

PUBLIC DISCLOSURE

January 5, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Citizens State Bank
09283**

**100 West Market Street
Newport, Indiana 47966**

**Federal Deposit Insurance Corporation
Chicago Regional Office
Division Of Compliance and Consumer Affairs
500 West Monroe Street, Suite 3300
Chicago, Illinois 60661**

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.

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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 **First Citizens State Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **January 5, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The previous Community Reinvestment Act (CRA) evaluation was conducted as of August 17, 1994. The current evaluation is the first one to be performed under the revised CRA regulations which became effective on July 1, 1997.

A high percentage of loan originations were made within the assessment area. The dispersion of loans among geographies and borrowers of different income levels and businesses of different sizes is good. Community development lending activities are deemed to be adequate. Retail banking services offered by the bank are good. However, a low level of qualified community development investments and grants has been made.

No violations of the substantive provisions of the antidiscrimination laws and regulations (including the Equal Credit Opportunity Act and the Fair Housing Act) were identified. The bank has policies, procedures, and training programs in place to deter discriminatory or other illegal credit practices.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

*The following table indicates the performance level of **First Citizens State Bank** with respect to the lending, investment, and service tests.*

PERFORMANCE LEVELS	<u>First Citizens State Bank</u>		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve		X	
Substantial Noncompliance			

DESCRIPTION OF INSTITUTION:

First Citizens State Bank is located in Newport, Indiana and is owned by First Financial Corporation, a multi-bank holding company. The bank has three full service offices located in Newport, Clinton, and Cayuga, Indiana.

First Financial Corporation, the bank's holding company, is based in Terre Haute, Indiana. The holding company has total assets exceeding one billion dollars; thus, its banking subsidiaries are subject to the large bank requirements of the Community Reinvestment Act.

According to the Consolidated Reports of Condition and Income dated September 30, 1998, the bank had total assets of \$99,409,000 and net loans totaling \$60,420,000. On the same date, the net loans to total deposits ratio was 74 percent and the net loans to total assets ratio was 61 percent. As of September 30, 1998, the bank's return on assets was 1.69 percent and the tier-one risk-based capital to risk-weighted assets ratio was 17.70 percent. The September 30, 1998 State of Indiana average for all commercial banks is 1.41 percent for the return on assets ratio and 11.58 percent for the tier-one risk-based capital to risk-weighted assets ratio. The bank's ability to fund the credit needs of the assessment area is not hampered by any legal impediments or the bank's current financial condition. Furthermore, the holding company can assist the bank with particularly large or complex credit requests. The major categories of loans by dollar volume are real estate mortgage, consumer installment, and commercial loans. The following table provides information on the bank's loan portfolio as of September 30, 1998.

Loan Portfolio as of September 30, 1998		
Loan Type	Dollar Amount (000's)	Percent
REAL ESTATE SECURED		
Construction	\$769	1%
Farmland	\$1,422	3%
1-4 Family *	\$33,849	55%
Multi-family	\$137	0%
Commercial	\$3,937	6%
CONSUMER		
Open-end	\$0	0%
Other Consumer	\$12,091	20%
COMMERCIAL	\$6,401	10%
AGRICULTURAL	\$2,074	4%
OTHER	\$803	1%
GROSS LOANS	\$61,483	100%
LESS: UNEARNED INCOME	\$46	
TOTAL LOANS	\$61,437	
LESS: LOAN LOSS ALLOWANCE	\$1,017	
NET LOANS	\$60,420	

* - Includes home equity lines of credit totaling \$341,000.

The bank offers a wide range of lending and deposit products for its customers. All types of consumer loans, mortgage loans, agricultural loans, and commercial loans are available. The mortgage loan products include low down payment programs with private mortgage insurance. Various types of deposit accounts (including checking, savings, money market, and certificates of deposit) are offered. Customers can use products or services such as ATM cards, debit cards, direct deposit, and automatic withdrawals and transfers from deposit accounts. The bank can sell mortgage loans, which allows the bank to offer long-term fixed-rate mortgages to customers. Credit cards are available through an affiliated bank, and applications are maintained at all bank locations.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s assessment area consists of Vermillion County in its entirety. Vermillion County is located in the Terre Haute, Indiana, Metropolitan Statistical Area (MSA). The geographies that comprise the assessment area form one contiguous area. The assessment area meets the requirements of the Community Reinvestment Act regulation.

Five geographies are included in the assessment area. All of the geographies are middle income. The total population of the assessment area is 16,773. The bank’s three offices are located in the towns of Newport, Clinton, and Cayuga, Indiana.

The following table details the number of families within each income category for the entire assessment area. Based on 1990 U. S. Census data, approximately nine percent of the assessment area’s families have annual incomes below the poverty threshold, as compared to eight percent for the State of Indiana.

