

PUBLIC DISCLOSURE

April 29, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tower Bank and Trust Company
RSSD# 2744063

116 East Berry Street
Fort Wayne, Indiana 46802

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 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.

TABLE OF CONTENTS

PERFORMANCE EVALUATION	2
SCOPE OF EXAMINATION.....	2
DESCRIPTION OF BANK	3
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	4
LENDING TEST	4
COMMUNITY DEVELOPMENT TEST.....	6
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	6
FORT WAYNE MSA #23060 – FULL REVIEW	7
DESCRIPTION OF INSTITUTION’S OPERATIONS IN FORT WAYNE MSA #23060	7
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA - FORT WAYNE MSA #23060	11
LENDING TEST	11
NON-METROPOLITAN - KOSCIUSKO COUNTY – LIMITED REVIEW.....	20
DESCRIPTION OF INSTITUTION’S OPERATIONS IN KOSCIUSKO COUNTY	20
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS - KOSCIUSKO COUNTY	21
APPENDIX A – SCOPE OF EXAMINATION.....	27
APPENDIX B - GLOSSARY.....	28

BANK'S CRA RATING

Tower Bank and Trust Company is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Tower Bank and Trust Company's (Tower) CRA performance is satisfactory.

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 Home Mortgage Disclosure Act (HMDA)-reportable and small business loans are made in the bank's assessment areas. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

Tower's community development performance demonstrates adequate responsiveness to the community development needs in its assessment areas through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

SCOPE OF EXAMINATION

The bank's performance was evaluated in the context of information about the institution, such as asset size, financial condition, local competition, as well as economic and demographic characteristics of the assessment areas. Tower conducts business in two assessment areas in the state of Indiana: Allen County, which is a portion of the Fort Wayne Metropolitan Statistical Area (MSA) #23060 (Fort Wayne MSA assessment area) and a portion of Kosciusko County, a non-metropolitan area. Performance in the Fort Wayne MSA assessment area received a full scope review based on several factors, including deposit market share, branch concentration, the volume of HMDA-reportable lending, small business lending, and the credit and community development needs within the assessment area. Accordingly, Tower's CRA rating is based on conclusions drawn about its activities in the Fort Wayne MSA assessment area. The 2011 aggregated HMDA loan data for the Fort Wayne MSA was used for comparison purposes. Performance in the Kosciusko County non-metropolitan assessment area received a limited review and was evaluated for consistency with the overall performance of the bank.

Tower's record of performance in the designated assessment areas were evaluated using examination procedures for small institutions with assets less than \$1.2 billion and greater than \$296 million as of January 1, 2013. Institutions in this asset size category are referred to as intermediate small banks and are subject to CRA examinations based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – An eight-quarter average loan-to-deposit ratio for the institution was calculated from March 31, 2011 through December 31, 2012, for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – HMDA-reportable and small business loans originated by the institution from January 1, 2011 through December 31, 2012, were reviewed to determine the percentage of loans originated within the assessment areas.
- ***Geographic Distribution of Lending in the Assessment Area*** - HMDA-reportable and small business loans originated from January 1, 2011 through December 31, 2012, within the assessment areas, 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 Incomes and to Businesses of Different Sizes*** - HMDA-reportable and small business loans originated from January 1, 2011 through December 31, 2012, within the assessment areas, were reviewed to determine the extent to which the bank is making loans to individuals of different income levels, and businesses of different sizes.
- ***Response to Substantiated Complaints*** – Neither Tower nor this Reserve Bank received any CRA-related complaints since the previous evaluation.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services from April 18, 2011 through April 29, 2013, were reviewed considering the capacity, need, and availability of such opportunities within the assessment areas.

DESCRIPTION OF BANK

Tower is a wholly owned subsidiary of Tower Financial Corporation, with total assets of \$684.7 million as of December 31, 2012. The bank operates seven full-service branch locations with automated teller machines (ATMs) within its two assessment areas located in the northwest portion of Indiana.

Tower offers standard deposit and credit products in meeting the banking needs of consumers and businesses operating in the assessment areas. Deposit products include savings, checking, money market, individual retirement accounts (IRAs), and certificates of deposit (CDs). Credit products include fixed and variable rate residential real estate, home improvement, home equity loans and lines of credit, secured and unsecured consumer loans, as well as agricultural and commercial loans. The bank also offers a 24-hour automated telephone banking service and an online banking service, making a wide array of services available to its customers.

Based on data presented in the following table, the bank is primarily a real estate lender with 69.5 percent of its loan portfolio secured by real estate. Further comparisons by specific loan category indicate the bank is primarily a commercial lender when combining the non-farm / non-residential real estate and commercial & industrial loan products constituting nearly 60.0 percent of the total loan portfolio.

