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 operations 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 Central Bank, Russiaville, Indiana, prepared by the Federal Reserve Bank of Chicago, the institution's supervisory agency, as of October 20, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION’S RATING: This institution is rated Satisfactory.

A majority of the bank’s loans are made within its assessment area and are reasonably distributed to all segments of the community, including low- and moderate-income geographies. The bank’s performance in lending to borrowers of different income levels and to businesses of different sizes is strong. The bank’s assessment area does not arbitrarily exclude any low- or moderate-income geographies that it would reasonably be expected to serve. The bank has received no complaints concerning its CRA performance since the previous examination.

Despite these favorable performance factors, the bank’s loan-to-deposit ratio of 34.9% as of September 30, 1997, while improved since the previous examination, is significantly below its nationwide peer group and does not meet the standards for satisfactory performance within the performance context. The economy within the bank’s assessment area is stable, and unemployment levels are consistent with State of Indiana unemployment figures while being well below national unemployment levels. There are at least 20 banks, thrift institutions, and credit unions serving the area, providing a further indication of the area’s vitality. The bank has shown significant and sustained growth in its loan portfolio since the previous examination, and its loan-to-deposit ratio has grown as a result. Bank management has demonstrated a commitment to improving the bank’s CRA lending since the previous examination and has indicated their intention to continue to expand its lending to the community in the future. Based on the bank’s performance on all factors, and giving recognition to the improvement made during the past five quarters in its loan-to-deposit ratio, the bank’s overall CRA rating is deemed to be satisfactory.

DESCRIPTION OF INSTITUTION

Central Bank, with $36.8 million in total assets as of September 30, 1997, is a subsidiary of CB Bank Shares, Inc., Russiaville, Indiana, a one-bank holding company. The bank=s main office is located in Russiaville, Indiana, with an additional full service branch office located 12 miles away in Kokomo. The bank has one drive-through automated teller machine (ATM) at the main office in Russiaville. A second ATM to be installed as a drive-through at the Kokomo office was on order at the time of this examination.

Although Central Bank is the only financial institution in Russiaville, the Kokomo branch has substantial competition from nine other banks and three savings and loan associations that serve the Kokomo Metropolitan Statistical Area (MSA). Central Bank and First National Bank are the only institutions headquartered in Howard County; all of the other institutions serving the area maintain branches in the Kokomo MSA. Besides First National Bank, the bank=s competition includes Keybank, National Association (Cleveland, Ohio), First of America Bank-Indiana (Indianapolis), NBD Bank, N.A. (Indianapolis), National City Bank of Indiana (Indianapolis), Salin Bank & Trust Company (Indianapolis), Union Federal Savings Bank of Indianapolis (Indianapolis), First Farmers Bank and Trust (Converse), Star Financial Bank (Marion), Lake City Bank (Warsaw), Americantrust Savings Bank (Peru), and Security Federal Savings Bank (Logansport). In addition to these financial institutions, the bank faces additional competition in Kokomo from a number of credit unions, which include City of Firsts Federal Credit Union, Haynes International Federal Credit Union, Kokomo Heritage Federal Credit Union, Solidarity Federal Credit Union, Transmission Builders Federal Credit Union, and Indiana Heartland Federal Credit Union.

Central Bank is a retail community bank offering commercial, consumer, mortgage, and farm credit products. The consumer loan products consist of both secured and unsecured installment and single-payment loans, conventional owner-occupied real estate mortgages, and credit cards. The bank=s commercial loan products include both secured and unsecured business loans and commercial real estate loans. The bank offers government-assisted loans for businesses through the Small Business Administration (SBA). The bank is a participating lender in the Facade Improvement Program sponsored by the Urban Enterprise Association in Kokomo, although no loans have been funded by the bank under this program to-date. There are no factors relative to the bank=s financial condition, size, or local economic conditions which would prevent it from meeting the community=s credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of 15 census tracts in Howard County, located approximately 45 miles north of Indianapolis, in central Indiana. These census tracts, which are part of the Kokomo MSA, include tract numbers 1, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 104, 105, and 106. Census tract 1 is designated as low-income, and census tracts 5, 9 and 12 are designated as moderate-income. The assessment area includes the town of Russiaville, population 988, and a portion of the city of Kokomo, population 44,962. According to U.S. Census data, the assessment area=s population is 54,687, of which 26.2%

is under age 18 and 12.2% is over age 64. Median family income in the assessment area is $37,311, which compares to $36,770 for all families in the Kokomo MSA and to $34,082 for all families in the State of Indiana. Low- and moderate-income families represent 19.7% and 16.5%, respectively, of all families in the assessment area.