Number of Families by Income Category in the Entire Assessment Area		
Income Category	Number of Families	Percent
Low	932	20%
Moderate	929	20%
Middle	1,087	23%
Upper	1,763	37%
Total	4,711	100%
Families Below Poverty Level	418	9%

Within the assessment area, the primary employment sectors are manufacturing, government, services, and wholesale and retail trade. The October 1998 (revised) unemployment rate for the county was 4.2 percent which is higher than the 2.5 percent rate for the State of Indiana.

The following table provides additional information on Vermillion County.

Number of Farms and Businesses in Vermillion County		
% of Land in Farms	Number of Farms (1992)	Number of Nonfarm Establishments (1993)
73%	307	279

The percentage of establishments in the county with fewer than 50 employees was 96 percent.

The bank has some competition in the assessment area. As of June 30, 1998, eight branches of four FDIC-insured financial institutions were present in the assessment area.

One community contact was made during the evaluation with an individual who was familiar with the assessment area. The contact felt financing was readily available for most individuals and business entities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

Lending Activity

The overall lending activity of the bank reflects good responsiveness to the assessment area's credit needs. This conclusion was formed after evaluating the following areas: lending activity, geographic distribution of loans, lending distribution by borrower profile, community development activities, and innovative or flexible lending activities.

For purposes of the Lending Test, an analysis was completed of the following: 1997 and 1998 consumer installment loans, mortgage loans, and small business and farm loans (as reported on the CRA Small Business and Farm Loan Register). All 1998 lending information depicts activity through December 31, 1998.

Assessment Area Concentration

The bank's major loan programs were reviewed to evaluate the bank's performance under the Lending Test. Since the bank is subject to the large bank CRA requirements, the bank must collect data on its small business and farm loans annually. The bank is also subject to the annual mortgage loan data collection requirements of the Home Mortgage Disclosure Act. The bank voluntarily collected data on consumer loans for use in its CRA evaluation.

As determined by an analysis of loan originations funded since the previous evaluation, a high percentage of loans are made in the institution's assessment area. The following table summarizes lending activity in the assessment area by loan type for originations from January 1, 1997 to December 31, 1998. All of the tables within this evaluation depict loan activity for this time frame.

Lending Activity in the Assessment Area (AA)				
Loan Type	Number in AA	Dollars in AA (000's)	% of Number in AA	% of Dollars in AA
Small Business	95	\$3,668	89%	82%
Small Farm	71	\$3,765	79%	83%
Consumer	2,367	\$16,169	80%	78%
Mortgage	410	\$15,172	90%	88%
Total	3,127	\$45,732	82%	83%

Geographic Distribution of Loans

The geographic dispersion of lending reflects good penetration throughout the assessment area. No low- or moderate-income geographies are within the assessment area. All five geographies in the assessment area are middle income; therefore no separate data on the geographic distribution of loans is presented.

Borrowers' Profile

The distribution of loans is good among retail customers of different income levels and business customers of different sizes. The following two tables provide information on the distribution of mortgage and consumer loans by income level of the borrowers.

Approximately nine percent of the families in the assessment area have incomes below the poverty level. Therefore, the percentage of loans made to low- and moderate-income borrowers compares favorably with the percentage of families by income category in the assessment area. A review of the 1997 HMDA aggregate lending data revealed that First Citizens State Bank originated loans to low income and moderate income borrowers at a rate similar to other competing HMDA banks and reporters. By number of loans, eleven percent and fifteen percent of the bank's 1997 HMDA loans were to low- and moderate-income borrowers, respectively. In that same year, all HMDA reporters funded ten percent and nineteen percent by number of loans to low- and moderate-income borrowers, respectively. The 1998 HMDA aggregate data is not available. The lending activity by borrower income level did not vary significantly over the time frame analyzed.

Distribution of the Number of Mortgage Loans and Consumer Loans by Income Level of Borrowers within the Assessment Area						
Loan Type	Income Level of Borrowers					Total
	Low	Moderate	Middle	Upper	Income NA *	
Consumer	821 35%	728 30%	537 23%	280 12%	1 0%	2,367 100%
Mortgage	42 10%	84 21%	123 30%	155 38%	6 1%	410 100%
Total	863 31%	812 29%	660 24%	435 16%	7 0%	2,777 100%
% of Families by Income Level	932 20%	929 20%	1,087 23%	1,763 37%	0 0%	4,711 100%

