



July 23, 2014

**CRA Decision #162
October 2014**

Mr. James J. Barresi
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221 East Fourth Street, Suite 2900
Cincinnati, Ohio 45202

Subject: Applications for the merger of The First Bexley Bank, Bexley, Ohio and Insight Bank, Worthington, Ohio into First Financial Bank, National Association, Hamilton, Ohio
OCC Control Numbers: 2014-CE-Combination-137329 and 137345

Dear Mr. Barresi:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the applications to merge The First Bexley Bank, Bexley, Ohio (Bexley) and Insight Bank, Worthington, Ohio (Insight) into First Financial Bank, National Association, Hamilton, Ohio (First Financial), under the title and charter of the latter.

These approvals are granted after a thorough review of the applications, other materials each of the banks and its representatives supplied, and additional information available to the OCC, including commitments and representations made in the applications and by the banks' representatives during the applications process.

I. The Transactions

First Financial applied to the OCC for approval to merge Bexley and Insight with and into First Financial under the charter and title of the latter. First Financial is wholly-owned by First Financial Bancorp, a bank holding company whose principal office is in Hamilton, Ohio. First Financial is an interstate national bank with its main office in Hamilton, Ohio and over 100 branches in Ohio, Indiana and Kentucky. Bexley is a state-chartered bank that operates out of one location in Bexley, Ohio. Insight is a state-chartered bank that operates out of one location in Worthington, Ohio.

II. Legal Authority for the Transactions

First Financial applied to the OCC for approval to merge Bexley and Insight with and into First Financial under 12 U.S.C. §§ 215a and 1828(c) and applied for approval to retain the main offices of the merging banks as branches under 12 U.S.C. § 36(b)(2). Section 215a authorizes mergers between national banks "located within the same State." In prior decisions, the OCC

has concluded that a national bank with its main office and branch offices in more than one state is “located” in each such state for purposes of section 215a.¹ First Financial, Bexley and Insight all have main offices in Ohio. Consequently, all banks are located in Ohio, and the merger is authorized under 12 U.S.C. § 215a.

The resulting bank’s retention of branches in a merger under 12 U.S.C. § 215a is governed by 12 U.S.C. § 36(b)(2). Under 12 U.S.C. § 36(b)(2)(A), a national bank resulting from such a merger may retain and operate as a branch any office which immediately prior to the merger was in operation as a main office or branch office of any target bank if it may be established as a new branch of the resulting bank under 12 U.S.C. § 36(c) and the OCC approves of its continued operation. Twelve U.S.C. § 36(c) authorizes a national bank to establish and operate new branches within the state in which the bank is “situated,” to the extent that state law specifically authorizes such establishment and operation by state-chartered banks at that time and subject to any state law restrictions concerning location imposed on state-chartered banks. For purposes of section 36(c), a national bank is “situated” in any state in which it has a branch or main office.² Here, Bexley and Insight are situated in Ohio. Ohio does not impose geographic limitations on the establishment of branch offices by state-chartered banks. Therefore, First Financial may retain and operate as branches Bexley’s and Insight’s offices after the bank merger.

Under 12 U.S.C. § 36(b)(2)(C), a national bank resulting from the merger of a state bank into the national bank may retain and operate any branch of the national bank that existed prior to the merger, if the OCC approves its continued operation, unless a state bank resulting from a merger would be prohibited by state law from retaining as a branch an identically situated office of the state bank. First Financial has branches in Ohio, Indiana and Kentucky. There are no provisions in Ohio, Indiana or Kentucky state law that would prohibit a state-chartered bank, following a merger with another bank, from retaining its own similarly situated branches in that state. Therefore, First Financial may retain and operate its existing branches after the bank merger.

III. Bank Merger Act

First Financial’s proposed merger with Bexley and Insight is also subject to OCC review under the Bank Merger Act. The OCC reviewed the proposed merger under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Under the Bank Merger Act, the OCC generally may not approve a merger that would substantially lessen competition. The Bank Merger Act also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions,

¹ See, e.g., Decision on the Application to Merge NationsBank of Texas, N.A., Dallas, Texas, into NationsBank, N.A., Charlotte, North Carolina (OCC Corporate Decision No. 98-19, April 2, 1998) (Part II-A-1) (pages 6-8).

² See *Seattle Trust & Savings Bank v. Bank of California, N.A.*, 492 F.2d 48, 51 (9th Cir. 1974), cert. denied, 419 U.S. 844 (1974). See also *Ghiglieri v. Sun World, N.A.*, 117 F.3d 309, 315-16 (5th Cir. 1997).

and the convenience and needs of the community to be served. 12 U.S.C. § 1828(c)(5). The OCC must also consider the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. 12 U.S.C. § 1828(c)(11). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1828(c)(5) (as amended by section 604 of Dodd-Frank). The OCC considered these factors and found them consistent with approval of this application.

