



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**September 11, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Decatur Bank & Trust Company, National Association  
Charter Number 24485**

**520 North 13th Street  
Decatur, IN 46733**

**Comptroller of the Currency  
Central Illinois & Central Indiana  
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.**

The major factors that support this rating are:

- Decatur Bank & Trust Company, N.A. (Decatur Bank & Trust) has demonstrated a reasonable penetration among borrowers of different income levels including low- and moderate-income, and businesses of different sizes. Our loan sample disclosed a strong performance of lending to low- and moderate-income borrowers and a reasonable performance of lending to small businesses.
- A substantial majority of loans was made within the bank's assessment area (AA) based on the loan sample. This reflects good performance of lending in the AA.
- Decatur Bank & Trust's geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- Decatur Bank & Trust's loan-to-deposit ratio is more than reasonable given the bank's size and financial condition. Decatur Bank & Trust's loan-to-deposit ratio averaged 98.7 percent over the evaluation period, which compared well to other banks in the AA.

## **SCOPE OF EXAMINATION**

Decatur Bank & Trust converted to a national bank charter on January 1, 2004. The evaluation period was from the date of conversion through September 11, 2006. The bank was evaluated under Small Bank CRA performance standards. We took a sample of 50 single family residential mortgage and commercial/business loans to assist in arriving at our conclusions. Single family residential mortgage and commercial/business loans are the bank's two primary lending products. This sample was based on an internally generated report by the bank from January 1, 2004 through June 30, 2006. This evaluation also included a review of demographic information and the most recent CRA Performance Evaluations of other banks in the AA. We conducted two community contacts to better assess the community needs.

## **DESCRIPTION OF INSTITUTION**

Decatur Bank & Trust is a \$147.7 million intrastate financial institution headquartered in Decatur, Indiana. The bank operates four branch offices (Main, Downtown, Village Green, and Woodcrest) all of which are located in Decatur, Indiana. The bank has not opened or closed any branch offices over the evaluation period. The Woodcrest Office provides service to a retirement center two days each week. This meets the needs of the residents in this retirement center. The three other branch offices have regular banking hours Monday through Friday, and provide service on Saturday through its drive-up window. The bank has automatic teller machines

(ATMs) at each branch location except for the Woodcrest Office. The bank is 100 percent owned by First Merchants Corporation (FMC), a \$3.4 billion holding company headquartered in Muncie, Indiana. FMC owns eight banks which operate in Indiana and Ohio, an insurance company, a separately chartered Trust Company, and is the majority shareholder in a title insurance company.

Decatur Bank & Trust is a full-service financial institution, offering a wide range of products and services. Deposit products include checking accounts, savings accounts, money market accounts, and certificates of deposit. The bank also offers trust services, on-line banking, and telephone banking. Loan products include commercial/business loans, agricultural loans, single family residential mortgage loans, and consumer loans. The bank offers Small Business Administration (SBA) loans and was approved to be a Federal Housing Administration (FHA) lender in April 2006. During the evaluation period, the bank did not grant any SBA or FHA loans. The bank also offers 100 percent home financing. As of June 30, 2006, the bank reported \$103.9 million in outstanding loans. The bank's loan portfolio is heavily weighted toward commercial loans, which includes agricultural related loans. It should be noted the bank sells a large portion of its single family residential mortgage loans. During the evaluation period the bank sold \$17.6 million of single family residential mortgage loans. As of June 30, 2006, the loan portfolio was comprised of:

Commercial loans	\$77.9 million or 75.0 percent of the loan portfolio
Consumer Loans	\$14.2 million or 13.7 percent of the loan portfolio
Single Family Residential Mortgage Loans	\$11.8 million or 11.3 percent of the loan portfolio

Decatur Bank & Trust has no legal or financial impediments that would hinder the bank's ability to meet the credit needs of its AA. The bank's activities are consistent with its size, financial capacity, local economic conditions, and credit needs of the community. Decatur Bank & Trust was rated "Outstanding" at its prior CRA Performance Evaluation of February 25, 1999.

