam and Owen Counties - Non-MSA AA

The distribution of home mortgage, small business, and small farm loans to individuals of different income levels and businesses and farms of different sizes is reasonable. The distribution of mortgage loans by borrower income level is below the level of low- and moderate-income families in the AA. The distribution of both small business and small farm loans is below the level of businesses and farms with revenues of \$1 million or less.

Mortgage Lending

The bank's distribution of home mortgage loans to borrowers of different income levels is reasonable. FNB's distribution of home mortgage loans to low- and moderate-income borrowers is below the percentage of low- and moderate-income families in the AA. However, ten percent of the households in the AA are living below poverty. Although the bank's performance does not meet the level of opportunity represented by the demographic data, the performance shows FNB made an adequate level of loans to low- and moderate-income individuals. FNB made 47 loans for \$1,289,000 to low-income borrowers and 91 loans for \$4,671,000 to moderate-income borrowers. The following table details FNB's mortgage lending to borrowers of different income levels by loan type and by number and dollar amount of loans.

Borrower Income Level	Percentage of Loans								Percentage of Families in AA
	Home Purchase		Home Improvement		Home Refinance		All Mortgage Loans		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	4.17	2.22	12.50	4.54	8.51	2.99	7.54	2.81	16.59
Moderate	17.26	11.50	12.50	2.59	13.71	9.88	14.61	10.18	20.53
Middle	26.79	23.33	37.50	34.77	30.50	27.95	29.86	26.81	25.18
Upper	51.79	62.95	37.50	58.10	47.28	59.18	47.99	60.20	37.70

Source: FNB's HMDA information for 1997, 1998, 1999, 2000 and YTD 2001.

Commercial Lending

FNB's distribution of loans to businesses of different sizes is reasonable. Although the distribution of small business loans below shows only 70 percent of the bank's loans to businesses with revenue of less than \$1 million, this information was not used in many of the bank's loan decisions and therefore was not available. The bank's lending to businesses with revenue of less than \$1 million is below the level of businesses in the AA with revenue less than

\$1 million. However, this performance is reasonable when you consider that revenue information was not available for 25 percent of the small business loans made by FNB. The following table shows FNB's lending to businesses by the revenue size of the business.

Revenue Size of Business	Percentage of Number of Small Business Loans	Percentage of Businesses in the AA
Less than \$1 million	70.00	90.79
Greater than \$1 million	5.00	5.93
Revenues Unknown	25.00	3.28

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 1997 and June 21, 2001.

Agricultural Lending

FNB's distribution of loans to farms of different sizes is reasonable. Although the distribution of small farm loans shown below shows only 65 percent of the bank's loans to farms with revenue of less than \$1 million, this information was not used in many of the bank's loan decisions and therefore was not available. The bank's lending to farms with revenue of less than \$1 million is below the level of farms in the AA with revenue less than \$1 million. However, this performance is reasonable when you consider that revenue information was not available for 30 percent of the small farm loans made by FNB. The following table shows FNB's lending to farms by the revenue size of the business.

Revenue Size of Farm	Percentage of Number of Small Farm Loans	Percentage of Farms in the AA
Less than \$1 million	65.00	99.63
Greater than \$1 million	5.00	0.37
Revenues Unknown	30.00	0.00

Source: Sample of 20 farm loans with original amounts of less than \$500,000 originated between January 1, 1997 and June 21, 2001.

Johnson and Hendricks Counties - Indianapolis MSA AA

The distribution of home mortgage, small business, and small farm loans in this AA is reasonable. Although the distribution of mortgage loans exceeds the level of moderate-income families in the AA, the distribution of both small business and small farm loans is below the level of businesses and farms with revenues of \$1 million or less.

Mortgage Lending

The bank's distribution of home mortgage loans to borrowers of different income levels is good. FNB's distribution of home mortgage loans to moderate-income borrowers is above the percentage of moderate-income families in the AA for all three loan types (purchase, improvement and refinance). The bank's distribution of home improvement loans to low-income borrowers is also above the percentage of low-income families in the assessment area. However, home purchase and home refinance loans to low-income borrowers are below the percentage of low-income families in the AA. Additionally, five percent of the households in the AA are living below poverty. The following table details FNB's mortgage lending to borrowers of different income levels by loan type and by number and dollar amount of loans.