*Income Not Available

Distribution of the Dollar Volume of Mortgage Loans and Consumer Loans by Income Level of Borrowers within the Assessment Area (000's)						
Loan Type	Income Level of Borrowers					Total
	Low	Moderate	Middle	Upper	Income NA *	
Consumer	\$3,908 24%	\$4,405 27%	\$4,192 26%	\$3,661 23%	\$3 0%	\$16,169 100%
Mortgage	\$831 6%	\$2,430 16%	\$4,304 28%	\$7,288 48%	\$319 2%	\$15,172 100%
Total	\$4,739 15%	\$6,835 22%	\$8,496 27%	\$10,949 35%	\$322 1%	\$31,341 100%

*Income Not Available

Of the small business and farm loans analyzed, a substantial majority of the loans were extended for amounts of \$100,000 or less and to entities with gross annual revenues of \$1 million or less. These facts illustrate the bank's willingness to support the credit needs of small businesses and farms. The bank's performance did not vary significantly over the time frame analyzed for this evaluation. Two competing banks (Banks A and B) in the assessment area (subject to large bank CRA), each originated over 80 percent by number of loans to small businesses and farms for amounts of \$100,000 or less. Other lenders fund small business and farm loans in the assessment area, but information is not publicly available on their lending activity. The following charts provide a summary of business and farm loans by loan size and the gross revenues of the borrower.

Distribution of Small Business Loans within the Assessment Area by Loan Amount				
Loan Amount	Number of Loans	Percent of Number of Loans	Dollar Amount of Loans (000's)	Percent of Dollar Amount of Loans
Less than or = \$100,000	91	96%	\$2,161	59%
>\$100,000 to <= \$250,000	2	2%	\$327	9%
> \$250,000 to \$1,000,000	2	2%	\$1,180	32%
Total	95	100%	\$3,668	100%

Distribution of Small Farm Loans within the Assessment Area by Loan Amount				
Loan Amount	Number of Loans	Percent of Number of Loans	Dollar Amount of Loans (000's)	Percent of Dollar Amount of Loans
Less than or = \$100,000	62	87%	\$1,803	48%
>\$100,000 to <= \$250,000	7	10%	\$1,162	31%
> \$250,000 to \$500,000	2	3%	\$800	21%
Total	71	100%	\$3,765	100%

Distribution of Small Business Loans within the Assessment Area by Gross Revenues				
	Number of Loans	Percent of Number	Dollar Amount of Loans (000's)	Percent of Dollar Amount
Loan to entities with Annual Revenues <=\$1,000,000	95	98%	\$3,071	84%
Total Number of Loans	97	100%	\$3,668	100%

Banks A and B are competitors in the assessment area, which are subject to large bank CRA. Approximately 87 percent by number of Bank A's small business loans were originated to businesses with annual gross revenues of \$1,000,000 and less in 1997. In addition, 91 percent by number of Bank B's small business loans were originated to businesses with annual gross revenues of \$1,000,000 and less in 1997.

Distribution of Small Farms Loans within the Assessment Area by Gross Revenues				
	Number of Loans	Percent of Number	Dollar Amount of Loans (000's)	Percent of Dollar Amount
Loan to entities with Annual Revenues <=\$1,000,000	71	100%	\$3,765	100%
Total Number of Loans	71	100%	\$3,765	100%

All of Bank A's small farm loans were originated to farms with annual gross revenues of \$1,000,000 and less in 1997. In addition, 93 percent by number of Bank B's small farm loans were originated to farms with annual gross revenues of \$1,000,000 and less in 1997.

First Citizens State Bank originated loans to small businesses and small farms at a rate similar to banks located within the assessment area which are subject to large bank CRA.

Responsiveness to Credit Needs of Highly Economically Disadvantaged Geographies and Low-income Persons or Small Businesses

Within the assessment area, the bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas, low-income persons, and/or very small businesses, consistent with safe and sound banking practices.

Community Development Lending Activities

Since the previous evaluation, the bank has funded four community development loans in the amount of \$562,000. The purpose of two of these loans was to develop infrastructure improvements for industrial sites. This development enabled existing businesses to expand and stay in the community and promoted job retention. It also enabled new businesses to locate into the area, which creates new jobs. A third loan was originated to a not for profit day care that cares for children of low-income and moderate-income families. The purpose of the loan was to renovate a building. The fourth loan was to remodel a senior citizen home in order to accommodate a medical center for its low-income residents.

Use of Innovative or Flexible Lending Practices

The bank has used flexible lending practices in order to serve assessment area credit needs.

A 100 percent loan to value mortgage program is offered to eligible low-income applicants in conjunction with United States Department of Agriculture Rural Development (USDA). Both the bank and USDA originate loans to the low-income applicant. The benefit of the program is that the borrower may purchase a home with no down payment and does not have to pay private mortgage insurance premiums. Eighteen loans for a total of approximately \$710,000 have been funded through this program since it was first offered in January 1998.

The bank has funded loans at reduced rates for certain municipalities and nonprofit entities.

