

PUBLIC DISCLOSURE

October 17, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First State Bank
RSSD# 447342

101 West Center Street
Bourbon, IN 46504

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.

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BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING:

The First State Bank is rated satisfactory.

The First State Bank provides credit consistent with its size, location, and the local economic conditions within its assessment area. The loan-to-deposit (LTD) ratio is reasonable considering the characteristics of the bank, its competitors, and the credit needs within the bank's assessment area. A substantial majority of the bank's loans are originated inside the assessment area. A geographic distribution analysis of the bank's loans indicates reasonable dispersion among the geographies within the assessment area. The distribution of loans to borrowers of different income levels and businesses of different revenue sizes reflects a reasonable penetration within the assessment area. There were no CRA-related complaints received by The First State Bank or this Reserve Bank during this evaluation period.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated in the context of information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. Performance within the designated assessment area was evaluated using small bank, full-scope examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16- quarter average loan-to-deposit ratio for the period beginning September 30, 2007 through June 30, 2011, was compared to the bank's national peer group, as well as a sample of local competitors;
- ***Lending in the Assessment Area*** – The bank's small business, small farm and residential real estate loans originated from January 1, 2010 through December 31, 2010 were reviewed to determine the percentage of loans originated within the assessment area;
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's small business, small farm, and residential real estate loans originated within the assessment area, from January 1, 2010 through December 31, 2010, were analyzed to assess the dispersion of loans made within the assessment area;
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** - The bank's small business, small farm, and residential real estate loans originated within the assessment area, from January 1, 2010 through December 31, 2010, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes; and
- ***Response to Substantiated Complaints*** – Neither The First State Bank nor this Reserve Bank received any CRA-related complaints since the prior evaluation.

Two community representatives were contacted during the examination to learn more about credit needs and local economic conditions. It was learned that credit needs in the assessment area include housing loans, business loans, and foreclosure assistance.

Lastly, in determining CRA performance, the above criteria were analyzed and evaluated within the assessment area's context, which includes a comparative analysis of the assessment area, state, demographic data and median income, housing stock, housing costs, small business, and other relevant data pertaining to the bank's assessment area.

DESCRIPTION OF BANK

The First State Bank, with total assets of \$81 million as of June 30, 2011, is an independent bank with a main office, one branch, and one cash dispensing automated teller machine (ATM), all of which are located in Bourbon, IN.

The First State Bank offers traditional non-complex loan and deposit products to meet the needs within the assessment area. The bank offers fixed rate residential mortgages; consumer installment; Home Equity Lines of Credit (HELOC); and commercial and agricultural loans. Deposit products offered include checking, savings, negotiable order of withdrawal (NOW) and money market checking accounts, and certificates of deposit.

Composition of Loan Portfolio as of June 30, 2011			
Category	Type	\$ (000's)	%
Real Estate Secured	1-4 Family and Multi-Family Residential	21,146	53.0
	Farmland	4,054	10.2
	Non-farm, Non-residential	10,444	26.2
	Total Real Estate Secured	35,644	89.4
Agricultural	Agricultural	389	1.0
Commercial	Commercial and Industrial	3,833	9.6
	Total	39,866	100.0

As the preceding table indicates, real estate secured loans represent the majority of the bank's outstanding loans by dollar volume. Commercial and Industrial loans (9.6 percent) and agricultural loans (1.0 percent) are not a significant percentage of the loan portfolio. Since the previous performance evaluation, the bank's loan portfolio increased by 8.9%.

Based on the FDIC's Deposit Market Share Report as of June 30, 2010, First State Bank of Bourbon ranked 8th of 17 institutions in the counties comprising the assessment area with 2.51 percent share of the market. The three largest banks by deposit share with offices in the assessment area are Lake City Bank, 1st Source Bank, and PNC Bank National Association.

There are no apparent factors relating to the bank's prior performance or legal impediments that would prevent it from meeting the credit needs of the community.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on August 27, 2007.

DESCRIPTION OF ASSESMENT AREA

The First State Bank's assessment area is comprised of all of Marshall and Kosciusko Counties, which are non-Metropolitan Statistical Areas (non-MSAs) and includes 28 middle-income and 3 upper-income census tracts. The bank's main office and one branch office with a cash dispensing automated teller machine (ATM) are located in middle-income census tract 0207.02 in Bourbon, Indiana, in Marshall County. The bank's assessment area has not changed since the previous examination.

Additional demographic information regarding the bank's assessment area is provided in the following table.

