

PUBLIC DISCLOSURE

August 3, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DeMotte State Bank
RSSD# 539340

210 South Halleck Street
DeMotte, Indiana 46310

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

DeMotte State Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DeMotte State Bank ("DSB") is rated satisfactory and is meeting the needs of its community based on an analysis of lending and community development activity. The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and the credit needs of its assessment area. The majority of the bank's loans were originated in its combined assessment area. The distribution of loans to individuals of different income levels, including low- and moderate-income individuals, and to businesses and farms of different sizes is reasonable given the demographics of the bank's assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area. Neither DSB nor this Reserve Bank have received any CRA-related complaints since the previous evaluation.

The bank's performance demonstrates adequate responsiveness to the community development needs of the assessment area through qualified community development loans, investments, donations, and services based on the needs of the community and the bank's capacity to meet those needs within its assessment area.

SCOPE OF EXAMINATION

DSB's CRA performance was evaluated using the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Bank Institution Examination Procedures. The analysis of the bank's CRA performance weighed the performance tests against the context of the institution and assessment area including asset size, financial condition, competition, and economic and demographic characteristics.

The bank has two assessment areas in the state of Indiana. A full scope review was conducted for the Gary, Indiana Metropolitan Division #23844 (Gary, IN MD) assessment area, due to the bank's presence in the assessment area considering the following factors: deposit market share; branch concentration; volume of home mortgage lending; small business and small farm lending; and assessment area community needs. A limited scope review was conducted for the Starke County Non-Metropolitan Statistical Area (Non-MSA) assessment area, and was evaluated for consistency with the bank's overall performance.

Performance within the designated assessment areas was evaluated using Intermediate Small Bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 13 quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors;

- ***Lending in the Assessment Area*** – The bank’s Home Mortgage Disclosure Act (HMDA)-reportable loans originated from January 1, 2017 through December 31, 2018, and a statistical sample of small business and small farm loans originated from January 1, 2018 through December 31, 2018 were reviewed to determine the percentage of loans originated within the assessment area;
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2017 through December 31, 2018, and a statistical sample of small business and small farm loans originated from January 1, 2018 through December 31, 2018 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income;
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank’s HMDA-reportable loans originated from January 1, 2017 to December 31, 2018 and samples of small business and small farm loans originated from January 1, 2018 to December 31, 2018, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes;
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness; and
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from October 17, 2016 to August 3, 2020 were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, three community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. Contacts represented organizations involved with economic development and affordable housing.

DESCRIPTION OF ASSESSMENT AREA

DSB's combined assessment area consists of two contiguous intrastate assessment areas encompassing a portion of the Gary, IN MD #23844 and the Non-MSA Starke County. The Gary, Indiana Metropolitan Division (MD) #23844 consists of Jasper and Newton Counties in their entirety and portions of Lake and Porter Counties. The Non-MSA Starke County assessment area comprises Starke County in its entirety. The combined assessment area contains 37 census tracts with the following income designations: two moderate-, twenty-five middle-, and ten upper-income census tracts. There are no low-income or distressed or underserved census tracts within the combined assessment area.

DESCRIPTION OF INSTITUTION

DeMotte State Bank, headquartered in DeMotte, Indiana, is a subsidiary of DeMotte Bancorp, a one-bank holding company located in the same town. The bank is located approximately 35 miles south of Gary, Indiana. In addition to the main office in DeMotte, the bank delivers its products and services through a network of eight full-service branch offices, three limited-service branches, and twelve cash-only automated teller machines (ATMs). All offices and ATMs, except for the Starke County full-service branch and ATM, are located in the Gary, IN MD. Applications for all loan products are accepted at each full-service branch location. Since the previous examination, the bank opened a limited service branch in October 2018, in a middle-income census tract in Wheatfield, IN, within the Gary, IN MD.

The bank's total assets equaled \$446 million as of December 31, 2019 according to the Uniform Bank Performance Report (UBPR). This represents an increase in asset size of 15.0 percent since the previous evaluation, where the bank reported almost \$388 million in assets. Gross loans and total deposits at the end of 2019 were \$240 and \$353 million, respectively.

As shown in the table below, as of December 31, 2019 commercial loans comprise the largest percentage of the bank's loan portfolio at 38.5 percent, followed by agriculture loans at 33.0 percent and residential real estate loans at 26.5 percent. In addition to its lending activities, the bank's deposit products include demand deposits, savings accounts, money market accounts, negotiable orders of withdrawal, and certificates of deposit. The bank also offers mobile banking, internet banking, and electronic bill pay via the bank's website, www.netdsb.com. This mix of lending activities presents the bank with substantial opportunities in helping to meet the credit needs of its community.

Loan Portfolio Composition December 31, 2019		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Commercial	\$92,662	38.5
Agricultural	\$79,237	33.0
Residential Real Estate	\$63,745	26.5
Consumer	\$4,371	1.8
Other	\$351	0.2
Total	\$240,366	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		
<i>Source: National Exam Database</i>		

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on October 17, 2016.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

DSB's performance relative to the lending test is rated Satisfactory based on a reasonable loan-to-deposit ratio; a majority of loans originated within the assessment area; a reasonable geographic distribution of loans reflecting adequate dispersion of HMDA-reportable, small business and small farm loans throughout the assessment area, including in moderate-income geographies; and a reasonable penetration among individuals of different income levels, and to businesses and farms of different sizes.

Loan-to-Deposit Ratio

DSB's loan-to-deposit ("LTD") ratio is reasonable given the bank's size, financial condition, and assessment area credit needs, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments. The LTD ratio averaged 68.9 percent over the 13-quarter period ending December 31, 2019. When considering the size of the competitor institutions in this analysis, only three of the eight are similarly situated in terms of asset size. The LTD ratios of those three institutions range from 66.8 to 70.6 percent. The LTD ratio calculated for DeMotte State Bank aligns with that of similarly sized institutions, deeming it reasonable by comparison. Furthermore, the bank's LTD ratio remains similar to that of the previous performance evaluation of 68.3 percent, in which it was also deemed reasonable. The table below compares the bank's LTD ratio to that of its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%) 13- Quarter Average
DeMotte State Bank	68.9
Competitors	
Alliance Bank—Francesville, IN	66.8
Centier Bank—Merrillville, IN	103.9
Community State Bank—Brook, IN	89.0
First Farmers B&TC—Converse, IN	91.3
First NB of Monterey—Monterey, IN	70.6
Kentland Bank—Kentland, IN	67.3
1 ST Source Bank—South Bend, IN	94.2

Assessment Area Concentration

DSB originated a majority of HMDA reportable, small business, and small farm loans inside the combined assessment area during the review period. According to the Inside and Outside the Assessment Area (2018) table highlighted below, the bank originated 85.6 percent of its total loans by number, and 83.2 percent by dollar volume within the assessment areas. The following table depicts a breakdown of loan originations by product inside and outside the combined assessment area during the review period. Two tables have been provided because of differences in reporting requirements between 2017 and 2018, resulting in an analysis conducted on each year of available data individually. Ultimately, the percentage of HMDA-reportable, small business, and small farm originations within the assessment area indicates the bank is actively serving the credit needs of the community.

