

PUBLIC DISCLOSURE

May 21, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community State Bank
Certificate Number: 1839
101 North Chicago Street
Royal Center, Indiana 46978

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office
300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this 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. 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

Institution Rating.....	1
Scope of Evaluation.....	2
Description of Institution.....	3
Description of Assessment Area.....	4
Conclusions on Performance Criteria	7
Discriminatory or Other Illegal Credit Practices Review.....	15
Glossary.....	16

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Community State Bank's (CSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of its small farm, home mortgage, and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of loans among farms and businesses of different sizes, and individuals of different income levels (including low- and moderate-income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 4, 2012, to the current evaluation dated May 21, 2018. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate CSB’s CRA performance. These procedures consist only of the Lending Test, which considers the following performance criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank’s major product lines are small farm, home mortgage, and small business lending. This conclusion considered the bank’s business focus, the bank’s portfolio composition, and the number and dollar of loans originated during the evaluation period.

The bank’s record of originating small farm loans contributed the most weight to the conclusions in this evaluation, followed by home mortgage and small business loans. Small business lending became a strategic focus subsequent to the prior evaluation. No other loan types, such as consumer loans, represent a major product line. The following table details the universe of CSB’s originated and purchased small farm, home mortgage, and small business loans in 2016 and 2017.

Loans Originated and Purchased (2016 and 2017)				
Loan Category	#	%	\$(000s)	%
Small farm	136	68.7	9,935	50.6
Home mortgage	38	19.2	5,950	30.3
Small business	24	12.1	3,746	19.1
Total Loans	198	100.0	19,631	100.0
<i>Source: Bank Records</i>				

Examiners analyzed the universe of small farm, home mortgage, and small business loans originated in the period January 1, 2016, through December 31, 2017. This loan universe is considered representative of the bank’s lending activity during the entire evaluation period. CSB originated 53 small farm loans totaling \$5.7 million in 2016 and 83 small farm loans totaling \$4.2 million in 2017. The bank’s home mortgage lending volume was 18 loans totaling \$2.1 million in 2016 and 20 loans totaling \$3.9 million in 2017. CSB originated seven small business loans totaling \$1.7 million in 2016 and 17 small business loans totaling \$2.0 million in 2017. This evaluation presents information for both 2016 and 2017. CSB’s small farm and small business lending performance is compared to 2016 and 2017 D&B data, respectively.

The institution's home mortgage lending performance for 2016 is compared to 2010 U.S. Census data, and the 2017 performance is compared to the 2011-2015 American Community Survey 5-year estimates (2015 ACS).

Examiners reviewed the number and dollar volume of small farm, home mortgage, and small business loans. While both number and dollar volume of loans is presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms, individuals, and businesses served.

DESCRIPTION OF INSTITUTION

Background

CSB is headquartered in Royal Center, Indiana, and operates within Cass and Fulton Counties in north-central Indiana. It is a wholly-owned subsidiary of Community Bancorp, a single-bank holding company. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation based on Interagency Small Institution CRA Examination Procedures.

Operations

CSB operates its full-service headquarters location and three full-service branch offices in the communities of Kewanna, Twelve Mile, and Walton. The Walton, Indiana, branch office opened during the evaluation period. CSB operates all of its offices in middle-income census tracts.

Loan products offered include agricultural, home mortgage, commercial and consumer loans, with agricultural lending being the bank's primary lending focus. The bank provides a variety of deposit services including checking accounts, savings accounts, certificates of deposit, and Individual Retirement Accounts. Alternative banking services include Internet banking, mobile banking, mobile deposit capture, and four bank-owned automated teller machines (ATMs). The bank has not engaged in any merger or acquisition activities since the prior evaluation.

Ability and Capacity

Assets totaled approximately \$119.6 million as of December 31, 2017, and included total loans of \$88.0 million and securities totaling \$16.1 million. The follow table details CSB's loan portfolio.

