



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 8, 2006**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of Indiana, National Association  
Charter Number 5997**

**129 Maple Street  
P. O. Box 138  
Dana, Indiana 47847**

**Comptroller of the Currency  
Indianapolis Field Office  
8777 Purdue Road, Suite 105  
Indianapolis, IN 46268**

**NOTE: This document is an evaluation of this 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. 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.**

## INSTITUTION'S CRA RATING

This institution is rated satisfactory.

- A majority of the loans are originated within the bank's assessment area.
- The distribution of loans to borrowers with different incomes and to small farms and small businesses provides reasonable penetration given the demographics of the assessment area.
- The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and assessment area's credit needs.

## DESCRIPTION OF INSTITUTION

The Bank of Indiana, N.A. (BOI) is a \$17 million intrastate bank located approximately 85 miles west of Indianapolis, Indiana and 35 miles north of Terre Haute, Indiana. BOI has one ATM located on the bank's premises. BOI offers a range of retail, agricultural, and commercial banking products normally associated with a rural community bank. Net loans were \$3.8 million on December 31, 2005, or 33.61% of total assets.

The institution's corporate structure has changed since the last performance evaluation. The institution operated under the name of First National Bank of Dana (FNBD) and was 100% owned by First Eldorado Bancshares, Inc. a two-bank holding company headquartered in Eldorado, Illinois. In addition to FNBD, First Eldorado Bancshares, Inc., owned the First State Bank of Eldorado. In March 2003, FNBD opened a branch in Evansville, Indiana, which became the bank's primary operational office. On December 6, 2005, the Evansville branch, including the facility and all deposits and loans originated from that office, was sold to affiliate First State Bank of Eldorado. In April 2006, FNBD was sold to Indiana Bancorp, Inc., a one bank holding company located in Terre Haute, Indiana. The bank was renamed Bank of Indiana.

The loans originated at the Evansville branch are no longer owned or held by BOI, or available for analysis. During the analysis period, total assets increased from \$13.6 million at year end 2000, to \$32.4 million at year end 2004, and down to \$17 million at year end 2005. The assessment area at the time of our examination was limited to the historical geographic area of FNBD. Therefore, this analysis does not include or consider loans originated from the former FNBD's Evansville branch or its corresponding market area.

The following represents this institution's loan and lease portfolio mix as of December 31, 2005 (subsequent to the divestiture of FNBD's Evansville branch):

Residential Real Estate	\$3.05 million	81%
Agricultural related	\$311 thousand	3%
Consumer Installment	\$394 thousand	10%
Commercial	\$177 thousand	6%

During 2004, 2005, and first quarter 2006, the bank originated 118 loans, as noted below.

Residential Real Estate	\$2.0 million	49 loans
Agricultural related	\$1.6 million	24 loans
Consumer Installment	\$278 thousand	39 loans
Commercial	\$439 thousand	06 loans

*Source: FNBD's internally generated new loan lists for 2004, 2005, and first quarter 2006. This does not include Evansville branch originations.*

Tier one capital totals \$1.2 million. There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. Bank activities are consistent with the bank's size, its financial capability, local economic conditions, and credit needs of the community. The bank was rated "Satisfactory" at its last CRA examination on September 13, 1999.

## DESCRIPTION OF THE ASSESSMENT AREAS

BOI's assessment area (AA) includes four census tracts in Vermillion County, which is located in the Terre Haute Metropolitan Statistical Area (MSA). According to the 2000 census data, all four of the bank's AA's are middle-income areas. The AA conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the combined assessment areas is based on the 2000 U.S. Census Data:

<b>Table 1 – Demographic Information for Assessment Area (AA)</b>	
	2000 U.S. Census Data
Population:	16,788
Housing Stock: <i>1-4 family housing units</i>	85%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	72%, 19%, 9%
Home Values: <i>Median home value</i>	\$59,946
Age of Homes: <i>Median year of homes built</i>	1952
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	16%, 21%, 25%, 38%
Household Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	23%, 15%, 20%, 42%

The local economy is relatively stable. March 2006 unemployment rates for Vermillion County (7.1%) are high when compared to the State of Indiana (4.9%) and national (5.5%) averages. The assessment area's primary industry is agriculture. Major employers in the area include Eli Lilly and Inland Container. BOI's major competitors include three larger institutions in neighboring towns. Dana residents largely work in nearby Terre Haute, Indiana and Paris, Illinois and competition also stems from numerous institutions in those markets.