Inside and Outside the Assessment Area (2017)								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement	32	84.2	\$1,382	73.5	6	15.8	\$498	26.5
Home Purchase- Conventional	29	70.7	\$3,495	76.8	12	29.3	\$1,058	23.2
Refinancing	28	84.8	\$4,188	87.6	5	15.2	\$591	12.4
Total HMDA Related	89	79.5	\$9,065	80.9	23	20.5	\$2,147	19.1
Total Loans	89	79.5	\$9,065	80.9	23	20.5	\$2,147	19.1
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

Inside and Outside the Assessment Area (2018)								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement	16	100.0	\$443	100.0	0	0	0	0
Home Purchase- Conventional	31	77.5	\$3,842	70.3	9	22.5	\$1,621	29.7
Multi-Family Housing	1	33.3	\$150	36.9	2	66.7	\$256	63.1
Other Purpose Closed-End	19	90.5	\$732	93.1	2	9.5	\$54	6.9
Refinancing	67	85.9	\$10,022	88.2	11	14.1	\$1,341	11.8
Total HMDA Related	134	84.8	\$15,189	82.3	24	15.2	\$3,272	17.7
Small Business	69	94.5	\$7,333	92.9	4	5.5	\$557	7.1
Total Small Business Related	69	94.5	\$7,333	92.9	4	5.5	\$557	7.1
Small Farm	29	72.5	\$5,513	75.2	11	27.5	\$1,817	24.8
Total Small Farm Related	29	72.5	\$5,513	75.2	11	27.5	\$1,817	24.8
Total Loans	232	85.6	\$28,035	83.2	39	14.4	\$5,646	16.8
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

Geographic and Borrower Distribution

The geographic distribution of HMDA-reportable, small business, and small farm loans is reasonable given the bank's combined assessment area, including the bank's moderate-income tracts. In addition, the bank demonstrates a distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the bank's assessment area. The specifics of the bank's lending in each assessment area and relevant demographics are discussed in the individual assessment area sections.

Response to Complaints

Neither the bank nor this Reserve Bank have received any CRA-related complaints since the previous examination.

COMMUNITY DEVELOPMENT TEST

DSB's performance relative to the community development test is Satisfactory. The bank's community development performance demonstrates adequate responsiveness to the community development needs of its combined assessment area through community development loans, qualified investments, and community development services. This performance was evaluated in conjunction with the bank's capacity, and the need and availability of such opportunities for

community development in the bank's assessment area.

Lending, Investment, and Service Activities

The bank's community development performance is based on the adequacy of the activities benefitting the Gary, IN MD assessment area, which was selected for a full scope review in this analysis. The community development activities related to the limited scope review of the Non-MSA Starke County assessment area align with and support the performance rating. Additional information with respect to the bank's community development services is provided within the full review of the Gary, IN MD assessment area discussion.

Community Development Activities October 17, 2016 – August 3, 2020								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$	#	\$	#	\$	#	Hours
Gary, IN MD	7	2,358,773	2	3,585,000	38	10,892	5	210
Non-MSA Starke County	0	0	1	341,136	13	3,387	6	414
Total Qualified	7	2,358,773	3	3,926,136	51	14,279	11	624

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

GARY, INDIANA MD #23844– FULL REVIEW

SCOPE OF EXAMINATION

The scope of the review of this assessment area is consistent with that described within the institution summary. Refer to the “Scope of Examination” section on page two of this report for details.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN GARY, INDIANA MD

DSB maintains a main office, seven full-service and three limited-service branch offices in the assessment area. Each office has a cash-only ATM, with one additional cash-only ATM located in DeMotte. The offices and ATMs in the assessment area represent 91.7 and 92.3 percent of the institution’s total offices and ATMs, respectively. Since the previous examination, the bank opened a limited-service branch with an ATM in a middle-income census tract in Jasper County.

The Gary, Indiana MD assessment area consists of Newton and Jasper Counties in their entirety and the southern portions of Lake (13 census tracts) and Porter (five census tracts) counties. Overall, the assessment area contains one moderate-, nineteen middle- and ten upper-income census tracts. The assessment area has not changed since the previous evaluation, however, there have been changes in the designation of census tracts by income as shown in the table below.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2018 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	1	0
Middle	23	19	-4
Upper	6	10	4
Unknown	0	0	0
Total	30	30	0
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015			

According to the June 30, 2019, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, DSB ranked 11th among 24 FDIC-insured financial institutions operating in the assessment area with 2.2 percent of market share. The top three financial institutions with the largest market share in the area are Centier Bank (22.7 percent), JPMorgan Chase Bank NA (19.0 percent), and First Merchants Bank (8.5 percent). Overall, the banking environment in the assessment area is competitive, due in large part to branches of larger financial institutions serving the area. Additional 2018 assessment area demographic information is presented in the following table. Please refer to Appendix C for 2017 demographic information.

Assessment Area: 2018 Gary, IN MD 23844									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	5,918	14.4	
Moderate-income	1	3.3	831	2.0	55	6.6	6,724	16.4	
Middle-income	19	63.3	21,698	53.0	1,548	7.1	9,364	22.9	
Upper-income	10	33.3	18,435	45.0	635	3.4	18,958	46.3	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	30	100.0	40,964	100.0	2,238	5.5	40,964	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	1,423	894	2.0	62.8	323	22.7	206	14.5	
Middle-income	32,806	23,293	51.1	71.0	6,732	20.5	2,781	8.5	
Upper-income	25,138	21,432	47.0	85.3	2,539	10.1	1,167	4.6	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	59,367	45,619	100.0	76.8	9,594	16.2	4,154	7.0	
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	131	2.0	116	1.9	6	1.4	9	8.4	
Middle-income	3,449	52.3	3,151	52.1	241	55.1	57	53.3	
Upper-income	3,016	45.7	2,785	46.0	190	43.5	41	38.3	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	6,596	100.0	6,052	100.0	437	100.0	107	100.0	
	Percentage of Total Businesses:			91.8			6.6		
	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	32	5.9	29	5.5	3	14.3	0	0.0	
Middle-income	370	68.0	357	68.3	13	61.9	0	0.0	
Upper-income	142	26.1	137	26.2	5	23.8	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	544	100.0	523	100.0	21	100.0	0	0.0	
	Percentage of Total Farms:			96.1			3.9		
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Characteristics

The following table illustrates the population changes according to the U.S. Census Bureau from 2010 to 2011-2015. Based on this data, the overall population in the Gary, IN MD declined by 0.3 percent, compared to the 1.3 percent increase in population in the state of Indiana during the same time period. Of the counties that make up the assessment area, Porter was the only county that experienced an increase in population, by 1.4 percent. A community representative stated that this increase is partly attributed to the area's award winning schools attracting young families, as the Porter County schools are among the highest rated in Indiana. The contact also noted continued business growth in the area, presenting new healthcare opportunities. This in turn has triggered the construction of new senior centers, attracting more residents within that age bracket.

Conversely, Jasper, Lake, and Newton counties experienced decreasing levels of population in line with the Gary, IN MD, with Newton County seeing the largest decrease compared to the others at 1.3 percent. Lake County experienced the second largest decrease in population of 0.9 percent. According to community contacts, these counties have a common characteristic of limited job opportunities, which, combined with an inferior public transportation system, drives residents out of these counties to relocate closer to areas such as Porter County where job opportunities are more plentiful. Due to its proximity to Porter County, Lake County also has the disadvantage of losing residents in favor of neighboring Porter County with its attractive school districts. A community representative specifically attributed the significant decrease in the population of Newton County to its rural characterization, thus motivating the younger members of the workforce to migrate out of the area in search of more job opportunities.

Population Change 2010-2015			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Jasper County, IN	33,478	33,448	-0.1
Lake County, IN	496,005	491,596	-0.9
Newton County, IN	14,244	14,057	-1.3
Porter County, IN	164,343	166,570	1.4
Gary, IN MD	708,070	705,671	-0.3
State of Indiana	6,483,802	6,568,645	1.3
Source: 2010-- U.S. Census Bureau Decennial Census 2011-2015—U.S Census Bureau American Community Survey			

Income Characteristics

The following table presents the median family income (MFI) figures of families living in the counties that make up the assessment area, the Gary, IN MD, and the state of Indiana. According to the 2011-2015 American Community Survey, the state of Indiana, the MD, Lake County and Porter County all experienced increases in median family income, while Jasper and Newton

Counties experienced decreases. The median family income in the counties that make up the assessment are \$63,610 (Jasper), \$60,576 (Lake), \$52,313 (Newton), and \$76,486 (Porter). Income figures for Jasper and Lake Counties are on par with those of the Gary, IN MD and the State of Indiana at \$64,075 and \$61,119, respectively.