Loan Portfolio Distribution as of 12/31/2017		
Loan Category	\$(000s)	%
Construction and Land Development	554	0.6
Secured by Farmland	24,587	28.0
1-4 Family Residential	22,869	26.0
Multi-family (5 or more) Residential	0	0.0
Nonfarm and nonresidential	3,762	4.3
Total Real Estate Loans	51,772	58.9
Commercial and Industrial	7,951	9.0
Agricultural	15,271	17.4
Consumer (including auto)	3,827	4.3
Other	9,144	10.4
Total Loans	87,965	100.0
<i>Source: Reports of Income and Condition</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. CSB designated a single assessment area that includes the entirety of Cass, Fulton, Miami, Pulaski, and White Counties in Indiana. These counties are all within the Indiana Statewide Non-Metropolitan Statistical Area (Non-MSA). Although CSB's office operations are limited to Cass and Fulton Counties, the bank makes a substantial portion of its loans in Miami, Pulaski, and White Counties. The geographic footprint of the assessment area is unchanged from the prior exam.

Economic and Demographic Data

The assessment area includes all 39 tracts in Cass, Fulton, Miami, Pulaski, and White Counties. These tracts reflect the following income designations according to the 2015 ACS:

- 8 moderate-income tracts
- 28 middle-income tracts
- 3 upper-income tracts

The income designations from the 2015 ACS are used to evaluate the bank's performance in 2017. Performance in moderate-income geographies in 2016 is based on the income designations of the 2010 U.S. Census. The 2010 U.S. Census reflected the following income designations for the assessment area:

- 6 moderate-income tracts
- 31 middle-income tracts
- 2 upper-income tracts

The following table details select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	0.0	20.5	71.8	7.7	0.0
Population by Geography	132,649	0.0	19.4	73.6	7.0	0.0
Housing Units by Geography	60,407	0.0	18.6	73.4	8.0	0.0
Owner-Occupied Units by Geography	38,038	0.0	15.5	76.9	7.6	0.0
Occupied Rental Units by Geography	12,341	0.0	29.2	65.2	5.6	0.0
Vacant Units by Geography	10,028	0.0	17.3	70.5	12.2	0.0
Businesses by Geography	6,686	0.0	20.8	70.4	8.8	0.0
Farms by Geography	1,073	0.0	4.1	83.3	12.6	0.0
Family Distribution by Income Level	34,468	18.8	18.8	23.2	39.2	0.0
Median Family Income Non-MSAs – IN		\$55,741	Median Housing Value			\$92,900
			Median Gross Rent			\$646
			Families Below Poverty Level			10.0%
<i>Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners use the FFIEC-estimated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area. These categories are based on the FFIEC-estimated median family incomes for 2016 and 2017 for the Indiana Statewide Non-MSA areas.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IN NA Median Family Income (99999)				
2016 (\$57,100)	<\$28,550	\$28,550 to <\$45,680	\$45,680 to <\$68,520	≥\$68,520
2017 (\$57,300)	<\$28,650	\$28,650 to <\$45,840	\$45,840 to <\$68,760	≥\$68,760
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

There are over 60,000 housing units in the assessment area. Of these, 63.0 percent are owner-occupied, 20.4 percent are occupied rental units, and 16.6 percent are vacant. The Geographic Distribution criterion compares home mortgage units to the distribution of owner-occupied housing units.

According to 2017 D&B data, there were 1,073 farms in the assessment area. Gross annual revenues (GARs) for these farms were as follows:

- 97.9 percent have \$1 million or less.
- 1.4 percent have more than \$1 million.
- 0.7 percent have unknown revenues.

According to 2017 D&B data, there were 6,686 businesses in the assessment area. Gross annual revenues (GARs) for these businesses (non-farm) were as follows:

- 79.5 percent have \$1 million or less.
- 5.9 percent have more than \$1 million.
- 14.6 percent have unknown revenues.