Composition of Loan Portfolio as of 12/31/2012 (000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	158,564	34.8
	Farmland	814	0.2
	Non-farm, Non-residential	156,910	34.5
	Total Real Estate Secured	316,288	69.5
Agricultural	Agricultural	0	0.00
Commercial	Commercial and Industrial	116,195	25.5
Consumer	Loans to Individuals	15,117	3.3
Other	Loans	7,798	1.7
	Total	455,398	100.00

Source: Uniform Bank Performance Report as of December 31, 2012

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 April 18, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Tower's performance relative to the lending test is satisfactory, based on the bank's lending in the Fort Wayne MSA assessment area. The loan-to-deposit ratio is reasonable. The majority of the bank's Home Mortgage Disclosure Act (HMDA)-reportable and small business loans are made in the bank's assessment areas. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The bank is primarily a commercial lending; thus, small business loans contributed more greatly to analysis conclusions than home mortgage loans. In addition, the bank's level of community development activities represents adequate responsiveness to community credit needs in the bank's assessment areas.

LENDING TEST

The bank's performance relative to the lending test is satisfactory.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable, given the bank's size, financial condition, capacity to lend and the credit needs of its assessment areas. The following table shows the bank's average LTD ratio for the eight quarters ending December 31, 2012 as compared to its national peer as well as to a sample of local competitors. The bank's LTD ratio of 82.0 percent is within the range of local competitors and remains higher than the national peer group LTD at 75.0 percent. The bank's LTD has experienced a downward trend since the previous evaluation where it was 87.9 percent; however, this trend correlates to the general economic downward trend in the national peer group LTD, which previously stood at 82.5 percent.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	Eight - Quarter Average
Tower	82.0
National Peer Group 3*	75.0
Competitors	
Independent Alliance Banks, Inc.	89.2
Lake City Bank	88.7
Salin Bank and Trust Company	82.3
Star Financial Bank	83.6
<i>*Peer Group 3 is defined as banks with average assets for the latest quarter between \$300 million and \$1 billion.</i>	
<i>Source: Uniform Bank Performance Reports March 31, 2011 through December 31, 2012</i>	

Assessment Area Concentration

The majority of the bank's loans were originated in the combined assessment area; 71.0 percent by number and 53.3 percent by dollar volume, during the evaluation period. The following table summarizes the bank's lending inside and outside its combined assessment area by product.

Lending Inside and Outside the Assessment Area *								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans	160	60.2	33,280	44.3	106	39.8	27,168	36.1
Refinanced Loans	389	69.8	72,392	50.3	168	30.2	43,291	30.1
Home Improvement Loans	3	100.0	125	100.0	0	0.0	0	0.0
Multi-Family Loans	3	50.0	10,020	31.6	3	50.0	8,228	25.9
Total HMDA-Reportable Loans	555	66.7	115,817	46.1	277	33.3	78,687	31.3
Total Small Business Loans	299	80.6	57,924	77.1	72	19.4	17,191	22.9
Total Loans	854	71.0	173,741	53.3	349	29.0	95,878	29.4
* Data in the table reflects years 2011 and 2012 HMDA-reportable loans and Small Business loans from January 1, 2011 through December 31, 2012.								
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>								

Geographic and Borrower Distribution

The bank's record of lending reflects reasonable dispersion throughout the assessment areas, particularly for low- and moderate-income census tracts. In addition, the bank's penetration of loans to borrowers of different incomes and business of different revenue sizes is reasonable. The bank's loans to small businesses in the full review Fort Wayne MSA assessment area carried more weight in the evaluation, for both geographic and borrower distribution, because the bank is primarily a commercial lender. Please refer to the assessment area summaries for details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is satisfactory.

Community Development Lending

The bank originated 16 community development loans amounting to \$22,391,437 in the full review Fort Wayne MSA assessment area during the review period. The level of community development loans represents a noticeable increase from the previous evaluation, which noted nine loans totaling \$4,638,500.

Community Development Investments

Since the previous evaluation, the bank made minimal qualified investments within the full review Fort Wayne MSA assessment area. In 2012, the bank funded \$97,000 of a \$500,000 commitment towards a low-income housing tax credit. In addition, the bank made 42 donations totaling \$40,055, which is an increase over the previous evaluation period of \$25,050 in donations.

Community Development Services

Bank officers are actively involved in community activities on behalf of the bank. Several officers provided community development services to at least 10 organizations serving community development purposes. In 2012, 826 hours of qualified community development services were provided.

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.

FORT WAYNE MSA #23060 – FULL REVIEW

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FORT WAYNE MSA #23060

The bank operates five full-service branches in its Fort Wayne MSA assessment area in addition to its main branch. The bank has defined its Fort Wayne MSA assessment area as incorporating all of Allen County. The bank's main office is located in a moderate-income census tract; four branches are located in middle-income census tracts; and one branch is located in an upper-income census tract. According to the June 30, 2012 Federal Deposit Insurance Corporation (FDIC) market share report, Tower held 9.7 percent of all deposits in Allen County, ranking it 5th among the 21 FDIC-insured financial institutions in the area.