Compared to the rest of the counties that make up the bank's assessment area, Newton County experienced the most significant and noteworthy decrease in median income of 13.2 percent. According to contacts, this decrease can be attributed to its rural nature devoid of job opportunities prompted by the shuttering of local manufacturing companies and leading to trends of decreasing population. Though not as drastic, Jasper County experienced a decrease in MFI of 0.4 percent which one community representative attributed to the recent closure of Saint Joseph's College. The college stimulated the area's economic standing by providing significant employment opportunities. On the other hand, Porter County experienced the largest increase in MFI compared to the rest of the assessment area, the MD and the state of Indiana. Porter County's MFI by dollar amount far surpasses the other counties that comprise the assessment area, the Gary IN MD, and the state of Indiana. Community representatives credit Porter County's economic prosperity in large part to the highly demanded school systems and the recent influx of executives and business owners in the area, bringing in high salaries that increase the median income.

Median Family Income Change 2006 and 2015			
Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Jasper County	63,842	63,610	-0.4
Lake County	58,931	60,576	2.8
Newton County	60,242	52,313	-13.2
Porter County	73,065	76,486	4.7
Gary, Indiana MD	62,512	64,075	2.5
State of Indiana	58,944	61,119	3.7
Source: U.S. Census Bureau: Decennial Census and American Community Survey			

Housing Characteristics

The following table presents recent housing cost trends within Jasper, Lake, Newton and Porter Counties, the Gary, IN MD, and the state of Indiana. The assessment area includes 59,367 housing units; the majority of which are owner-occupied, representing 76.8 percent of the units. Approximately 98.0 percent of the assessment area's housing stock is located in middle- and upper-income census tracts, with the remaining 2.0 percent located in the single moderate-income tract. According to the 2011-2015 American Community Survey, the median housing value for the Gary, IN metropolitan division is \$144,588, compared to that of the state of Indiana at \$124,200.

Of the counties comprising the assessment area, Porter County maintains the highest median housing value at \$165,000 and Newton County maintains the lowest median housing value at \$113,400. While Newton County's housing values by dollar amount remain the lowest in the area, they increased at a higher rate than its counterparts at 3.5 percent, second only to Jasper County whose values increased at a rate of 4.3 percent. One community representative stated that the percentage increase in median housing values is a trend that the broader area is experiencing, on par with the state of Indiana. The representative suggested that Newton's low housing values are a direct result of lower demand for housing in a rural area from which the younger population is fleeing. Conversely, Porter County's high property values are attributed in large part to a high housing demand driven by desirable schools and a thriving economy, thus attracting a more affluent population. Another representative pointed to Porter County's lack of affordable housing, which is another factor contributing to its high median housing values.

Median gross rents for the Gary, Indiana MD of \$822 exceed those of State of Indiana at \$745. By comparison, median rents in the counties that comprise the assessment area range from \$699 (Newton), to \$862 (Porter). With the exception of Newton County, which experienced the lowest increase of 6.7 percent, all counties experienced an increase in gross median rents on par with, or higher than, the MD and the state. The percentage increase in Jasper County, in particular, significantly outpaced its counterparts at 11.6 percent compared to Lake and Porter counties at 9.5 and 9.0 percent, respectively. Review period statistics show decreases in the number of permits requested for multi-unit housing in the assessment area counties, the Gary, IN MD, and the state of Indiana overall, supporting the determination of a low supply of rental properties, resulting in higher rental prices. A representative validated this presumption, stating that the surge in rental prices in the general area is the result of the development of a number of new construction projects that are not affordable to low- and moderate-income (LMI) families.

Trends in Housing Costs 2006-2010 and 2011-2015						
	Median Housing Value			Median Gross Rent		
Location	2006-2010 (\$)	2010-2015 (\$)	% Change	2006-2010 (\$)	2010-2015 (\$)	% Change
Jasper County	142,200	148,300	4.3	657	733	11.6
Lake County	135,400	136,100	0.5	748	819	9.5
Newton County	109,600	113,400	3.5	655	699	6.7
Porter County	164,500	165,500	0.6	791	862	9.0
Gary, IN MD	142,862	144,588	1.2	751	822	9.5
State of Indiana	123,000	124,200	1.0	683	745	9.1
Source: 2006-2010-- U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey						

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 U.S. Census Bureau American Community Survey data, of the counties comprising the assessment area, Newton County was the most affordable at

.41 percent, while Jasper and Lake Counties maintained the least affordable housing at .37 percent. Overall, community representatives agree that affordable housing is a prevalent issue in the assessment area.

Affordability Ratio		
Location	2006-2010	2011-2015
Jasper County	.39	.37
Lake County	.36	.37
Newton County	.46	.41
Porter County	.37	.39
Gary, Indiana MD	.36	.37
State of Indiana	.39	.40
Source: U.S. Census Bureau: Decennial Census		

Employment Conditions

The following table presents the employment trends for the counties that comprise the assessment area, the Gary, IN MD, and the state of Indiana. The unemployment rates in the assessment area counties have steadily declined since 2013, and remain lower in all four counties than the Gary, IN, MD, but are on average higher than the state level of 4.4 percent. Community representatives indicated that the unemployment rates in the assessment area are higher than those of the state due to the rural nature of the geographies within the area. According to these contacts, local residents of the more rural Newton and Jasper County are restricted in their abilities to gain employment due to limited access to transportation. Lake County experienced the largest unemployment rate at 6.3 percent while Porter County, predictably, experienced the lowest unemployment rate of 5.1 percent. The results of the most recent Worker Adjustment and Retraining Notification Act (WARN) report reveal that out of the 36 companies in the assessment area that either experienced closures or lay-offs, 31 of those were located in Lake County. This provides additional context into the county's high unemployment numbers, compared to the rest of the area. As mentioned previously, Porter County has enjoyed economic prosperity compared to its counterparts due to an influx of businesses in the area, as well as affluent population.

Community representatives believe that Lake County is on the verge of an economic upturn in light of new developments specifically in the city of Gary, the benefits of which will be enjoyed by the county as a whole. Specific noteworthy events include the upcoming completion of the new casino in Gary, the expansion of the airport to include a customs facility, and the newly opened Amazon facility. These developments, in addition to a recent announcement made by U.S. Steel, the largest steel manufacturer in the country, to invest approximately one billion dollars into its plant in Gary, lead to a reasonable presumption that the employment conditions will improve in Lake County.

Unemployment Rates (%)				
Region	2013	2014	2015	2016
Jasper County, IN	8.2	6.8	5.8	5.3
Lake County, IN	9.2	8.1	6.8	6.3
Newton County, IN	8.4	7.0	5.8	5.6
Porter County, IN	7.4	6.3	5.4	5.1
Gary, IN MD	8.7	7.6	6.4	6.0
State of Indiana	7.5	6.0	4.8	4.4
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

Industry Conditions

The following table illustrates the largest employers operating within the Gary, Indiana MD. Overall, there is a diverse employment base; however, it is heavily impacted by the hospital industry. A community representative stated that the Gary, IN downtown area is undergoing revitalization efforts designed to attract residents and create employment opportunities. These efforts, combined with the general economic prosperity existing currently in Porter County, will strengthen and diversify the employment base in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Arcelormittal	3301	Steel-Structural (Mfrs)
Franciscan Health Dyer	3000	Hospitals
Franciscan Health Hammond	3000	Hospitals
Community Hospital	2325	Hospitals
Horseshoe Hammond Casino	2200	Casinos
Alverno Clinical Laboratories	2000	Laboratories
Methodist Hospital Northlake	2000	Hospitals
Porter Regional Hospital	2000	Hospitals
Harrah's East Chicago Casino	1800	Casinos
Franciscan Health Crown Point	1600	Hospitals
US Steel Corp	1550	Steel Mills (Mfrs)
Methodist Hospital Southlake	1500	Hospitals
Purdue University Northwest	1109	Education
Source: America's Labor Market Information System (ALMIS) – Department of Labor		

Community Representatives

Examiners contacted two economic development organizations and one affordable housing organization to help understand the credit and banking needs in assessment area counties. Generally, the assessment area has experienced improved economic conditions; however, there are areas failing to recover from the recession as quickly as the majority of the assessment area. Representatives spoke about the need of affordable housing for low- and moderate-income

individuals. Additionally, representatives believe financial institutions are adequately addressing the financial needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GARY, INDIANA MD #23844

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of HMDA-reportable, small business, and small farm loans reflects a reasonable dispersion of loans throughout the assessment area, including in the bank's moderate-income census tract. A gap analysis was completed as part of the evaluation. Based upon this analysis, there were no conspicuous unexplained lending gaps in the assessment area. Please note, since there are no low-income census tracts in the assessment area, lending in those tracts will not be referenced in the loan products discussions of the geographic distribution tables. Also, due to low volume, multi-family, home improvement, other loan purpose, and loan purpose not applicable loans were not considered within the analysis of HMDA-reportable lending.

