

PUBLIC DISCLOSURE

September 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Casey County Bank, Inc.
RSSD #646145**

**176 Wallace Wilkinson Blvd
Liberty, Kentucky 42539**

Federal Reserve Bank of St. Louis

**P.O. Box 442
St. Louis, Missouri 63166-0442**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution’s CRA Rating1

Scope of Examination1

Description of Institution2

Description of Assessment Area3

Conclusions with Respect to Performance Criteria6

Appendix A: Assessment Area Detail12

Appendix B: Glossary13

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The Casey County Bank, Inc. (Casey County Bank), meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals excellent penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses and farms of different revenue sizes.
- The geographic distribution of loans reflects a poor dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Residential real estate, small business, and small farm loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. Since the bank does not have a particular emphasis on any one product, all three products carried equal significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	June 30, 2017 – June 30, 2022
Assessment Area Concentration	January 1, 2020 – December 31, 2020
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	June 5, 2017 – September 11, 2022

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data, and certain business and farm

demographics are based on 2020 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$156.2 million to \$883.7 million as of June 30, 2022.

To augment this evaluation, one community contact interview was conducted with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from the community contact interview are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Casey County Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Casey County Bancorp, Inc., a one-bank holding company headquartered in Liberty, Kentucky. The bank's branch network consists of five offices (including the main office), all of which have full-service ATMs on site. In addition to being a full-service facility, the main office and four branches have drive-up accessibility. The bank also operates one stand-alone, full-service ATM in the assessment area. The bank did not open or close any branch offices during this review period. However, ATMs were updated to accept deposits. Based on this branch network and other service delivery systems such as online banking, the bank is well positioned to deliver financial services to most portions of its assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of June 30, 2022, the bank reported total assets of \$324.6 million. As of the same date, loans and leases outstanding were \$166.5 million (51.3 percent of total assets), and deposits totaled \$263.7 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of June 30, 2022		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$2,942	1.8%
Commercial Real Estate	\$32,144	19.3%
Multifamily Residential	\$658	0.4%
1-4 Family Residential	\$58,889	35.4%
Farmland	\$27,912	16.8%
Farm Loans	\$4,162	2.5%
Commercial and Industrial	\$21,466	12.9%
Loans to Individuals	\$15,087	9.1%
Total Other Loans	\$3,245	1.9%
TOTAL	\$166,505	100%

As indicated by the table above, a significant portion of the bank's lending resources is directed to 1-4 family residential, farmland, commercial real estate, and commercial and industrial loans.

The bank received an Outstanding rating at its previous CRA evaluation conducted on June 5, 2017, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 40,452, is located in a nonmetropolitan statistical area (nonMSA) of central Kentucky. It consists of two full counties, Casey and Lincoln. The assessment area is rural in nature and contains 11 census tracts, including 3 moderate-, 7 middle-, and 1 upper-income census tracts.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2022, there are 5 FDIC-insured depository institutions in the assessment area that operate 14 offices. Casey County Bank (operating five offices (35.7 percent) in the assessment area) ranked first in terms of deposit market share, with 38.2 percent of total assessment area deposit dollars.

Agricultural lending products represent a credit need in the assessment area, along with the need for a standard blend of consumer and commercial loan products.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0	3	7	1	0	11
	0.0%	27.3%	63.6%	9.1%	0.0%	100%
Family Population	0	2,553	7,747	1,274	0	11,574
	0.0%	22.1%	66.9%	11.0%	0.0%	100%

As shown above, 27.3 percent of the census tracts in the assessment area are LMI geographies, and 22.1 percent of the family population resides in these tracts. Furthermore, all middle-income census tracts in the assessment area are designated distressed due to poverty, and the four middle-income census tracts in Casey County are designated as underserved.

Based on 2015 ACS data, the median family income for the assessment area was \$43,036. At the same time, the median family income for nonMSA Kentucky was \$45,986. More recently, the FFIEC estimates the 2020 median family income for nonMSA Kentucky to be \$51,500. The following table displays population percentages of assessment area families by income level compared to the nonMSA Kentucky family population as a whole.