Allen County consisted of 90 census tracts as a result of the 2000 Census, of which three census tracts were low-income, 29 were moderate-income, 43 were middle-income, 14 were upper-income, and one was not classified. Due to recently released 2010 Census data in 2012, the census tract landscape has shifted. Within Allen County, low-income census tracts increased from three to 13, moderate-income census tracts decreased from 29 to 28, middle-income census tracts decreased from 43 to 31, and upper-income increased from 14 to 23. The net effect was a remapping that increased the total number of census tracts from 90 to 96 in Allen County. As the 2011 home mortgage and small business data will provide the majority for the basis of this evaluation and will be compared against the 2000 Census data, the effects on the bank's performance resulting from the 2012 changes will only be noted contextually, where applicable, in this performance evaluation.

The following table presents selected demographic characteristics for the Fort Wayne MSA assessment area.

Assessment Area Demographics (2011)								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	3.3	1,290	1.5	431	33.4	15,702	18.1
Moderate-income	29	32.2	20,418	23.6	3,474	17.0	16,195	18.7
Middle-income	43	47.8	42,476	49.0	1,572	3.7	20,864	24.1
Upper-income	14	15.6	22,433	25.9	315	1.4	33,856	39.1
Unknown-income	1	1.1	0	0.0	0	0.0	0	0.0
Total Assessment Area	90	100.0	86,617	100.0	5,792	6.7	86,617	100.0
	Total Housing Units by Tract		Housing Types by Tract					
			Owner-occupied		Rental		Vacant	
	#	%	#	%	#	%	#	%
Low-income	2,538	824	0.9	32.5	1,051	41.4	663	26.1
Moderate-income	39,571	18,877	20.7	47.7	16,296	41.2	4,398	11.1
Middle-income	68,381	46,923	51.3	68.6	17,559	25.7	3,899	5.7
Upper-income	28,415	24,770	27.1	87.2	2,445	8.6	1,200	4.2
Unknown-income	0	0	0	0.0	0	0.0	0	0.0
Total Assessment Area	138,905	91,394	100.00	65.8	37,351	26.9	10,160	7.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	220	1.1	193	1.1	19	1.3	8	1.3
Moderate-income	4,431	23.1	3,763	21.9	476	33.5	192	30.7
Middle-income	8,944	46.6	7,981	46.5	669	47.1	294	47.0
Upper-income	5,574	29.0	5,190	30.3	255	17.9	129	20.6
Unknown-income	23	0.1	19	0.1	2	0.1	2	0.3
Total Assessment Area	19,192	100.0	17,146	100.0	1,421	100.0	625	100.0
	Percentage of Total Businesses:			89.3		7.4		3.3

Note: Percentages may not total to 100.0 percent due to rounding.

A discussion of both 2000 and 2010 Census demographic information follows. Both sections discuss relevant population information, income characteristics, and housing data. The relevant census demographic data were compared to the applicable loan periods, discussed in the preceding paragraph.

Population Characteristics

Population growth has been moderate and steady since the 2000 Census. As shown below, the Fort Wayne MSA population growth parallels the growth experienced within Allen County and the state of Indiana as a whole. Any changes in the Fort Wayne MSA are made even more significant when considering that Allen County is the second largest county in Indiana, and Fort

Wayne is the second largest city. The modest growth could be partially attributed to the recovering auto industry with roots in the Fort Wayne area.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Allen County	331,849	355,329	7.1
Fort Wayne MSA	390,156	416,257	6.7
Indiana	6,080,485	6,483,802	6.6

*Source: 2000—U.S. Census Bureau: Decennial Census
2006—U.S. Census Bureau: Annual Population Estimates OR 2010—U.S. Census Bureau: Decennial Census*

Income Characteristics

The following table compares the median family income level in the MSA portion of the assessment area to that of Allen County and the state. As of 2010, the estimated HUD-adjusted median family income in the MSA portion of the assessment area was \$60,235, compared to \$60,184 for Allen County and \$58,944 for the state. The Fort Wayne MSA experienced an increase of 14.6 percent in estimated median family income since 2000, consistent with the increase in Allen County median family income of 14.2 percent. Both increases in the median family income compare less favorably to the increase for the state.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2010 Median Family Income	Percentage Change
Allen County	52,708	60,184	14.2
Fort Wayne MSA	52,560	60,235	14.6
Indiana	50,261	58,944	17.3

*Source: 2000—U.S. Census Bureau: Decennial Census
2006-2010—U.S. Census Bureau: American Community Survey*

Since 2009, the bankruptcy filing rate (per 1,000 population) demonstrates a downward trend for Allen County. The bankruptcy filing rate decreased from 8.2 percent in 2009 to 5.9 percent in 2012. Allen County's bankruptcy filing rate ranked 21st of 92 counties in the state. By comparison, the bankruptcy filing rate for the state of Indiana and United States were 5.4 and 3.7 percent, respectively.