HMDA-Reportable Loans

The table below demonstrates adequate geographic distribution compared to aggregate lenders and the percentage of owner-occupied units in 2018. The geographic distribution of 2017 HMDA reportable loans in Appendix C presents similar results.

Home Purchase

In 2018, home purchase loans represented 22.8 percent of the bank's total HMDA-reportable loans in the assessment area. One home purchase loan was originated in the moderate-income census tract, which amounted to 3.4 percent of the bank's total home purchase loans. This percentage exceeded both the aggregate lender rate of 1.0 percent and the 2.0 percent rate of owner-occupied housing units in the moderate-income census tract. The bank made a majority of its home purchase loans in middle-income census tracts at 89.7 percent, almost doubling both the aggregate rate as well as the percentage of owner-occupied housing units at 45.0 and 51.1 percent, respectively. Finally, 6.9 percent of the bank's loans were originated in upper-income census tracts, which fell below the aggregate of lenders percentage, as well as the percentage of owner-occupied housing units at 54.0 and 47.0 percent, respectively.

Refinance

At 48.8 percent, refinance loans represented the largest percentage of the bank's total 2018 HMDA-reportable loans in the assessment area. Six loans were originated in the moderate-income census tract, representing 9.7 percent of total refinance loans by number, which was above both the 2.0 percent of the aggregate of lenders origination rate and 2.0 percent of owner-occupied housing units located in the assessment area. The bank originated 66.1 percent of its refinance loans in middle-income census tracts, which exceeded the aggregate of lenders rate in those tracts of 46.1 percent, as well as the percentage of owner-occupied housing units at 51.1 percent. Conversely, the bank's origination rate within the upper-income census tracts of 24.2 percent fell below the aggregate of lenders at 51.9 percent, as well as the 47.0 percent of owner-occupied housing units.

The following table represents the 2018 geographic distribution of HMDA-reportable loans in the assessment area. Please refer to Appendix C for the bank's 2017 HMDA-reportable lending information.

Geographic Distribution of HMDA Reportable Loans									
Assessment Area: 2018 Gary, IN MD 23844									
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units	
		2018							
		Count Bank		Agg	Dollar Bank		Agg		
#	%	%	\$ (000s)	\$ %	\$ %				
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	1	3.4	1.0	44	1.2	0.5	2.0	
	Middle	26	89.7	45.0	2,942	78.4	37.2	51.1	
	Upper	2	6.9	54.0	766	20.4	62.3	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	29	100.0	100.0	3,752	100.0	100.0	100.0	
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	6	9.7	2.0	486	4.9	1.5	2.0	
	Middle	41	66.1	46.1	4,925	49.8	38.5	51.1	
	Upper	15	24.2	51.9	4,474	45.3	60.0	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	62	100.0	100.0	9,885	100.0	100.0	100.0	
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	2	12.5	0.9	35	7.9	0.3	2.0	
	Middle	11	68.8	38.5	325	73.4	37.8	51.1	
	Upper	3	18.8	60.6	83	18.7	61.8	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	16	100.0	100.0	443	100.0	100.0	100.0	
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family	
	Moderate	0	0.0	0.0	0	0.0	0.0		1.5
	Middle	1	100.0	81.3	150	100.0	12.3		67.5
	Upper	0	0.0	18.8	0	0.0	87.7		31.1
	Unknown	0	0.0	0.0	0	0.0	0.0		0.0
	Total	1	100.0	100.0	150	100.0	100.0		100.0
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	0	0.0	0.4	0	0.0	0.1	2.0	
	Middle	0	0.0	43.0	0	0.0	40.6	51.1	
	Upper	0	0.0	56.6	0	0.0	59.3	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	0	0.0	100.0	0	0.0	100.0	100.0	
Other Purpose Closed/Exempt	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	1	5.3	1.5	40	5.5	1.6	2.0	
	Middle	16	84.2	43.1	612	83.6	30.5	51.1	
	Upper	2	10.5	55.4	80	10.9	67.9	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	19	100.0	100.0	732	100.0	100.0	100.0	
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	0	0.0	2.8	0	0.0	1.7	2.0	
	Middle	0	0.0	53.1	0	0.0	43.7	51.1	
	Upper	0	0.0	44.1	0	0.0	54.5	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	0	0.0	100.0	0	0.0	100.0	100.0	
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0	
	Moderate	10	7.9	1.2	605	4.0	0.7	2.0	
	Middle	95	74.8	45.1	8,954	59.8	36.5	51.1	
	Upper	22	17.3	53.7	5,403	36.1	62.8	47.0	
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0	
	Total	127	100.0	100.0	14,962	100.0	100.0	100.0	
Originations & Purchases									
2016 FFIEC Census Data									
Note: Percentages may not add to 100.0 percent due to rounding									

Small Business Loans

The geographic distribution of small business loans is reasonable. During the evaluation period, the bank originated 4.4 percent of its loans in the moderate-income tract. This percentage exceeds the demographic of small businesses in the area of 2.0 percent, signifying that although there are limited opportunities to lend, the bank made noteworthy efforts to make an impact within that moderate-income tract. The majority of the bank's loans were made to small businesses located in the middle-income census tracts, totaling 77.9 percent by number and exceeding the percentage of total businesses in the area of 52.3 percent. Finally, the bank originated 17.6 percent of its small business loans in upper-income census tracts, below the percentage of total businesses located in those geographies at 45.7 percent.

The following table presents the geographic distribution of small business loans in 2018 compared to the selected demographic data. Please refer to Appendix C for the 2017 geographic distribution of small loans.

Geographic Distribution of Small Business Loans						
Assessment Area: 2018 Gary, IN MD 23844						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2018 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	3	4.4	126	1.7	2.0
	Middle	53	77.9	5,056	69.8	52.3
	Upper	12	17.6	2,062	28.5	45.7
	Unknown	0	0.0	0	0.0	0.0
	Total	68	100.0	7,243	100.0	100.0
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Farm Loans

The geographic distribution of small farm loans is reasonable. The bank made 19.2 percent of its small farm loans in the moderate-income census tract, which exceeds the percentage of total farms operating within that tract at 5.9 percent. The majority of the bank's loans were made to small farms located in the middle-income census tracts totaling 69.2 percent, exceeding the percentage of total farms in the area of 68.0 percent. Finally, the bank originated 11.5 percent of its small farm loans in upper-income census tracts, below the percentage of total farms located in upper-income geographies at 26.1 percent.

The following table presents the geographic distribution of small farm loans in 2018 compared to the selected demographic data. Please refer to Appendix C for the 2017 geographic distribution of small farm loans.

Geographic Distribution of Small Farm Loans						
Assessment Area: 2018 Gary, IN MD 23844						
	Tract Income Levels	Bank & Demographic Comparison				
				2018		Total Farms
		Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	5	19.2	1,039	23.3	5.9
	Middle	18	69.2	3,062	68.6	68.0
	Upper	3	11.5	361	8.1	26.1
	Unknown	0	0.0	0	0.0	0.0
	Total	26	100.0	4,462	100.0	100.0
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS						
Note: Percentages may not add to 100.0 percent due to rounding						

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Demotte State Bank's distribution of loans reflects a reasonable penetration among individuals of different income levels, and to businesses and farms of different sizes in the bank's assessment area. The borrower distribution of 2017 HMDA-reportable loans in Appendix C presents similar results. Due to low volume, home improvement, multi-family, other loan purpose, and loan purpose not applicable loans were not considered within the analysis of HMDA-reportable lending.