Borrower Income Level	Percentage of Loans								Percentage of Families in AA
	Home Purchase		Home Improvement		Home Refinance		All Mortgage Loans		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	8.59	5.07	14.29	2.25	11.45	7.21	10.48	6.13	12.27
Moderate	25.00	19.05	38.10	34.38	20.48	16.40	23.49	18.06	16.93
Middle	21.09	20.18	33.33	44.00	30.72	30.78	26.98	26.53	25.19
Upper	45.31	55.69	14.29	19.38	37.35	45.61	39.05	49.28	45.60

Source: FNB's HMDA information for 1997, 1998, 1999, 2000 and YTD 2001.

Commercial Lending

FNB's distribution of loans to businesses of different sizes is reasonable. Although the distribution of small business loans shown below shows only 15 percent of the bank's loans to businesses with revenue of less than \$1 million, this information was not used in many of the bank's loan decisions and therefore was not available. The bank's lending to businesses with revenue of less than \$1 million is significantly below the level of businesses in the AA with revenue less than \$1 million. However, this performance is reasonable when you consider that revenue information was not available for a majority (55 percent) of the small business loans made by FNB. The following table shows FNB's lending to businesses by the revenue size of the business.

Revenue Size of Business	Percentage of Number of Small Business Loans	Percentage of Businesses in the AA
Less than \$1 million	15.00	88.62
Greater than \$1 million	30.00	7.44
Revenues Unknown	55.00	3.94

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 1997 and June 21, 2001.

Agricultural Lending

FNB's distribution of loans to farms of different sizes is reasonable. Although the distribution of small farm loans shown below shows only 70 percent of the bank's loans to farms with revenue of less than \$1 million, this information was not used in many of the bank's loan decisions and therefore was not available. The bank's lending to farms with revenue of less than \$1 million is below the level of farms in the AA with revenue less than \$1 million. However, this performance is reasonable when you consider that revenue information was not available for 20 percent of the small farm loans made by FNB. The following table shows FNB's lending to farms by the revenue size of the business.

Revenue Size of Farm	Percentage of Number of Small Farm Loans	Percentage of Farms in the AA
Less than \$1 million	70.00	99.45
Greater than \$1 million	10.00	0.00
Revenues Unknown	20.00	0.55

Source: Sample of 20 farm loans with original amounts of less than \$500,000 originated between January 1, 1997 and June 21, 2001.

GEOGRAPHIC DISTRIBUTION OF LOANS

FNB's record of extending credit in low- and moderate-income geographies within its assessment areas is reasonable. The bank's performance in the Hendricks and Johnson Counties AA is excellent and in the Putnam and Owen Counties AA is reasonable.

Putnam and Owen Counties - Non-MSA AA

The distribution of home mortgage, small business, and small farm loans in this AA is reasonable. Although the distribution of home purchase loans exceeds the level of owner-occupied units in the moderate-income BNA in the AA, FNB did not make any small business or small farm loans in the moderate income BNA in this AA.

Mortgage Lending

The distribution of FNB's loans shows reasonable penetration of the moderate-income geography. Based on the number of loans, FNB's home purchase lending in the moderate-income geography exceeds the level of owner-occupied units in this BNA. Although the level of home improvement and home refinance loans are below the level of owner-occupied units, the combined home mortgage lending by number of loans approximates the level of owner-occupied units and by dollar amount of loans exceeds the level of owner-occupied units. The following table shows FNB's mortgage lending by loan type, number and dollar amount of loans in each income level BNA.

BNA Income Level	Percentage of Loans								Percentage of Owner- Occupied Units in AA
	Home Purchase		Home Improvement		Home Refinance		All Mortgage Loans		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moderate	11.56	7.34	2.94	2.79	5.56	16.66	7.18	13.80	8.65
Middle	88.44	92.66	97.06	97.21	94.44	83.34	92.82	86.20	91.35
Upper	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: FNB's HMDA information for 1997, 1998, 1999, 2000 and YTD 2001.

Commercial Lending

The distribution of FNB's small business loans is reasonable. Although the bank did not make any small business loans in the moderate-income BNA, only slightly over one percent of the businesses in the AA are located in this area. The following table shows FNB's lending by income level of the BNA based on the number of loans.

BNA Income Level	Percentage of Number of Small Business Loans	Percentage of Businesses in the AA
Low	NA	NA
Moderate	0.00	1.3
Middle	100.00	98.7
Upper	NA	NA

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 1997 and June 21, 2001.

Agricultural Lending

The distribution of FNB's small farm loans is reasonable. Although the bank did not make any small farm loans in the moderate-income BNA, only approximately two and one-half percent of the businesses in the AA are located in this area. The following table shows FNB's lending by income level of the BNA based on the number of loans.

