

PUBLIC DISCLOSURE

January 29, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Portland
7180**

**112 West Main Street
P.O. Box 1089
Portland, Indiana 47371**

Office of The Comptroller of the Currency

**Indianapolis Duty Station
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 First National Bank of Portland** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 29, 1997. 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 Outstanding.

The First National Bank of Portland (FNB) has maintained a strong CRA performance record. Factors supporting this rating include: a loan-to-deposit ratio which is considered more than reasonable, a substantial majority of loans and other lending activity within their assessment area, and excellent penetration among individuals of different income levels and businesses of different sizes given the demographics of the assessment area. Additionally, FNB's participation in community development, investments and services enhances the availability of credit within the assessment area.

The following table indicates the performance level of The First National Bank of Portland with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF PORTLAND</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	Analysis was not meaningful		
Response to Complaints	No Complaints Were Received Since the Last Examination.		

DESCRIPTION OF INSTITUTION

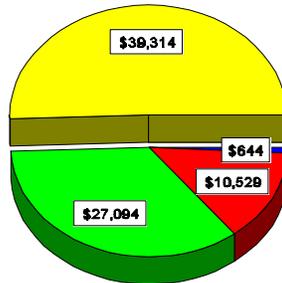
This evaluation covers the time period from January 31, 1994 through January 29, 1997. The previous CRA rating was outstanding.

FNB is a \$101 million financial institution located in Portland, Indiana. The bank is owned by Jay Financial Corporation, a one bank holding company. In addition to the main office in Portland, the bank operates three branches, all located in Portland, in Jay County. The bank also has five ATMs, all located in Portland. There are no financial constraints or legal impediments that could impair the bank's ability to meet the credit needs of the community.

As of December 31, 1996, the loan portfolio was comprised primarily of commercial loans, as noted below.

Loan Portfolio

December 31, 1996



DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area is comprised of Jay County. This assessment area does not arbitrarily exclude low- or moderate-income areas.

Jay County has a population of 21,786 and is considered stable, based on 1990 census data. Jay County is comprised of seven Block Numbering Areas (BNAs), all designated as middle income BNAs. The HUD Nonmetropolitan Statistical Area (MSA) median family income for Indiana is \$37,200. Jay County is a rural county with a manufacturing based economy. The main industries are glass, steel, forgings, auto parts and automobile components. Major employers include Indiana Glass Company, JCI, Inc., and Jay School Corporation.

In evaluating FNB's CRA performance, we interviewed one realtor and one individual representing an organization which promotes local economic development. These contacts identified low income housing as the primary need in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FNB's performance is considered outstanding and is based upon the assessment criteria on page 2. Our review included a sample of real estate mortgages, commercial loans and installment loans originated since the last CRA examination.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.

The average loan-to-deposit ratio since the prior CRA examination is approximately 76.63 percent. The bank's loan-to-deposit ratio as of December 31, 1994 was 71.67 percent versus a peer ratio of 75.98 percent. The bank's ratio as of September 30, 1996 was 90.12 percent versus a peer ratio of 81.81 percent. Peer consists of eight local financial institutions.

Lending in the Assessment Area

A substantial majority of loans and other related lending activities are in FNB's assessment area.

An analysis of all loans made in the last two years indicated that \$38 million, or 76 percent, were extended within FNB's assessment area. Discussions with community contacts disclosed that the local banks have done an excellent job of meeting credit needs within the community.

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

Given the demographics of the assessment area, the distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.

During 1996, approximately 1,117 real estate mortgages were made in Jay County; of those, FNB generated approximately 319, or 30 percent, more than any other local financial institution. FNB's introduction of their "Affordable Home Loan" product, allowing 95 percent financing has furthered enhanced the bank's ability to meet low income credit needs. As of December 31, 1996, FNB had originated 59 affordable home loans for a total of \$2.4 million.

The following table shows that the distribution of credit across income levels is excellent based on a sample of 806 consumer loans, 499 real estate mortgage loans and 34 commercial loans.

Distribution of Loans Across Income Levels								
Loan Type	Low Income*		Mod Income		Middle Income		Upper Income	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Consumer	297	1,124	232	1,312	179	1,201	98	854
Consumer %	37	25	29	29	22	27	12	19
Real Estate	42	871	85	2,060	170	4,946	202	8051
Real Estate %	9	5	17	13	34	31	40	51
Commercial	1	25	4	177	11	229	18	425
Commercial %	3	3	12	21	32	27	53	49

*Income categories are defined as follows: 0-49% of Indiana nonMSA median family income is designated as low income; 50-79% is moderate income; 80-119% is middle income; and 120% and over is upper income.

We also reviewed information provided by the bank on commercial loans originated in 1995 and 1996. Our analysis indicated that a significant majority of commercial loans are to businesses having less than \$1 million in annual gross revenues.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not considered meaningful since FNB's assessment area consists of all middle income BNAs.

Other Considerations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

FNB's involvement in community development has consistently been extensive. FNB contributed a substantial amount of money to the Jay County Public Library for construction of a community room designed for local groups including low and moderate income groups to use, free of charge. FNB is involved in a community effort to encourage education and offers \$25.00 to any individual completing their General Equivalency Diploma (GED). Additionally, FNB donated land to the Jay County Arts Council for expansion to allow arts and music appreciation/introduction programs for children and all members of the community including low and moderate income people.

FNB has consistently been willing and able to meet the needs within its assessment area.

Given the limited opportunities within their community, FNB participates in an investment through Indiana Housing Finance Authority for \$500,000 to Pedcor Investments for low income apartments.

Additional investments within their assessment area that promote economic development include Pennville Industrial Corporation, Bryant Industrial Development Corporation and Jay Randolph Development Services.

FNB's record of community service is outstanding and has been expanded during this evaluation period with the opening of a new branch and the addition of four ATMs, all located in Portland. All branches are full service branches with expanded hours, six days a week. The geographic dispersion of these branches and ATMs allows FNB to reach all areas of its community, including low and moderate income individuals. Finally, FNB has been innovative and flexible in establishing lending criteria, providing all members of the community access to credit.