The analysis of small farm and small business loans under the Borrower Profile criterion compares the distribution of farms and businesses by GAR level. Service industries represent the largest portion of businesses (non-farm) at 37.5 percent; followed by agriculture (13.8 percent); retail trade (13.1 percent); construction (7.1 percent); and finance, insurance, and real estate (6.8 percent). In addition, 70.8 percent of area businesses (including farms) have four or fewer employees, and 87.1 percent operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2017 year-end, non-seasonally adjusted unemployment rate was 3.1 percent statewide. Within the assessment area, the rate varied only from 3.0 percent for White County to 3.4 percent for Cass County. Business expansion helped drive unemployment rates lower during the analyzed period of January 1, 2016 to December 31, 2017. At the beginning of 2016, the unemployment rate was 5.0 percent statewide, and the rate varied from 4.7 percent for White County to 5.9 percent for Fulton County.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 20 financial institutions that operated 50 full-service branches in the assessment area. Of these institutions, CSB ranked 11th with a 4.9 percent deposit market share.

The bank is not required to collect or report its small farm loan data, and it has not elected to do so. Therefore, the analysis of small farm loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for small farm loans and is, therefore, included. Aggregate data for 2016 shows 21 institutions reported 431 small farm loans within the assessment area, indicating a moderate level of competition and demand for this product.

Likewise, the bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is, therefore, included.

Aggregate data for 2016 shows 61 institutions reported 1,416 small business loans within the assessment area, which indicates a high level of competition and demand for this product.

There is a high level of competition for home mortgage loans among various banks, credit unions, and non-depository mortgage lenders. In 2016, 202 lenders reported a total of 2,709 home mortgage loans originated or purchased in the assessment area. Although CSB is not subject to the Home Mortgage Disclosure Act (HMDA) and is, therefore, not included in this data, it is an indicator of the competition for originating home mortgage loans in the assessment area.

CSB's operations primarily serve the rural areas of the assessment area. The three largest population centers in the assessment area are Logansport (Cass County), Peru (Miami County), and Rochester (Fulton County). These communities include six of the assessment area's eight moderate-income census tracts. Twelve of the 20 financial institutions operating in the assessment area operate 18 banking offices in these population centers. CSB's banking offices are several miles from these population centers.

High crop and livestock prices in the early part of the evaluation period dampened loan demand for farms and the businesses that depend on the agricultural economy. However, these crop and livestock prices declined later in the evaluation period. Consequently, CSB experienced increased demand for farm and business working capital loans in 2017.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying community credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

Examiners contacted a representative of a government economic development agency in the assessment area. The contact stated that there is a growing need for working capital loans for farms in the assessment area as lower crop and livestock prices have led to depleted reserves that might have previously funded farm operations. Additionally, the contact stated that there is a need for working capital loans to support small business expansion into the assessment area's smaller communities. The contact stated that financial institutions have been creative and helpful in responding to these credit needs. Finally, the contact noted that CSB's Walton branch office opening filled a banking and credit void left by the departure of another financial institution from that community.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CSB demonstrated reasonable performance under the Lending Test. Loan-to-Deposit (LTD) ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 79.0 percent over the past 22 calendar quarters from September 30, 2012, to December 31, 2017. The ratio ranged from a low of 59.3 percent as of March 31, 2013, to a high of 95.6 percent as of September 30, 2016. The bank's LTD ratio increased over the evaluation period as loan growth outpaced deposit growth. CSB maintained a ratio higher than those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2017 \$ (000s)	Average Net LTD Ratio (%)
Community State Bank	119,592	79.0
Fowler State Bank	158,922	60.0
The Farmers and Merchants Bank	129,426	63.6
Bank of Wolcott	157,042	78.9