## **DESCRIPTION OF THE ASSESSMENT AREA (AA)**

Decatur Bank & Trust's AA includes four census tracts (0301.00, 0302.00, 0303.00, and 0304.00) in the northern portion of Adams County. Decatur is located approximately 25 miles southeast of Fort Wayne, Indiana. The AA is comprised of a mixture of agriculture and manufacturing jobs. Major employers included: Fleetwood Motor Homes (motor home manufacturing), Adams County Memorial Hospital, Thunderbird Products (boat manufacturer), Gold Shield of Indiana (manufacturing fiber glass related products), and Bunge (agriculture related). The local economy is considered stable with an unemployment rate of 5.1 percent.

Throughout the AA, banks have opportunities, although somewhat limited, to participate in helping to meet the lending needs of low- and moderate-income borrowers as well as small businesses. Identified needs include: 1) additional capital to fund small business development, and; 2) participation in low- and moderate-income lending for affordable home loan programs. We contacted two community organizations, which indicated they have opportunities for banks to participate in helping to meet the community needs. Management of Decatur Bank & Trust participates in some local organizations as board and committee members. Table 1 below

provides demographic information on the bank's AA based on 2000 census data.

<b>Table 1 Demographic Information for Decatur Bank &amp; Trust Company Assessment Area Census Tracts in Adam County – (0301.00, 0302.00, 0303.00, and 0304.00)</b>					
Demographic Characteristics	#	Low (% Of #)	Moderate (% Of #)	Middle (% Of #)	Upper (% Of #)
Geographies (Tracts)	4	0.0	0.0	100.0%	0.0
Population by Income Level of Geography	18,947	0.0	0.0	100.0%	0.0
Family Distribution by Income Level of Geography	5,135	0.0	0.0	100.0%	0.0
Owner-Occupied Housing Units by Income Level of Geography	5,557	0.0	0.0	100.0%	0.0
Businesses by Income Level of Geography	1,269	0.0	0.0	100.0%	0.0
Distribution of Families by Income Level Throughout AA	5,135	10.5%	18.3%	29.1%	42.1%
Businesses by Revenue Level	Revenues <= 1 Million 70.7%	Revenues > 1 Million 3.8%		Revenues not Reported 25.5%	
HUD Adjusted Median (ADM) Family Income 2005 MSA <ul style="list-style-type: none"> <li>• Low Income (below 50% of ADM)</li> <li>• Moderate Income (50 to 79.99% of ADM)</li> <li>• Middle Income (80% to 119.99% of ADM)</li> <li>• Upper Income (120% and above ADM)</li> </ul> Households Below the Poverty Level	= \$52,500 = \$0 - \$26,249 = \$26,250 - \$41,999 = \$42,000 - \$62,999 = \$63,000 - above = 428	Unemployment Rate: June 30, 2006 United States Indiana Adams County		= 4.6% = 5.2% = 5.1%	

There are approximately seven financial institutions serving the AA. There are three regional banks, two community banks, and two credit unions. Decatur Bank & Trust is ranked first with a 43.2 percent deposit market share in Decatur based on the June 2005 FDIC Deposit Market Share Report.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Decatur Bank & Trust's CRA performance was based on five main performance factors: loan-to-deposit ratio, lending in the AA, loans to borrowers of different income levels and businesses of different sizes, geographic distribution, and consumer complaints. Based on these factors, Decatur Bank & Trust exhibited a satisfactory record of addressing the credit needs of its AA. This is supported by a reasonable record of lending to borrowers of all income levels and businesses of different sizes. The bank has a strong performance of lending to low-and moderate-income people and a reasonable performance of lending to small businesses. The geographic distribution of these loans reflected a reasonable dispersion throughout the AA. The bank's quarterly average loan-to-deposit ratio over the evaluation period is more than reasonable. A substantial majority of the bank's loans are within its AA based on the loan sample.