IV. Community Reinvestment Act

The Community Reinvestment Act (CRA) requires the OCC to take into account the records of the institutions' performance in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, when evaluating applications under the Bank Merger Act. The OCC considered the CRA performance evaluation (PE) of each bank involved in this transaction. Under the regulations implementing the CRA, a bank's record of performance may be the basis for denying or conditioning approval of an application subject to the Bank Merger Act. 12 C.F.R. § 25.29(d). For the reasons described below, a review of the records and information provided by First Financial in response to public comments relating to the pending application and additional information requests by the OCC demonstrates that the banks' records of helping to meet the needs of their communities support conditional approval of this application.

A. First Financial National Bank

First Financial's most recent PE (2013 PE),³ dated November 4, 2013, assigned to First Financial an overall "Satisfactory" CRA rating⁴ based on its performance in ten assessment areas (AA)

³ The 2013 PE evaluated First Financial's CRA performance as a large bank for the period of January 1, 2010 through December 31, 2011. In scoping the 2013 CRA performance evaluation the OCC used deposit data as of June 30, 2011. The OCC analyzed home mortgage loans and small business loans for the period of January 1, 2010 through December 31, 2011, and reviewed community development loans, investments, and services for the period of June 1, 2010 through December 31, 2011. The timeframes selected for the 2013 CRA PE were consistent with established procedures for addressing census and metropolitan area changes and their impact on CRA evaluations in determining the appropriate period for First Financial's CRA performance evaluation. Because 2010 and 2011 Home Mortgage Disclosure Act (HMDA) data were reported based on census tracts used in the 2000 Census and 2012 HMDA data were reported based on 2010 Census tracts, OCC guidance provided that examiners could limit the CRA evaluation to a period that included only HMDA data through 2011 following a determination that such an approach would be reasonable for the particular bank based on its activity, and that bank management concurred with excluding 2012 data. Based on an assessment of First Financial's activity, the OCC determined not to include 2012 data within the scope of the performance evaluation and will analyze the 2012 and 2013 lending data for First Financial during the next CRA performance evaluation.

⁴ First Financial received an overall "Satisfactory" rating based on its performance in the Cincinnati-Middletown (OH-KY-IN) Multistate Metropolitan Statistical Area (MMSA), the State of Indiana, and the State of Ohio. The CRA PE indicates that the Cincinnati-Middletown (OH-KY-IN) MMSA (Cincinnati MMSA) carried the greatest weight due to the area representing First Financial's most significant market in terms of deposit concentrations, branch distribution, and CRA reportable loans. The PE placed secondary emphasis on the State of Indiana. When

across three states.⁵ First Financial received a “High Satisfactory” overall rating for the lending test, a “Low Satisfactory” overall rating for the investment test, and a “Low Satisfactory” overall rating for the service test. The major factors supporting the overall “Satisfactory” rating were: (i) a majority of loan originations were within First Financial’s assessment area; (ii) First Financial’s lending activity was good; (iii) good geographic distribution of home mortgage and small business loans; (iv) good income distribution of home mortgage loans; (v) adequate loan distribution to businesses with different revenue sizes; (vi) an adequate level of qualified community development investments that are responsive to community needs; (vii) service delivery systems that were accessible to geographies and individuals of different income levels in the AAs; and (viii) adequate community development services.⁶

B. Insight Bank

Insight’s most recent PE, dated February 8, 2011, assigned to it an overall “Satisfactory” rating.⁷ Insight conducts business from a single office in Worthington, Ohio, which is within the Columbus, Ohio (Columbus) Metropolitan Statistical Area (MSA). The bank also operates three loan production offices in Dublin, Lancaster, and Newark, Ohio. The major factors supporting the overall “Satisfactory” CRA rating were: (i) Insight’s reasonable loan-to-deposit ratio given performance context; (ii) the majority of loans were made within its AA; (iii) the geographic distribution of loans reflected reasonable dispersion throughout Insight’s AA; and (iv) the distribution of borrowers reflected reasonable penetration among individuals with different

First Financial’s CRA performance evaluation was scoped, the Cincinnati MMSA and the State of Indiana, combined, represented 89.4 percent of total deposits, 82.3 percent of the branch network, and 81.6 percent of CRA reportable loans.

