

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 **Peoples Bank & Trust Company, Sunman, Indiana** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **June 23, 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.

Peoples Bank & Trust Company generally promotes economic revitalization and growth within its assessment area consistent with its size, financial capacity, and current economic conditions. The bank's overall level of performance with the Community Reinvestment Act is considered satisfactory. The bank's performance under the Lending Test was considered *high satisfactory* based upon its average loan to deposit ratio of 66.08% and the significant upward trend of the ratio. Since the previous examination, 73.39% of all loans were made within the assessment area and were reasonably distributed throughout the assessment area and among borrowers and businesses of different incomes. The bank's performance under the Service Test is considered *high satisfactory*. The bank opened a new branch since the previous examination which helps to better serve the credit needs of a moderate-income census tract. Additionally, accommodating hours and full loan product offerings at the new location favorably affected the rating. The bank's performance under the Investment Test is considered *low satisfactory*. Participation in qualified investments, grants or other contributions to community development organizations was limited since the previous examination. However, discussions with community members revealed that there were limited opportunities in the assessment area, including the short time that the bank has been active in the new portion of the assessment area.

There is no evidence of prohibited discriminatory lending practices or policies intended to discourage individuals from applying for loans offered by the bank. No CRA related complaints were received by the bank since the previous examination.

The following table indicates the performance level of **Peoples Bank & Trust Company** with respect to each of the five performance criteria.

PERFORMANCE LEVELS	<u>PEOPLES BANK & TRUST COMPANY</u>		
	PERFORMANCE TESTS		
	LENDING TEST	INVESTMENT TEST	SERVICE TEST
OUTSTANDING			
HIGH SATISFACTORY	X		X
LOW SATISFACTORY		X	
NEEDS TO IMPROVE			
SUBSTANTIAL NONCOMPLIANCE			

DESCRIPTION OF INSTITUTION

Peoples Bank & Trust Company, with total assets of \$53.2 million as of March 31, 1997, is a subsidiary of First Financial Bancorp, a multi-bank holding company with assets of over \$2.3 billion. The bank operates two full service locations. The main facility is located in Sunman, Indiana and a second facility was opened inside a Wal-Mart in Aurora, Indiana on January 2, 1997. The bank offers a variety of deposit and loan products at each of its locations including; consumer, residential, commercial and agricultural loans.

The bank's primary competitors are Peoples Trust Company (Batesville branch) and The Franklin County National Bank of Brookville in Brookville, Indiana; The Ripley County Bank (Milan branch) in Osgood, Indiana; Perpetual Federal Savings & Loan Association in Lawrenceburg, Indiana; and, The Merchants Bank & Trust in West Harrison, Indiana.

DESCRIPTION OF ASSESSMENT AREA

The bank's offices are located in southeastern Indiana, approximately 80 miles southeast of Indianapolis, Indiana and 55 miles west of Cincinnati, Ohio. The bank's assessment area consists of one block numbering area (BNA) in the northeastern portion of Ripley County and six census tracts in Dearborn County. This area includes all or portions of the following Indiana communities: Batesville, Morris, Sunman, Milan, St. Leon, West Harrison, Yorkville, Manchester, Guilford, Moores Hill, Sparta, Lawrenceburg, Greendale, and Aurora. The assessment area has changed to include whole BNAs and census tracts, and to reflect the opening of the branch facility in Aurora, Indiana. The bank's revised assessment area does not arbitrarily excluded any low- or moderate-income geographies.

The bank's assessment area is comprised of middle-income geographies, with the exception of census tract #0803, which is moderate-income. According to 1990 census data, the assessment area has a population of 37,771. The population includes 98.6% White, and no minority groups exceeding 1% of the total population. The moderate-income census tract is located in southeastern Dearborn County, north of the Aurora branch and contiguous to the Indiana/Ohio border. This tract has a population of 4,607, representing 12.2% of the total population, and includes the community of Lawrenceburg.

According to 1990 census data, the median home value in the assessment area was \$60,135, the median age of housing stock was 32 years and 67.5% of existing housing was built after 1950. The following chart represents additional housing information.

HOUSING DATA	ASSESSMENT AREA	PERCENT OF TOTAL
Owner Occupied Units	10,251	72.4%
Total Rental Units	2,973	21.00%
Vacant Units	930	6.6%
Total Housing Units	<u>14,154</u>	100%

The percentage of owner-occupied housing units (72.42%) exceeds the non-metropolitan state level of 67.7% and the state level of 64.6%.