Housing Characteristics

As presented in the following table, the median housing value in the Fort Wayne MSA was \$113,800, nearly identical to the median housing value in Allen County, although remaining below

the median value of \$123,000 for the state of Indiana. The affordability ratio, calculated by dividing the median household income by the median housing value for a given geography, is a useful tool in comparing costs for different areas. An area with a higher ratio generally indicates an area with more affordable housing as compared to an area with a lower ratio. The higher affordability ratio in Allen County, presented in the chart below, indicates that housing is more affordable than in the state of Indiana. In addition, at \$629, the median gross rent among rental units in Allen County is lower than for the state of Indiana.

Housing Costs 2000 and 2010					
Location	2000 Median Housing Value	2010 Median Housing Value	2000 Median Gross Rent	2010 Median Gross Rent	Affordability Ratio
Allen County	87,100	113,200	506	629	0.43
Fort Wayne MSA	88,000	113,800	500	624	0.43
Indiana	92,500	123,000	521	683	0.39
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>					

During 2009 and 2010, foreclosure filings increased within the assessment area and the state of Indiana. Foreclosure filings remained steady during the evaluation period of 2011 and 2012 in both the assessment area and the state of Indiana. The Federal Reserve Bank of Chicago conducted a study on the change in the foreclosure inventory rate at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. It excludes properties that have completed the foreclosure cycle.

Foreclosure Inventory Rate (%)					
	December 2008	December 2009	December 2010	December 2011	June 2012
Allen County	2.3	2.5	3.5	3.5	3.5
Indiana	2.4	3.3	4.1	4.1	4.1
<i>Source: LPS Applied Analytics</i>					

According to 2012 data obtained from the Census Bureau and the National Association of Realtors, building permits in Allen County for single family homes remained flat from 2011 while permits for multi-family housing units showed a dramatic spike, indicating a demand for new housing and also signs of strength in the construction sector.

Labor Force and Employment Characteristics

The following tables present employment-related data for the assessment area. In general, unemployment rates in Allen County, Fort Wayne MSA, and the state of Indiana are similar to

the national average. While unemployment rates have fluctuated slightly since 2011, the rate remained elevated as of the first quarter of 2013, reflecting the continued hiring lag of the economic recovery.

Unemployment Rates			
Region	2011	2012	Most recent 2013 - Q1
Fort Wayne MSA	9.0	8.2	8.9
Indiana	9.0	8.4	9.3
United States	9.0	8.1	8.1

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

The following chart lists the largest employers in the Fort Wayne MSA by number of employees in the primary industries in the assessment area, including healthcare services, education, financial services, manufacturing, and government.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Parkview Health Systems	4,710	Hospitals
Lutheran Health Network	4,301	Hospitals
Fort Wayne Community Schools	4,230	Elementary and Secondary Schools
General Motors	3,880	Motor Vehicle Manufacturing
City of Fort Wayne	2,003	Government
Lincoln Financial Group	1,970	Insurance Carriers
Allen County Government	1,605	Government
BFGoodrich	1,580	Rubber Tire Manufacturing
Frontier Communications Corp	1,564	Wired Telecommunications Carriers

Source: 2010 Fort Wayne – Allen County Economic Development Alliance

Community representatives provided additional information on the economic environment and trends in the bank’s assessment areas. They indicated that overall, economic uncertainty among small business owners has slowed hiring and expansion plans. Additionally, they noted a significant drop in small businesses start-ups.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA - FORT WAYNE MSA
#23060**

LENDING TEST

Tower’s performance relative to the lending test is rated satisfactory.

Geographic Distribution of Loans

The geographic distribution of Tower's loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage lending

The bank's 2011 home mortgage lending in its Fort Wayne MSA assessment area is presented in the table that follows below. Of the 2011 HMDA-reportable mortgage loans, the bank originated 2.3 percent by number and 0.7 percent by dollar volume in moderate-income geographies; 20.7 percent of housing units in the assessment area are owner-occupied. Tower did not originate any HMDA-reportable loans within the low-income geographies. Home mortgage lending opportunities are very limited in the low-income geographies, because only 0.9 percent of housing units are owner-occupied.

The bank's performance is significantly below the aggregate lenders of 6.6 by number and 3.6 percent by dollar volume. The bank originated only one home purchase loan in a moderate-income geography and four loans to refinance the purchase of a home in a moderate-income geography. The bank did not originate any home improvement or multifamily loans in moderate-income geographies. However, a meaningful analysis could not be performed due to the low volume of HMDA-reportable loans.