### Loan-to-Deposit Ratio

Decatur Bank & Trust's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. Decatur Bank & Trust's loan-to-deposit ratio averaged 98.7 percent over the evaluation period, which included the ten quarters between March 31, 2004 and June 30, 2006. In addition, Decatur Bank & Trust is active in the selling of residential mortgage loans, which is not reflected in the loan-to-deposit ratio. In 2004 the bank sold 59 residential loans or \$6.6 million; in 2005 the bank sold 67 loans or \$7.0 million; and year-to-date, as of August 30, 2006, the bank sold 43 loans or \$4.0 million. Decatur Bank & Trust's loan-to-deposit ratio compared favorably to a local community bank with an average loan-to-deposit ratio for this same time period of 73.1 percent, and was in line with another local community bank having an average loan-to-deposit ratio of 104.0 percent.

### Lending in Assessment Area

A substantial majority of loans were made within the bank's AA based on a sampling of loans. As illustrated in Table 2 below, 80.0 percent of the number of loans and 84.5 percent of the dollar amount of loans sampled were made in the bank's AA. This represents good performance of lending in the AA.

<b>Table 2 – Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
					(000's)		(000's)			
Commercial	21	84.0%	4	16.0%	25	\$2,536	94.4%	\$151	5.6%	\$2,687
1-4 Family Mtg.	19	76.0%	6	24.0%	25	\$1,673	72.9%	\$622	27.1%	\$2,295
Totals	40	80.0%	10	20.0%	50	\$4,209	84.5%	\$773	15.5%	\$4,982

Source: The table is based on a sample of 25 commercial and 25 one-to-four family residential mortgage loans originated January 1, 2004 to June 30, 2006.

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

Decatur Bank & Trust has demonstrated a reasonable record of lending to borrowers of all income levels and to businesses of different sizes. The two primary loan products of the bank are single-family mortgage loans and commercial/business loans. A loan sample of single-family residential mortgage loans from within the AA disclosed a strong record of lending to low- and moderate-income borrowers (see Table 3). Based on a loan sample, 20.0 percent of single-family residential mortgage loans were to low-income borrowers and 35.0 percent were to moderate-income borrowers. This compares favorably with demographic information, which disclosed 10.5 percent of families in the AA are low-income and 18.3 percent are moderate-income.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Single Family Residential Mtg	10.5%	20.0%	18.3%	35.0%	29.1%	10.0%	42.1%	35.0%

*Source: The table is based on a sample of 20 single family residential mortgage loans originated January 1, 2004 to June 30, 2006*

The bank has a reasonable record of lending to small businesses when compared to the AA demographics. Small businesses are defined as having annual revenues of \$1 million or less. The loan sample of 20 commercial loans found 75.0 percent of the number of loans and 54.9 percent of the dollar amount were to small businesses. The percentage based on the number of loans is in line with the demographic information, which indicates that 70.7 percent of businesses (including agriculture related businesses) in the AA had revenues of \$1 million or less. The percentage of small business loans by dollar size was low, due in part, to one large loan in the sample not being a small business which brought the percentage down.

<b>Table 4 - Borrower Distribution of Loans to Businesses in the Assessment Area (MSA)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses*	70.7%	3.8%	25.5%	100%
% of Bank Loans in AA by #	75.0%	25.0%	0%	100%
% of Bank Loans in AA by \$	54.9%	45.1%	0%	100%

*Source: The table is based on a sample of 20 commercial loans from the AA that were originated from January 1, 2004 to June 30, 2006.*

### **Geographic Distribution of Loans**

Decatur Bank & Trust's geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's AA contains no low- or moderate-income tracts. The loan sample of business and residential loans disclosed loans were made in all tracts in the AA. A detailed breakdown of loans made in each tract is not provided as there are no low- or moderate-income tracts in the AA.

### **Responses to Complaints**

Decatur Bank & Trust has not received any CRA related complaints during the evaluation period.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.