The median family income for the assessment area is \$31,135 compared to non-metropolitan state area median income of \$26,329. Approximately 19.8% of the assessment area population is considered low-income and 17.4% is considered moderate-income.

According to bank management, the largest employers in the area include the following:

Employer	City	# Employed	Product\Service
Hill-Rom Company	Batesville	1,800	Manufactures Hospital Furniture
Seagram Americas	Lawrenceburg	650	Alcoholic Beverages
Franks Packaging	Sunman	100-200*	Battery Packaging plant
Batesville Casket Company	Batesville	1,100	Manufactures Funeral Caskets
Sunman Dearborn School Dist.	St. Leon	414	Education
Wal-Mart Super Center	Aurora	349	Retail Sales

* Seasonal Variations

According to the State of Indiana Workforce Development, the May 1997 unemployment rates for Ripley County, Dearborn County and the State of Indiana were 2.4%, 2.6% and 4.7%, respectively.

Discussions with community members revealed that population and economic growth has been strong in the area, and noted strong residential and industrial construction activity. Population growth in Dearborn County since the 1990 census was estimated at 16%, and is attributed to the addition of gambling boats in Lawrenceburg and Rising Sun. Community members noted a trend in the economy away from agriculture and towards tourism and gaming. According to one contact, there are 60 working farms in Dearborn County. The move away from agriculture is supported by information from the Regional Economic Information System (REIS), which showed an 8.2% decline in farm employment between 1990 and 1994. Community members also stated that many towns are becoming bedroom communities for workers commuting to Cincinnati, Lawrenceburg and Batesville.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management has developed adequate policies, procedures and training programs to support nondiscrimination in lending activities. The institution is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

LENDING TEST

Lending Volume

The bank's uniform bank performance report (UBPR) was reviewed to evaluate the bank's volume of lending, loan mix and how the bank's performance compares to its peer group and local competition. The bank's average loan-to-deposit ratio for the three quarters ended March 31, 1997 was 66.08%. The following chart compares the bank's loan-to-deposit ratio (LTD) to the LTD's of local competitors according to the March 31, 1996 and March 31, 1997 UBPRs.

Institution	Total Assets as of March 31, 1997 (\$000)	LTD as of March 31, 1996 (%)	LTD as of March 31, 1997 (%)	Change (%)
Peoples Bank & Trust Company, Sunman, IN	53,190	58.28	72.20	23.88
Peoples Trust Company, Brookville, IN	289,224	75.16	75.50	.45
The Merchants Bank and Trust Company, West Harrison, IN	86,632	87.08	82.22	(5.58)
Ripley County Bank, Osgood, IN	102,699	85.73	99.03	15.51
The Franklin County National Bank of Brookville, Brookville, IN	130,483	77.71	84.95	9.3

As the preceding chart illustrates, the bank's loan-to-deposit ratio is the lowest among its competitors. However, the bank has experienced the greatest annual percentage increase (23.88%) in its loan-to-deposit ratio and its net loans and leases have increased 18.84%. President Alan Short indicated that the loan growth is the consequence of increased lending efforts and that management's goal is to achieve a loan-to-deposit ratio of approximately 90%.

According to the March 31, 1997 Uniform Bank Performance Report (UBPR), the bank's loan portfolio compared to peer is illustrated in the following chart:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	2.56	1.43
1-4 Family Residential	54.67	26.85
Home Equity (LOC)	0.00	.09
Other Real Estate	26.32	21.39
Farmland	7.29	7.31
Multi-family	2.94	.33
Commercial	<u>16.09</u>	<u>11.31</u>
TOTAL REAL ESTATE LOANS	83.54	53.26
LOANS TO INDIVIDUALS	9.12	14.48
CREDIT CARD LOANS	0.00	.17
COMMERCIAL & INDUSTRIAL LOANS	3.49	13.99
AGRICULTURAL LOANS	3.79	10.46
MUNICIPAL LOANS	0.00	0.25
OTHER LOANS*	.06	.15
* Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
72.2%	63.31%

As shown in the previous chart, the bank has a much higher percentage of real estate loans than its peer. The greatest difference is in residential real estate loans, where the bank's ratio is 54.67% of total loans compared to 26.85% for its peer. The high real estate lending is offset by lower percentages of loans to individuals, commercial and industrial loans and agricultural loans. Management intends to introduce several new products to better balance its portfolio, including credit cards and home equity lines of credit.

