

# **PUBLIC DISCLOSURE**

August 5, 1996

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Peoples Bank and Trust Company  
RSSD #522847**

**Greensburg, Kentucky**

**Federal Reserve Bank of St. Louis**

**P.O. Box 442**

**St. Louis, Missouri 63166-0442**

**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 Reserve 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*

***The Peoples Bank and Trust Company**, prepared by the **Federal Reserve System**, the institution's supervisory agency, as of August 5, 1996. 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 CRA RATING:** This institution is rated Satisfactory.

The Peoples Bank and Trust Company meets the necessary criteria to receive a satisfactory rating. The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area. A majority of the bank's loans and other lending related activities are extended within its assessment area. The distribution of borrowers reflects reasonable penetration among individuals of different income levels including low - and moderate-income and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Peoples Bank and Trust Company</u> 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	Geographic distribution analysis is not relevant. See comment on page 6.		
Response to Complaints	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

The Peoples Bank and Trust Company is owned by Peoples Bancorp of Green County, a one bank holding company. The bank has one banking facility located at 202 North Main Street, Greensburg, Kentucky and two automated teller machines (ATMs). The ATMs are located at the main office and in Summersville, Kentucky, a community located northwest of Greensburg. As of June 30, 1996, the bank reported \$64.4 million in assets. The bank's primary lending focus is agricultural and consumer, although a large dollar amount of commercial loan participations appear in its portfolio. The bank is one of three financial institutions in Greensburg. Of the two competing financial institutions, the primary competitor is a bank with similar asset size and the other is a branch office of a larger bank, which has branches in several towns outside of Green County.



## **DESCRIPTION OF ASSESSMENT AREA**

The bank defines its assessment area as all of Green County which contains block numbering areas (BNAs) 9901, 9902, 9903, and 9904. All four BNAs are designated as middle-income by the U.S. Census Bureau. The bank's assessment area is rural with agriculture being the primary industry and the largest employer in the area. Other large employers in Green County are Greensburg Manufacturing, a manufacturer of hardwood products, and the Green County school system. Based on the 1990 census, the statewide nonmetropolitan median family income is \$22,543 and the assessment area median income is \$23,079. Approximately 40.0 percent of the families in both the statewide nonmetropolitan area and the assessment areas are considered low- and moderate-income. The total population of the assessment area is 10,371.

According to contacts made in the community, the primary credit needs in the area are small personal loans, agricultural loans, and residential loans with more flexible lending criteria.

## **CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:**

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

Although the bank's loan-to-deposit ratio is lower than its primary competitor's, it is considered reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio over the past five quarters since the last examination dated March 13, 1995, is 57.3 percent. The bank's primary competitor had an average loan-to-deposit ratio for the same time period of 71.3 percent.

Of the loans reviewed at this examination, a large number of small dollar loans were observed in the sample, which may adversely impact the bank's loan-to-deposit ratio. Nevertheless, the large number of small dollar loans demonstrates a willingness to address the credit needs of this community. The number of small loans is discussed in greater detail under the performance category of Lending to Borrowers of Different Income Levels. @

### Lending in the Assessment Area

A majority of the bank's loans sampled during the six-month review period ending July 31, 1996, are in its assessment area. Based on a review of the bank's primary loan products, 192 or 84.6 percent were located within the assessment area. The disposition in each loan category sampled is as follows:

<b>LOAN TYPE</b>	<b>NUMBER OF LOANS WITHIN THE ASSESSMENT AREA</b>	<b>NUMBER OF LOANS SAMPLED</b>	<b>PERCENTAGE</b>
Personal Loans	109	128	85.2%
Agricultural Loans	83	99	83.8%
<b>Total</b>	<b>192</b>	<b>227</b>	<b>84.6%</b>

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

The distribution of the bank's credit extensions demonstrates a reasonable penetration throughout all income segments of its assessment area. In order to determine the bank's penetration among individuals of different income levels, an analysis was performed based on a comparison of applicant income to the nonmetropolitan-state median family income of \$22,543.

The following table illustrates the bank's originations of personal loans by income level.<sup>1</sup>

<b>PERSONAL LOANS</b>	<b>NUMBER</b>	<b>DOLLAR AMOUNT</b>
Low- and Moderate-Income Borrowers	30 (31.3%)	\$104,230 (15.9%)
Middle- and Upper-Income Borrowers	66 (68.7%)	\$550,861 (84.1%)

Based on the nonmetropolitan-state median family income, 40.1 percent of all families in nonmetropolitan areas of Kentucky are low- and moderate-income. Although the bank's percentage of lending to low- and moderate-income borrowers is below the percentage of the population that is low- and moderate-income, the lending to low- and moderate-income borrowers is considered reasonable. Also, the percentage of lending by dollar amounts is significantly below the percentage of the population that is low- and moderate-income. The lower dollar percentage appears consistent in that low- and moderate-income borrowers typically request smaller loan amounts.

In addition, 83 agricultural loans that were located within the bank's assessment

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<sup>1</sup>Low-income is defined as individual income that is less than 50 percent of the statewide nonmetropolitan median family income.

Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the statewide nonmetropolitan median family income.

Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the statewide nonmetropolitan median family income.

Upper-income is defined as individual income that is 120 percent or more of the statewide nonmetropolitan median family income.

area were reviewed to determine the extent to which the bank was lending to businesses of different sizes. Since agriculture is the major industry and largest employer in the assessment area, agricultural loans were chosen to demonstrate the bank's performance in this criteria. All of these loans were made to small farms with gross annual revenues of less than \$1 million.

As previously discussed, the bank has originated a large number of small loans which tend to serve the credit needs of low- and moderate-income borrowers. Of the 99 agricultural loans sampled, the bank made 41 loans of \$2,000 or less. Of the 128 personal loans sampled, the bank made 47 loans of \$2,000 or less. These types of loans are less profitable to the bank but demonstrate that management recognizes the need for small loans and plans to continue making them in the future.

### **Geographic Distribution**

The bank's assessment area does not include any BNA's designated as low- or moderate-income. All BNAs are classified as middle income, therefore, an analysis of loan dispersion among geographies of different income levels is not relevant.

### **Review of Complaints:**

No complaints were received since the prior examination.

### **Additional Information:**

A fair lending analysis focusing on the Equal Credit Opportunity Act and the Fair Housing Act was performed during the examination. The analysis concluded that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discouragement of applications was noted, and the analysis suggested that applications were actively solicited from all segments of the bank's assessment area.