



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 11, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Peoples National Bank and Trust Company
Charter Number 3842**

**201 E. Main Street
P.O. Box 560
Washington, Indiana 47501**

**Office of the Comptroller of the Currency
440 South LaSalle Street, Suite 2700
Chicago, Illinois 60605**

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 **The Peoples National Bank and Trust Company** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 11, 1997**. 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 Record of Meeting Community Credit Needs”.

The bank has sustained a high loan to deposit ratio, significantly exceeding that of similarly situated institutions within its assessment area. A substantial majority of Peoples National Bank and Trust Company's (PNB) loan originations are located within their assessment area. Loans originated to small farms and businesses is good.

DESCRIPTION OF INSTITUTION

PNB is a \$139 million bank, with its main office located in Washington, Indiana. The main office is located 100 miles southwest of Indianapolis, and 55 miles north of Evansville, Indiana. The bank serves customers with five full service lending and depository facilities. In addition to the main bank, there is the Cherry Tree Branch located in Washington, the Odon/Cannelburg Branch located in Cannelburg, a branch in Plainville, and the Union Banking Division Branch located in Loogootee. Automatic teller machines (ATM's) are located at the main office, Cherry Tree Branch, and Union Banking Division. PNB also has a 24 hour cash machine located at the Odon Shell Food Mart. The bank's main office is located in a moderate-income area while all other facilities are located in middle-income areas.

PNB is a member of the German American Bancorp Holding Company. The holding company is approximately \$500 million in size, including four independent banks operating in six contiguous counties in Southwest Indiana. The bank offers traditional banking services and lending products. PNB's primary business focus is residential real estate, commercial, and agricultural lending. The September 30, 1997 loan portfolio mix is as follows: residential real estate 33%, commercial 30%, agricultural 27%, and instalment 10%.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area (AA).

DESCRIPTION OF ASSESSMENT AREA:

The bank's AA consists of portions of Daviess and Martin counties in Indiana. The AA is comprised of two moderate-income and eight middle-income block numbering areas (BNAs). There are no low-income or upper-income BNAs in the assessment area. The location of the BNAs by income level is as follows:

- Moderate-income: 9547 & 9548 in Daviess County, IN
- Middle-income: 9543, 9544, 9545, 9546, and 9549 in Daviess County, 9501, 9502, and 9503 in Martin County.

According to 1990 census data, the total population of the bank's AA is 37,902. The statewide median family income for Indiana is \$39,000. Potential borrowers earning less than 50% of the statewide median family income are designated as low income, while those earning 50% - 80%, 80% to 120%, and more than 120% are designated as moderate, middle, and upper-income respectively. As applied to the population of PNB's AA, 22% of the families are low-income, 22% are moderate-income, 24% are middle-income, and 32% are upper-income. There are 15,101 total housing units in the AA of which 72% are owner-occupied, 20% are rental-occupied, and 8% are vacant. The median age of homes in the AA is 38 years while the median housing price is \$39,711.

Economic conditions in the AA are good. The local economy is dependent upon agriculture and small business. Major employers include Perdue Foods, Crane Naval Surface Warfare Center, Daviess County Hospital, and Washington Community Schools. The unemployment rate for the AA is low at 2%. The large number of banks, thrift institutions, finance companies, and credit unions provide a high level of competition in the financial services market. We identified three similarly situated institutions within the AA as determined by asset size and/or business focus.

We did not meet with any community contacts during this evaluation as another regulatory agency previously made contacts in the area. The contact reported that local financial institutions are responsive to community credit needs and noted no significant unmet credit needs in the community. In addition, the community contact indicated that PNB was one of the banks in the community that was heavily relied upon for financial services involving business development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is very good and continues to increase. PNB's average loan-to-deposit ratio for the thirteen quarters ending September 30, 1997 totaled 83%, significantly higher than the 66% average reported by local similarly situated banks. During the same time period, the bank's loan-to-deposit ratio increased significantly from 73% on September 30, 1994 to 83% on September 30, 1997. In contrast, similarly situated banks' loan-to-deposit ratio increased only modestly from 66% to 69%.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is very good, and exceeds the standards for satisfactory performance. The following table details the bank's lending within and outside the AA by dollar volume and number of loans originated between January 1, 1995 and November 19, 1997 (evaluation period).