Lending in Assessment Area

The bank's CRA data collection for small business, small farm, residential real estate and all of its consumer loan products, for the six months ending June 30, 1997, was reviewed to determine the bank's level of performance in lending within their assessment area and revealed the following:

LOAN TYPE	TOTAL LOANS # / \$(000's)	WITHIN THE ASSESSMENT AREA # / \$(000's)	PERCENT OF TOTAL # / \$
Small-Business Loans	66 / \$1,628	50 / \$895	75.76% / 54.98%
Small-Farm Loans	24 / \$926	18 / \$781	75% / 84.34%
Residential Real Estate	46 / \$3,283	25 / \$1,388	54.35% / 42.28%
Consumer Unsecured	66 / \$151	54 / \$120	81.82% / 79.47%
Consumer (Motor Vehicle)	75 / \$541	54 / \$421	72% / 77.82%
Consumer Secured	74 / \$325	58 / \$249	78.38% / 76.62%
Consumer (Term Home Equity)	6 / \$243	3 / \$39	50% / 16.05%
All Loan Types	357 / \$7,097	262 / \$3,893	73.39% / 54.85%

The previous table illustrates that a substantial majority (73.39%) of the bank's total number of loans were made in the assessment area. Total loans within the bank's assessment area by dollar amount was 54.85%.

Lending Analysis Based Upon Size of Business and Borrower Income

The bank's CRA data collection for small business, small farm, residential real estate and all of its consumer loan products, for the six months ending June 30, 1997, was reviewed to determine the bank's distribution of loans among business, farm, and borrower income levels. The following table represents the bank's lending to small businesses and small farms by loan dollar amount.

DISTRIBUTION OF BUSINESS LOANS BY LOAN AMOUNT								
	\$100,000 or less		Greater than \$100,000 to \$250,000		Greater than \$250,000 and less than \$1 million		Total	
	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)
Small Business	64	1,268	1	105	1	255	66	1,628
Small Farm	21	360	3	566	0	0	24	926

The previous table shows that the majority of the bank's small business and small farm loans are for amounts less than \$100,000. Discussions with the CRA Officer revealed that all of the bank's commercial and agricultural credits were to businesses and farms with annual revenues under \$1 million. The smaller number of farm loans compared to business loans reflects the composition of the local economy.

A review of the bank's data collection report for real estate and consumer loans to borrowers of different incomes, revealed a reasonable penetration to low- and moderate-income borrowers compared to area demographics. Although exact distribution among income levels could not be obtained due to inconsistencies in the bank's method of collecting income information, the report shows that a majority of all consumer loans were made to low- and moderate-income individuals.

Geographic Distribution of Loans

The bank's CRA data collection for small business, small farm, residential real estate and all of its consumer loan products, for the six months ending June 30, 1997, was reviewed to determine the dispersion of lending in the bank's assessment area and the number and amount of loans throughout the various income geographies in the bank's assessment area.

Geographic Distribution of Loans Inside the Assessment Area (all types)		
Census Tract/BNA	# Loans	% of Total (357)
9684 (Ripley)	73	20.45%
0801 (Dearborn)	142	39.78%
0802 (Dearborn)	18	5.04%
0803 (Dearborn)	3	0.84%
0804 (Dearborn)	3	0.84%
0805 (Dearborn)	0	0.00%
0807 (Dearborn)	23	6.44%
Total Inside	262	73.39%
Total Outside	95	26.61%

As shown in the above chart, three loans were originated in census tract 0803; the only low- or moderate-income census tract in the assessment area. Census tracts 0803, 0804 and 0805 were added to the bank's assessment area in conjunction with the opening of its Aurora branch on January 2, 1997. The lower volume of loans in these tracts is attributed to the short time that the branch has been in operation.

Community Development Lending

The extent of the bank's involvement with community development lending was assessed through interviews with management, a review of the bank's lending activity and a review of a recent internal audit. The review revealed that the bank's community development lending has been limited. The bank originated one \$500,000 loan to finance a start-up battery packaging business in Sunman. According to management, the business has generated approximately 200 new jobs for local residents. Starting wages at the plant were reportedly between \$7 and \$8 per hour, providing entry level opportunities to unskilled workers. Bank management and community members stated that there have been few opportunities to participate in community development lending activities. Community contacts indicated that there are upcoming opportunities for community development lending in both Lawrenceburg and Sunman.

