



SMALL BANK

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

PUBLIC DISCLOSURE

March 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Evansville, National Association
Charter Number 24167**

**4424 Vogel Road
Evansville, IN 47715**

**Comptroller of the Currency
Evansville Field Office
101 NW 1st Street, Suite 207
Evansville, IN 47708**

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.

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The bank's record of lending to businesses of different revenue sizes is reasonable based on our sample of commercial/industrial and commercial real estate loans.
- Loans are reasonably distributed by geography classification.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 90%.
- A majority of the bank's loans extended during this evaluation period were originated within the bank's assessment area (AA).

DESCRIPTION OF INSTITUTION

The Bank of Evansville (Bank) is an independent, shareholder-owned financial institution located in Evansville, Indiana. The Bank was chartered, and operations commenced, July 2, 2001. As of December 31, 2002, the Bank had total assets of \$97 million, net loans of \$75 million, total deposits of \$87 million, and total risk based capital of \$10 million. There are no subsidiaries or affiliates, and there have been no changes in the Bank's corporate structure.

As of December 31, 2002, net loans totaled \$75 million, representing 77% of total assets. The loan portfolio consisted of 72% commercial loans, 26% residential real estate loans, 1% consumer loans, and 1% agricultural and other loans. Business loans represent the substantial majority of loans by dollar amount and number of loans originated during this evaluation period. The distribution of loans is reflective of the Bank's primary focus on owner-operated and mid-sized businesses in its market area. Although the Bank is primarily a commercial lender, traditional bank services and loan products normally associated with a community bank are also offered.

The Bank operates two offices in Vanderburgh County. The main office was relocated from 5130 Vogel Road to 4424 Vogel Road on February 18, 2003. The branch office is located on St. Joseph Avenue on the west side of Evansville. There have been no other branch openings or closings. An automated teller machine (ATM) and night depository are available at both locations.

There are no legal or financial constraints placed on the bank's ability to meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

This is the first CRA examination for the de novo bank and covers the evaluation period July 2, 2001 through December 31, 2002.

DESCRIPTION OF ASSESSMENT AREA

Vanderburgh County is designated by management as its primary AA. Warrick and Posey Counties, because of their close proximity to the **branches**, are also included when referring to Evansville and its surrounding communities. Each of these counties is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Vanderburgh, Warrick, and Posey Counties are included in a portion of the Evansville, IN/Henderson, KY Metropolitan Statistical Area (MSA). The AA is comprised of 70 Census Tracts (CTs), which are broken down for each county. Vanderburgh County has 53 CTs: 1.00, 2.01, 2.02, 3.00-6.00, 8.00, 9.00, 10.97, 10.98, 11.00-36.00, 37.01, 37.02, 38.01, 38.03, 38.04, 39.00, 101.00, 102.01-102.03, 104.02, 104.97, 104.98, 105.00-107.00. Based on the 1990 MSA median family income, three CTs are classified low-income, nineteen CTs are classified moderate-income, seventeen CTs are classified middle-income, thirteen CTs are classified upper-income, and **one CT is not classified**. Both the main office located in CT 2.02 and the west side branch located in CT 30.00 are designated middle-income.

Warrick County is comprised of 10 CTs: 301.00-306.00, 307.01-307.03, and 308.00. Two CTs are classified moderate-income, four are classified middle-income, and the remaining four are classified upper-income. Posey County is composed of 7 CTs: 401.00-407.00. Six are classified middle-income and one is classified upper-income. Based on the 1990 MSA median family income, the entire AA consists of three CTs or 4% classified low-income, twenty-one CTs or 30% classified moderate-income, twenty-seven CTs or 40% classified middle-income, and eighteen CTs or 26% classified upper-income.

The 1990 census data shows the total population in the AA at 235,946. Vanderburgh County has the largest population at 165,058 followed by Warrick County at 44,920, and Posey County at 25,968. Family distribution totaled 65,037. Of these families, 11,746 or 18% were classified low-income, 11,987 or 18% moderate-income, 15,550 or 24% middle-income, and 25,754 or 40% upper-income. Total population in the three low-income CTs 14.00, 16.00, and 104.98 was 3,776.

Based on the 1990 census data for the AA, 14% of the population is age 65 and over, 15% of households are in retirement, and 11% of households live below the poverty level. The MSA median family income as of the 1990 Census was \$33,523. The 2002 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$54,700. We used the 2002 updated figure in our analysis to determine the borrower income levels.