The housing stock in the assessment area includes 23,097 units with a median value of $51,875. Of these units, 65.0% are owner-occupied, 28.7% are rental units, and 6.3% are vacant. One-to-four family residences represent 83.7% of the housing units in the assessment area. Owner-occupied units in the low- and moderate-income census tracts represent 28.1% of all housing units in the assessment area.

The areas's employment, economic growth, and development is primarily related to the automobile industry. The following chart illustrates the major manufacturing employers in the bank's assessment area.

EMPLOYER - LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
Delco Electronics Corp. - Kokomo	10,000	Automotive electronics and entertainment systems
Chrysler Corp.-Transmission - Kokomo	6,500	Automatic transaxles & transmissions
Chrysler Corp.-Casting - Kokomo	1,100	Aluminum die castings
Haynes International, Inc. - Kokomo	890	High performance alloys
Bona Vista Industries - Kokomo	300	Packaging and shrink wrapping

In addition, Howard Community Hospital, and St. Joseph Hospital and Health Center (both located in Kokomo) employ approximately 600 workers each. Within Russiaville, the largest employer is Functional Devices, Inc. with 23 employees.

According to the Indiana Department of Workforce Development, Howard County and the Kokomo MSA each had an unemployment rate of 3.1% for the month of September 1997, which is comparable to the State of Indiana's unemployment rate and below the national unemployment rate of 4.7%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Conclusions under each performance criteria are based on the bank's recent loan performance compared to demographic data gathered and the credit needs of the community identified through interviews with community members. The efforts of local competing financial institutions were also considered when addressing whether the overall credit needs of the community were being met.

LOAN-TO-DEPOSIT RATIO

An analysis of the bank's quarterly Consolidated Reports of Condition and the Uniform Bank Performance Reports (UBPR) for the period September 30, 1996, through September 30, 1997, revealed an average loan-to-deposit ratio of 33.3%. The comparative four-quarter average for the bank's nationwide peer group is 68.0%. Bank management attributes the low loan-to-deposit ratio to the bank's small size relative to its competitors, the amount of competition within the assessment area, and its conservative lending philosophy.

Although the bank's loan-to-deposit ratio is significantly below the ratio of other banks operating in Howard County, the bank's smaller size precludes it from many of the lending opportunities available in the marketplace. Intense competition and legal lending limit restrictions place the bank at a clear competitive disadvantage. All of the bank's competitors in Howard County are larger, ranging in size from $143.9 million to $65.9 billion in total assets. In addition, all of these institutions operate in additional markets besides Howard County. The loan-to-deposit ratios for these organizations generally range from 70.0% to over 100.0%. None of these institutions are in the bank's peer group which includes banks located in a metropolitan area with assets between $25 million and $50 million and two or more banking offices.

Although the bank's current loan-to-deposit ratio remains low at 34.9%, bank management has made a concerted effort since the previous examination to increase lending in the community. For the five quarters ended June 30, 1996, which were reviewed at the previous examination, the bank's average loan-to-deposit ratio was 23.7%, compared to the five-quarter average ended September 30, 1997 of 33.3%. This represents a 40.5% increase in the ratio over a fifteen month period. The highest quarterly loan-to deposit ratio at the previous examination was 26.7% at June 30, 1996, compared to 34.9% at September 30, 1997. This increase is attributed to sustained loan growth as indicated in the following table:

Historical Loan-to-Deposit Ratio			
Date	Net Loans (000)	Total Deposits (000)	Loan-to-Deposit Ratio
6-30-96 (1)	$8,567	$32,079	26.7%
9-30-96	$9,371	$31,695	29.6%
12-31-96	$10,417	$31,894	32.7%
3-31-97	$10,899	$31,036	35.1%

Historical Loan-to-Deposit Ratio			
Date	Net Loans (000)	Total Deposits (000)	Loan-to-Deposit Ratio
6-30-97	$11,569	$33,841	34.2%
9-30-97	$11,710	$33,592	34.9%

(1) The 6/30/96 figures were the most current at the time of the previous CRA examination and were used to illustrate the increasing trend.

As the above table illustrates, net loans have shown a steady and uninterrupted growth, increasing $3,143,000 (36.7%) since June 30, 1996, while total deposits have grown by only $1,513,000 (4.7%) during the same period. The lower loan-to-deposit ratio at both June 30, 1997, and September 30, 1997, is due to a large influx of public funds from a local government and a local high school corporation on May 28, 1997. At June 30, 1997 and September 30, 1997, the net increase in public funds was $2,813,000 and $1,661,000, respectively, representing a growth rate of 9.1% and 5.4%, respectively, over the total deposit base at March 31, 1997. The growth in net loans is the result of a conscious effort by bank management to increase its loan portfolio over time in a controlled, safe, and sound manner.