⁵ The OCC conducted a full scope review of the Cincinnati MMSA and one assessment area (AA) within each of the two states. The OCC’s Large Bank CRA Examiner Guidance (the Guidance) states that “AAs that are significant to the bank and represent the bank’s major markets” should be selected for full scope review. OCC Bulletin 2000-35. The Guidance also states that “[t]he significance of an area is defined primarily in terms of the bank’s number of branches, volume of deposits and volume of reportable loans.” In addition to this Guidance, the Large Institution CRA Examination Procedures specified several other factors to consider when selecting the AAs that will receive a full scope review. Among other factors, the amount of time since the AA last received a full scope review is a factor to consider in selecting the full scope AAs. In scoping the 2013 CRA PE, the OCC considered First Financial’s particular circumstances and selected Columbus, Indiana, for a full scope review because it had the highest percentage of deposits relative to the other AAs in Indiana and it had not received a full scope review at the prior CRA performance evaluation (during the prior performance evaluation the OCC conducted a full scope review of the Lake County AA, which includes Gary, Indiana). The OCC selected the Ohio Non-MSA AA for a full scope review because it represented the highest percentage of deposits and branches in that state, based on the data used to scope the evaluation.

⁶ A copy of the PE will be available at: <http://www.occ.gov/tools-forms/tools/compliance-bsa/cra-perf-eval-search.html>. In addition, the OCC provided a copy of the PE to First Financial on May 30, 2014, and 12 C.F.R. § 25.43(a)(2) states that a copy must be placed in the bank’s public file within 30 business days after its receipt from the OCC. First Financial provided the commenter with a copy of the 2013 PE.

⁷ The Federal Deposit Insurance Corporation (FDIC) evaluated Insight as a small bank for the period between 2009 and 2010. Insight received a “Satisfactory” rating for its loan performance. A copy of the PE is available at: http://www2.fdic.gov/crapes/2011/58215_110218.PDF.

income levels, especially low- and moderate-income individuals, and among different sizes of businesses.

C. First Bexley Bank

Bexley's most recent CRA PE, dated March 7, 2011, assigned to it an overall "Satisfactory" rating.⁸ Bexley operates from a single location in Bexley, Ohio, which is within the Columbus MSA. The major factors supporting the overall "Satisfactory" CRA rating were: (i) Bexley's reasonable loan-to-deposit ratio given the institution's size, financial condition, and AA credit needs; (ii) the substantial majority of loans and other lending-related activities were within Bexley's AA; (iii) the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes; and (iv) the geographic distribution of loans reflected reasonable dispersion throughout the AA.

V. Public Comments and Analysis

The OCC received four public comments⁹ addressing First Financial's record of helping to meet the needs of its communities from the same commenter. The commenter submitted one comment for each of the proposed mergers, expressing the same concerns about First Financial's home mortgage lending to minority borrowers, home mortgage lending to low- and moderate-income borrowers, small business lending, and branching pattern. After reviewing First Financial's response to the commenter's initial concerns, the same commenter submitted two additional letters addressing both of the proposed mergers and reiterating many of the concerns raised in the prior letters.

The commenter asserted that First Financial's low percentage of branches in low- and moderate-income and majority-minority census tracts raises concerns about its ability to serve these communities. The commenter also cited 2012 HMDA data for four markets,¹⁰ asserting that: (i) the low volume of loan applications received from African-American applicants in all but Cincinnati indicates a failure to affirmatively market to African-American borrowers in areas outside that MSA; (ii) First Financial had a low level of originations to African-American borrowers, both as compared to its peers and as compared to the percentage of African-

⁸ The FDIC evaluated Bexley as a small bank for the period between 2009 and 2010. Bexley received a "Satisfactory" rating for its loan performance. A copy of the PE is available at: http://www2.fdic.gov/crapes/2011/58022_110307.PDF.

⁹ On July 2, 2014 the OCC received a fifth comment letter from the same commenter that addressed the newly issued 2013 CRA PE. This comment letter did not raise new issues with regard to First Financial's ability to meet the needs of low- and moderate-income individuals and minority individuals in its AAs. However, the letter did question OCC determinations regarding the evaluation period and full scope AAs for the 2013 PE, which are addressed in footnotes 3, 4, and 5.

¹⁰ The commenter focused on four of First Financial's markets (specified markets): the Cincinnati MMSA (Cincinnati); Dayton, Ohio AA (Dayton); Indianapolis, Indiana MSA (Indianapolis); and Gary, Indiana partial Metropolitan Division (part of the Lake County AA) (Gary).

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Americans, in Cincinnati, Dayton, and Gary; (iii) First Financial had a higher denial disparity ratio between African-American and white applicants than “all lenders” in Cincinnati; (iv) First Financial issued no loans to Hispanics in Indianapolis; (v) First Financial had a lower lending level than peers in majority-minority census tracts in Gary; and (vi) First Financial had a lower lending level than peers in low- and moderate-income census tracts in Gary and Dayton. Lastly, the commenter asserted that in Dayton, as compared with its peers, First Financial made a significantly smaller percentage of its total small business loans to businesses with less than one million dollars in revenue. Based on these assertions, the commenter requested that the OCC not approve First Financial’s applications to acquire Insight and Bexley until First Financial can demonstrate a clear public benefit derived from the mergers.¹¹

The follow-up comment letters reiterated many of the concerns expressed in the first two letters and asserted that First Financial’s response letter insufficiently addressed its performance in serving minority borrowers’ home lending needs through its branch network. Specifically, the commenter asserted that First Financial’s response to its initial comments did not explain how First Financial would improve its service to minority borrowers as a result of the mergers.¹² The commenter asserted that before the OCC approves the mergers it must weigh whether an increased ability of the bank to serve the convenience and needs of the public overshadows negative effects of decreased competition.¹³

The OCC has carefully considered the commenter’s concerns as they relate to the statutory and regulatory factors considered by the OCC when reviewing an application under the Bank Merger Act. The commenter’s concerns are addressed below.