Assessment Area Demographics ⁽¹⁾								
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	4,141	12.8
Moderate-income	0	0.0	0	0.0	0	0.0	5,803	17.9
Middle-income	28	90.3	29,141	90.1	1,392	4.8	8,680	26.8
Upper-income	3	9.7	3,201	9.9	75	2.3	13,718	42.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	31	100.0	32,342	100.0	1,467	4.5	32,342	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	% ⁽²⁾	%	#	%	#	%
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	45,775	30,843	90.1	67.4	9,029	19.7	5,903	12.9
Upper-income	4,512	3,380	9.9	74.9	550	12.2	582	12.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	50,287	34,223	100.0	68.1	9,579	19.0	6,485	12.9
	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	5,103	91.7	4,515	91.3	306	93.9	282	96.2
Upper-income	461	8.3	430	8.7	20	6.1	11	3.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	5,564	100.0	4,945	100.0	326	100.0	293	100.0
			Percentage of Total Businesses:		88.9	5.9	5.3	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	570	90.6	560	90.6	6	85.7	4	100.0
Upper-income	59	9.4	58	9.4	1	14.3	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	629	100.0	618	100.0		100.0	4	100.0
			Percentage of Total Farms:		98.3	1.1	0.6	

⁽¹⁾ Information regarding businesses by tract and revenue size is based on 2010 data. All other information is based on 2000 census data.

⁽²⁾ Percentage of total owner-occupied housing, by census tract income, in the assessment area.

Population Characteristics

Based on the U.S. Census of 2000, population within the bank’s assessment area was 119,185 and estimates of population changes since the 2000 U.S. Census are presented in the following table. Both counties included in the assessment area experienced population growth during the most recent decade. While population estimates for this assessment area are not available, the growth in populations at the county level is a reasonable proxy for the assessment area.

Population Changes 2000 Census vs. July 1, 2009			
Area	2000 Census	July 1, 2009 Estimates	Percentage Change
Assessment Area	119,185	N/A	N/A
Kosciusko County	74,057	76,499	3.3%
Marshall County	45,128	46,903	3.9%
State of Indiana	6,080,485	6,423,113	5.6%

Source: U.S. Census Bureau

Income Characteristics

In 2000, the U.S. Department of Housing and Urban Development (HUD) median family income for the assessment area was \$49,119 which is slightly below the median family income for the state of Indiana at \$50,261. The table below shows the 2000 median family income compared to the 2011 estimates for Kosciusko and Marshall Counties as well as the state of Indiana. Overall, median family income for the counties in the assessment increased more substantially than the state of Indiana. According to 2011 estimates the median family income for Kosciusko and Marshall Counties now surpasses the median family income for the state. Although the 2011 median family income estimate was not available for the assessment area, increases within all of these areas suggest that the assessment area would have also increased proportionately.

According to U.S. Census data (refer to the table on page 5), 12.8 percent of families in the assessment area are considered to be low-income; 17.9 percent moderate-income; 26.8 percent middle-income; 42.4 percent upper-income; and 4.5 percent of all families within the assessment area live below the poverty level.

Median Family Income Changes 2000 Census vs. Year 2011			
Area	2000 Census	2011 Estimates	Percentage Change
Assessment Area	49,119	N/A	N/A
Kosciusko County	49,532	58,395	17.9
Marshall County	48,527	61,013	25.7
State of Indiana	50,261	52,900	5.3

Source: U.S. Department of Housing and Urban Development

The 2010 bankruptcy rate in Kosciusko and Marshall Counties was 7.7 and 6.7 per thousand people, respectively. This shows relatively similar bankruptcy rates when compared to the state of Indiana at 7.1 per thousand people, but higher than the bankruptcy rate for the United States (U.S.) at 4.9 per thousand people.

Housing characteristics

The following table reflects the median housing values, rents, and affordability ratios in the assessment area, Kosciusko and Marshall Counties, and the state of Indiana. The assessment area median housing value is slightly less than the median housing values of Kosciusko County and slightly greater than the median housing values of Marshall County.

The U.S. Department of Housing and Urban Development calculates fair market rents for communities across the country in an effort to promote inclusive housing options in its subsidized housing program. The rents are calculated for political subdivisions or MSA/MDs; therefore, the bank’s assessment area does not have a fair market rent value because it contains only non-metropolitan census tracts. However, the values of the two counties below are a proxy for the value that would apply to the assessment area.

