



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Odon
Charter No. 7260
501 West Main Street
Odon, Indiana 47562**

**Office of the Comptroller of the Currency
Evansville Duty Station
P. O. Box 20130
Evansville, Indiana 47708**

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 First National Bank of Odon (FNB) prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 21, 1997. The OCC's evaluation covers the period from the date of the last CRA examination, December 8, 1993. The last CRA examination was rated Satisfactory. 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.

First National Bank of Odon received this rating for its efforts to help meet local community credit needs, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank. The average loan-to-deposit ratio is reasonable, and 87% of the bank's lending activities are conducted in its assessment area. Loans to low- and moderate-income borrowers represent a significant portion of the bank's loan portfolio.

The following table indicates the performance level of First National Bank of Odon with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF ODON 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		X	
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Odon (FNB) is a \$31 million full-service bank which operates from a main office in downtown Odon, Indiana and three branches located in Montgomery, Elnora, and Crane, Indiana. Automated Teller Machines (ATMs) are currently available at the Odon, Montgomery, and Crane branches and are accessible to all segments of the community.

Traditional banking products and services are offered. Total loans were \$13.4 million and total deposits were \$27.8 million as of December 31, 1996. The loan portfolio consists of 40% real estate loans (30% of which are secured by 1-4 family residential mortgages), 37% consumer loans, 12% commercial loans, and 11% agricultural loans. A majority of the commercial loans are to small businesses.

There are no legal impediments or financial constraints which would hinder the bank's ability to meet community credit needs. Eighty-two percent of FNB's outstanding stock is owned by Dearmin Bancorp, Inc., a one-bank holding company.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income census tracts.

FNB's assessment area is determined by the various branch locations situated in the towns of Odon, Elnora, Montgomery, and Crane, Indiana. The assessment area consists of Daviess, Martin, and Greene Counties. Greene County is a contiguous Indiana county where the bank has loan and deposit customers but no branch location. The assessment area consists of 19 Block Numbering Areas (BNAs). Four are designated moderate-income and 15 are designated middle-income. The statewide non-MSA median family income is \$37,200. The assessment area follows the regulation guidelines, and does not arbitrarily exclude any low- and moderate-income areas.

Odon is a small rural community (population 1,475) 85 miles northeast of Evansville. Elnora and Montgomery (both with populations under 1,000) and Odon are located in Daviess County. The area is dominated by small farms, and includes a growing Amish/Mennonite population. Daviess County has approximately 500 Amish families, with an estimated population of 2,500. The majority reside in the eastern half of the county. The Amish are engaged in farming, woodworking, and the construction trades. Crane, with a population of 216, is located in Martin County.

The assessment area is rural and is supported by the agriculture industry. Most of the farms are relatively small and family owned. The economy is stable with no industrial base. The region's economy is augmented by light manufacturing facilities in the larger surrounding towns and a poultry processing plant. Major employers are Purdue Foods, Inc., Daviess County Hospital, Greene General Hospital, Crane Naval Base, nursing homes, and the various school systems.

Daviess, Martin, and Greene Counties have populations of 27,533, 10,369, and 30,410, respectively. Assessment area demographics reflect a diverse population with an unemployment level of 4%, which is comparable to the state average of 4.2%. The primary competitors are a national bank in nearby Washington, Indiana and the employee credit union at the Naval Weapons Service Center in Crane.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The Bank’s performance is satisfactory. Our review included a sample of real estate mortgages and commercial loans originated in 1996.

Loan-to-Deposit Ratio

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

An average loan-to-deposit ratio of 44% for the past two years is reasonable. Competitor institutions range in size with average assets of \$45 million to \$122 million and loan-to-deposit ratios ranging from 55% to 92% as of 12-31-96. FNB remains the smallest competitor with average assets totaling \$31 million and a loan-to-deposit ratio of 47%. FNB is a small bank engaged in intense competition for a limited number of customers.

Lending in Assessment Area

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

Table 1 indicates that 87% of both the number and dollar volume of lending activity is made to customers living within the assessment area.

Table 1 1996 Lending Activity Inside/Outside of Assessment Area				
Loan Type	Inside		Outside	
	#	(\$000)	#	(\$000)
Mortgage	273	5,022	13	321
Commercial	168	2,546	4	64
Installment	638	2,707	145	1,216
TOTALS	1,079	10,275	162	1,601
	87%	87%	13%	13%

Source: FNB internal analysis

Lending to Borrowers of Different Income Levels

Given the demographics of the assessment area, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

We analyzed a sample of 50 real estate loans that originated in 1996 to evaluate FNB’s record of granting loans to individuals of various income levels. Table 2 reveals that 40% of the lending activity is for the benefit of low- and moderate-income borrowers.

Table 2 Lending to Borrowers of Different Income Levels			
	Borrower income relative to the MFI	Annual Income	% of mortgage loans granted to borrowers of each income level
Low-income	Less than 50%	Less than \$18,600	24%
Moderate-income	50% to 80%	\$18,600 to \$29,760	16%
Middle-income	80% to 120%	\$29,760 to \$44,640	24%
Upper-income	More than 120%	More than \$44,640	36%

MFI= Median Family Income (\$37,200)

To evaluate FNB’s performance in granting credit to small businesses and small farms, we reviewed information about the 126 commercial and farm loans that originated from April 1996 to January 1997. We determined that 124 of the 126 loans (98%) had an original balance of less than \$100,000 and were granted to businesses having annual revenues of less than \$1 million.

Geographic Distribution of Loans

The OCC reviewed the bank’s analysis of the geographic distribution of all loans originated in 1996. It concluded that there are no low- and moderate-income neighborhoods which are excluded from FNB credit services. The penetration of loans throughout the assessment area is reasonable.

Compliance with Antidiscrimination Laws

We tested the bank’s compliance with the Equal Credit Opportunity Act and the Fair Housing Act during a concurrent compliance examination. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.