



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens National Bank of Tell City
Charter Number 7375
526-529 Main Street
P.O. Box 159
Tell City, Indiana 47586**

**Office of the Comptroller of the Currency
440 South LaSalle
Chicago, Illinois 60605**

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 Citizens National Bank of Tell City's (CNB) CRA performance prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of December 15, 1997. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. The agency rates the CRA performance of an institution consistent with the provisions set forth 12 C.F.R. Part 25, Appendix A.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory record of meeting community credit needs."

Major Factors Supporting the Institution's Rating:

- Excellent responsiveness to the credit needs of the assessment area;
- Good record of lending to individuals of different income levels and to businesses and farms of different sizes;
- Active participation in community development loans when opportunities become available;
- Satisfactory responsiveness to credit and community development needs; and,
- Readily accessible delivery systems to all portions of the assessment area.

Table 1 indicates the performance level of CNB with respect to each test.

Table 1 The Citizens National Bank of Tell City Performance Level			
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

CNB is a \$160 million bank owned by Old National Bancorp, Inc. (ONB), which is headquartered in Evansville, Indiana. Total assets of ONB were \$5.6 billion as of September 30, 1997. ONB owns other banks in Southwestern Indiana, Southeastern Illinois, and Western Kentucky. Old National Bank of Evansville, Indiana is the largest subsidiary of ONB, with assets totaling \$1.6 billion.

CNB is a full service institution with its primary focus on residential real estate, commercial, and consumer lending. CNB has no financial or legal impediments that would hamper its ability to serve its community's credit needs. Table 2 depicts several key balance sheet figures.

Table 2 Balance Sheet as of September 30, 1997			
Net Loans	\$104,600,000	Total Deposits	\$137,106,000
Investments	\$49,197,000	Other Liabilities	\$9,155,000
Other Assets	\$6,624,000	Total Liabilities	\$146,261,000
		Total Equity Capital	\$14,160,000
Total Assets	\$160,421,000	Total Liabilities & Capital	\$160,421,000

Source: FFIEC Report of Condition

As of September 30, 1997, the loan portfolio consisted of 45% real estate loans (83% of which are secured by 1-4 family residential mortgages), 30% commercial loans, 22% consumer loans, and 3% agricultural loans. The return on average assets through September 30, 1997 was 1.50%.

Competition is intense among financial institutions in the bank's assessment area, Perry and Spencer county. CNB's primary competition in Perry County is Tell City Bank and First State Bank. First State Bank is an affiliate of German American Bancorp in Jasper, Indiana. Primary competition in Spencer County is with Lincolnland Bank, an affiliate of National City Bancshares in Evansville; Spencer County Bank; and branches of Tell City Bank and First State Bank. CNB's deposit market share is 40% in Perry County (second among all institutions) and 11% in Spencer County (third among all institutions).

DESCRIPTION OF CNB'S ASSESSMENT AREA

Bank management defines its assessment area as Perry County and the adjacent, Spencer County. This two county area has a population of 38,600. Tell City has a population of 8,000 and is located in Southern Perry County, Indiana along the Ohio River. Tell City is approximately 50 miles east of Evansville, Indiana and 80 miles west of Louisville, Kentucky.

The assessment area consists of ten Block Numbering Areas (BNAs), none of which are low- and moderate-income (LMI) geographies. Eight BNAs are designated as middle-income geographies (defined as having a median family income between 80% and 120% of the statewide non-MSA median family income of \$39,000) and two BNAs are designated as upper-income geographies (defined as having over 120% of the statewide non-MSA median family income of \$39,000). The assessment area follows the regulation guidelines and does not arbitrarily exclude any LMI areas. The assessment area does not include any Metropolitan Statistical Areas (MSAs). Individuals with LMI levels are interspersed throughout the assessment area, intermingled with individuals of middle- and upper-income levels. There are no identifiable neighborhoods that are predominately comprised of LMI individuals. The median housing price is \$45,300.

The area surrounding Tell City is rural. Businesses in small surrounding towns offer moderate employment and economic support. The economy is dependent on manufacturing jobs and agricultural production. Major employers include Waupaca, Willamette Paper Mill, and National Steel. AK Steel is currently constructing a plant which will create 400 new jobs. The unemployment rate is approximately 7% in Perry County and 5% in Spencer County, compared to the state average of 4.2%.

We did not identify any unmet lending needs through our recent contacts with community groups. Groups contacted include a county planning commission, a county development corporation, and an economic development corporation. The primary community needs these contacts identified were mortgage loan financing, particularly those in the mid-level price range, and small business loans. The community groups felt that these lending needs are being met by the areas financial institutions, including CNB.

Tables 3 through 6 detail pertinent demographic data about families, businesses, and farms in the assessment area. The OCC utilized this data in evaluating the bank’s CRA performance.

Family Demographic Information:

Table 3 depicts the number and percentage of families within the bank’s assessment area based upon income level. The table reveals that 36% of the families have LMI levels. This information is used to compare the bank’s lending patterns to borrowers of different income levels. There are 860 families in the assessment area that have income below the poverty level, representing 48% of all low income families.