The performance is also inconsistent with the demographics for this assessment area. Overall, the Fort Wayne MSA assessment area has an owner-occupancy rate of 65.8 percent. The majority of owner-occupied housing units are located in middle-income census tracts at 51.3 percent while upper-income census tracts are home to just 27.1 percent of the owner-occupied housing units.

The distribution of loans by borrower characteristics shows that Tower made loans to low-income and moderate-income home loan applicants who live in census tracts designated as middle- and upper-income. Please see the following section for the discussion about the bank's lending to borrowers of different income levels and businesses of different sizes.

Home Mortgage Lending, 2011 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner- Occupied Housing
	#	%	\$	%	#	%	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.0	0.0	0.9
Moderate	1	1.4	65	0.5	8.3	4.3	20.7
Middle	24	33.3	3,384	24.5	47.2	37.1	51.3
Upper	47	65.3	10,338	75.0	44.5	58.5	27.1
Unknown	0	0.0	0	0.0	0.0	0.0	0.0
Total	72	100.0	13,787	100.0	100.0	100.0	100.00
Refinanced Loans							
Low	0	0.0	0	0.0	0.1	0.0	
Moderate	4	2.9	237	0.9	5.1	3.2	
Middle	33	23.9	4,275	16.1	41.6	31.8	
Upper	101	73.2	22,020	83.0	53.3	65.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	138	100.0	26,532	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	1.6	0.4	
Moderate	0	0.0	0	0.0	12.4	6.4	
Middle	2	100.0	75	100.0	54.6	41.5	
Upper	0	0.0	0	0.0	31.4	51.6	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	2	100.0	75	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	13.3	21.8	
Moderate	0	0.0	0	0.0	13.3	0.9	
Middle	1	100.0	2,500	100.0	66.7	62.7	
Upper	0	0.0	0	0.0	6.7	14.6	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	1	100.0	2,500	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.1	0.3	
Moderate	5	2.3	302	0.7	6.6	3.6	
Middle	60	28.2	10,234	23.9	44.1	34.3	
Upper	148	69.5	32,358	75.4	49.2	61.8	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	213	100.0	42,894	100.0	100.0	100.0	
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>							

In 2012, the bank's residential mortgage lending activity increased to 286 loans. The most notable increase was within the refinance category, representing 34.5 percent of all HMDA-reportable loans. This increase is attributed to a low interest rate environment, which resulted in more refinances. Subsequent to the 2012 mapping changes and the release of the 2010 census data, the

pattern of geographic distribution in low- and moderate-income census tracts increased to 1.4 percent and 3.8 percent by number, respectively. While the bank gained 10 additional low-income tracts, the 2010 census information indicates a slight increase in the owner-occupancy in the low- and moderate-income geographies, 27.4 percent combined. This was evident through increased lending volumes in low- and moderate-income census tracts for both home purchase loans and loans to refinance the purchase of a residence. The 2012 aggregate lender data was not available for comparison.

Small Business Lending

The bank’s lending to small businesses, defined as businesses with revenues equal to \$1 million or less, reflects reasonable penetration throughout the assessment area. The following table summarizes the bank’s 2011 small business lending by income level designation of the geography compared to the percentages of businesses by census tract income level. The bank’s small business loan distribution in low-income geographies exceeds the percentage of the demographics. While the demographics indicate that only 1.1 percent of businesses with revenues of a million or less are located in low-income geographies, the bank originated 3.9 percent by number and 0.8 percent by dollar volume of its small business loans in low-income census tracts. Similarly, 28.2 percent by number and 23.9 by dollar volume of small business loans were originated in moderate-income area. The distribution of loans exceeds the distribution of businesses located in moderate- income areas which is 23.1 percent.

Small Business Lending, 2011 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	4	3.9	134	0.8	1.1
Moderate	29	28.2	4,081	23.9	23.1
Middle	41	39.8	8,353	48.9	46.6
Upper	29	28.2	4,499	26.4	29.0
Unknown	0	0	0	0	0.1
Total	103	100.0	17,067	100.0	100.0

Note: Percentages may not total to 100.0 percent due to rounding.

In 2012, lending in low-income geographies increased significantly, as the bank originated 11.5 percent by number and 12.7 percent by dollar volume of its small business loans, which exceeded the distribution of businesses located in these tracts. Lending in moderate-income geographies decreased to 21.3 by number and 20.7 by dollar volume, although the number and dollar amount of loans made in moderate-income geographies increased significantly. The 2010 Census

information indicates an increase in the percentage of businesses operating in the low-income tracts, 10.4 percent, and a slight increase in moderate-income areas to 24.9 percent.

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

Residential Mortgage Lending

The following table presents the distribution of home mortgage loans in 2011. The distribution of loans reflects a reasonable penetration among borrowers of different income levels, when compared to the aggregate of lenders and demographic data.