HMDA-Reportable Loans

The distribution of HMDA-reportable loans to borrowers of different incomes reflects a reasonable dispersion throughout the assessment area.

Home Purchase

In 2018, home purchase loans represented 22.8 percent of the bank's total HMDA-reportable loans in the assessment area. The bank originated 6.9 percent of its total home purchase originations to low-income borrowers. The bank's performance exceeds the aggregate of lenders rate of 5.1 percent, but was below the demographic of 14.4 percent of low-income families in the assessment area. Amongst moderate-income borrowers, the bank made 13.8 percent of home purchase loans, below the aggregate of lenders at 18.5 percent and the 16.4 percent of moderate-income families

living in the assessment area. One community representative noted that the recession has put a strain on the housing market in the area, the effects of which are still currently prevalent. Housing stock is low, the majority of which is aged and in need of repair, resulting in low appraised values of the homes in the area. This presents obstacles for banks to extend residential loans, resulting in limited opportunities of loan originations that coincide with the difference between the percentage of home purchase loans originated discussed above and the demographic of low- and moderate-income families.

Lending to middle-income borrowers accounted for 31.0 percent of the bank's home purchase loans, which exceeds both the aggregate of lenders at 26.8 percent and the 22.9 percent of middle-income families within the assessment area. Finally, the bank originated 41.4 of its home purchase loans to upper-income borrowers, which is above the aggregate of lenders at 33.2 percent, but below the percentage of upper-income families at 46.3 percent.

Refinance

Refinance loans represented the largest percentage of the bank's total 2018 HMDA-reportable loans in the assessment area with 48.8 percent of loan originations. In 2018, loans originated to low-income borrowers totaled 12.9 percent of all refinance loans. This exceeded the aggregate of lenders rate of 9.3 percent, but below the 14.4 percent demographic of families in the low-income bracket in the assessment area. The bank's struggle to meet the needs of the demographic of low-income families living in the area with respect to refinance loans stems from the market conditions illustrated above, within the home purchase discussion. Given the low home values and stressed housing market, banks have limited opportunities to provide refinance loans related to residential real estate.

The bank originated 16.1 percent of refinance loans to moderate-income borrowers, which is on par with the aggregate rate of 17.8 percent and the 16.4 percent demographic of families within the moderate-income bracket in the assessment area. Amongst middle-income borrowers, the bank originated 19.4 percent of the bank's refinance loans, falling below both the aggregate and the demographic of families in the same income bracket of 25.0 and 22.9 percent, respectively. Finally, the 19.4 percent of the bank's refinance originations were made to upper-income borrowers, which also fall below both the aggregate rate and the demographic of upper income families in the area of 36.3 percent and 46.3 percent, respectively.

The following table represents the 2018 borrower distribution of HMDA-reportable loans in the assessment area. Please refer to Appendix C for the bank's 2017 HMDA-reportable lending information.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2018 Gary, IN MD 23844								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income
		2018						
		Count Bank		Agg %	Dollar Bank		Agg %	
		#	%	%	\$(000s)	\$ %	\$ %	%
Home Purchase	Low	2	6.9	5.1	132	3.5	2.7	14.4
	Moderate	4	13.8	18.5	239	6.4	13.5	16.4
	Middle	9	31.0	26.8	1,209	32.2	25.2	22.9
	Upper	12	41.4	33.2	1,745	46.5	42.5	46.3
	Unknown	2	6.9	16.5	427	11.4	16.1	0.0
	Total	29	100.0	100.0	3,752	100.0	100.0	100.0
Refinance	Low	8	12.9	9.3	382	3.9	5.0	14.4
	Moderate	10	16.1	17.8	772	7.8	13.9	16.4
	Middle	12	19.4	25.0	1,426	14.4	23.6	22.9
	Upper	12	19.4	36.3	1,447	14.6	43.2	46.3
	Unknown	20	32.3	11.7	5,858	59.3	14.2	0.0
	Total	62	100.0	100.0	9,885	100.0	100.0	100.0
Home Improvement	Low	3	18.8	4.8	31	7.0	3.1	14.4
	Moderate	3	18.8	14.7	115	26.0	10.2	16.4
	Middle	6	37.5	24.9	153	34.5	19.2	22.9
	Upper	4	25.0	51.7	144	32.5	59.8	46.3
	Unknown	0	0.0	3.9	0	0.0	7.8	0.0
	Total	16	100.0	100.0	443	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	14.4
	Moderate	0	0.0	0.0	0	0.0	0.0	16.4
	Middle	0	0.0	6.3	0	0.0	0.1	22.9
	Upper	0	0.0	6.3	0	0.0	0.2	46.3
	Unknown	1	100.0	87.5	150	100.0	99.7	0.0
	Total	1	100.0	100.0	150	100.0	100.0	100.0
Other Purpose LOC	Low	0	0.0	7.5	0	0.0	5.5	14.4
	Moderate	0	0.0	16.5	0	0.0	13.2	16.4
	Middle	0	0.0	25.8	0	0.0	27.6	22.9
	Upper	0	0.0	49.1	0	0.0	52.7	46.3
	Unknown	0	0.0	1.1	0	0.0	1.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	6.2	0	0.0	6.5	14.4
	Moderate	2	10.5	13.8	40	5.5	8.4	16.4
	Middle	3	15.8	18.5	176	24.0	11.3	22.9
	Upper	12	63.2	56.2	446	60.9	66.5	46.3
	Unknown	2	10.5	5.4	70	9.6	7.2	0.0
	Total	19	100.0	100.0	732	100.0	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.9	0	0.0	0.6	14.4
	Moderate	0	0.0	0.9	0	0.0	0.4	16.4
	Middle	0	0.0	1.9	0	0.0	1.6	22.9
	Upper	0	0.0	1.9	0	0.0	2.7	46.3
	Unknown	0	0.0	94.4	0	0.0	94.7	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	13	10.2	6.1	545	3.6	3.1	14.4
	Moderate	19	15.0	17.4	1,166	7.8	12.6	16.4
	Middle	30	23.6	25.3	2,964	19.8	23.1	22.9
	Upper	40	31.5	35.1	3,782	25.3	40.5	46.3
	Unknown	25	19.7	16.2	6,505	43.5	20.7	0.0
	Total	127	100.0	100.0	14,962	100.0	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
Note: Percentages may not add to 100.0 percent due to rounding								

Small Business Loans

The distribution of small business loans reflects a reasonable penetration of lending activity among businesses of different revenue sizes. In 2018, the bank originated 32.4 percent of loans to businesses with revenues of \$1 million or less, compared to 91.8 percent of total businesses operating in the assessment area. This represents a decrease in the percentage of loans by number compared to that of the previous examination of 86.7 percent. However, a majority of the bank's business lending by dollar amount was to small businesses with revenues of \$1 million or less, at 57.9 percent. Additional context and considerations further mitigates this performance relative to small businesses in the overall evaluation of borrower distribution. Of the 22 small business loans originated, 50.0 percent were in loan dollar amounts of \$100,000 or less which is considered most beneficial to the financing needs of small business borrowers. Also, the bank made several changes in the commercial portfolio since the previous evaluation that led to a decrease in lending by count. Given the context surrounding the metrics analyzed above, the bank's small business lending was deemed reasonable.

