



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 10, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Knisely National Bank
Charter # 14226
200 South Broadway
Butler, Indiana 46721**

**Office of the Comptroller of the Currency
4341 South Westnedge Avenue, Suite 2108
Kalamazoo, Michigan 49008**

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 **Knisely National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 10, 1996. 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 **Satisfactory** in meeting the credit needs of the community. Knisely National Bank's (KNB) loan to deposit ratio is reasonable. The majority of loans are within the bank's assessment area and the bank extends credit to borrowers of different income levels, including low- and moderate-income borrowers.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Knisely National Bank 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	Not applicable. There are no low- or moderate-income geographies within the bank's assessment area.		
Response to Complaints	No complaints have been filed.		

DESCRIPTION OF INSTITUTION

Knisely National Bank (KNB), with \$28 million in assets, is located in Butler, Indiana. Butler is located in the northeast corner of Indiana, approximately 40 miles from Fort Wayne, Indiana. The bank is owned by Knisely Financial Corporation, a one-bank holding company. KNB operates three branches in Butler, St. Joseph, and Auburn, Indiana. There are automated teller machines (ATM) in Butler and Auburn.

The loan portfolio consists of residential, consumer, business, farm and other loans. Loans comprise 57% of total assets. The bank offers loans of all sizes and has no minimum loan amount. The following table details the volume of loans originated since January 1, 1995 that remain outstanding as of September 30, 1996:

Composition of Originations	Outstanding			
	(#)	(%)	(\$000)	(%)
Residential Mortgages	92	16%	3,626	44%
Consumer Loans	406	73%	2,590	31%
Business Loans	44	8%	1,654	20%
Farm Loans	17	3%	390	5%
Other Loans	1	NA	5	NA
Total Loans	560	100%	8,265	100%

There are no legal, financial or other factors impeding the bank's ability to meet the credit needs in its assessment area. KNB was rated Satisfactory at the previous Community Reinvestment Act examination in May of 1991.

DESCRIPTION OF ASSESSMENT AREA

KNB's assessment area consists of three census tracts in one metropolitan statistical area (MSA). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies (census tracts).

The three census tracts are in DeKalb County in the Fort Wayne MSA. KNB's assessment area consists of rural, small town communities. The bank's three branches and two ATMs are within the assessment area. The median family income for the assessment area is \$37,602 compared to the MSA median family income of \$44,200. The difference in median family income reflects Fort Wayne's more heavily populated, higher income characteristics. Each census tract in the assessment area is considered middle-income.

According to the 1990 census data, there are no low- or moderate-income areas in DeKalb County. However, there are low- and moderate-income families within the assessment area.

Of the 3,480 families in the assessment area, 15% of the families are low income, 17% are moderate income, 31% are middle income, and 37% are upper income.

The local economy, especially Auburn, is strong and growing. The unemployment rate is approximately 2%. The population of DeKalb County is expected to grow to meet labor demand as businesses continue to move to the county. The primary industries in DeKalb County are in manufacturing. Major employers in the area include Steel Dynamics, Inc., Triwall Container Corp., and DeKalb Molded Plastics. Competition consists of branches of large regional banks, credit unions and other financial institutions.

We met with a local businessman (community contact) to learn more about the credit needs in the community, and efforts to meet those needs by all banks. Our contact noted that the greatest credit need in the community, especially the City of Butler, is small business financing. According to our contact, small businesses typically have to go out of area to obtain credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN TO DEPOSIT RATIO

KNB's loan-to-deposit ratio is reasonable. The bank's average loan-to-deposit ratio from year-end 1991 to June 30, 1996 was 66% compared to the national peer banks' average of 65%. The table below shows the trend during this period for peer banks and KNB:

Average Loan-to-Deposit Ratios						
	6-30-96	12-31-95	12-31-94	12-31-93	12-31-92	12-31-91
KNB Ratio	57%	61%	69%	68%	66%	71%
Peer Ratio	67%	65%	65%	61%	61%	62%

The bank's loan-to-deposit ratio has been below peer since 1995. The decrease can be attributed to large public fund deposits received in 1995. These funds were not lent out as they were short-term deposits. When adjusting for this deposit, the loan-to-deposit ratio is 61% as of June 30, 1996.

LENDING IN THE ASSESSMENT AREA

The bank's origination of loans within its assessment area is satisfactory. The majority of loan originations are within the assessment area. The following table illustrates the volume and percentage of loans originated within the bank's assessment area since January 1, 1995 and remain outstanding as of September 30, 1996.

Loan Type	Loans within Assessment Area			
	(#)	%	(\$)	%
Residential Mortgages	62	67%	2,015	56%
Consumer Loans	263	65%	1,680	65%
Business Loans	24	55%	1,033	62%
Farm Loans	7	41%	77	20%
Other Loans	1	100%	5	100%
Total	357	64%	4,810	58%

There is a lower percentage of farm loans within the assessment area because of the small number of farms in the assessment area.

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

KNB extends a major portion of its loans to low- and moderate-income borrowers. The following table illustrates the distribution, among income levels, of a sample of loans we reviewed during our examination. It also compares the distribution of these loans to the number of families of each income level in the bank's assessment area, using 1990 census data.

Lending Distribution by Borrower Income										
Loan Type (amount \$000's)	LOW		MODERATE		MIDDLE		UPPER		TOTAL	
	#	\$	#	\$	#	\$	#	\$	#	\$
Residential Real Estate	3	47	4	148	7	255	4	321	18	771
Consumer Loans	5	17	5	41	3	31	1	8	14	97
Total	8	64	9	189	10	286	5	329	32	868
Percentage	25	7	28	22	31	33	16	38	100	100
% of Families in Assessment Area	15		17		31		37		100	

The bank has done an excellent job of lending to individuals of different income levels. The percentages of the number of loans to low- and moderate-income borrowers exceed their respective portion of the total population.

KNB is an active lender to small businesses and small farms in their assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

This criteria is not applicable to the bank because the assessment area consists only of middle-income geographies.

RESPONSE TO COMPLAINTS

This criteria is not applicable because the bank has not received any complaints.