¹¹ The comment letters reference 12 C.F.R. § 225.24(a)(iii), which applies to proposals submitted to the Federal Reserve Board by bank holding companies seeking to engage in nonbanking activities, and requires a “statement of the public benefits that can reasonably be expected to result from the proposal.” In reviewing First Financial’s applications to merge Insight and Bexley with and into itself, the OCC considered the convenience and needs of the community to be served as required under 12 U.S.C. § 1828(c)(5).

¹² In addition, the commenter specifically requested that the OCC work with First Financial to make a public benefits commitment with the organizations signed on to the letter. The commenter also requested that leadership from First Financial meet with representatives of the organizations that signed the letter in July of 2014 to discuss their concerns and how they believe First Financial could more effectively serve the community. Under the CRA regulations, the OCC and other agencies with CRA jurisdiction have stated that “the CRA does not require an institution to enter into agreements with private parties.” Interagency Questions and Answers Regarding Community Reinvestment, 75 Fed. Reg. 11642, 11666 (Mar. 11, 2010).

¹³ Under the Bank Merger Act the OCC shall not approve a proposed merger “whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.” 12 U.S.C. § 1828(c)(5)(A). However, when anticompetitive effects have not been found, such as with the proposed mergers, the OCC, nonetheless, shall take into consideration the convenience and needs of the community to be served. 12 U.S.C. § 1828(c)(5).

A. Convenience and Needs

The commenter raised concerns that a low percentage of branches in low- and moderate-income census tracts and majority-minority census tracts may impede First Financial's ability to serve those communities. In its follow-up comment letter, the commenter asserted that the lack of branches in majority-minority census tracts could relate to the low number of loan applications received from minorities. As previously discussed, the Bank Merger Act requires the OCC to take into consideration the convenience and needs of the community to be served when reviewing a proposed merger. In connection with this requirement, the OCC considered the commenter's concern.

First Financial represented that it currently operates 104 branches across Indiana, Kentucky, and Ohio. In addition, First Financial represented that it operates 129 automated teller machines (ATM) as part of the AllianceOne Network. First Financial further represented that, as a member of the AllianceOne Network, its account holders have access to over 4,900 ATMs free of surcharge.

In the State of Ohio, First Financial received an overall "High Satisfactory" rating for the service test in the 2013 PE¹⁴ based primarily on First Financial's performance in its Ohio Non-MSA AA. The PE reflects that First Financial had good overall branch distribution and a good provision of community development services in the Ohio Non-MSA AA. The PE also notes that the Ohio Non-MSA AA did not have any low-income census tracts and had only one moderate-income census tract in which 0.8 percent of the population of the AA resides. According to the PE, First Financial did not have any branches in the moderate-income census tract. The PE indicates that the good branch distribution in the Ohio Non-MSA AA was attributable to a "near-to" branch – a branch located in a middle-income census tract adjacent to the moderate-income census tract. In contrast, the PE states that First Financial's other two AAs in the State of Ohio, in Dayton and the Lima, Ohio MSA (Lima), which received limited scope reviews, had weaker retail service test performance.¹⁵ Moreover, the PE states that these performance differences in Lima and Dayton were based on branch distribution.¹⁶ Notably, these AAs have larger minority and low- and moderate-income populations than the Ohio Non-MSA AA; therefore, these areas are more similar to the demographics in the Columbus market than the Ohio Non-MSA AA.

The commenter also expressed specific concerns related to First Financial's branch distribution in Gary, although the pending applications do not affect that market. In the State of Indiana, a review of First Financial's PE service test performance generally demonstrated a similar trend of

¹⁴ In the 2010 PE for the State of Ohio, First Financial received an overall "Low Satisfactory" rating on the service test. This rating was based on a full scope assessment of its Central Ohio Non-MSA AA. First Financial combined the Central Ohio Non-MSA AA with another AA used in the 2010 PE to make the Ohio Non-MSA AA used in the 2013 PE.

¹⁵ The 2013 PE reflects that performance under the service test was adequate in Dayton and very poor in Lima.