The following table presents the bank's 2018 small business lending compared to the selected demographic data. Please refer to Appendix C for the bank's 2017 small business lending data and related demographic information.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2018 Gary, IN MD 23844							
Product Type			Bank & Demographic Comparison				
			2018				
			Count Bank		Dollar Bank		Total Businesses
			#	%	\$ 000s	\$ %	%
Small Business	Revenue	\$1 Million or Less	22	32.4	4,192	57.9	91.8
		Over \$1 Million or Unknown	46	67.6	3,051	42.1	8.2
		Total	68	100.0	7,243	100.0	100.0
	Loan Size	\$100,000 or Less	48	70.6	2,028	28.0	
		\$100,001 - \$250,000	11	16.2	1,584	21.9	
		\$250,001 - \$1 Million	9	13.2	3,632	50.1	
		Total	68	100.0	7,244	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	11	50.0	674	16.1	
		\$100,001 - \$250,000	4	18.2	533	12.7	
		\$250,001 - \$1 Million	7	31.8	2,985	71.2	
		Total	22	100.0	4,192	100.0	
Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
Note: Percentages may not add to 100.0 percent due to rounding							

Small Farm Loans

The distribution of small farm loans reflects a reasonable penetration among farms of different sizes. In 2018, the bank originated 76.9 percent of business loans to borrowers with revenues of \$1 million or less, compared to the demographic of 96.1 percent of farms with similar revenue sizes in the assessment area. Of the 20 small farm loans originated, 50.0 percent were in loan dollar amounts of \$100,000 or less which is considered most beneficial to small farm borrowers. The following table presents the bank's 2018 small farm lending compared to the selected demographic data. Please refer to Appendix C for the bank's 2017 small farm lending data and related demographic information.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2018 Gary, IN MD 23844							
Product Type		Bank & Demographic Comparison					
		2018				Total Farms	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	20	76.9	2,888	64.7	96.1
		Over \$1 Million or Unknown	6	23.1	1,574	35.3	3.9
		Total	26	100.0	4,462	100.0	100.0
	Loan Size	\$100,000 or Less	13	50.0	743	16.7	
		\$100,001 - \$250,000	6	23.1	811	18.2	
		\$250,001 - \$500,000	7	26.9	2,908	65.2	
		Total	26	100.0	4,462	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	10	50.0	569	19.7	
		\$100,001 - \$250,000	6	30.0	811	28.1	
		\$250,001 - \$500,000	4	20.0	1,508	52.2	
		Total	20	100.0	2,888	100.0	
Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
Note: Percentages may not add to 100.0 percent due to rounding							

COMMUNITY DEVELOPMENT TEST

DeMotte State Bank's performance relative to the community development test is rated Satisfactory. The bank's community development performance demonstrates adequate responsiveness to the needs of the assessment area through community development loans, qualified investments and donations, and community development services, as appropriate, considering the bank's capacity and the availability of such opportunities for community development in the bank's assessment area.

Lending

An evaluation of the quantity and quality of community development loans was conducted in light of the bank's performance context, community credit needs, and the bank's ability to meet those needs. Overall, the bank originated seven community development loans totaling \$2,358,773 during the review period with a focus on economic development. The total community development loan amount in this evaluation exceeds the previous evaluation totals by approximately \$1 million dollars.

Investments

The bank made a total of 40 investments amounting to \$3,595,892 in the assessment area, the vast majority of those amounts stemming from two prior period economic development investments totaling \$3,585,000. The remaining 38 investment activities come in the form of donations, 33 of which have a community service purpose and five of which have an affordable housing purpose. The bulk of the dollar amount of the bank's investments were focused on economic development, which are responsive activities addressing the economic conditions of the assessment area counties. While the donations are large in number and small in dollar amount by comparison, they range in community development purpose to include community services and affordable housing, thus appropriately responding to the needs of the community.

Services

Totaling 210 hours over the review period, the bank demonstrated an increase since the qualified hours of the prior evaluation of 194. Service hours in the assessment area were focused on community service activities that benefitted low- and moderate-income residents by providing training, education and opportunities tailored to need the needs of the community and to improve quality of life.

Summary of CD Activities, Review Period (October 17, 2016 – August 3, 2020)										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	7	2,358,773	0	0	0	0	7	2,358,773
Investment	5	2,300	2	3,585,000	0	0	33	8,592	40	3,595,892
Services	0	0	0	0	0	0	5	210	5	210

STARKE COUNTY, INDIANA NON-MSA - Limited Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STARKE COUNTY, INDIANA NON-MSA

The Starke County, IN Non MSA assessment area consists of Starke County in its entirety. It remains unchanged since the previous evaluation, and is comprised of seven census tracts: one moderate- and six middle-income. The assessment area does not include any underserved or distressed census tracts, and contains one branch office and one cash-only ATM, located in its moderate-income tract in Knox, Indiana.

The bank holds a market share of 5.3 percent of FDIC-insured deposits as of June 30, 2019, ranking it fifth out of five institutions operating in the county. The top institutions in the assessment area by market share are 1st Source Bank (36.3 percent), First Farmers Bank and Trust Company (29.3 percent), The First National Bank of Monterey (18.5 percent), and KeyBank National Association (10.6 percent).

Assessment area demographic information for 2018 is presented in the following table. Please refer to Appendix C for 2017 demographic information.

Assessment Area: 2018 IN Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,291	20.9	
Moderate-income	1	14.3	874	14.1	152	17.4	1,396	22.6	
Middle-income	6	85.7	5,305	85.9	574	10.8	1,546	25.0	
Upper-income	0	0.0	0	0.0	0	0.0	1,946	31.5	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	7	100.0	6,179	100.0	726	11.7	6,179	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	1,718	881	12.4	51.3	537	31.3	300	17.5	
Middle-income	9,267	6,242	87.6	67.4	1,129	12.2	1,896	20.5	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	10,985	7,123	100.0	64.8	1,666	15.2	2,196	20.0	
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	220	27.4	201	26.9	15	35.7	4	25.0	
Middle-income	584	72.6	545	73.1	27	64.3	12	75.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	804	100.0	746	100.0	42	100.0	16	100.0	
	Percentage of Total Businesses:			92.8			5.2		
	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	2	2.3	2	2.4	0	0.0	0	0.0	
Middle-income	85	97.7	82	97.6	3	100.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	87	100.0	84	100.0	3	100.0	0	0.0	
	Percentage of Total Farms:			96.6			3.4		
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STARKE COUNTY, INDIANA NON-MSA

LENDING TEST

Demotte State Bank's lending performance in the area is consistent with the bank's lending performance overall.

Geographic Distribution of Loans

The following tables represent the 2018 geographic distribution of HMDA-reportable, small business, and small farm loans in the assessment area. Please refer to Appendix C for the bank's 2017 HMDA-reportable lending information.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2018 IN Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2018						
		Count Bank		Agg	Dollar Bank		Agg	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	50.0	16.2	50	55.6	12.3	12.4
	Middle	1	50.0	83.8	40	44.4	87.7	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	2	100.0	100.0	90	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	20.0	15.6	13	9.5	11.3	12.4
	Middle	4	80.0	84.4	124	90.5	88.7	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	5	100.0	100.0	137	100.0	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	9.4	0	0.0	4.3	12.4
	Middle	0	0.0	90.6	0	0.0	95.7	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	0.0	0	0.0	0.0	50.3
	Middle	0	0.0	0.0	0	0.0	0.0	49.7
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	0.0	0	0.0	0.0	100.0
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	5.0	0	0.0	1.4	12.4
	Middle	0	0.0	95.0	0	0.0	98.6	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	33.3	0	0.0	18.2	12.4
	Middle	0	0.0	66.7	0	0.0	81.8	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	5.0	0	0.0	6.9	12.4
	Middle	0	0.0	95.0	0	0.0	93.1	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	2	28.6	15.1	63	27.8	11.6	12.4
	Middle	5	71.4	84.9	164	72.2	88.4	87.6
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	7	100.0	100.0	227	100.0	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
Note: Percentages may not add to 100.0 percent due to rounding								

Geographic Distribution of Small Business Loans						
Assessment Area: 2018 IN Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2018 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	1	100.0	90	100.0	27.4
	Middle	0	0.0	0	0.0	72.6
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	1	100.0	90	100.0	100.0
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS						
Note: Percentages may not add to 100.0 percent due to rounding						