Source: Reports of Income and Condition 9/30/2012 through 12/31/2017

Assessment Area Concentration

The bank made a substantial majority of small farm, home mortgage, and small business loans, by number and dollar volume, within its assessment area. See the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	15	83.3	3	16.7	18	1,752	84.2	329	15.8	2,081
2017	18	90.0	2	10.0	20	3,542	91.5	327	8.5	3,869
Subtotal	33	86.8	5	13.2	38	5,294	89.0	656	11.0	5,950
Small Business										
2016	7	100.0	0	0.0	7	1,715	100.0	0	0.0	1,715
2017	15	88.2	2	11.8	17	1,851	91.1	180	8.9	2,031
Subtotal	22	91.7	2	8.3	24	3,566	95.2	180	4.8	3,746
Small Farm										
2016	45	84.9	8	15.1	53	5,110	89.8	578	10.2	5,688
2017	74	89.2	9	10.8	83	4,126	97.2	121	2.8	4,247
Subtotal	119	87.5	17	12.5	136	9,236	93.0	699	7.0	9,935
Total	174	87.9	24	12.1	198	18,096	92.2	1,535	7.8	19,631
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. CSB's reasonable performance of small farm, home mortgage, and small business lending supports the conclusion. Examiners focused on the percentage by number of loans in the moderate-income census tracts. The assessment area includes no low-income census tracts.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion. The following table shows that the bank's performance in moderate-income census tracts exceeded farm demographics by 2.4 percentage points in 2016. CSB made no small farm loans in the moderate-income census tracts in 2017. However, only 44 farms are located within the moderate-income census tracts, and not all farms require financing annually. Considering the bank's performance in 2016, the level of demand and competition mentioned on page 7, and community credit needs, CSB's performance of small farm lending is reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate					
2016	4.3	3	6.7	73	1.4
2017	4.1	0	0.0	0	0.0
Middle					
2016	86.9	30	66.7	3,218	63.0
2017	83.3	74	100.0	4,126	100.0
Upper					
2016	8.8	12	26.7	1,819	35.6
2017	12.6	0	0.0	0	0.0
Totals					
2016	100.0	45	100.0	5,110	100.0
2017	100.0	74	100.0	4,126	100.0
<i>Sources: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank's performance in moderate-income census tracts exceeded the percentage of owner-occupied housing units by just 0.3 percentage points in 2016. CSB made no home mortgage loans in the moderate-income tracts in 2017. Considering the 2016 performance, the location of CSB's operations, the level of competition mentioned on page 7, and community credit needs the bank's home mortgage lending performance is reasonable

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate					
2016	13.0	2	13.3	109	6.2
2017	15.5	0	0.0	0	0.0
Middle					
2016	82.7	11	73.3	1,487	84.9
2017	76.9	18	100.0	3,542	100.0
Upper					
2016	4.3	2	13.3	156	8.9
2017	7.6	0	0.0	0	0.0
Totals					
2016	100.0	15	100.0	1,752	100.0
2017	100.0	18	100.0	3,542	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table shows that the bank's performance in moderate-income census tracts exceeded business demographics by 11.7 percentage points in 2016. In 2017, CSB made no small business loans in the moderate-income tracts. Nearly 1,400 businesses are located within the moderate-income tracts, but not all businesses require financing. Furthermore, as noted previously, there is a high level of competition for small business loans in the assessment area, and CSB's operations primarily serve the rural areas of the assessment area. Therefore, performance is reasonable, considering the 2016 performance, the location of the bank's operations, and the level of competition.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2016	16.9	2	28.6	90	5.2
2017	20.8	0	0.0	0	0.0
Middle					
2016	79.4	4	57.1	1,125	65.6
2017	70.4	15	100.0	1,851	100.0
Upper					
2016	3.6	1	14.3	500	29.2
2017	8.8	0	0.0	0	0.0
Totals					
2016	100.0	7	100.0	1,715	100.0
2017	100.0	15	100.0	1,851	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, overall reasonable penetration among farms and businesses of different sizes, and individuals of different income levels (including low- and moderate-income). The bank's reasonable performance of small farm lending, excellent performance of small business lending, and reasonable performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small farm and small business loans to farms and businesses with GARs of \$1 million or less. They also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms with GARs of \$1 million or less. The following table shows that the percent of small farm loans originated to farms with GARs of \$1 million or less was 11.2 percentage points less than the percentage of farms with that GAR level in 2016. In 2017, however, the bank's performance significantly improved and was only 2.0 percentage points less than the percentage of farms with that GAR level. High crop and livestock prices around 2016 dampened loan demand for farms and businesses that depend on the agricultural economy, as previously mentioned on page 7. However, these prices began to decline by 2017, thus leading to almost double in loan originations with demand for farm and business working capital loans. Performance is reasonable, therefore, considering the volume trend, community credit needs, and the performance of another similarly-situated institution.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2016	97.9	39	86.7	4,884	95.6
2017	97.9	71	95.9	3,957	95.9
>\$1,000,000					
2016	1.4	4	8.9	198	3.9
2017	1.4	3	4.1	169	4.1
Revenue Not Available					
2016	0.7	2	4.4	28	0.5
2017	0.7	0	0.0	0	0.0
Totals					
2016	100.0	45	100.0	5,110	100.0
2017	100.0	74	100.0	4,126	100.0
<i>Sources: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low and moderate-income borrowers, is reasonable.