In 2011, Tower made 9.7 percent of its home purchase loans by number to low-income borrowers and 4.9 percent by dollar volume. This is significantly below aggregated lenders who made 18.4 percent by number and 10.9 percent by dollar volume to low-income borrowers. The bank made 15.3 percent by number and 7.8 percent by dollar volume to moderate-income borrowers. This was also significantly below aggregate lenders who made 23.8 percent by number and 19.5 percent by dollar volume, respectively, of their home purchase loans to moderate-income borrowers. While the bank's performance is below the aggregate data, lending opportunities are limited due to the number of competing mortgage lenders within the assessment area and the demographics of this assessment area. Based on the 2000 Census information, 36.8 percent of all families in the assessment area are classified as low- and moderate income individuals; additionally, 6.7 percent of families are below the poverty level. These statistics support the need for assisted credit in this assessment area.

Home Mortgage Lending, 2011 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	7	9.7	669	4.9	18.4	10.9	18.1
Moderate	11	15.3	1,072	7.8	23.8	19.5	18.7
Middle	12	16.7	1,593	11.6	17.8	18.9	24.1
Upper	36	50.7	9,802	71.1	19.8	31.1	39.1
Unknown	6	8.3	651	4.7	20.1	19.6	0.0
Total	72	100.0	13,787	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	3	2.2	239	0.9	7.5	4.0	
Moderate	20	14.5	1,830	6.9	17.5	11.8	
Middle	22	15.9	2,197	8.3	19.8	16.8	
Upper	81	58.7	20,778	78.3	32.4	42.7	
Unknown	12	8.7	1,488	5.6	22.8	24.7	
Total	138	100.0	26,532	0.0	100.0	100.0	
Home Improvement Loans							
Low	1	50.0	10	13.3	16.2	7.0	
Moderate	0	0.0	0	0.0	24.9	15.6	
Middle	0	0.0	0	0.0	28.6	21.2	
Upper	0	0.0	0	0.0	22.7	35.8	
Unknown	1	50.0	65	86.7	7.6	20.5	
Total	1	100.0	75	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	1	100.0	2,500	100.0	100.0	100.0	
Total	1	100.0	2,500	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	11	5.2	918	2.1	12.1	6.6	
Moderate	31	14.6	2,902	6.8	20.1	14.6	
Middle	34	16.0	3,790	8.8	19.2	17.4	
Upper	117	54.9	30,580	71.3	27.1	37.6	
Unknown	20	9.4	4,704	11.0	21.5	23.7	
Total	213	100.0	42,894	100.0	100.0	100.0	

Note: Percentages may not total to 100.0 percent due to rounding.

In 2012, the mortgage lending slightly increased to 286 loans. Based on a review of the 2012 HMDA-reportable mortgage loans, the bank's lending pattern to low- and moderate-income borrowers was consistent with 2011 lending. According to the 2010 Census information, while the percentage of low- and moderate-income families in the assessment area increased to 38.0 percent,

likewise the percentage of families living below the poverty level increased to 9.1 percent. The 2012 aggregate lender data was not available for comparison.

Small Business Lending

The following table illustrates the record of lending to businesses of different sizes in the assessment area. For the purposes of small business lending, commercial loans with an origination amount of \$1 million or less are considered to be small business loans. The bank’s lending reflects a reasonable distribution of loans among business of different sizes. Demographic data indicates 89.3 percent of businesses operating in the assessment area have revenues of \$1 million or less. The bank originated 51.5 percent of its small business loans to businesses with annual revenues of \$1 million or less.

Performance may also be measured by original loan amounts. Smaller loan amounts (\$100,000 or less) may be more frequently originated to smaller businesses. These loans typically provide the working capital necessary to maintain or expand operations. Of the small business loans originated by the bank, 58.3 percent were equal or less than \$100,000. Furthermore, 64.2 percent of the loans originated to small businesses with revenues of \$1 million or less were in amounts equal or less than \$100,000. This level of performance is consistent with the bank’s primary lending focus.

Small Business Loan Distribution, 2011					
By Revenue and Loan Size					
(000s)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	53	51.5	7,559	44.3	89.3
Over \$1 Million	46	44.7	8,307	48.7	7.4
Not Known	4	3.9	1,201	7.0	3.3
Total	103	100.0	17,067	100.0	100.0
By Loan Size					
\$100,000 or less	60	58.3	2,500	14.7	
\$100,000 - \$250,000	22	21.4	3,676	21.5	
\$250,000 - \$1 Million	21	20.4	10,891	63.8	
Total	103	100.0	17,067	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	34	64.2	1,443	19.1	
\$100,000 - \$250,000	10	18.9	1,921	25.4	
\$250,000 - \$1 Million	9	17.0	4,195	55.5	
Total	53	100.0	7,559	100.0	

Note: Percentages may not total to 100.0 percent due to rounding.

In 2012, the bank’s origination of small business loans to businesses with revenues of \$1 million or

less was comparable to the lending distribution in 2011. The 2010 Census information did not show significant changes in the demographics of businesses by revenue size.