Innovative or Flexible Lending Practices

The bank offers Small Business Administration (SBA) loans and U.S. Department of Agriculture (USDA) guaranteed loans through the Rural Housing and Community Development (RHCD), an agency of the USDA. The RHCD loans offer moderate-income applicants the ability to obtain mortgages with no money down. The bank has originated five RHCD loans totaling \$83,103 since the previous examination. The bank has one SBA loan in its portfolio but has not originated any since the previous examination. Community Contacts did not identify the need for any particular credit programs. The bank is providing credit to small businesses through its normal lending programs.

Conclusion

The bank's lending performance is considered high satisfactory. The bank has increased its volume of lending and has originated a substantial majority of lending (73.39%) in its assessment area. Additionally, all of the bank's commercial and agricultural lending was to small businesses and small farms. Limited lending volume in the moderate- income census tract reflects the short time that the Aurora branch has been operating. The level of lending to low- and moderate-income borrowers is considered reasonable.

INVESTMENT TEST

The bank's investment portfolio, donations and participation in special programs that foster community development were reviewed. Investments were reviewed for innovativeness, responsiveness to credit and community development needs and the degree to which these investments are not routinely provided by private investors.

Qualified Investment Activity

The bank did not participate in any qualified investments since the previous examination. However, discussions with bank management and community members revealed that opportunities for community development investments have been limited, and did not reveal any unmet investment opportunities in the assessment area. Management has not yet ascertained opportunities to provide assistance to community development organizations in the newly added census tracts surrounding the Aurora branch; however, it is part of there ongoing CRA plan.

Degree to Which Investments Are Not Provided by Private Investors

The bank did not make any contributions or grants to organizations which promote or otherwise support community development.

Conclusion

The bank's performance under this criteria is considered to be low satisfactory. While the bank has not purchased any qualified investments since the previous examination, opportunities for such investments have been limited.

SERVICE TEST

The bank's system for delivering retail banking and community development services was reviewed for accessibility and responsiveness to the needs of the assessment area. In addition, the bank's distribution of branches, record of opening and closing branches and community development services were reviewed.

Delivery System and Alternative Banking Services

The bank maintains two full service banking facilities, one in Sunman and one in Aurora. In addition, each of the facilities maintains an ATM with 24 hour access. Both facilities offer consumer, real estate and commercial/agricultural lending. According to management, the bank regularly accommodates customers by meeting after hours, and at their home or place of work to process new accounts and loan applications. The hours of the two facilities are demonstrated in the following table:

Facility	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Sunman	9 a.m.- 3 p.m.	9 a.m.- 3 p.m.	Closed	9 a.m.- 3 p.m.	9 a.m.- 3 p.m.	9 a.m.- 1 p.m.	Closed
- drive-up	7:30 a.m. - 4 p.m.	7:30 a.m. - 4 p.m.	8 a.m. - 1 p.m.	7:30 a.m. - 4 p.m.	7:30 a.m. - 6 p.m.	8 a.m. - 1 p.m.	Closed
Aurora	10 a.m. - 7 p.m.	10 a.m. - 7 p.m.	10 a.m. - 7 p.m.	10 a.m. - 7 p.m.	10 a.m. - 4 p.m.	Closed	12 p.m. - 4 p.m.

The bank’s business hours are reasonable in providing the community accessibility to services.

Distribution of Branches

Both of the bank’s facilities are located in middle-income geographies. The census tract containing the Aurora branch is contingent to a moderate-income census tract, which is included in the bank’s assessment area. The branch is located in a Super Wal-Mart store which is easily accessible to residents of the area. As the previous table illustrates, the branch location serving the moderate-income census tract has extended hours compared to the main bank in Sunman.

Record of Opening and Closing Offices

The bank opened the new branch facility, which includes a 24 hour access automated teller machine, inside the Wal-Mart in Aurora, Indiana on January 2, 1997. In conjunction with the branch opening, the bank expanded its assessment area to include moderate-income census tract 0803 in Dearborn County. This census tract was not served by the bank prior to opening the Aurora branch. The bank adopted a branch closing policy on August 20, 1996 which meets the requirements of Section 42 of the Federal Deposit Insurance Act.

Community Development Services

The bank’s community development services are addressed through its participation in governmental loan programs, as discussed under the Lending Test section of this report of examination. No other examples of community development services were identified.

Conclusions

The bank’s performance under the Service Test is considered high satisfactory. This assessment was based on the bank opening a branch which provides services to a moderate-income tract not formerly serviced by the bank. Additionally, the branch location provides a convenient location and hours of service before and after normal business hours, including Sunday hours. Further, the bank operates two proprietary automated teller machines which provide 24 hour access for deposits and withdrawals.