¹⁶ The scope of the 2013 PE did not include 16 Liberty Savings Bank branches acquired by First Financial in the State of Ohio. Of the sixteen branches acquired, four were located in a low- or moderate-income area.

stronger performance in AAs with a smaller percentage of the population residing in low- and moderate-income census tracts and weaker performance in AAs with a larger percentage of the population residing in low- and moderate-income census tracts.¹⁷

First Financial responded to the commenter's concerns about its branch network by stating that the branch network is centrally located in its MSAs so as to be able to serve all customers. Moreover, First Financial represented that its business strategy involves investing in online capabilities to augment the limited branch network in most of its markets and that it has invested heavily in electronic access in the last few years. First Financial represented that over 50 percent of its customers utilize its online and mobile services. First Financial further represented that its branch and call center employees provide education to current and prospective customers about its online and mobile banking capabilities. In order to promote increased awareness of its online and mobile banking resources, First Financial represented that it conducts multimedia mass marketing, utilizing print, television, billboard, digital, and radio. As First Financial enters the Columbus market through these mergers, First Financial stated that it aims to maximize exposure through its marketing and intends to include a broad mix of demographics in its marketing campaign in the Columbus area.

First Financial represented that it will cover the Columbus market through a combination of freestanding branches, micro-branches, and freestanding ATMs. Moreover, First Financial represented that it does not intend to close any branch locations in Columbus. First Financial further represented that it does not intend to have an expansive branch network in Columbus and will leverage online resources to meet the needs of the Columbus community, including low- and moderate-income individuals and geographies.

In sum, First Financial intends to rely on alternative systems for delivering retail banking services, such as online banking, to serve the convenience and needs of residents of low- and moderate-income geographies where it does not have branches, such as Columbus, where the OCC's review indicates that the two locations¹⁸ being acquired are in upper-income census tracts. The OCC has reviewed First Financial's CRA performance record and its representations regarding its plans for providing services to low- and moderate-income areas post consummation. Given First Financial's stated intent that it will rely on alternative delivery systems to augment its limited branch network, the OCC has determined that First Financial has not developed and implemented systems and metrics to demonstrate the availability and effectiveness of these alternative delivery systems in helping to meet the credit needs of low- and moderate-income individuals or low- and moderate-income geographies. Therefore, under the

¹⁷ The exception to this statement is in the Bloomington, Indiana MSA. In Bloomington, where just under 30 percent of the population resides in a low- or moderate-income census tract, First Financial had a single branch, which was located in a low-income census tract.

¹⁸ As noted above, Bexley operates out of one location in the Columbus area. In addition to this new branch location, First Financial has stated that it plans to operate Insight's former main office as a branch following the merger.

CRA and the Bank Merger Act, the approval of these applications should be made subject to the condition set forth below.

B. Fair Lending

The commenter expressed concerns regarding the volume of First Financial's home mortgage loan applications and level of lending to African-Americans, Hispanics, low- and moderate-income borrowers, borrowers in low- and moderate-income census tracts, and borrowers in majority-minority census tracts in the four specified markets.¹⁹ The commenter suggested that, based on an analysis of 2012 HMDA data as compared to peers, First Financial's home mortgage lending within the specified markets did not adequately meet the credit needs of these groups.

Pursuant to 12 C.F.R. § 25.28(c), the results of the OCC's evaluation of a bank's CRA performance may be adversely affected by evidence of discriminatory or other illegal credit practices. The OCC may lower the overall rating of an institution based on findings of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by any affiliate whose loans are considered part of the bank's lending performance. First Financial's PE dated November 4, 2013, noted that the OCC had not identified evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs with respect to this institution during that evaluation period.

Regarding the lending concerns raised by the commenter, it should be noted that HMDA data alone are not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or to indicate whether its level of lending is sufficient. Specifically, HMDA data do not take into consideration borrower creditworthiness, housing prices, collateral values, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of a bank's lending activities and efforts.

In considering these applications, the OCC reviewed First Financial's 2012 HMDA data in the four specified markets about which the commenter expressed concerns and compared the results to the commenter's concerns relating to First Financial's home mortgage applications received from, and loans originated to, African-Americans and Hispanics.²⁰ The OCC's review generally revealed similar lending and denial data as that presented by the commenter. Additionally, the OCC's review took into account HMDA data reported by other lenders in those specified markets and relevant factors such as First Financial's overall home mortgage lending volume and its small market share in those specified markets. This review did not result in findings of discrimination relating to First Financial's home mortgage lending in the four specified markets.

¹⁹ See footnote 10, *supra*.

²⁰ The OCC also conducted a Fair Lending examination of First Financial that began on August 19, 2013. This examination did not relate to the concerns raised by the commenter and did not result in findings of discrimination relating to First Financial's home mortgage retail lending.

First Financial responded to the commenter's concerns by representing that it is fully committed to compliance with fair lending laws. First Financial further represented that all of the bank's products and services are available to all customers without regard to race or any other protected class. Moreover, First Financial provided information that indicates non-discriminatory reasons for the denied applications in the four specified markets during 2012.