Geographic Distribution of Small Farm Loans						
Assessment Area: 2018 IN Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2018 Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	2.3
	Middle	3	100.0	1,050	100.0	97.7
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	3	100.0	1,050	100.0	100.0
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS						
Note: Percentages may not add to 100.0 percent due to rounding						

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The following tables represent the 2018 borrower distribution of HMDA-reportable, small business, and small farm loans in the assessment area. Please refer to Appendix C for the bank's 2017 HMDA-reportable lending information.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2018 IN Non MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison					Families by Family Income %	
		2018						
		Count Bank	Agg	Dollar Bank	Agg			
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	11.2	0	0.0	20.9	
	Moderate	0	0.0	27.9	0	0.0	22.6	
	Middle	0	0.0	21.4	0	0.0	25.0	
	Upper	2	100.0	22.5	90	100.0	31.5	
	Unknown	0	0.0	17.0	0	0.0	0.0	
	Total	2	100.0	100.0	90	100.0	100.0	
Refinance	Low	0	0.0	15.1	0	0.0	20.9	
	Moderate	1	20.0	21.2	69	50.4	22.6	
	Middle	3	60.0	20.7	43	31.4	25.0	
	Upper	1	20.0	34.1	25	18.2	31.5	
	Unknown	0	0.0	8.9	0	0.0	0.0	
	Total	5	100.0	100.0	137	100.0	100.0	
Home Improvement	Low	0	0.0	9.4	0	0.0	20.9	
	Moderate	0	0.0	15.6	0	0.0	22.6	
	Middle	0	0.0	37.5	0	0.0	25.0	
	Upper	0	0.0	31.3	0	0.0	31.5	
	Unknown	0	0.0	6.3	0	0.0	0.0	
	Total	0	0.0	100.0	0	0.0	100.0	
Multi-Family	Low	0	0.0	0.0	0	0.0	20.9	
	Moderate	0	0.0	0.0	0	0.0	22.6	
	Middle	0	0.0	0.0	0	0.0	25.0	
	Upper	0	0.0	0.0	0	0.0	31.5	
	Unknown	0	0.0	0.0	0	0.0	0.0	
	Total	0	0.0	0.0	0	0.0	100.0	
Other Purpose LOC	Low	0	0.0	5.0	0	0.0	20.9	
	Moderate	0	0.0	40.0	0	0.0	22.6	
	Middle	0	0.0	10.0	0	0.0	25.0	
	Upper	0	0.0	45.0	0	0.0	31.5	
	Unknown	0	0.0	0.0	0	0.0	0.0	
	Total	0	0.0	100.0	0	0.0	100.0	
Other Purpose Closed/Exempt	Low	0	0.0	16.7	0	0.0	20.9	
	Moderate	0	0.0	16.7	0	0.0	22.6	
	Middle	0	0.0	33.3	0	0.0	25.0	
	Upper	0	0.0	33.3	0	0.0	31.5	
	Unknown	0	0.0	0.0	0	0.0	0.0	
	Total	0	0.0	100.0	0	0.0	100.0	
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	20.9	
	Moderate	0	0.0	0.0	0	0.0	22.6	
	Middle	0	0.0	0.0	0	0.0	25.0	
	Upper	0	0.0	0.0	0	0.0	31.5	
	Unknown	0	0.0	100.0	0	0.0	0.0	
	Total	0	0.0	100.0	0	0.0	100.0	
HMDA Totals	Low	0	0.0	11.7	0	0.0	20.9	
	Moderate	1	14.3	24.8	69	30.4	22.6	
	Middle	3	42.9	21.1	43	18.9	25.0	
	Upper	3	42.9	26.4	115	50.7	31.5	
	Unknown	0	0.0	16.1	0	0.0	0.0	
	Total	7	100.0	100.0	227	100.0	100.0	
Originations & Purchases								
2016 FFIEC Census Data								
Note: Percentages may not add to 100.0 percent due to rounding								

Small Business Lending By Revenue & Loan Size								
Assessment Area: 2018 IN Non MSA								
Product Type		Bank & Demographic Comparison						
		2018				Total Businesses		
		Count Bank		Dollar Bank				
		#	%	\$ 000s	\$ %	%		
Small Business	Revenue	\$1 Million or Less		0	0.0	0	0.0	92.8
		Over \$1 Million or Unknown		1	100.0	90	100.0	7.2
		Total		1	100.0	90	100.0	100.0
	Loan Size	\$100,000 or Less		1	100.0	90	100.0	
		\$100,001 - \$250,000		0	0.0	0	0.0	
		\$250,001 - \$1 Million		0	0.0	0	0.0	
		Total		1	100.0	90	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less		0	0.0	0	0.0	
		\$100,001 - \$250,000		0	0.0	0	0.0	
		\$250,001 - \$1 Million		0	0.0	0	0.0	
		Total		0	0.0	0	0.0	
Originations & Purchases								
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2018 IN Non MSA							
Product Type		Bank & Demographic Comparison					
		2018				Total Farms	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	3	100.0	1,050	100.0	96.6
		Over \$1 Million or Unknown	0	0.0	0	0.0	3.4
		Total	3	100.0	1,050	100.0	100.0
	Loan Size	\$100,000 or Less	0	0.0	0	0.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$500,000	3	100.0	1,050	100.0	
		Total	3	100.0	1,050	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	0	0.0	0	0.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$500,000	3	100.0	1,050	100.0	
		Total	3	100.0	1,050	100.0	
Originations & Purchases							
2018 FFIEC Census Data & 2018 Dun & Bradstreet information according to 2015 ACS							
Note: Percentages may not add to 100.0 percent due to rounding							

COMMUNITY DEVELOPMENT TEST

Demotte State Bank's community development performance in the area is consistent with the bank's overall community development performance.

Summary of CD Activities, Review Period (10/17/16 – 8/3/20)										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	0	0	0	0	0	0
Investment	0	0	0	0	0	0	14	344,523	14	344,523
Services	0	0	4	384	0	0	2	30	6	414

Combined Assessment Area



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	The lending test included 2017 and 2018 HMDA-reportable loans, and a statistical sample of 2018 small business and small farm loan loans. Community development activities were reviewed from October 17, 2016 through August 3, 2020.		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Demotte State Bank, Demotte, Indiana			HMDA-reportable loans Small business loans Small farm loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Gary, IN MD	Full scope	None	N/A
Non-MSA Starke County	Limited scope	None	N/A

APPENDIX C – Additional Tables and Exhibits

Assessment Area: 2017 Gary, IN MD 23844								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,918	14.4
Moderate-income	1	3.3	831	2.0	55	6.6	6,724	16.4
Middle-income	19	63.3	21,698	53.0	1,548	7.1	9,364	22.9
Upper-income	10	33.3	18,435	45.0	635	3.4	18,958	46.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	30	100.0	40,964	100.0	2,238	5.5	40,964	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,423	894	2.0	62.8	323	22.7	206	14.5
Middle-income	32,806	23,293	51.1	71.0	6,732	20.5	2,781	8.5
Upper-income	25,138	21,432	47.0	85.3	2,539	10.1	1,167	4.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	59,367	45,619	100.0	76.8	9,594	16.2	4,154	7.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	111	2.0	95	1.9	7	1.7	9	11.7
Middle-income	3,002	54.1	2,733	54.0	226	55.0	43	55.8
Upper-income	2,440	43.9	2,237	44.2	178	43.3	25	32.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	5,553	100.0	5,065	100.0	411	100.0	77	100.0
	Percentage of Total Businesses:			91.2		7.4		1.4
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	29	5.5	25	5.0	4	19.0	0	0.0
Middle-income	369	70.2	356	70.5	13	61.9	0	0.0
Upper-income	128	24.3	124	24.6	4	19.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	526	100.0	505	100.0	21	100.0	0	0.0
	Percentage of Total Farms:			96.0		4.0		0.0
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Geographic Distribution of HMDA Reportable Loans							
Assessment Area: 2017 Gary, IN MD 23844							
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					
		2017					
		Count		Agg %	Dollar		Owner Occupied % of Units
		Bank #	%		Bank \$ (000s)	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	1.2	0	0.0	2.0
	Middle	24	92.3	45.8	2,945	89.6	51.1
	Upper	2	7.7	53.0	340	10.4	47.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	26	100.0	100.0	3,285	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	4	14.8	1.3	1,145	29.0	2.0
	Middle	21	77.8	46.5	2,601	65.9	51.1
	Upper	2	7.4	52.3	200	5.1	47.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	27	100.0	100.0	3,946	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	2	6.9	2.0	106	8.7	2.0
	Middle	24	82.8	44.6	995	81.4	51.1
	Upper	3	10.3	53.4	121	9.9	47.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	29	100.0	100.0	1,222	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	0.0	0	0.0	1.5
	Middle	0	0.0	91.7	0	0.0	67.5
	Upper	0	0.0	8.3	0	0.0	31.1
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	6	7.3	1.3	1,251	14.8	2.0
	Middle	69	84.1	46.0	6,541	77.4	51.1
	Upper	7	8.5	52.8	661	7.8	47.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	82	100.0	100.0	8,453	100.0	100.0
Originations & Purchases 2017 FFIEC Census Data Note: Percentages may not add to 100.0 percent due to rounding							