In 1990, the median housing value for the AA was \$54,902 and the median age of the housing stock was 31 years. Local housing for the AA was 81% 1-4 family units, with 64% being owner-occupied. The median age of the housing stock was 40 years for the moderate-income CTs and 49 years for the low-income CTs. We noted 8% of the housing units are vacant. Economic conditions in Vanderburgh County are stable with unemployment lower than that of

the state of Indiana. The December 2003 seasonally unadjusted unemployment rate for Vanderburgh County and Indiana are 4.0% and 5.1%, respectively. These ratios are both less than the national unemployment rate of 5.7%. Major employers in the Evansville area include: Evansville/Vanderburgh School Corporation with 3,073 employees; ALCOA Warrick Operations with 2,500 employees; Whirlpool Corp. with 2,450 employees; Mead Johnson Nutritionals with 2,415 employees; St. Mary's Medical Center with 2,187 employees; Deaconess Hospital with 2,110 employees; Toyota Motor Manufacturing with 1,700 employees; T. J. Maxx with 1,550 employees; Traylor Bros., Inc. with 1,500 employees, and Casino Aztar with 1,257 employees.

Competitive pressures are strong and primarily come from two large regional banks and local banks with over fifty branches total throughout the area. Additionally, there are a multitude of credit unions, mortgage companies, farm services, and insurance company offices that offer loan products.

Management indicated the primary credit needs of the AA are small to mid-size business loans, residential real estate loans, personal loans, and some farm-related loans. To further our understanding of the community's credit needs, we performed a community contact with a local organization knowledgeable about the tri-state area. Our contact did not identify any unmet credit needs. The contact acknowledged good participation from banks in the community; all are involved and sponsor community events.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Bank does a satisfactory job of meeting the credit needs of its AA, including those of low- and moderate-income individuals and small businesses, given the performance context, demographics, economic factors, and competitive pressures faced by the Bank.

Loan-to-Deposit Ratio

The Bank's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the LTD ratio was 86%. The quarterly average LTD ratio since the Bank opened for business was 90%. This is comparable to three similarly situated banks in the area whose quarterly average LTD ratios ranged from 71% to 105%, with an average ratio of 89%. These banks are considered similarly situated because of their size, lending opportunities, and location.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the Bank's loans were originated in the AA. A sample of 20 business loans totaling \$2.9 million found that 100%, by number and by dollar, were made within the Bank's AA. We analyzed Home Mortgage Disclosure Act (HMDA) data to review residential real estate loans originated and purchased in 2002. The data shows 99% by number and 99% by dollar were made within the Bank's AA. Because the HMDA data is only available for one year during this evaluation period, we will not perform further analysis of this limited data.

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

The Bank's lending distribution to businesses of different revenue sizes is reasonable.

During this evaluation period, commercial loans comprising 72% of total loans were determined to be the Bank's primary loan product. An analysis of the consumer loan portfolio was not performed. Such an analysis would not have been meaningful, as the consumer loan portfolio comprises only 1% of the Bank's total loan portfolio.

We reviewed HMDA reportable loans originated and purchased in 2002. There were 101 reported loans: 52 home purchase, 43 refinance, and 6 home improvement loans. Breakdown for the various counties was as follows: Vanderburgh County had 40 home purchase, 36 refinance, and 5 home improvement loans; Warrick County had 12 home purchase, 6 refinance, and 1 home improvement loans; and Posey County had 1 refinance loan.

As part of this CRA evaluation, we verified a sample of 15 HMDA-reportable transactions for 2002 to determine the accuracy of the Bank's HMDA loan application register. The Bank had no significant errors in its data that would prevent an accurate evaluation of its CRA performance. The Bank's publicly filed data was substantially correct and reliable.

Further analysis of the small volume of loans generated during this one-year period would not be meaningful. The volume is partly due to the limited timeframe for the evaluation and because the Bank takes applications and brokers them to other lenders who originate them for sale in the secondary market. The facts and data used to evaluate the Bank's lending activity will, therefore, be limited to business loans.

The Bank is responsive to the credit needs of businesses in its AA. During the evaluation period, the Bank originated 253 business-related loans totaling \$54.5 million. Using only loans made in the AA, we sampled 20 business-related loans originated from July 2, 2001 through December 31, 2002. All loans sampled were made in the AA: 19 in Vanderburgh County and 1 in Warrick County. Based on this sample, the Bank's lending to small businesses is reasonable compared to the percentage (74%) of nonfarm businesses within the AA. Eighty-five percent of the number of loans was extended to small businesses. Additionally, 70% of the loans were for amounts of \$100 thousand or less.

Revenue Ranges	Lending to Businesses of Different Sizes			Businesses within AA		
	#	Percent	\$ (000s)	Percent	#	Percent
\$1 Million or Less	17	85%	2,246	76%	8,626	74%
Greater than \$1 Million	3	15%	701	24%	1,004	9%
Revenue Not Reported	0	0%	0	0%	1,998	17%

Sources: Loan sample of Bank records, and Dun & Bradstreet 2002

Geographic Distribution of Loans

Overall lending reflects an adequate dispersion among geographies of different income levels. There are census tracts with little loan penetration. This is reasonable, given the contextual factors. Our conclusion is based on the residential real estate loans and business-related loans discussed previously.

Responses to Complaints

The Bank has not received any complaints about its performance in helping to meet community credit needs.

Fair Lending or Other Illegal Credit Practices Review

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