Family Population by Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Assessment Area	3,031	1,779	2,534	4,230	0	11,574
	26.2%	15.4%	21.9%	36.6%	0.0%	100%
NonMSA Kentucky	115,103	77,548	89,036	200,284	0	481,971
	23.9%	16.1%	18.5%	41.6%	0.0%	100%

As shown in the table above, 41.6 percent of families in the assessment area were considered LMI, which is slightly higher than the LMI family percentage of 40.0 percent in nonMSA Kentucky. The percentage of families living below the poverty threshold in the assessment area (20.2 percent) is above the 18.2 percent level in nonMSA Kentucky. Considering these factors, the assessment area appears to be slightly less affluent than nonMSA Kentucky as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in nonMSA Kentucky. The median housing value for the assessment area is \$86,030, which is below the figure for nonMSA Kentucky of \$90,748. Furthermore, the assessment area housing affordability ratio of 41.3 percent is above the nonMSA Kentucky figure of 39.0 percent. Lastly, the median gross rent for the assessment area of \$534 per month is lower than the \$578 per month for nonMSA Kentucky.

Industry and Employment Demographics

The assessment area supports strong agricultural and small business sectors. County business patterns indicate that there are 7,635 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (20.6 percent), followed by government (19.6 percent), and healthcare and social assistance (15.7 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to nonMSA Kentucky as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	Assessment Area	NonMSA Kentucky
2018	4.8%	5.0%
2019	4.4%	4.8%
2020	7.0%	7.0%
2021	5.0%	5.1%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA Kentucky, showed a decreasing trend prior to increasing due to the economic disruption resulting from the COVID-19 pandemic. Additionally, unemployment levels in the assessment area are slightly lower than nonMSA Kentucky levels overall.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The contact specialized in addressing generational poverty and providing early literacy education in the assessment area and surrounding counties. The contact categorized the local economy as struggling, noting a trend of job losses and employers leaving the area. In addition, affordable housing development was noted as limited, including housing available for rent. The contact stated banks were involved in the community and the area had adequate banking. Lastly, the contact noted the COVID-19 pandemic had a negative effect on small businesses and businesses are struggling to find workers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**Loan-to-Deposit (LTD) Ratio**

One indication of the bank's overall level of lending activity is its LTD ratio. The chart below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 21-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) as of June 30, 2022	Average LTD Ratio
The Casey County Bank, Inc.	Liberty, Kentucky	\$324,578	74.4%
Regional Banks	Stanford, Kentucky	\$156,217	73.8%
	Columbia, Kentucky	\$218,580	95.3%
	Danville, Kentucky	\$883,704	74.5%

Based on data from the previous table, the bank's level of lending is consistent with that of other banks in the region. During the review period, the LTD ratio experienced a generally decreasing trend with a 21-quarter average of 74.4 percent. In comparison, the average LTD ratios for the regional peers were comparable and followed a similar decreasing trend. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside the Assessment Area January 1, 2020 through December 31, 2020								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
1-4 Family Residential Real Estate	58	87.9%	5,260	86.3%	8	12.1%	836	13.7%
Small Business	68	86.1%	5,344	74.6%	11	13.9%	1,818	25.4%
Small Farm	57	82.6%	3,202	89.3%	12	17.4%	382	10.7%
TOTAL LOANS	183	85.5%	13,806	82.0%	31	14.5%	3,036	18.0%

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 85.5 percent of the total loans were made inside the assessment area, accounting for 82.0 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from the loan categories reviewed. The bank's 1-4 family residential real estate, small business, and small farm lending revealed excellent penetration among borrowers of varying income levels and businesses and farms of different sizes.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$51,500 for nonMSA Kentucky as of 2020). The following table shows the distribution of bank's 2020 1-4 family residential real estate loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2020 aggregate data for the assessment area is displayed.