BNA Income Level	Percentage of Number of Small Farm Loans	Percentage of Farms in the AA
Low	NA	NA
Moderate	0.00	2.6
Middle	100.00	97.4
Upper	NA	NA

Source: Sample of 20 farm loans with original amounts of less than \$500,000 originated between January 1, 1997 and June 21, 2001.

Johnson and Hendricks Counties - Indianapolis MSA AA

The distribution of home mortgage, small business, and small farm loans in this AA is excellent. The distribution of all three home mortgage loan products (purchase, improvement, and refinance) exceeds the level of owner-occupied units in the moderate-income CTs in the AA. Additionally, the distribution of small business loans in the moderate-income CTs exceeds the percentage of businesses located in these tracts. Although FNB did not make any small farm loans in these CTs, only a very small percentage of the farms in the AA are located in these CTs.

Mortgage Lending

The distribution of FNB's mortgage loans shows good penetration in the moderate-income geographies. Based on both the number and dollar amount of loans, FNB's home mortgage lending for all three loan types (purchase, improvement, and refinance) in the moderate-income geographies exceeds the level of owner-occupied units in these CTs. The following table shows FNB's mortgage lending by loan type, number and dollar amount of loans in each income level CT.

CT Income Level	Percentage of Loans								Percentage of Owner-Occupied Units in AA
	Home Purchase		Home Improvement		Home Refinance		All Mortgage Loans		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moderate	6.87	7.34	28.57	19.50	9.47	5.52	9.66	6.70	3.93
Middle	87.79	86.13	71.43	80.50	84.62	84.90	85.05	85.32	65.99
Upper	5.34	6.54	0.00	0.00	5.92	9.58	5.30	7.97	30.08

Source: FNB's HMDA information for 1997, 1998, 1999, 2000 and YTD 2001.

Commercial Lending

The distribution of FNB's small business loans is excellent. Although only six percent of the businesses in the AA are located in the moderate-income BNA, the bank made ten percent of its small business loans in these CTs. The following table shows FNB's lending by income level of the CT based on the number of loans.

CT Income Level	Percentage of Number of Small Business Loans	Percentage of Businesses in the AA
Low	N/A	N/A
Moderate	10.00	6.2
Middle	80.00	68.3
Upper	10.00	25.5

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 1997 and June 21, 2001.

Agricultural Lending

The distribution of FNB's small farm loans is reasonable. Although the bank did not make any small farm loans in the moderate-income CTs, only approximately two and one-half percent of the businesses in the AA are located in this area. The following table shows FNB's lending by income level of the CT based on the number of loans.

CT Income Level	Percentage of Number of Small Farm Loans	Percentage of Farms in the AA
Low	N/A	N/A
Moderate	0.00	2.6
Middle	100.00	83.2
Upper	0.00	14.2

Source: Sample of 20 farm loans with original amounts of less than \$500,000 originated between January 1, 1997 and June 21, 2001.

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment area's credit needs. The average loan to deposit ratio for twelve quarters ending December 30, 2000 and year-end 1997 and 1996 was 90.31 percent, ranging from a low of 81.26 percent to a high of 96.64 percent. This ratio is the second highest average loan-to-deposit ratio for banks in the assessment area with total assets between 100 and 300 million (six banks including FNB). Individual averages of the banks in the assessment area ranged from a low of 61.25 percent to a high of 101.74 percent.

LENDING IN THE ASSESSMENT AREAS

A substantial majority of loans originated are within the assessment area. Based on HMDA data and a sample of loans originated between January 1, 1997 and June 21, 2001, 88 percent of the number of loans and 90 percent of the dollar of loans were made within the bank's assessment areas. Home mortgage loans showed similar percentages with 88 percent of the number of loans and 91 percent of the dollar of loans were made within the bank's assessment areas. Ninety percent of the small farm loans (by number of loans) and 75 percent of small business loans (by number of loans) were also made in the bank's assessment areas.

COMPLIANCE WITH FAIR LENDING LAWS

An analysis of recent HMDA data, public comments, and consumer complaint information was performed according to the OCC's risk based analysis approach. The analysis of the lending data revealed no significant differences for applicants by collected prohibited basis. In addition, an analysis of the consumer complaint data and public comments revealed no substantive fair lending issues that warranted a more detailed review. The OCC's last comprehensive fair lending review was performed in December 1996.

WRITTEN COMPLAINTS

First National Bank has not received any written complaints about its performance in helping to meet the credit needs within its assessment area during this evaluation period.