Table 3 Number and Percentage of Families in Each Income Level				
Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families	Total
1,796 17%	1,997 19%	2,781 26%	3,950 38%	10,524 100%

Source: 1990 U.S. Census Bureau Data

The non-MSA median family income for the state of Indiana is \$39,000. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$39,000.

Table 4 portrays the number of owner occupied housing units in each geography type and the percentage of housing units that are owner occupied. The table reveals that most housing units in the assessment area are owner occupied.

Table 4 Information on Owner Occupied Housing Units in Each Income Geography				
	Low- Income BNAs	Moderate- Income BNAs	Middle- Income BNAs	Upper- Income BNAs
Number of Geographies	0	0	8	2
Number of Owner Occupied Housing Units	NA	NA	8,123	2,999
Percent of Owner Occupied Housing Units to Total Available Housing Units by BNA category	NA	NA	73%	77%

Source: 1990 U.S. Census Bureau Data

Small Business and Small Farm Demographic Information:

Table 5 depicts the number and percentage of small businesses and small farms within the bank's assessment area. Small businesses and small farms are defined by CRA as those with annual revenue less than \$1,000,000. The table reveals that 89% of the businesses and 100% of the farms in Perry and Spencer Counties are considered small.

Table 5 Number of Businesses and Farms in the Assessment Area				
	Annual Revenues of less than \$1,000,000		Annual Revenues of \$1,000,000 or more	
	#	%	#	%
Businesses	572	89%	74	11%
Farms	34	100%	0	0%

Source: 1990 U.S. Census Bureau Data

Table 6 provides a breakdown by location of the small businesses identified in Table 5. The majority of the small businesses and small farms are located in the middle-income BNAs.

Table 6 Number and Percentage of Small Business and Small Farms in Each Geographic Characteristic					
	Low-Income BNAs	Moderate-Income BNAs	Middle-Income BNAs	Upper-Income BNAs	TOTAL
Small Business	NA	NA	460 80%	112 20%	572 100%
Small Farms	NA	NA	21 62%	13 38%	34 100%

Source: 1990 U.S. Census Bureau Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Assessment area concentration:

Table 7 indicates that a majority of the bank's loans, by number and dollar volume (88% and 80%, respectively) are made inside CNB's assessment area. The table reflects the number and dollar volume of home mortgage, small business, and small farm loan originations between January 1, 1996 and November 26, 1997.

Table 7 Ratio of Loans Inside the Assessment Area January 1, 1996 through November 26, 1997				
	Home Mortgage	Small Business	Small Farm	Total
# of Loans Inside the Assessment Area	351	74	30	455
Total # of Loans	391	90	34	515
% of Loans Inside the Assessment Area	90%	82%	88%	88%
\$ of Loans Inside the Assessment Area	\$16,591	\$1,569	\$889	\$19,049
Total \$ of Loans	\$19,484	\$3,244	\$1,173	\$23,901
% of Loans Inside the Assessment Area	85%	48%	76%	80%

Dollar Amounts are in \$000's

Source: CNB's 1996 and 1997 Home Mortgage Loan Collection Register

CNB's 1996 and 1997 Small Business/Small Farm Loan Collection Register

Geographic distribution of loans:

Since there are no LMI areas, this analysis doesn't add to the overall analysis.

Lending to borrowers of different incomes and to businesses and farms of different sizes:

CNB has a good record of lending to individuals of different income levels and to businesses and farms of different sizes. This is due to the availability of product lines offered by the bank and efforts to market products that meet the needs of LMI borrowers.

Home Mortgage Loans:

To determine CNB’s record of extending home mortgage loans to individuals of different income levels, we reviewed the annual income of all borrowers who obtained a home mortgage loan between January 1, 1996 and November 26, 1997. Table 8 reveals that the number of home mortgage loans to LMI borrowers is 31%. This compares favorably to the number of LMI families located in the assessment area, which is 36%. An important fact considered is that 48% of all low-income families are below the poverty level and may not qualify for a home mortgage loan.

Table 8 Home Mortgage Loans Originated by Borrower Income January 1, 1996 through November 26, 1997					
Borrower Income *	Number of Loans		Dollar Volume		% of total Families in the Assessment Area
	#	%	\$	%	
Low-income	42	11%	\$1,323,000	7%	17%
Moderate-income	79	20%	\$2,812,000	14%	19%
Middle-income	130	33%	\$6,059,000	31%	26%
Upper-income	140	36%	\$9,290,000	48%	38%
TOTAL	391	100%	\$19,484,000	100%	100%

Source: CNB’s 1996 and 1997 Home Mortgage Loan Collection Register

* The non-MSA median family income for the state of Indiana is \$39,000. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of \$39,000.

Small Business and Small Farm Loans:

The bank’s volume of loans to small businesses and small farms is adequate. Table 9 reveals that the bank originated approximately \$3.2 million in small business loans and \$1.2 million in small farm loans. Small businesses and small farms are defined as those entities with less than \$1 million in annual revenue. The demographic data illustrated in Table 5 reveals that Perry and Spencer Counties have 572 small businesses and 34 small farms.