Borrower Distribution of 1-4 Family Residential Real Estate Loans Assessment Area: Central Kentucky							
Borrower Income Level	Bank Loans				Families by Family Income %	Aggregate HMDA Data	
	#	#%	\$	\$%		#%	\$%
Low	4	6.9%	330	6.3%	26.2%	4.1%	2.2%
Moderate	17	29.3%	1,044	19.8%	15.4%	17.2%	12.2%
Middle	15	25.9%	1,285	24.4%	21.9%	23.5%	20.0%
Upper	22	37.9%	2,602	49.5%	36.5%	37.1%	46.3%
Unknown	0	0.0%	0	0.0%	0.0%	18.1%	19.3%
TOTAL	58	100.0%	5,260	100.0%	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (6.9 percent) is substantially below the low-income family population figure (26.2 percent), but above the aggregate lending level to low-income borrowers (4.1 percent). While the bank's percentage of lending falls below the low-income family population, it should be noted that the assessment area has a high level of poverty, which presents significant challenges to home ownership. Considering this context and the bank's performance in relation to aggregate data, the bank's 1-4 family residential real estate lending to low-income borrowers is considered reasonable. The bank's level of lending to moderate-income borrowers (29.3 percent) is significantly above the moderate-income family population percentage (15.4 percent) and the aggregate lending level to moderate-income borrowers (17.2 percent), reflecting excellent performance. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is excellent.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Borrower Distribution of Small Business Loans Assessment Area: Central Kentucky								
Business Revenue and Loan Size		2020						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	
Business Revenue	\$1 Million or Less	62	91.2%	31.9%	\$4,864	91.0%	40.4%	90.8%
	Over \$1 Million/ Unknown	6	8.8%	68.1%	\$480	9.0%	59.6%	9.2%
	TOTAL	68	100.0%	100.0%	\$5,344	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	58	85.3%	95.2%	\$1,799	33.7%	38.3%	
	\$100,001–\$250,000	5	7.4%	2.2%	\$915	17.1%	11.9%	
	\$250,001– \$1 Million	5	7.4%	2.6%	\$2,630	49.2%	49.7%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	68	100.0%	100.0%	\$5,344	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	52	83.9%		\$1,319	27.1%	
		\$100,001–\$250,000	5	8.1%		\$915	18.8%	
		\$250,001– \$1 Million	5	8.1%		\$2,630	54.1%	
		Over \$1 Million	0	0.0%		\$0	0.0%	
		TOTAL	62	100.0%		\$4,864	100.0%	

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (91.2 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 90.8 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses is 31.9 percent.

Finally, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2020 small farm loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Borrower Distribution of Small Farm Loans Assessment Area: Central Kentucky								
Farm Revenue and Loan Size		2020						
		Count			Dollars			Farms
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Farm Revenue	\$1 Million or Less	57	100.0%	11.7%	3,203	100.0%	27.9%	100.0%
	Over \$1 Million/ Unknown	0	0.0%	88.3%	0	0.0%	72.1%	0.0%
	TOTAL	57	100.0%	100.0%	3,203	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	48	84.2%	100.0%	1,284	40.1%	100.0%	
	\$100,001–\$250,000	6	10.5%	0.0%	803	25.1%	0.0%	
	\$250,001–\$500,000	3	5.3%	0.0%	1,116	34.8%	0.0%	
	Over \$500,000	0	0.0%	0.0%	0	0.0%	0.0%	
	TOTAL	57	100.0%	100.0%	3,203	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	48	84.2%		1,284	40.1%	
		\$100,001–\$250,000	6	10.5%		803	25.1%	
		\$250,001–\$1 Million	3	5.3%		1,116	34.8%	
		Over \$1 Million	0	0.0%		0	0.0%	
		TOTAL	57	100.0%		3,203	100.0%	

The bank's level of lending to small farms is excellent. The bank originated all of its small farm loans (100.0 percent) to farms with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 100.0 percent of farms in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small farms is 11.7 percent.

Geographic Distribution of Loans

As noted previously, the assessment area includes no low-income and three moderate-income census tracts, representing 27.3 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts, based on the 1–4 family residential real estate, small business, and small farm loan categories.

The following table displays the geographic distribution of 2020 1–4 family residential real estate loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Geographic Distribution of 1–4 Family Residential Real Estate Loans Assessment Area: Central Kentucky							
Census Tract Income Level	Bank Loans				% of Owner- Occupied Units	Aggregate HMDA Data	
	#	#%	\$	\$%		#%	\$%
Low	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	3	5.2%	270	5.1%	20.2%	22.3%	22.8%
Middle	55	94.8%	4,989	94.9%	68.8%	58.6%	57.7%
Upper	0	0.0%	0	0.0%	11.0%	19.0%	19.5%
Unknown	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
TOTAL	58	100.0%	5,260	100.0%	100.0%	100.0%	100.0%

The analysis of 1–4 family residential real estate loans revealed very poor lending performance to borrowers residing in moderate-income geographies. The bank’s total penetration of moderate-income census tracts by number of loans (5.2 percent) is significantly below the percentage of owner-occupied housing units in moderate-income census tracts (20.2 percent). The bank’s performance in moderate-income census tracts is also below that of other lenders in the assessment area based on aggregate data, which indicate that 22.3 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income geographies.

Second, the bank’s geographic distribution of small business loans was reviewed. The following table displays 2020 small business loan activity by geography income level compared to the location of businesses throughout the bank’s assessment area and 2020 aggregate performance.