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2017 Gary, IN MD 23844								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2017						
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$(000s)	\$ %					
Home Purchase	Low	4	15.4	4.5	260	7.9	2.2	14.4
	Moderate	4	15.4	16.3	283	8.6	11.8	16.4
	Middle	4	15.4	25.7	523	15.9	23.5	22.9
	Upper	14	53.8	37.6	2,219	67.5	47.6	46.3
	Unknown	0	0.0	15.9	0	0.0	14.9	0.0
	Total	26	100.0	100.0	3,285	100.0	100.0	100.0
Refinance	Low	3	11.1	6.5	426	10.8	3.9	14.4
	Moderate	3	11.1	12.4	202	5.1	9.1	16.4
	Middle	7	25.9	22.5	410	10.4	20.2	22.9
	Upper	12	44.4	37.7	2,143	54.3	44.6	46.3
	Unknown	2	7.4	21.0	765	19.4	22.2	0.0
	Total	27	100.0	100.0	3,946	100.0	100.0	100.0
Home Improvement	Low	2	6.9	5.7	11	0.9	2.9	14.4
	Moderate	6	20.7	12.4	448	36.7	8.9	16.4
	Middle	9	31.0	24.5	241	19.7	23.7	22.9
	Upper	10	34.5	54.5	484	39.6	62.7	46.3
	Unknown	2	6.9	2.9	38	3.1	1.7	0.0
	Total	29	100.0	100.0	1,222	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	14.4
	Moderate	0	0.0	0.0	0	0.0	0.0	16.4
	Middle	0	0.0	0.0	0	0.0	0.0	22.9
	Upper	0	0.0	0.0	0	0.0	0.0	46.3
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	9	11.0	5.2	697	8.2	2.7	14.4
	Moderate	13	15.9	14.9	933	11.0	11.0	16.4
	Middle	20	24.4	24.7	1,174	13.9	22.6	22.9
	Upper	36	43.9	38.6	4,846	57.3	47.1	46.3
	Unknown	4	4.9	16.6	803	9.5	16.6	0.0
	Total	82	100.0	100.0	8,453	100.0	100.0	100.0
Originations & Purchases								
2017 FFIEC Census Data								
Note: Percentages may not add to 100.0 percent due to rounding								

Assessment Area: 2017 IN Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,291	20.9
Moderate-income	1	14.3	874	14.1	152	17.4	1,396	22.6
Middle-income	6	85.7	5,305	85.9	574	10.8	1,546	25.0
Upper-income	0	0.0	0	0.0	0	0.0	1,946	31.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	7	100.0	6,179	100.0	726	11.7	6,179	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,718	881	12.4	51.3	537	31.3	300	17.5
Middle-income	9,267	6,242	87.6	67.4	1,129	12.2	1,896	20.5
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	10,985	7,123	100.0	64.8	1,666	15.2	2,196	20.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	198	28.5	179	28.1	15	37.5	4	25.0
Middle-income	496	71.5	459	71.9	25	62.5	12	75.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	694	100.0	638	100.0	40	100.0	16	100.0
	Percentage of Total Businesses:			91.9		5.8		2.3
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1	1.1	1	1.2	0	0.0	0	0.0
Middle-income	88	98.9	85	98.8	3	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	89	100.0	86	100.0	3	100.0	0	0.0
	Percentage of Total Farms:			96.6		3.4		0.0
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Geographic Distribution of HMDA Reportable Loans							
Assessment Area: 2017 IN Non MSA							
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					
		2017					
		Count		Agg %	Dollar		Owner Occupied % of Units
		Bank #	%		Bank \$ (000s)	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	2	66.7	16.8	60	28.6	12.4
	Middle	1	33.3	83.2	150	71.4	87.6
	Upper	0	0.0	0.0	0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	3	100.0	100.0	210	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	10.4	0	0.0	12.4
	Middle	1	100.0	89.6	242	100.0	87.6
	Upper	0	0.0	0.0	0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	1	100.0	100.0	242	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	9.6	0	0.0	12.4
	Middle	3	100.0	90.4	160	100.0	87.6
	Upper	0	0.0	0.0	0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	3	100.0	100.0	160	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	0.0	0	0.0	50.3
	Middle	0	0.0	0.0	0	0.0	49.7
	Upper	0	0.0	0.0	0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	0	0.0	0.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	2	28.6	14.3	60	9.8	12.4
	Middle	5	71.4	85.7	552	90.2	87.6
	Upper	0	0.0	0.0	0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total	7	100.0	100.0	612	100.0	100.0
Originations & Purchases 2017 FFIEC Census Data Note: Percentages may not add to 100.0 percent due to rounding							

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2017 IN Non MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2017						
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$(000s)	\$ %					
Home Purchase	Low	0	0.0	10.3	0	0.0	6.0	20.9
	Moderate	1	33.3	25.3	35	16.7	20.6	22.6
	Middle	0	0.0	25.1	0	0.0	24.3	25.0
	Upper	2	66.7	24.6	175	83.3	33.0	31.5
	Unknown	0	0.0	14.8	0	0.0	16.1	0.0
	Total	3	100.0	100.0	210	100.0	100.0	100.0
Refinance	Low	0	0.0	10.4	0	0.0	4.9	20.9
	Moderate	0	0.0	22.7	0	0.0	16.2	22.6
	Middle	0	0.0	24.5	0	0.0	29.6	25.0
	Upper	0	0.0	28.8	0	0.0	34.7	31.5
	Unknown	1	100.0	13.5	242	100.0	14.5	0.0
	Total	1	100.0	100.0	242	100.0	100.0	100.0
Home Improvement	Low	0	0.0	8.2	0	0.0	3.5	20.9
	Moderate	0	0.0	17.8	0	0.0	9.2	22.6
	Middle	1	33.3	27.4	30	18.8	29.4	25.0
	Upper	1	33.3	39.7	106	66.3	52.9	31.5
	Unknown	1	33.3	6.8	24	15.0	5.1	0.0
	Total	3	100.0	100.0	160	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	20.9
	Moderate	0	0.0	0.0	0	0.0	0.0	22.6
	Middle	0	0.0	0.0	0	0.0	0.0	25.0
	Upper	0	0.0	0.0	0	0.0	0.0	31.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	0.0	0	0.0	0.0	100.0
HMDA Totals	Low	0	0.0	10.1	0	0.0	5.6	20.9
	Moderate	1	14.3	23.8	35	5.7	18.8	22.6
	Middle	1	14.3	25.2	30	4.9	26.0	25.0
	Upper	3	42.9	27.4	281	45.9	34.6	31.5
	Unknown	2	28.6	13.5	266	43.5	15.1	0.0
	Total	7	100.0	100.0	612	100.0	100.0	100.0
Originations & Purchases								
2017 FFIEC Census Data								
Note: Percentages may not add to 100.0 percent due to rounding								

APPENDIX D – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an 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 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment, and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).