Table 9 Volume of Loans to Small Businesses and Small Farms January 1, 1996 through November 26, 1997	
Small Business Loans	Small Farm Loans

#	\$	#	\$
90	\$3,244,000	34	\$1,173,000

Source: CNB's 1996 and 1997 Small Business/Small Farm Loan Collection Register

Table 10 illustrates the volume of bank loans to small businesses and small farms by differing loan amounts. The bank's record of making small dollar loans to small businesses and farms is satisfactory. This is supported by the fact that 90% of small businesses loans and 94% of small farms loans originated in amounts less than \$100,000.

Table 10 Small Business and Small Farm Loans by Loan Amount at Origination January 1, 1996 through November 26, 1997								
Loan Amount at Origination	Small Businesses				Small Farms			
	#	%	\$	%	#	%	\$	%
\$0 - \$100,000	81	90%	\$1,566	48%	32	94%	\$853	73%
\$100,001 - \$250,000	7	8%	\$928	29%	2	6%	\$320	27%
Over \$250,000	2	2%	\$750	23%	0	0%	\$0	0%
TOTAL	90	100%	\$3,244	100%	34	100%	\$1,173	100%

Source: CNB's 1996 and 1997 Small Business/Small Farm Loan Collection Register

Community Development Lending:

CNB is an active participant in community development lending. However, opportunities are limited because there are no LMI BNAs inside the bank's assessment area and there is not a large number of community based organizations. LMI individuals are interspersed throughout the assessment area, with no identifiable neighborhoods that are predominately comprised of LMI individuals. Community development loans are loans that do not meet the definition of home mortgage, small business, or small farm loans, and primarily benefit LMI BNAs or LMI individuals.

The bank originated five loans totaling \$1,498,000 for community development projects since the prior CRA examination. Below is a partial listing of these projects:

- CNB made a \$30,000 loan in July 1997, to renovate the local rail facility, which made the recent economic expansion possible.
- CNB made a \$280,000 loan in September 1996, to a local development corporation, which is responsible for bringing new industry to the county.
- CNB made a \$220,000 loan in December 1996, to a neighboring town to establish a new community center and park.

- CNB also made seven loans totaling \$183,800 to borrowers who provide Section 8 rental housing to LMI families.

Innovative or Flexible Lending Practices:

CNB makes use of a flexible lending program to address the credit needs of LMI individuals. In October 1996, the bank began offering 100% financing on home mortgage loans, eliminating the need for a down payment. By taking advantage of this program, new home owners are able to obtain a loan with less cash outlay. There are no income limitations for this program. To date, the bank originated five such loans totaling \$255,000.

INVESTMENT TEST

Investment and grant activity:

CNB has an adequate level of qualified investments. Between January 1, 1996 and November 26, 1997, the bank made 22 donations or grants to 18 different organizations totaling \$15,300. These donations are used by the organizations to assist LMI individuals and for economic development purposes. Some examples:

- CNB contributed \$1,000 to purchase materials that were used by a charitable organization to construct a home for a LMI family.
- CNB donated \$2,000 to the operating budget of a local economic development corporation. This corporation actively recruits companies to relocate to the area, creating job opportunities for LMI individuals.

Responsiveness to credit and community development needs:

CNB displays adequate responsiveness to credit and community economic development needs. Opportunities in this area is limited as the assessment area comprises no LMI BNAs and there is not a large number of community organizations. The bank actively meets the community development needs of the assessment area through their lending relationships detailed in the Lending Test section of this evaluation.

SERVICE TEST

Accessibility of Delivery Systems:

CNB's main office and each of its four branches are located in middle-income BNAs. The main office and three of the branches are in free-standing buildings that offer drive-up services and

ATM machines. The other branch is located in a Tell City supermarket, which offers deposit products and services only. Customers visiting the supermarket branch who desire lending services are referred to one of the other nearby Tell City offices. Each office is open during normal banking hours with extended hours on Friday nights and Saturday mornings.

Community Development Services:

CNB offers a reasonable number of community development services in its assessment area. The bank provides technical assistance to community groups, offers free check-cashing for government checks, and offers deposit products for the benefit of LMI customers. Examples include:

- A bank officer serves on the board of the city’s revolving loan fund for small businesses. He provides financial expertise and assists with analysis of loan applicants. A major emphasis of this board is to generate employment opportunities for small businesses.
- CNB serves as a depository for a program sponsored by the State of Indiana for LMI individuals that encourages personal saving and investment through a program of matching funds for savings deposits.
- The bank provides instructors for the annual “Principles of Banking” presentation to local high school students.

Opening and Closing of Branch Offices:

Since the prior CRA examination, the bank closed one branch office due to circumstances beyond the bank’s control. The branch was located inside a grocery store and was forced to close when the grocery store moved to another location in early 1997. To replace the lost branch, CNB erected a free-standing branch office in June 1997, in a location one-quarter mile away from the previous site. The new branch offers a full array of lending and deposit products and services, which is broader than the limited deposit services offered at the closed grocery store branch.

Compliance with antidiscrimination laws:

We tested the bank’s compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions were identified.