First Financial also maintains a fair lending policy, which the board of directors reviews and approves annually. First Financial's fair lending policy includes a compliance structure that is intended to ensure compliance with the policy by all directors, officers, and associates of First Financial and its subsidiaries, and to assess and address fair lending risk across the enterprise.²¹ The written policy requires annual formal, comprehensive, enterprise-wide fair lending risk assessments to ensure that its policies, procedures, and controls are adequate to address fair lending risks; a centralized monitoring program to identify and report potential fair lending abuses or activities; procedures to ensure that, when appropriate, fair lending compliance is factored into compensation decisions; and disciplinary policies and practices that support rigorous disciplinary action for violations of the fair lending laws. In addition, First Financial requires independent audits of its fair lending policy to ensure compliance, and all employees involved in lending activities are required to complete annual fair lending training on topics such as fair lending, fair housing, the Equal Credit Opportunity Act, and HMDA.²²

First Financial represented that it uses multiple methods to review its HMDA data. Specifically, its CRA Risk Committee conducts quarterly meetings to review the progress of First Financial's AAs in meeting the credit needs of the communities that it serves, and First Financial has represented that it will take further action when improvement is warranted. As an example of such action, First Financial described its Lake County improvement effort that began in 2011, in which its commercial and mortgage staff developed an action plan and measurable steps aimed at improving lending in the low- and moderate-income areas in Lake County, Indiana. First Financial represented that, as a result of these efforts, community development lending, investment, and services in Lake County have significantly increased since the 2010 CRA performance evaluation.²³

²¹ In accordance with First Financial's fair lending compliance structure, the Board of Directors is responsible for overall corporate-wide fair lending compliance. In addition, First Financial's business units are responsible for identifying and managing fair lending risks, promoting a culture of compliance, and creating appropriate corrective actions to address risks. Furthermore, First Financial's legal department provides legal interpretations and advice concerning fair lending matters and the marketing and communications department creates advertising and marketing materials that comply with the fair lending laws.

²² First Financial represented that in 2013 over one-half of its employees completed a combined 1,229 courses accounting for over 1,200 hours of fair lending-related training. First Financial also stated that its training review team, which includes representatives from risk management, talent management, corporate legal, and BAI learning development, evaluates the training courses on an annual basis.

²³ First Financial's 2010 PE reflects that, during the CRA evaluation period (January 1, 2005 through May 31, 2010), First Financial had seven investments and donations in the Lake County AA totaling \$14,000. First Financial represented that between 2010 and 2013 it made 22 community development investments and donations in Lake County totaling approximately \$1.6 million.

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First Financial further represented that it has partnered with TRUPOINT Partners (TRUPOINT) to help it assess fair lending compliance. According to the bank, TRUPOINT is a consulting firm that assists more than 500 financial institutions in fair lending compliance. TRUPOINT will evaluate First Financial's 2013 HMDA data to help determine if there are disparities in lending to prohibited basis groups, and to identify areas that may warrant additional review by First Financial.

In addition, First Financial represented that it is committed to meeting the needs of all members of the communities in which it operates. To this end, First Financial indicated that it hired a CRA Officer in 2010 and that qualified community development loans doubled between 2010 and 2013, including substantial increases in Cincinnati and Dayton.²⁴ First Financial further represented that it offers specific lending programs and services targeted to low- and moderate-income individuals or to low- and moderate-income census tracts.²⁵ Moreover, First Financial

²⁴ During the prior evaluation period, First Financial's qualified investments in Cincinnati and Dayton totaled approximately \$1.5 million and \$6,000, respectively. In contrast, between 2010 and 2013, First Financial's qualified investments in Cincinnati and Dayton totaled approximately \$12 million and \$1 million respectively. Examples of the organizations First Financial supports in the four specified markets are as follows: (i) Santa Maria Service Corp (Cincinnati) - First Financial provided the organization with \$200,000 to purchase a building that houses the Price Hill Financial Opportunity Center; (ii) Habitat for Humanity Dayton - First Financial supported the organization's successful grant application, and \$175,000 will be made available to subsidize the construction of nine homes for lower income minority home buyers; (iii) Indianapolis Neighborhood Housing Partnership - First Financial has committed \$1.5 million to the Indianapolis Neighborhood Partnership in their consortium loan pool as part of a mortgage advising organization that helps find the best loan option for potential home buyers; and (iv) Park Shore Apartments - First Financial invested \$1 million in the Great Lakes Housing Fund, and the investment was specifically targeted toward renovating the Park Shore Apartments, which provide Section 8 subsidized housing in Gary.