A local government agency was contacted during this examination to discuss the community's needs. According to the contact, local community banks are meeting community credit needs and are supportive of community projects. However, the contact indicated a need for more small business loans to individuals in the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This review concentrated on the bank's primary loan products, which based on origination information provided by the bank, included residential real estate loans and agricultural loans. However, due to the limited number of loans originated during this evaluation period we also reviewed consumer loans and commercial loans. We utilized the bank's 2004, 2005, and first quarter 2006 loan originations. Year 2000 U.S. Census Data was used to evaluate the bank's performance.

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

The overall distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms and businesses of different sizes.

#### *Residential Loan Originations*

The distribution of residential home improvement loans originated reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (50%) is significantly greater than low-income families (16%) in the AA. However, no home improvement loans were originated to moderate-income borrowers, which compared unfavorably to the percentage of assessment area families (21%) designated moderate income

The distribution of residential home purchase loans originated reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (9%) is less than favorable to the percent of low-income families (16%) in the AA. However, the percentage of loans originated to moderate-income borrowers (37%) is higher than the percent of families (21%) in the AA. Although the bank's origination of residential home improvement loans to moderate-income families and residential purchase loans to low-income families is less than favorable when compared to the demographic data, the bank's distribution is reasonable given that 18% of households in the area are retired, 11% are below poverty level, and 2% require public assistance. The weighted average of median housing prices (according to 2000 U.S. census data) is \$59,946. A low-income family is defined as family income of \$24,049 or less, and a moderate-income family is defined as income of \$24,050-\$38,479. Many area families within these income levels simply cannot afford a home and resort to rental properties for housing.

The distribution of residential refinance loans originated reflects a more than reasonable penetration among individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (35%) is greater than the percent of low-income families in the assessment area (16%). The percentage of loans originated to moderate-income borrowers (12%) is less than the percent of assessment area families (21%) designated moderate-income.

The bank's performance in originating residential refinance real estate loans to low- income borrowers is significantly favorable compared to demographic data. The bank's performance of originating residential refinance real estate loans to moderate-income borrowers is less favorable compared to the demographic data. The next table displays BOI's distribution of residential real estate loan originations among borrowers of different income levels within the assessment area.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Vermillion County, Indiana</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Improvement		50.00%		0.00%		50.00%		0.00%
Home Purchase	16.00%	9.09%	21.35%	36.36%	24.87%	27.27%	37.78%	27.27%
Refinance		35.29%		11.76%		17.65%		35.29%

*Source: % of AA Families columns is derived from the 2000 U. S. Census Data income figures. Amounts are derived from a sample of 2 out of 3 home improvement loans originated by the bank in 2004, 2005, and first quarter 2006 that provided income information, a sample of 17 out of 21 refinance loans originated by the bank in 2004, 2005, and first quarter 2006 that provided income information, and a sample of 11 out of 11 home purchase loans originated by the bank in 2004, 2005, and first quarter 2006.*

### **Agricultural Loans Originations**

The bank's performance of lending to farms of different sizes is more than reasonable compared to the area's demographics. One hundred percent of the number of farm loans (100% in dollars) originated in the assessment area during 2004, 2005, and first quarter 2006 were made to small farms. Demographic data shows that 97% of the farms in the assessment area are small farms. Small farms are farms with annual gross revenues of less than one million dollars. The following table shows the distribution of originated agricultural loans among farms of different sizes within the assessment area:

<b>Table 2A - Borrower Distribution to Farms in Vermillion County, Indiana Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	97.48%	1.68%	0.84%	100.00%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100.00%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100.00%

Source: % of AA farms is derived from the 2000 U.S. Census Data income figures, while the bank's information is from a sample of 20 agricultural loans originated by the bank in 2004, 2005, and first quarter 2006.

