

PUBLIC DISCLOSURE

February 16, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Randolph County Bank
Certificate Number: 15620**

**122-124 West Washington Street
Winchester, Indiana 47394**

**Federal Deposit Insurance Corporation
Division of Compliance and Consumer Affairs
Chicago Regional Office
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.

TABLE OF CONTENTS

I.	General Information	1
II.	Institution Rating	
	a. Overall Rating	2
III.	Description of Institution	2
IV.	Description of Assessment Area	3
V.	Conclusions	4

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 Randolph County Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **February 16, 1999**. 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 bank's CRA performance reflects a satisfactory practice of providing for the credit needs of its assessment area. This rating is supported by the following:

- An analysis of loan originations reveals an acceptable penetration among borrowers of different incomes. A majority of agricultural loans were to small farmers. In addition, a substantial portion of consumer installment loans were originated to low- and moderate-income borrowers.
- The bank has achieved a reasonable dispersion of loans within its assessment area.
- A majority of loan originations during the past year were within the bank's assessment area.
- The average loan-to-deposit ratio reflects an adequate responsiveness to community credit needs.

DESCRIPTION OF INSTITUTION

The Randolph County Bank, located in Winchester, Indiana, is a commercial bank with \$48,277,000 in gross loans and \$79,400,000 in total assets. The bank's primary business focus is agricultural, 1-4 residential, and consumer loans. Agricultural loans comprise 33 percent, 1-4 family residential loans represent 27 percent, and consumer installment loans constitute 23 percent of gross loans, respectively.

The bank operates from one location in Randolph County. The main office is located in Winchester, Indiana. The bank has automated teller machines (ATMs) located at the main office and inside of the Village Pantry in Farmland, Indiana.

The bank is owned by the First Merchants Corporation, Muncie, Indiana, a five-bank holding company. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of all Block Numbering Areas (BNAs) in Randolph County. The assessment area can be described as rural. The bank's assessment area consists of whole geographies and does not arbitrarily exclude any low- or moderate- income areas. The assessment area is composed of eight moderate-income geographies. According to the 1990 Census, the population of the assessment area is 27,148. A recent community contact indicated that the county has relatively high rates of unemployment, older homes compared to statewide averages, and fewer college graduates compared to statewide averages.

The bank has many competitors in Randolph County. The bank's major competitors include three financial institutions with offices in Winchester. There are also three banks in Lynn, two banks in Union City, one bank branch in Saratoga, and one bank branch in Farmland. Other competition includes two credit unions and one personal finance corporation located within the bank's assessment area.

According to 1997 Indiana Department of Workforce Development data, Madison County's three largest industries, expressed as a percentage of total employment by industry, are manufacturing (39 percent), government, except federal employees, (19 percent), and retail trade (18 percent). The Indiana Department of Workforce Development also reported that the unemployment rate for Randolph County was 8.7 percent in December 1998, which is up from the county's unemployment rate of 7.8 percent in December 1997. There has been a substantial decrease in employment in the manufacturing sector over the last several years. The recent increase in the unemployment rate may partially be owing to the closing of a local automotive parts factory. There has been a significant increase in the number of public assistance recipients in Randolph County over the last several years; this may be a result of the county's relatively high unemployment rates. Census Bureau data indicates that there are 569 private non-farm establishments (i.e., employers) in Madison County. Approximately 76 percent of these establishments employ less than nine people each. There are 11,327 housing units in the assessment area; 70 percent of these units are owner-occupied, 23 percent are rental units, and 8 percent are vacant. The median home value in the assessment area is \$35,645.