²⁵ In 2013, First Financial participated in programs, including: (i) CHAMP, an affordable home ownership program that allows buyers with non-traditional credit and limited down payment ability and incomes below 80 percent of the adjusted mean income or whose property is located in a low- or moderate-income census tract to purchase a home without the added expense of mortgage insurance; First Financial committed approximately \$19.6 million in aggregate (approximately \$11.8 million and \$8.3 million in low- and moderate-income and majority-minority census tracts respectively); (ii) Welcome Home Funds, a program offered by the Federal Home Loan Bank of Cincinnati that funds down payments and closing costs for low- and moderate-income borrowers; First Financial committed \$199,000 (program capped at \$200,000 per institution) (approximately \$20,000 and \$15,000 in low- and moderate-income and majority-minority census tracts, respectively); (iii) Ohio Housing Finance Agency, an agency that offers qualified home buyers down payment assistance in the amount of 2.5 percent of the sales price of the home; First Financial committed \$1.73 million (approximately \$514,000 in low- and moderate-income census tracts); and (iv) Neighborhood Housing, an organization that offers a full array of housing services for low- and moderate-income persons, including housing counseling, down payment assistance, home sales and rental opportunities; First Financial committed \$1.02 million (approximately \$500,000 and \$84,000 in low- and moderate-income census tracts and majority-minority census tracts, respectively). Of the four programs referenced, First Financial provided funding information for 2010 through 2013 demonstrating that the CHAMP and the Ohio Housing Finance Agency programs served both minorities and low- and moderate-income individuals to a significant extent. Related to the CHAMP program, the commenter also expressed concern regarding First Financial's waiver of the income requirement for borrowers purchasing a property in a low- or moderate-income census tract. This program is consistent with the evaluation focus of the OCC: helping to meet the credit needs of an institution's entire community, including low- and moderate-income neighborhoods. *See* 12 U.S.C. § 2903(a)(1).

stated that it engaged in outreach and marketing to low- and moderate-income individuals and geographies by dedicating resources to partner with organizations that focus on the needs of first-time home buyers, customers who may require down payment assistance, borrowers with impaired credit and other select audiences.²⁶ First Financial also represented that it has engaged in outreach to minorities by, for example, participating in Cincinnati's 2011 Black Family Reunion, during which bank employees provided participants with information on products and services and answered questions. Within the Columbus market, the area affected by these acquisitions, First Financial represented that it intends to build on the success of the acquired institutions by: (i) retaining a senior officer from the institutions as Market President; (ii) forming a group of business leaders and former board members of Bexley and Insight to serve as First Financial's Columbus Board of Advisors; (iii) leveraging existing Columbus community relationships, such as the YMCA and Habitat for Humanity; (iv) likely participating in economic incubators, as it has done in other markets; and (v) having its CRA Officer conduct quarterly self-assessments of its CRA and fair lending activities to ensure that First Financial is continuing to meet the needs of the entire community.

C. Small Business Lending

The commenter expressed concerns related to First Financial's lending percentage, as compared to peers, for businesses with less than \$1 million in revenue. Specifically, the commenter asserted that First Financial made a significantly smaller percentage of its total small business loans to businesses with less than \$1 million in revenue in Dayton than its peers made to the same sized businesses.²⁷

As with HMDA data, it should be noted that small business lending data alone are not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or to indicate whether its level of lending is sufficient. Small business data do not take into consideration relevant factors such as creditworthiness, collateral values, and the prior record of the business. Further, the CRA small business lending data reported each year cover only a portion of the credit extended to small businesses. They do not include small business lending either by small

²⁶ For example, in 2012 and 2013 First Financial engaged in a special marketing effort along with the CDC Association of Cincinnati, which involved 12 monthly round tables targeted to community development organizations that provide affordable housing and services to low- and moderate-income neighborhoods. In Dayton, First Financial represented that it supported the efforts of CityWide Development Corporation by helping plan the organization's annual Affordable Housing Fair and providing brochures and making mortgage loan officers available to answer questions associated with the organization's Mortgage and Credit Counseling Department's programs. In Indianapolis, First Financial indicated that the bank offered a home buying seminar and a bus tour to show available homes in the participants' price ranges. Finally, in the Lake County MSA (which includes Gary), First Financial represented that the bank conducted a targeted marketing campaign to raise awareness of First Financial's home loan program. First Financial represented that this campaign involved researching the names of realtors in low- and moderate-income zip codes, and sending those realtors detailed emails explaining the bank's home loan products and providing contact information for loan officers.

²⁷ The comments related to First Financial's small business lending were made prior to the issuance of the 2013 PE.

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depository institutions that are not required to report CRA data or by other lenders not covered by CRA, such as commercial finance companies.

The OCC considered First Financial's record for originating small loans to businesses during its CRA performance evaluation. For the State of Ohio, First Financial's PE indicates that the geographic distribution of small loans to businesses is excellent and the borrower distribution of small loans to businesses is adequate. In addition, in Dayton, the PE indicates that First Financial made a larger percentage of its small loans to businesses in low- and moderate-income geographies than the percentage of businesses in those geographies.

