

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 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 **The Ripley County Bank** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 13, 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 RATING: This institution is rated **Outstanding**.

This bank's loan-to-deposit ratio exceeds standards for a satisfactory performance, based on a comparison to the bank's peer group and local competitors. The bank's lending in its assessment area exceeds standards for a satisfactory performance, based on the significant majority of real estate loans made in the assessment area. Real estate lending is a leading indicator of the bank's performance and is considered the primary lending product by management. The bank's lending to borrowers of different incomes and businesses of different sizes exceeds standards for satisfactory performance. The bank received no CRA-related complaints since the previous examination.

The following table shows the performance level of **The Ripley County Bank** with respect to five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Ripley County Bank-s 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	There are no low or moderate-income census tracts or BNAs in the bank-s assessment area.		
Responses to Complaints	There were no CRA related complaints received since the previous examination		

DESCRIPTION OF INSTITUTION

The Ripley County Bank, with total assets of \$96.5 million as of March 31, 1996 is a subsidiary of Hoosier Hills Financial Corporation, a one bank holding company. The bank operates three full-service offices, located in Osgood, Milan and Versailles. The bank offers a variety of loan and deposit products offered. The bank's primary competitors are Peoples Bank & Trust Company, located in Sunman; The Napoleon State Bank in Napoleon and Holton; The Friendship State Bank in Friendship and Cross Plains; People's Trust Company (Brookville, Indiana) in Versailles and Batesville; Home Federal Savings Bank's (Seymour, Indiana) in Osgood and Batesville; Fifth Third Bank of Central Indiana (Indianapolis, Indiana) in Milan and Batesville; and National City Bank (Indianapolis, Indiana) in Batesville.

There are no apparent factors relating to the bank's financial condition and size, products offered, prior performance, legal impediments or local economic conditions that would prevent the bank from meeting various community credit needs.

DESCRIPTION OF THE BANK-S ASSESSMENT AREA

This bank's assessment area consists of one or more contiguous political subdivisions. This area contains all geographies where it has offices or deposit-taking automated teller machines (ATMs), and consists only of whole block numbering areas (BNAs). Additionally, the assessment area does not arbitrarily exclude any low-income or moderate-income areas.

The bank has designated Ripley County as its assessment area. This area is in the southeastern portion of the State of Indiana and contains all of the bank's offices and ATMs. The county approximates a rectangular shape and has a population of 24,616 with less than 1% being minority, according to 1990 census data. The assessment area is divided into six BNAs and has no low or moderate-income areas. Median family income for the county is \$31,719 and compares with the figure for the state of \$34,082, according to the census data.

Housing stock in the county is 69.5% owner-occupied and 6.7% is multi-family. Lending for one-to-four family dwellings has increased by 15% from September 1994 to March 1996, according to the Uniform Bank Performance Report (UBPR). Conversely, all other real estate lending has declined. Further agricultural lending has declined 26% over the same period. Bank management, confirmed this trend in loan growth, and stated most of the industrial growth was occurring in the areas surrounding Ripley County.

Major employers in the county are, the county itself, the public schools, and Hillenbrand Industries Incorporated. Hillenbrand Industries Incorporated produces burial caskets and hospital furniture, employs nearly 3,000 people and is located in Batesville in the northern most part of the county. The unemployment rate for the county (4.5%) is comparable to the rate for the state of Indiana (4.2%). This is according to data supplied by the Indiana Department of Workforce Development, as of June 1996. Bank management said that the unemployment rate for Batesville

was zero, due largely to Hillenbrand Industries Incorporated, and is skewed by the overall county rate. This is reasonable as the unemployment rates for Osgood (6.1%), Milan (6.4%), and Versailles (10.6%) were higher than the rate for the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The examination did not reveal any evidence of discriminatory policies, procedures, practices or acts. Further, there were no practices detected that would discourage loan applicants. Additionally, no violations of the substantive provisions of antidiscrimination laws were found.

Loan-to-Deposit Ratio Analysis

This bank's average quarterly loan-to-deposit ratio since the previous examination is 86.21%. The ratio is much higher (18 %) than all insured commercial banks in the peer group (banks with assets between \$50 million and \$100 million with three or more banking offices and in a non metropolitan area), according to the March 31, 1996 UBPR. Additionally, this bank's loan-to-deposit ratio exceeds (by at least 6 percentage points) the ratios of all financial institutions with main offices in Ripley County (McFadden American Financial Directory listed this data in its Spring 1996 edition).

The bank's loan-to-deposit ratio exceeds the standards for a satisfactory performance. This is based on the bank's performance when compared with its peer group and local competitors and also considering the bank's size, financial condition, and the credit needs of its assessment area.

Lending in Assessment Area

The bank's analysis of all real estate loans originated in the assessment area during the six months preceding this examination was reviewed. Real estate loans were chosen because this type of loan is the bank's primary lending product and 82% of these loans were made within the assessment area. According to the March 31, 1996 UBPR, more than 74% of the bank's loan portfolio was real estate lending. Additionally, more than 46% of the bank's portfolio consisted of one-to-four family residential real estate loans.

A review of recently made loans included samples of all loan products offered by the bank. The bank made 73% of this sample of loans within its assessment area; of the real estate loans included in this sample, the bank made 80% within its assessment area.

This bank's lending in its assessment area is considered to exceed standards for a satisfactory performance. This is based on the significant majority of real estate loans that were made in its assessment area as the examination conclusion is that real estate lending is a leading indicator of the bank's performance. Real estate lending dominates the loan portfolio and is considered the primary lending product by management.

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

A review of the June 30, 1996 Consolidated Report of Condition revealed that the bank made all of its commercial loans, to farms and businesses, in dollar amounts which are considered small.

The bank provided income information for all real estate loan borrowers during the six months preceding this examination. The examination findings revealed that 3% were to low-income borrowers, 16% were to moderate-income borrowers, 21% were to middle-income borrowers, and 60% were to upper-income borrowers.

A review of the examination loan sample revealed that 36% were made to low-income borrowers, 19% were to moderate-income borrowers, 26% were to middle-income borrowers, and 19% were to upper-income borrowers. This sample included a review of 10 commercial loans which were all in amounts less than \$250,000 and nine of 10 were for amounts less than \$100,000.

According to census data, the population of the bank's assessment area is distributed as follows: low-income 17%, moderate-income 18%, middle-income 25%, upper-income 40%.

This bank's lending to borrowers of different incomes and businesses of different sizes is considered to exceed standards for satisfactory performance. The entire commercial lending portfolio, to businesses and farms, is invested in dollar amounts which are considered small. The distribution of loans to borrowers of different incomes, for real estate loans, closely approximates the distribution of income for the assessment area's population. The distribution of loans to borrowers, for the examination originated loan sample, exceeds the distribution of income for the assessment area's population.

Geographic Distribution of Loans

The bank's assessment area contains six BNAs; of these, five of the BNAs (83%) are considered middle-income and one is considered upper-income. Because there are no low- or moderate-income geographies contained within the assessment area, in which lending activity could be analyzed, this criterion is not rated.

Response to Complaints

This bank received no CRA-related complaints during the period covered by this examination.