COMMUNITY DEVELOPMENT TEST

Tower's record of providing community development loans, qualified investments and community development services demonstrates adequate responsiveness considering the bank's capacity and the need and availability of such opportunities for community development in the bank's Fort Wayne MSA assessment area.

Community Development Lending

Since the previous performance evaluation, the bank originated 16 community development loans amounting to \$22,391,437 in the Fort Wayne MSA in Allen County. The level of community development loans represents a noticeable increase from the previous evaluation, which noted nine loans totaling \$4,638,500. All of the community development loans were originated in or primarily benefitted low- and moderate-income census tracts within the bank's assessment area. Of the 16 loans originated during the review period, seven loans totaling \$19,178,437 were made to for-profit corporations providing affordable housing, responding to an identified community development need within the assessment area. This represents 85.6 percent, by dollar amount, of all community development loans originated in the Fort Wayne MSA assessment area during the review period. Eight loans totaling \$2,693,000 were made to non-for profit organizations that provide various social services, education, and advocacy for children and homeless individuals. One loan in the amount of \$520,000 was made to a for-profit organization to revitalize a multi-use building for low-income housing and commercial purposes.

Community Development Investments

Since the previous evaluation, the bank made minimal qualified investments within the Fort Wayne MSA. In 2012, the bank funded \$97,000 of a \$500,000 commitment towards a low-income housing tax credit benefitting northern Illinois, Wisconsin, Indiana and Michigan, commonly known as the Great Lakes region. In addition, the bank made 42 donations totaling \$40,055, which is an increase over the previous evaluation period of \$25,050 in donations. The donations were to local organizations providing community services to low- and moderate-income individuals, including various food pantries, shelters, and youth clubs.

Community Development Services

Bank officers are actively involved in community activities on behalf of the bank. Several officers provided community development services to at least 10 organizations serving community development purposes. In 2012, 826 hours of qualified community development services were provided. The officers primarily provided financial expertise while serving as directors or

committee members for non-profit entities and foundations providing economic development, affordable housing, and community services. In addition, many bank officers shared their financial expertise as instructors for children during financial literacy courses. Based upon discussions with community contacts, these types of services strongly benefit the community.

NON-METROPOLITAN - KOSCIUSKO COUNTY – LIMITED REVIEW

DESCRIPTION OF INSTITUTION'S OPERATIONS IN KOSCIUSKO COUNTY

Tower operates one full-service branch office with a full-service ATM in its Kosciusko Non-MSA assessment area. According to the June 30, 2012 FDIC deposit market share report, the bank held 2.6 percent of deposits in Kosciusko County, ranking 8th among the 11 FDIC-insured institutions in the county.

Kosciusko County consists of eight census tracts, of which seven are middle-income and one is an upper-income census tract. Due to recently released census data in 2012, the census tract distribution has shifted. The assessment area still consists of eight census tracts; however, the tract distributions have changed to one moderate-income, five middle-income and two upper-income census tracts.

The following table presents selected demographic data of the Kosciusko County assessment area.

Assessment Area Demographics (2011)								
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	1,264	13.7
Moderate-income	0	0.0	0	0.0	0	0.0	1,745	18.9
Middle-income	7	87.5	8,004	86.6	435	5.4	2,344	25.4
Upper-income	1	12.5	1,237	13.4	32	2.6	3,888	42.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	8	100.0	9,241	100.0	467	5.1	9,241	100.0
	Total 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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	12,345	88.4	8,436	86.5	2,972	24.1	937	7.6
Upper-income	1,617	11.6	1,321	13.5	212	13.1	84	5.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	13,962	100.0	9,757	100.0	3,184	22.8	1,021	
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,994	89.4	1,746	88.7	168	94.9	80	93.0
Upper-income	237	10.6	222	11.3	9	5.1	6	7.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,231	100.0	1,968	100.0	177	100.0	86	100.0
	Percentage of Total Businesses:			88.2		7.9		3.9

Note: Percentages may not total to 100.0 percent due to rounding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS - KOSCIUSKO COUNTY

LENDING TEST

Tower's performance in this assessment area is consistent with its overall performance overall.

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar year 2011 were analyzed based on 2000 Census demographic characteristics.