First Financial specifically responded to the commenter's small business lending concerns in Dayton. First Financial represented that it has an improving trend in small business lending in Dayton. During the period from 2010 to 2013, First Financial represented that the total number of small business loans it originated in Dayton was more than twice the number of small business loans that it had originated during the prior CRA evaluation period.²⁸

First Financial also represented that it has designed several products to meet the needs of small businesses.²⁹ In addition to developing specific products for the small business market, First Financial represented that it has developed partnerships and engaged in outreach to the small business community. In Dayton, First Financial stated that it has established relationships with several government and community development organizations that support small business and entrepreneurship development.³⁰ In addition, First Financial represented that it is a Small Business Administration-preferred lender and participates in a number of programs supporting small businesses, such as the SBA Loan program, the Small Business Micro Loan program, and the Northcreek Small Business Investment Corporation.³¹

²⁸ First Financial states that it originated the following number and amounts of small business loans in Dayton: (i) 2010 (121 small business loans; \$31.98 million); (ii) 2011 (166 small business loans; \$40.62 million); (iii) 2012 (260 small business loans; \$52.95 million); and (iv) 2013 (229 small business loans; \$56.38 million).

²⁹ These products include: (i) revolving lines of credit (for businesses with short-term borrowing needs on a frequent basis); (ii) term loans (for businesses with more permanent or fixed borrowing needs); (iii) real estate loans (for purchasing, refinancing, or making improvements); (iv) time notes (that allow monthly interest-only payments for a maximum term of 12 months, at which point the loan must be paid in full); (v) demand lines of credit (similar to a revolving line of credit, but with no maturity date and a maximum credit line of \$250,000); and (vi) standby letters of credit (a product that, according to the bank, is issued on behalf of a customer to be used as a "payment of last resort" should the customer fail to fulfill a contractual commitment with a third party).

³⁰ According to First Financial, its current small business and entrepreneurship development relationships in Dayton include: (i) CityWide Development Corporation, (ii) Dayton Development Coalition, (iii) Dayton Chamber of Commerce, (iv) Kettering/Moraine/Oakwood Chamber of Commerce, (v) National Center for Composite Technologies, (vi) Dayton Montgomery County Port Authority, (vii) The Dayton Business Committee, and (viii) Montgomery County Biz Cap (County Corp.).

³¹ Between 2010 and 2013, First Financial represented that it committed the following amounts to these programs: (i) the SBA Loan program (\$175 million), (ii) the Small Business Micro Loan program (\$119,000), and (iii) Northcreek Small Business Investment Corporation (\$6 million).

D. Summary and Condition of Approval

Accordingly, based upon our review of the respective records of the banks involved in the proposed merger, the application, the public comments and First Financial's response to those comments, and supervisory materials and other information available to the OCC as part of its regulatory responsibilities, we conclude that the applications should be approved subject to the following condition:

First Financial shall develop a means of assessing and demonstrating the extent to which the institution's alternative systems for delivering retail banking services (e.g., online banking, mobile banking, and automated teller machines) are available to provide, and effective in providing, needed retail banking services in low- and moderate-income geographies or to low- and moderate-income individuals. First Financial shall present its plan for assessing and demonstrating the availability and effectiveness of its alternative delivery systems to the OCC for a written determination of no supervisory objection within one year of consummation of the merger. The OCC encourages all types of delivery systems that help to meet the needs of low- and moderate-income geographies and low- and moderate-income individuals and will consider any metrics or procedures First Financial develops and provides to examiners, so long as they serve the purpose of demonstrating the extent to which First Financial's alternative delivery systems are available to, and effective in serving, low- and moderate-income geographies or individuals.

This condition of approval is a condition "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

VI. Consummation Requirements

The OCC will issue a letter certifying consummation of the transactions when we receive:

- A Secretary's Certificate for each institution, certifying that the required shareholder approvals have been obtained.
- Documentation that all other conditions that the OCC imposed have been met.

The mergers must be consummated no earlier than 15 calendar days from the date of this letter. If the mergers with Bexley and Insight have not been consummated within twelve months from the approval date, the approval will automatically terminate unless the OCC grants an extension of time. The OCC must be advised in writing of the desired effective date for the mergers so it may issue the necessary certification letter.

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These approvals, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. The approvals are based on First Financial's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind these approvals if a material change in the information on which the OCC relied occurs prior to the date of the transactions to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting feedback on how we handled the referenced applications. If you have any questions, please contact Senior Licensing Analyst Carolina M. Ledesma by e-mail at carolina.ledesma@occ.treas.gov or by telephone at (312) 360-8867. Please include the OCC Control Numbers on any correspondence related to this filing.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing

Enclosure: Survey Letter