The Small Business Administration loan program is available; however, at the present time the bank has no such loans on its books.

The bank also offers an insured loan program that allows the bank to fund home loans with a higher loan to value and on an unsecured basis. This program is different from private mortgage insurance in that the premium is a one time fee. However, the programs do allow the bank to fund loans that it could otherwise not make. In 1998, fifty-nine loans totaling \$477,057 were funded through this program.

INVESTMENT TEST

According to the revised CRA regulations, the investment test evaluates the bank's record of helping to meet the credit needs of its assessment area through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank's assessment area. Activities considered under the lending test may not be considered under the investment test.

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing, 2) community services targeting low- and moderate-income individuals, 3) activities that promote economic development by financing small businesses and small farms, and 4) activities that revitalize or stabilize low- and moderate-income geographies.

The bank has an inadequate level of qualified investments and grants. The rural nature of the assessment area has resulted in limited opportunities for qualified investments. However, the bank has made some donations to entities with a community development purpose.

Investment and Grant Activity

Since the previous evaluation, the bank has made donations totaling approximately \$4,400 to local organizations that qualify as community development investments.

The bank has also made donations that do not qualify as community development investments and could not be counted under the investment test but did benefit the entire community. For example, donations were made to the local high schools, a hospital, and a library.

Responsiveness to Credit and Community Development Needs

The institution has donations that qualify as community development investments.

Community Development Initiatives

The bank has not used innovative or complex investments to support community development initiatives.

SERVICE TEST

Overall, the bank's level of retail banking services is good. Additionally, the bank is involved in a number of qualifying community development services.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the assessment area. The bank maintains three banking offices located in Newport, Cayuga, and Clinton. Two automated teller machines are available in Clinton, and one automated teller machine and one cash machine are available in Cayuga. All of the banking offices are in middle-income geographies, since the entire assessment area is middle income.

The three offices are full-service facilities. Extended hours on Friday and Saturday are offered in each town where a banking office is located.

Record of Opening and Closing Branches

The bank has not opened or closed any branches since the previous evaluation. However, a branch is scheduled to open during the first quarter of 1999.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

All loan and deposit products are provided uniformly throughout the assessment area; therefore, banking services do not vary in such way that inconveniences certain portions of the assessment area.

Community Development Services

The institution provides a high level of community development services in most of its assessment area. Bank officials participate in a variety of organizations and provide financial related expertise to these entities. The rural nature of the area and the low population results in fewer organizations in which the bank could participate, and personnel participate in the majority of available groups. The qualifying community development services are detailed below:

The bank cashes Social Security or other government benefit payments at no charge for both customers and noncustomers. In addition, low-cost checking account products are available for customers.

Vermillion County Economic Development Corporation

A bank officer serves on the board of directors of this organization. This entity seeks to retain and develop industry and employment opportunities in the county.

Clinton Industrial Development

A bank officer serves on the board of directors of this organization. The purpose of this group is to help the City of Clinton retain and attract new businesses.

Crown Hill Regional Sewer District

A bank officer is a member of this entity which was instrumental in obtaining financing for infrastructure which enabled both old and new businesses to relocate in this previously underutilized area of Clinton.

Clinton Chamber of Commerce

One bank officer serves on the board of directors of this entity. Also, two bank officers serve on various committees within this organization. The purpose of this association is to promote the economic well-being of the City of Clinton.

Clinton Redevelopment Commission

A bank officer is assisting this organization in its attempt to obtain financing for improvements in the infrastructure of downtown Clinton.

Valley Day Care

Two bank officers serve on the Board of Directors of this not-for-profit day care. This organization cares for children of low-income and moderate-income families.

Vermillion County Community Foundation Board

A bank employee is a member of this organization. The Vermillion County Community Foundation Board awards grants to charitable organizations which assist low-income and moderate-income families.

Wabash Valley United Way

One bank official serves on the Board of Directors of this organization. This entity provides financial support for organizations that work with low-income and moderate-income families.

Home Mortgage Disclosure Act Data

Vermillion County is located in the Terre Haute, Indiana Metropolitan Statistical Area (MSA 8320). HMDA data for each HMDA reporter is available at the MSA depository. The MSA depository address is:

Clarence Brink
Coordinator, Reference Services
Vigo County Public Library
One Library Square
Terre Haute, IN 47807

APPENDIX A

SCOPE OF EXAMINATION:

First Citizens State Bank	
SCOPE OF EXAMINATION:	
Full-scope examination	
TIME PERIOD REVIEWED:	August 17, 1994 to January 5, 1999
PRODUCTS REVIEWED:	
1997, and 1998 mortgage and installment loans; 1997, and 1998 CRA Small Business and Farm Loans.	

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Vermillion	Full Scope	None	None