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$29,329,632	\$1,618,680	770	41
	95%	5%	95%	5%
Business	\$24,933,120	\$6,765,439	452	53
	79%	21%	90%	10%
Agricultural	\$24,241,077	\$6,245,057	474	98
	80%	20%	83%	17%
Consumer Instalment	\$14,282,319	\$2,288,949	1,734	207
	86%	14%	89%	11%
TOTAL SAMPLE	\$92,786,148	\$16,918,125	3,430	399
	85%	15%	90%	10%

Source: Bank Records

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of residential real estate lending reflects satisfactory penetration among individuals of different income levels, including low- and moderate-income individuals. Based upon our sampling of approximately one half of the residential real estate loans originated during the evaluation period, 38% were made to low- and moderate-income borrowers. This is comparable to the 44% distribution of low- and moderate-income families within the bank’s AA. PNB accommodates low- and moderate-income individuals by granting small dollar personal and real estate loans. Our real estate loan sample confirmed PNB’s willingness to consider small loan requests since 39% originated for less than \$25,000, 31% originated for \$25,000 to \$49,999, 27% originated for \$50,000 to \$99,999, and 3% originated for \$100,000 or more.

The following table summarizes the bank’s distribution of loan originations among borrowers of different income levels:

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	Number & Percentage of Families in AA		ORIGINATED		ORIGINATED	
	#	%	\$	%	#	%
Low-income	2276	22%	\$1,161,978	7%	50	12%
Moderate-income	2266	22%	\$3,212,150	19%	108	26%
Middle-income	2496	24%	\$6,073,110	37%	158	37%
Upper-income	3271	32%	\$6,076,846	37%	106	25%
TOTAL SAMPLE	10308	100%	\$16,524,084	100%	422	100%

Source: Bank Records

Using loan size as a proxy for business and farm revenues, the bank's record of lending to small businesses and farms is good. As detailed in the following table, a substantial portion of PNB's loan originations to small businesses and farms totaled less than \$50,000.

**DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$50,000	331	73%	339	72%
\$50,000 - \$99,000	59	13%	58	12%
\$100,00 - \$249,000	37	8%	59	12%
\$250,000 - \$999,999	24	6%	18	4%
>\$1,000,000	1	0%	0	0%
TOTAL SAMPLE	452	100%	474	100%

Source: Bank Records

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of residential real estate, business, and agricultural loans is satisfactory based upon the demographics of the AA. All agricultural areas throughout the AA are located in middle-income BNAs. The following table reflects the geographic distribution of residential real estate loans originated during the evaluation period. Analysis is based upon our review of all residential real estate loans reported on bank records.

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs WITHIN AA				
INCOME LEVEL OF BNA	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	There are no low-income BNAs in the assessment area.			
Moderate-income	\$3,173,970	11%	99	13%
Middle-income	\$26,155,662	89%	671	87%
Upper-income	There are no upper-income BNAs in the assessment area.			
TOTAL SAMPLE	\$29,329,632	100%	770	100%

Source: Bank Records

INVESTMENTS AND SERVICES

PNB is an active community participant in its entire AA. Specific investments, loans and services provided by the bank since the last evaluation period to improve the moderate-income tracts (#9547 and #9548) include:

- Tract #9547 & 9548: PNB purchased a \$600M municipal bond to build an additional water tower and pump house that will service these tracts.
- Tract #9547: PNB purchased a \$200M municipal bond for improvements to the public library.
- Tract #9547: A \$10,000 donation to Washington Sports Complex. This donation has helped develop a new park and provide soccer fields for the local community.
- Tract #9548: A \$20,000 donation and a \$48,000 loan to the Daviess County Historic Landmarks to restore the town Depot. This building is used by the Chamber of Commerce, Economic Development Council, and an SBA management advisory service. The SBA advisory service helps out small businesses encountering financial difficulties.
- Tract #9547: Through the bank, loan officers have made “in-kind” real estate appraisals for low income housing applicants applying through the Indiana Development Commission. This service saves low-income individuals the customary appraisal fee, allowing the applicant to divert limited funds for down payments or for other purposes.

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to their performance under the Community Reinvestment Act.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

We did not identify any violations of substantive provisions of the ANTI-DISCRIMINATION laws and regulations during our examination.