### **Commercial Loans Originations**

The bank's performance of lending to businesses of different sizes is more than reasonable compared to the area's demographics. One hundred percent of the number of business loans (100% of the dollars) originated in the assessment area during 2004, 2005, and first quarter 2006 were made to small businesses. Demographic data shows that 66% of the businesses in the assessment area are small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. The following table shows the distribution of originated commercial loans among businesses of different sizes within the assessment area:

<b>Table 2A - Borrower Distribution to Businesses in Vermillion County, Indiana Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	66.23%	5.08%	28.68%	100.00%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100.00%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100.00%

Source: % of AA businesses are derived from the 2000 U.S. Census Data income figures, while the bank's information is from a sample of 6 commercial loans (representing 100% of the bank's loans) originated by the bank in 2004, 2005, and first quarter 2006.

### *Consumer Loan Originations*

The distribution of consumer loans reflects reasonable penetration for originating consumer loans to individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (21%) is slightly less than favorable compared to the percent of assessment area households designated as low-income (23%). The bank's performance of originating consumer loans to moderate-income borrowers (21%) is more than favorable compared to the percent of assessment area households (15%). The following table shows the distribution of consumer loan originations among borrowers of different income levels within the assessment area:

Table 2B - Borrower Distribution of Consumer Loans in Vermillion County, Indiana Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
# of loans		4		4		4		7
% of Total	22.57%	21.05%	14.97%	21.05%	20.29%	21.05%	42.17%	36.84%

Source: % of AA Households columns are derived from the 2000 U.S. Census State income figures. % of Number of Loans column is from a sample of 19 out of 20 consumer loans originated by the bank in 2004, 2005, and first quarter 2006 that had available income information.

### Lending in Assessment Area

A majority of the loans are originated within the bank's assessment area. Based on a sample of 95 loans in 2004, 2005, and first quarter 2006, 79% of the number and 77% of the dollar volume of loans were made in the assessment area. See the following table for more information:

Table 1 - Lending in Vermillion County, Indiana Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	3 5	71.43%	1 4	28.57%	49	\$607	54.83%	\$500	45.17%	\$1,108
Consumer Loans	1 8	90.00%	2 20	10.00%	20	\$137	94.31%	\$8	5.69%	\$145
Agricultural Loans	1 8	90.00%	2 20	10.00%	20	\$1,277	98.87%	\$15	1.13%	\$1,292
Commercial Loans	4	66.67%	2	33.33%	6	\$265	60.23%	\$175	39.77%	\$439
Totals	7 5	78.95%	2 0	21.05%	95	\$2,286	76.61%	\$698	23.39%	\$2,984

Source: Data is from a sample of 20 agricultural loans, 6 commercial loans (representing 100% of the bank's loans), 49 mortgage loans (representing 100% of the bank's loans), and 20 consumer loans all originated by the bank in 2004, 2005, and first quarter 2006.

## **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is low compared to its local peer banks, but reasonable given BOI's performance context. Peer banks are four banks located in Edgar County, Illinois and Vermillion County, Indiana with total assets between \$25 million and \$39 million. Data is unavailable to evaluate loan and deposit ratios for only activity originated from the former FNBD's Dana office, therefore data includes Evansville activity. During the past twenty-seven quarters, the loan-to-deposit ratio averaged 56%, which is lower than the peer banks' quarterly average of 64%. As noted in the following table, significant changes occurred within the bank's balance sheet over the examination period. Growth in volume is attributed to Evansville activity.

The sale of the branch in December 2005 decreased net loans and leases by 65% and total deposits by 47%. The bank's loan-to-deposit ratio from third quarter 2005 to fourth quarter 2005 decreased from 44.65% to 25.61%. The current BOI's deposit market share rank is 4 out of 4 institutions as of year-end 2005. At March 31, 2006, BOI's loan to deposit ratio totaled 26.09%.

## **Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as BOI's AA does not contain any low-income or moderate-income census tracts.

## **Responses to Complaints**

BOI has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.