Geographic Distribution of Small Business Loans Assessment Area: Central Kentucky							
Census Tract Income Level	Bank Small Business Loans				% of Businesses	Aggregate of Peer Data	
	#	#%	\$000s	\$%		# %	\$ %
Low	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
Moderate	4	5.9%	\$82	1.5%	16.2%	15.6%	25.2%
Middle	63	92.6%	\$4,872	91.2%	66.9%	67.8%	46.9%
Upper	1	1.5%	\$390	7.3%	17.0%	15.2%	27.1%
Unknown	0	0.0%	\$0	0.0%	0.0%	1.5%	0.87%
TOTAL	68	100.0%	\$5,344	100.0%	100.0%	100.0%	100.0%

The bank’s level of lending in moderate-income census tracts (5.9 percent) is below the estimated percentage of businesses operating inside these census tracts (16.2 percent) and aggregate lending level of banks in the assessment area (15.6 percent). Therefore, the bank’s overall geographic distribution of small business loans is poor.

As with the two previous loan categories, the bank's geographic distribution of small farm loans was also reviewed. The following table displays 2020 small farm loan activity by geography income level compared to the location of small farms throughout the bank's assessment area and 2020 aggregate performance.

Geographic Distribution of Small Farm Loans Assessment Area: Central Kentucky							
Census Tract Income Level	Bank Small Farm Loans				% of Farms	Aggregate of Peer Data	
	#	#%	\$ 000s	\$ %		# %	\$ %
Low	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
Moderate	5	8.8%	\$299	9.3%	23.1%	15.0%	24.8%
Middle	52	91.2%	\$2,903	90.7%	68.6%	75.0%	67.8%
Upper	0	0.0%	\$0	0.0%	8.3%	10.0%	7.4%
Unknown	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
TOTAL	57	100.0%	\$3,202	100.0%	100.0%	100.0%	100.0%

The bank's level of lending in moderate-income census tracts (8.8 percent) is below the estimated percentage of farms operating inside these census tracts (23.1 percent) and the aggregate lending level of banks in the assessment area (15.0 percent). Therefore, the bank's overall geographic distribution of small farm loans is poor.

Lastly, based on reviews from all three loan categories, Casey County Bank had loan activity in 81.8 percent of all assessment area census tracts. Additionally, there were no conspicuous lending gaps noted in LMI areas.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (June 5, 2017 through September 11, 2022).

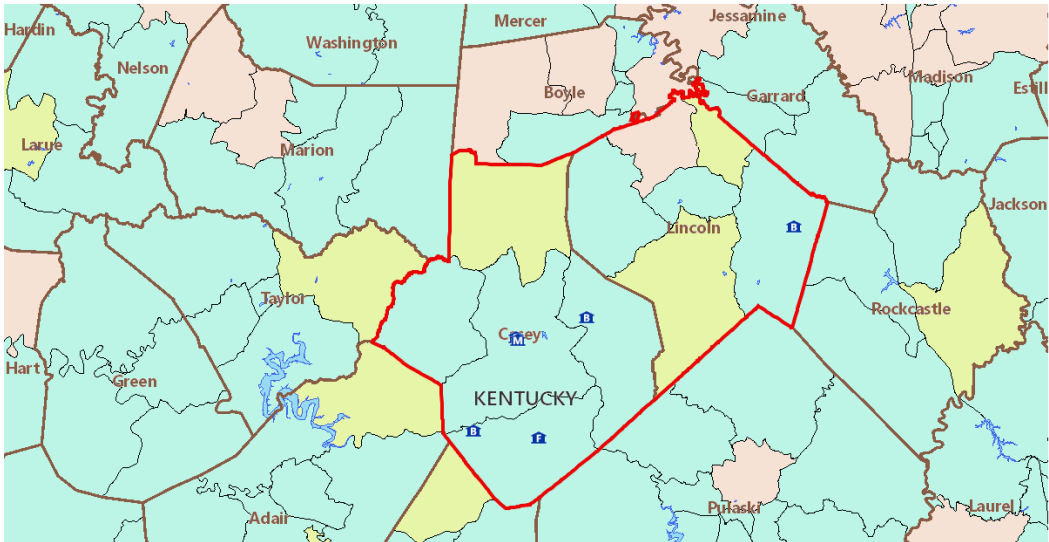
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL

The Casey County Bank, Liberty, KY, 2020
Casey - Lincoln (nonMSA KY)

Restricted FR



LEGEND
2015 Census Year

INCOME

- Low
- Moderate
- Middle
- Upper
- Unknown

BANK BRANCHES
Inside and Outside AA

- Branches with ATM - 4
- Full Service ATM - 1
- Main Office without ATM - 1

FEATURES

- Water Body

GLOSSARY

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

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or 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; (4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 nonrelatives 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

Home mortgage loans: Includes 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: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Appendix B (continued)

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

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

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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