The following table shows that CSB’s home mortgage lending to low-income borrowers trailed the percentage of low-income families by 13.1 percentage points in 2016, and in 2017, the bank made no home mortgage loans to low-income borrowers. The percentage of families below the poverty level was 10.4 percent in 2016 and 10.0 percent in 2017. These families typically do not possess the financial means to qualify for or afford a traditional home mortgage loan due to financial constraints. Considering the percentage of families below the poverty level, the bank’s performance of home mortgage lending to low-income borrowers in 2016 is reasonable. However, the lack of home mortgage loans to low-income borrowers indicates poor performance in 2017.

Furthermore, government-insured mortgages such as those insured by the Federal Housing Administration (FHA) and the U.S. Department of Agricultural (USDA) are typically more affordable to low- and moderate-income borrowers. FHA and USDA rural housing loans offer lower down payment requirements and flexible underwriting. CSB does not offer government-insured mortgages; however, the bank does refer prospective borrowers to mortgage brokers in the area who may be able to provide government-issued mortgages to them. The bank does not retain a fee for this service.

Finally, loan data from HMDA-covered lending institutions in the assessment area indicate that only a slight majority of loans made to both low- and moderate-income borrowers in 2016 were conventional mortgages.

Although CSB is not covered by HMDA, and, therefore, is not included in the HMDA data, the HMDA data are indicative of the demand for conventional financing by both low- and moderate-income borrowers in the assessment area.

CSB’s home mortgage lending to moderate-income borrowers trailed the percentage of moderate-income families by 7.9 percentage points in 2016. In 2017, the bank’s performance increased and trailed by just 2.1 percentage points. As such, lending in both 2016 and 2017 among moderate-income borrowers is reasonable.

Therefore, taking into account all of these factors, CSB’s home mortgage lending performance for both low- and moderate-income borrowers is reasonable overall.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2016	19.8	1	6.7	59	3.4
2017	18.8	0	0.0	0	0.0
Moderate					
2016	21.2	2	13.3	81	4.6
2017	18.8	3	16.7	225	6.4
Middle					
2016	22.3	1	6.7	150	8.6
2017	23.2	3	16.7	378	10.7
Upper					
2016	36.7	11	73.3	1,462	83.4
2017	39.2	12	66.7	2,939	83.0
Totals					
2016	100.0	15	100.0	1,752	100.0
2017	100.0	18	100.0	3,542	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0</i>					

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the institution made all small business loans in 2016 and 2017 to businesses with GARs of \$1 million or less, which reflects excellent performance. Performance is also excellent considering the level of competition, community credit needs, and the performance of a similarly-situated institution. Lastly, as previously mentioned, small business lending has become a strategic lending focus for the bank, and those efforts are effective and gaining momentum.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2016	79.7	7	100.0	1,715	100.0
2017	79.5	15	100.0	1,851	100.0
>\$1,000,000					
2016	5.7	0	0.0	0	0.0
2017	5.9	0	0.0	0	0.0
Revenue Not Available					
2016	14.6	0	0.0	0	0.0
2017	14.5	0	0.0	0	0.0
Totals					
2016	100.0	7	100.0	1,715	100.0
2017	100.0	15	100.0	1,851	100.0
<i>Sources: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the CRA rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's CRA rating.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.