Home Mortgage Lending, 2011 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner- Occupied Housing
	#	%	\$	%	#	%	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0	0.0	0.0
Middle	3	60.0	542	56.7	83.7	79.6	88.4
Upper	2	40.0	414	43.3	16.3	20.4	11.6
Unknown	0	0.0	0	0.0	0.0	0.0	0.0
Total	5	100.0	956	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	9	81.8	1,506	83.6	81.8	79.4	
Upper	2	18.2	295	16.4	18.2	20.6	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	11	100.0	1,801	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	82.8	73.8	
Upper	0	0.0	0	0.0	17.2	26.2	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	0	0.0	0	0.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	100.0	100.0	
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	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	12	75.0	2,048	74.3	82.6	79.6	
Upper	4	25.0	709	25.7	17.4	20.4	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	16	100.0	2,757	100.0	100.0	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>							

Small Business Lending, 2011 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	9	90.0	870	99.0	89.4
Upper	1	10.0	9	1.0	10.6
Unknown	0	0.0	0	0.0	0.0
Total	10	100.0	879	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

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

For the purposes of this review, loans made in calendar year 2011 were analyzed based on 2000 Census demographic characteristics.

Residential Mortgage Lending

Home Mortgage Lending, 2011 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	0	0.0	0	0.0	8.2	4.2	13.7
Moderate	0	0.0	0	0.0	20.2	15.6	18.9
Middle	0	0.0	0	0.0	23.5	22.5	25.4
Upper	5	100.0	956	100.0	34.6	45.4	42.1
Unknown	0	0.0	0	0.0	13.4	12.3	0.0
Total	5	100.0	956	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	5.7	3.2	
Moderate	1	9.1	107	5.9	11.9	8.2	
Middle	3	27.3	429	23.8	21.9	17.6	
Upper	7	63.6	1,265	70.2	44.8	54.1	
Unknown	0	0.0	0	0.0	15.7	16.9	
Total	11	100.0	1,801	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	20.7	6.6	
Moderate	0	0.0	0	0.0	24.1	17.0	
Middle	0	0.0	0	0.0	24.1	41.9	
Upper	0	0.0	0	0.0	20.7	28.9	
Unknown	0	0.0	0	0.0	10.3	5.6	
Total	0	0.0	0	0.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	100.0	100.0	
Total	0	0.0	0	0.0	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	7.1	3.6	
Moderate	1	6.3	107	3.9	15.7	11.3	
Middle	3	18.8	429	15.6	22.6	19.8	
Upper	12	75.0	2,221	80.6	39.9	49.9	
Unknown	0	0.0	0	0.0	14.8	15.3	
Total	16	100.0	2,757	100.0	100.0	100.0	

Note: Percentages may not total to 100.0 percent due to rounding.

Small Business Lending

Small Business Loan Distribution, 2011 By Revenue and Loan Size (000s)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	9	90.0	829	94.3	88.2
Over \$1 Million	1	10.0	50	5.7	7.9
Not Known	0	0.0	0.0	0.0	3.9
Total	10	100.0	879	100.0	100.0
By Loan Size					
\$100,000 or less	7	70.0	257	29.2	
\$100,000 - \$250,000	2	20.0	310	35.3	
\$250,000 - \$1 Million	1	10.0	312	35.5	
Total	10	100.0	879	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	6	66.7	206	24.9	
\$100,000 - \$250,000	2	22.2	310	37.4	
\$250,000 - \$1 Million	1	11.1	312	37.7	
Total	9	100.0	829	100.0	
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>					

COMMUNITY DEVELOPMENT TEST

Tower's community development performance for investments, loans and services in the Kosciusko County assessment area is below the bank's overall performance; however, it does not change the overall rating.

Community Development Lending

Qualified Community Development Loans April 18, 2011 to April 29, 2013											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$
Kosciusko County	2	1,275	0	0	0	0	0	0	2	1,275	100.0

Community Development Investments

Qualified Community Development Investments by Type April 18, 2011 to April 29, 2013									
Assessment Area Name	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total	#	\$ (000's)
Affordable Housing	0	0	1	97	1	97	100.0	1	403
Economic Development	0	0	0	0	0	0	0.0	0	0
Revitalization and Stabilization	0	0	0	0	0	0	0.0	0	0
Community Services	1	2,000	0	0	0	0	0.0	0	0
Total	1	2,000	1	97	1	97	100.0	1	403

Tower also made three donations totaling \$2,250 to local organizations that provide community services to low- and moderate-income individuals. In addition, the bank donated \$35,389 of interest earned on an investment to a senior citizens home.

Community Development Services

Qualified Community Development Services April 18, 2011 to April 29, 2013											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	% of Total Hours
Kosciusko County	0	0	4	116	0	0	0	0	4	116	100.0

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Reviewed 2011 and 2012 HMDA-reportable loans and 2011 and 2012 Small Business loans. Community development activities are from April 18, 2011 through April 29, 2013.		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Tower Bank and Trust Company			HMDA-reportable and Small Business loans.
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Allen County – Fort Wayne MSA #23060	Full scope	Waynedale Branch	Primarily a commercial lender.
Kosciusko County – Non-MSA	Limited scope	None	None

APPENDIX B - 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.

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.

Consumer loan: A loan 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, home equity, other secured loan, and other unsecured loan.

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 householder 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.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/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 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 (**MMSA**). Performance within

each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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

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

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

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.

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

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 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.

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