The following table also presents data that indicates the relative affordability of housing in the assessment area compared to the state of Indiana. Based on this, owner-occupied and rental housing units are generally as, or more, affordable than their statewide counterparts. Please refer to the Glossary for the definition of the affordability ratio and fair market rent.

Housing Costs				
Location	Median Housing Value	Median Gross Rent	2010 Fair Market Rent *	Affordability Ratio
Assessment Area	90,418	502	N/A	48
Kosciusko County	91,500	502	676	48
Marshall County	88,900	500	659	48
State of Indiana	92,500	521	N/A	45
2000 United State Census Data; *Department of Housing and Urban Development				

During the first quarter of 2011, there were fourteen single-family housing permits issued in Kosciusko County and three single-family housing permits issued in Marshall County, compared to the 1,692 total single-family housing permits issued in the State of Indiana for the same time-period. Furthermore, there were no multi-family housing permits issued during this time-period in Kosciusko or Marshall Counties.

Employment Conditions

Major employment opportunities in the bank’s assessment area are in manufacturing, education,

retail and wholesale industries. Employment growth in Marshall County at the end of the first quarter of 2011 was 1.7 percent, an improvement from 2010 of -1.8 percent. Employment growth in Kosciusko County for the same time-period was 1.8 percent, an improvement from 2010 of -1.7 percent. Major employers in Marshall and Kosciusko Counties are listed in the following table.

Largest Employers in the Assessment Area		
Company	Industry	Location
Coleman Cable, Inc.	Manufacturing	Bremen
Culver Academies	Education	Culver
Walmart supercenter	Retail	Plymouth
Nishikawa Standard Co LLC	Manufacturing	Bremen
Maax USA Corp.	Manufacturing	Plymouth
RR Donnelley	Manufacturing	Warsaw
Zimmer Holdings Inc	Manufacturing	Warsaw
Biomet Inc.	Manufacturing	Warsaw
CTB Inc.	Manufacturing	Milford
De Puy Inc.	Wholesale	Warsaw

Source: Indiana Department of Workforce Development

Unemployment

The following tablet reflects the unemployment statistics over the most recent four years in the assessment area. The unemployment rates for 2009 were considerably higher in both Kosciusko and Marshall Counties than the state of Indiana and the U.S; however, unemployment rates in the assessment area declined slightly in 2010, but are still higher than the national unemployment rate.

Unemployment Statistics				
Region	2010	2009	2008	2007
United States	9.6%	9.3%	5.8%	4.6%
State of Indiana	10.2%	10.4%	5.9%	4.6%
Kosciusko County	10.2%	12.5%	6.6%	4.5%
Marshall County	11.7%	13.7%	7.3%	4.9%

Source: United States Department of Labor – Bureau of Labor Statistics

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The First State Bank’s average loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. Data contained in the Consolidated Reports of Condition was used to evaluate the bank’s LTD ratio and its ability to lend compared to its peer group and local competitors. Also considered were demographic factors, economic conditions, and lending opportunities present in the assessment area.

The following table summarizes the bank's average LTD ratio for the 16-quarter period beginning September 30, 2007 and ending June 30, 2011. The bank's most recent LTD ratio, reported as of June 30, 2011, was 63.6 percent with a 16-quarter average of 70.4 percent, indicating the majority of its deposits are reinvested through the origination of loans. The bank's LTD ratio is slightly higher than the national peer group; however, it is lower than that of its local competitors primarily because the local competitors are branches of national banks which have higher lending capacity.

Comparative Loan-to-Deposit Ratios		
Institution Name, Location, and Asset Size as of June 30, 2011 (\$millions)	Loan-to-Deposit Ratio (%) 16 - Quarter Average	
The First State Bank	\$81	70.4
National Peer Group 11*		69.7
Competitors		
Centier Bank, Whiting, IN	\$2,086	87.7
Farmers State Bank, Mentone, IN	\$115	88.1
Lake City Bank, Warsaw, IN	\$2,730	97.7
1 st Source Bank, South Bend, IN	\$4,342	90.5
First FSB, Rochester, IN	\$328	124.3
*National Peer Group 11 consists of all insured commercial banks with assets between \$50 million and \$100 million that are located in a non metropolitan area and have two or fewer banking offices.		