At the previous CRA examination, management was encouraged to improve its CRA record by increasing its lending to the community. Sustained loan growth since then is evidence of management=s achievements in better serving the credit needs of the community. However, the bank=s loan-to-deposit ratio of 34.9% at September 30, 1997, is still well below the lending level of local banks and its nationwide peer group. Local economic conditions and prosperity, as evidenced by low unemployment and the large and increasing number of financial institutions serving the assessment area, indicate that additional opportunities are available for the bank to continue to improve its lending to the community. Despite the improvements made since the previous examination, the bank=s loan-to-deposit ratio does not meet the standards for satisfactory performance.

LENDING IN ASSESSMENT AREA

With the exception of credit cards, all loans originated during the six-month period from April 1, 1997, through September 30, 1997, were reviewed to evaluate the bank=s CRA lending performance within its assessment area. The following chart summarizes this review:

% of Loans Made Within the Assessment Area During the Period 04/01/97 - 9/30/97			
Loan Type	Total Loans Made	Total Loans Within the Assessment Area	Percentage Within the Assessment Area
Installment	154	101	65.6%
Mortgage	32	20	62.5%

% of Loans Made Within the Assessment Area During the Period 04/01/97 - 9/30/97			
Single-payment (1)	214	166	77.6%
Totals	400	287	71.8%

(1) Includes both commercial and consumer loans

As the preceding chart illustrates, 71.8% of all loans made during the review period were within the bank's assessment area. This distribution meets the standards for satisfactory performance.

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

As a general rule, bank personnel know their customers (especially in Russiaville), and many of the current borrowing customers have previously established a borrowing history with the bank. As a result, the bank does not typically collect income information for non-real estate consumer loans or gross revenues for its commercial borrowers. Therefore, to determine the bank's performance on this criterion, loan size was used as a proxy for income.

An analysis of 400 loans made during the period April 1, 1997, through September 30, 1997 disclosed that the average loan size was $9,622. In addition, 20 loans were made in amounts of $500 or less, with an additional 45 loans made in amounts of $501-$1,000. Per discussions with bank management, and based on the median family income within the assessment area of $37,311, it was determined that low- and moderate-income borrowers would reasonably be expected to seek installment and single-payment loans in amounts generally not to exceed $3,000. An analysis of installment and single-payment loans made during the sample period is summarized in the following chart:

Installment Loans Made During the Period 04/01/97 - 09/30/97			Single-Payment Loans Made During the Period 04/01/97 - 09/30/97		
Original Loan Amount	#	%	Original Loan Amount	#	%
$0 - $1,500	45	29.2%	$0 - $1,500	75	35.1%
$1,501 - $3,000	33	21.4%	$1,501 - $3,000	50	23.4%
Subtotal	78	50.7%	Subtotal	125	58.4%
Over $3,000	76	49.4%	Over $3,000	89	41.6%
Total	154	100.0%	Total	214	100.0%

As the above chart illustrates, a significant portion of the bank's installment and single-payment loans are in amounts up to $3,000, a level providing low- and moderate-income borrowers access to credit.

A review of the bank's 1996 Home Mortgage Disclosure Act (HMDA) data indicates that 18 of 44 mortgage loan applications (40.9%) and 15 of 39 mortgage originations (38.5%) were from low- or moderate-income individuals within the bank's assessment area.

According to the bank's Consolidated Report of Condition, all of the bank's commercial and agricultural borrowing customers are considered small businesses and small farm. The bank's small asset size and capital base limits loans to one borrower to approximately $440,000, the bank's legal lending limit.

The analysis of the bank=s lending to borrowers of different incomes and businesses of different sizes indicates that the bank=s performance exceeds the standard for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the 287 loans made within the bank=s assessment area during the sample period of April 1, 1997 through September 30, 1997 revealed that loans are fairly distributed throughout the assessment area, including low- and moderate-income census tracts. The bank originated loans in all 15 census tracts within the assessment area during the review period. The following table illustrates the distribution of these loans by census tract income level:

Loans Made Within the Bank=s Assessment Area During the Period 04/01/97 - 09/30/97 By Income Designation of Census Tracts					
Census Tract Designation	Number of Census Tracts	Population		Loans Made	
		Number	Percentage	Number	Percentage
Low-income	1	309	0.6%	3	1.0%
Moderate-income	3	13,183	24.1%	45	15.7%
Middle-income	8	30,121	55.1%	206	71.8%
Upper-income	3	11,074	20.3%	33	11.5%
Total	15	54,687	100.0%	287	100.0%

Both of the bank=s offices are located in middle-income census tracts, where the majority of loans were made during the review period occurred. In addition, the above table illustrates that the bank is reasonably serving all geographies within its assessment area and that the distribution appears reasonable considering the area=s population demographics. The bank=s loan penetration throughout its assessment area and the distribution of these loans meets the standards for satisfactory performance.

RESPONSE TO COMPLAINTS

No CRA-related complaints have been received by the bank since the previous examination.