According to the Indiana Agricultural Statistics Service, Randolph County ranked 13th out of Indiana's 92 counties in the number of farms (936) in the county, and 28th out of 92 in agricultural cash receipts (\$81 million). Farms comprise 80% of Randolph County's total area and average 253 acres in size. The Indiana state average farm size is 249 acres. Randolph County's average farm income is \$87,010 compared to the Indiana state farm income average of \$91,059 (1996).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation of the bank's lending performance is based upon a review of sampled farm loans made during all of 1998 and sampled consumer installment loans made during the last six months of 1998. The bank originated 88 loans totaling \$4,610,584 for agricultural purposes in 1998. The sample consisted of 34 loans totaling \$1,899,435. The consumer loan sample consisted of 43 loans totaling \$289,354 from a potential universe of 486 loans totaling \$3,521,061. The samples have a 90% confidence level with 15% precision and is considered to be reflective of the bank's lending patterns since the last evaluation.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank has achieved an adequate penetration among borrowers of different incomes. The 1998 HUD-estimated Indiana statewide non-metropolitan median family income of \$41,100 was used for borrower distribution analysis. The following table provides information on how each income level is defined for consumer loans.

INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE
Low	Less than 50%	Less than \$20,550
Moderate	50% to 80%	\$20,550 to less than \$32,800
Middle	80% to 120%	\$32,800 to less than \$49,340
Upper	120% and over	\$49,340 and over

The following table reflects the lending distribution of the sampled 1998 consumer installment loans originated within the assessment area. In addition, the table includes the percentage of families within each income level according to the 1990 census data:

CONSUMER INSTALLMENT LOANS					
INCOME LEVEL	% OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	19	16	39	\$37,837	14
Moderate	21	11	27	\$58,110	22
Middle	28	7	17	\$101,807	38
Upper	32	7	17	\$70,550	26
TOTALS	100	41	100	\$268,304	100

The following table reflects the lending distribution of farm loans sampled originated within the assessment area.

AGRICULTURAL LOANS				
INCOME LEVEL	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$100,000	18	60	\$608,782	36
\$100,001 to \$250,000	10	33	\$902,433	54
\$250,001 to \$500,000	2	7	\$162,720	10
\$500,001 and over	0	0	0	0
TOTALS	30	100	\$1,673,935	100

Geographic Distribution of Loans

The bank has achieved a reasonable dispersion of loans within the assessment area. The dispersion presented on the following page shows the number of loans and dollar volume of the bank’s agricultural (AGRI.) and consumer installment (CONS.) lending during 1998. The bank’s main office is located in Winchester, a middle-income census tract (9518.00). In addition, the bank has an ATM in Farmland in middle-income census tract 9519.00. All of the census tracts in the assessment area are middle-income.

BNA	NUMBER OF LOANS		PERCENT OF LOANS		VALUE OF LOANS		PERCENT OF LOANS	
	AGRI.	CONS.	AGRI.	CONS.	AGRI.	CONS.	AGRI.	CONS.
9514.00	2	8	7	20	\$13,625	\$90,843	1	34
9515.00	8	4	27	10	\$331,565	\$29,311	20	11
9516.00	0	2	0	5	0	\$1,350	0	1
9517.00*	0	10	0	24	0	\$45,149	0	16
9518.00*	1	9	3	22	\$66,600	\$67,525	4	25
9519.00	10	5	33	12	\$750,862	\$18,400	45	7
9520.00	4	0	13	0	\$408,933	0	24	0
9521.00	5	3	17	7	\$102,350	\$15,725	6	6
SUM:	30	41	100	100	\$1,673,935	\$268,303	100	100

* = Location of bank's office. The bank's office is located in Winchester which encompasses BNAs 9517.00 and 9518.00.

Lending in Assessment Area

The bank originates a majority of its loans within the assessment area. 88 percent of the number and 88 percent of the dollar volume of sampled agricultural loans were made within the assessment area. For sampled consumer installment loans, 95 percent of the number and 93 percent of the dollar volume were made within the assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio indicates an adequate responsiveness to area credit needs. The bank's average loan-to-deposit ratio, based on 12 quarters since the last evaluation, is approximately 77 percent. There are two local competitors similar to the bank in terms of size and asset structure. One local bank comparable in size has an average loan to deposit ratio of 88 percent. A slightly larger local bank has a ratio of 93 percent.

Response to Complaints

The bank has not received any CRA-related complaints since the last examination.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.