Assessment Area Concentration

A substantial majority of The First State Bank's loans are located in the assessment area. The following table summarizes the bank's lending inside and outside its assessment area by loan products. The highest volume of loans originated in 2010, were to small businesses. Overall, 92.9 percent of loans by number and 90.1 percent by dollar volume were originated within the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential Real Estate	37	74.0	2,815	81.9	13	26.0	623	18.1
Small Business	221	96.5	4,976	93.3	8	3.5	358	6.7
Small Farm	34	94.4	1,374	97.9	2	5.6	30	2.1
Total Loans	379	92.9	9,793	90.1	29	7.1	1,079	9.9

Geographic Distribution of Loans

The First State Bank's assessment area contains only middle- and upper-income census tracts; therefore a limited analysis was performed to determine the dispersion of loans within the assessment area. This analysis of small business, small farm, and residential real estate loans indicated an equitable distribution throughout the bank's assessment area.

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

The overall distribution of loans, based on borrower income and revenue characteristics, reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. The bank served its low- and moderate-income borrowers, and small businesses and small farms with reasonable responsiveness to the credit needs within the assessment area.

The following table presents the distribution of residential real estate loans to borrowers of different income levels during the year of 2010.

Residential Real Estate Lending, Year 2010					
Borrower Distribution					
(000's)					
Income Level of the Borrower	Bank Loans				Families by Family Income Level
	#	%	\$	%	%
Low	4	10.8	84	3.0	12.8
Moderate	5	13.6	313	11.1	17.9
Middle	13	35.1	1,227	43.6	26.8
Upper	13	35.1	1,187	42.2	42.4
Unknown	2	5.4	4	0.1	0.0
Total	37	100.0	2,815	100.0	100.0

The bank's percentage of residential real estate loans to low- and moderate-income individuals is lower than the percentage of low- and moderate-income families in the assessment area. Low- and moderate-income families comprise 30.7 percent of all families in the assessment area. The First State Bank's residential real estate loans originated to low- and moderate-income individuals during 2010 accounted for 24.4 percent by number and 14.1 percent by dollar volume.

The following table reflects the bank's small business lending. Although the number of loans made to businesses with revenues over \$1 million accounted for 77.4 percent of the bank's volume, this was driven by a large number of small loans to seven businesses located in the assessment area. The table below indicates that 96.8 percent of small business loans originated were in dollar amounts of \$100,000 or less, and 93.9 percent of loans originated to businesses with revenues of less than \$1 Million were in amounts of \$100,000 or less, which reflects a reasonable distribution of loans to small businesses in the assessment area.

Small Business Loan Distribution, Year 2010 By Revenue and Loan Size (000's)						
Category	Bank Loans				Businesses By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	49	22.2	2,007	40.3	88.9	
Over \$1 Million*	171	77.4	2,829	56.9	5.9	
Not Known	1	0.4	140	2.8	5.2	
Total	221	100.0	4,976	100.0	100.0	
By Loan Size						
\$100,000 or less	214	96.8	2,994	60.2		
\$100,000 - \$250,000	4	1.8	505	10.1		
\$250,000 - \$1 Million	3	1.4	1,477	29.7		
Total	221	100.0	4,976	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	46	93.9	1,487	74.1		
\$100,000 - \$250,000	2	4.1	240	12.0		
\$250,000 - \$1 Million	1	2.0	280	13.9		
Total	49	100.0	2,007	100.0		

**Represents loans to seven business with revenues over \$1 Million*

The bank's small farm lending, as indicated in the following table, reflects a reasonable distribution among farms of different revenue sizes. Based on revenue level, the bank lent exclusively to small farms during the sample period under review. This is consistent with assessment area demographics, as the large majority of farms located in the assessment area have revenues of \$1 Million or less.

Small Farm Loan Distribution, Year 2010 By Revenue and Loan Size (000's)					
Category	Bank Loans				Farms By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	32	94.1	1,099	80.0	98.3
Over \$1 Million	0	0.0	0	0.00	1.1
Not Known	2	5.9	275	20.0	.6
Total	34	100.0	1,374	100.00	100.0
By Loan Size					
\$100,000 or less	31	91.2	820	59.7	
\$100,000 - \$250,000	3	8.8	554	40.3	
\$250,000 - \$500,000	0	0.0	0	0.0	
Total	34	100.0	1,374	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	30	93.8	770	70.1	
\$100,000 - \$250,000	2	6.2	329	29.9	
\$250,000 - \$500,000	0	0.0	0	0.0	
Total	32	100.0	1,099	100.0	

Response to Complaints

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

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.

CRA APPENDIX

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 household and no wife present) or "female householder" (a family with a female householder and no husband present).

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

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

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.