



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter No. 17431

430 Clifty Drive
Madison, Indiana 47250-0590

Office of the Comptroller of the Currency

Indianapolis Duty Station
8777 Purdue Rd. 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 Community Reinvestment Act (CRA) performance of Citizens National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 31, 1996. The date of the previous performance evaluation was December 1, 1993 and the rating was satisfactory. This evaluation covers the time period from December 2, 1993 through May 31, 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.

Citizens National Bank (CNB) has maintained a sound CRA performance record. Factors supporting this rating include: a majority of lending is within the assessment area, loans are made to borrowers of all income levels commensurate with demographics of the community, and lending to small businesses and farms is evident. The bank has not received any complaints from the public regarding its CRA performance.

The following table indicates the performance level of CNB with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK</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	An analysis of geographic distribution of loans was not meaningful		

DESCRIPTION OF INSTITUTION

CNB is a \$58 million financial institution headquartered in Madison, Indiana. The bank does not have a holding company. In addition to the main office in Madison, the bank operates one branch located in Hanover and two branches in Madison, all of which are located in Jefferson County, Indiana. The bank has three full-service automated teller machines (ATMs) and one ATM that only dispenses cash. There are no financial constraints or legal impediments which impair the bank's ability to meet the credit needs of the community.

As of March 31, 1996, the loan portfolio was comprised primarily of loans secured by real estate. Consumer, agricultural and commercial loans comprised the remainder of the portfolio.

LOAN PORTFOLIO COMPOSITION	OUTSTANDINGS	% OF GROSS LOANS
1-4 Family and multi-family residential properties *	\$17.4 million	41%
Commercial purpose loans	\$11.3 million	27%
Consumer loans	\$ 8.8 million	21%
Agricultural loans and loans secured by farmland	\$ 4.6 million	11%
TOTAL	\$42.1 million	100%

* In addition to loans held in its portfolio, CNB originates and sells fixed rate mortgages to the secondary market through Freddie Mac (Federal Home Loan Mortgage Corporation). The volume of sold loans was \$3.2MM in 1994, \$7.6MM in 1995, and \$4.4MM through March 15, 1996.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Jefferson County which comprises seven block numbering areas (BNAs) all of which are designated middle-income. This assessment area meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

Jefferson County has a population of approximately 29,797 according to 1990 Census information. The statewide non-MSA median family income is \$37,200. There are approximately 8,082 families in Jefferson County, of which 17.7% are low-income, 21.9% are moderate-income, 23.4% are middle-income and 37% are upper-income.

There are approximately 11,921 housing units in Jefferson County. Of these units, approximately 66% are owner-occupied.

The economy is primarily based on manufacturing. Major employers include but are not limited to Grote Manufacturing, Joyce Inc. and Reliance Electric Company.

In conjunction with our evaluation of CNB's CRA performance, representatives from three organizations were interviewed. These organizations each promote local economic development and/or provide services to low- and moderate-income residents. These contacts identified affordable housing and small business loans as important credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

The bank's performance is satisfactory and is based upon the assessment area criteria on page 3. Various financial comparisons were made with financial institutions headquartered in the assessment area. Our review included a sample of real estate mortgages, commercial loans and installment loans originated in 1996. Lending trends were consistent throughout the evaluation period. Additionally, loans sold in the secondary market were sampled for 1994, 1995 and 1996.

Loan-to-Deposit Ratio

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

CNB's average loan-to-deposit ratio since the prior CRA examination is approximately 78 percent with a loan-to-deposit ratio of 66 percent at 12-31-93 increasing to 79 percent at 3-31-96. Similarly situated banks in CNB's market area had an average loan-to-deposit ratio of approximately 71 percent with a loan-to-deposit ratio ranging from 63 percent at 12-31-93 to 70 percent at 3-31-96. There are three similarly situated financial institutions in the area with the smallest being \$16MM in assets and the largest being \$186MM.

Lending in the Assessment Area

A significant majority of loans are in the bank's assessment area.

Based on a sample of 50 residential real estate, 30 farm and commercial, and 20 installment loans, we found that 86 percent of real estate, 77 percent of farm and commercial, and 95 percent of installment loans were originated to borrowers residing inside the bank's assessment area. In terms of dollars, 84 percent of residential real estate, 93 percent of installment and 72 percent of commercial and farm loans were inside the assessment area.

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

Given the demographics of the assessment area, lending activity reflects reasonable penetration among individuals of different income levels. Additionally, a notable portion of commercial loans are made to small businesses and farms.

The table below is based on a sample of consumer installment and housing loans. It indicates that the distribution of credit across income levels is representative of the county's income distribution as discussed on page 4. The first column represents a percentage of the total dollars in the sample. The second column represents a percentage of the number of loans in the sample.

Distribution By Borrower Income

LOAN TYPE	Low-Income Category *		Moderate-Income Category *		Middle-Income Category *		Upper-Income Category *	
	Number	\$ Volume	Number	\$ Volume	Number	\$ Volume	Number	\$ Volume
Residential real estate loans	18%	12%	16%	10%	26%	25%	40%	53%
Installment loans	20%	21%	25%	22%	25%	20%	30%	38%

* Income categories are defined as follows: 0-49% of the statewide non-MSA median family income is designated low-income; 50-79% is moderate-income; 80-119% is middle-income; and 120% and over is upper-income. As previously noted, of the families in the assessment area, 17.7% are low-income, 21.9% are moderate-income, 23.4% are middle-income and 37% are upper-income.

Residential real estate loans include fixed rate mortgages, adjustable rate mortgages, home equity lines of credit, and second mortgages including home improvement loans.

We reviewed a sample of 20 commercial and 10 farm loans originated in 1996. Our analysis indicated that 93% of these loans were to businesses and farms with less than \$1 million in annual gross revenues.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not meaningful given the homogeneity of the population and considering the entire assessment area is designated middle-income.

Response to Complaints

The bank has not received any complaints from the public regarding its performance in meeting assessment area credit needs.

Other Considerations

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