

PUBLIC DISCLOSURE

July 21, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Savings Bank
Certificate Number: 29056

5001 Davis Lant Drive
Evansville, Indiana 47715

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

First Federal Savings Bank (FFSB) is located in Evansville, Indiana (Vanderburgh County) and operates in southwestern Indiana. It is a wholly-owned subsidiary of First Bancorp of Indiana, Inc., a single-bank holding company based in Evansville, Indiana. FFSB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 19, 2019. The Intermediate Small Institution CRA Examination Procedures were used at that evaluation.

Operations

FFSB operates nine banking offices in Indiana. The office locations are in the following counties: Daviess County – one office, Pike County – one office, Posey County – one office, Vanderburgh County – five offices (including main office), and Warrick County – one office. No offices were closed during this evaluation period. The Posey County office was relocated a short distance in late 2021 to a location which was more visible and accessible for customers driving to that location. No mergers or acquisitions occurred.

The bank's loan products include home mortgages (including multi-family lending), commercial, agricultural, and consumer loans. Home mortgage loans and commercial loans are the primary

lending products. Home mortgage loans are also sold on the secondary market. Additionally, the institution provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services include online banking, mobile banking, electronic bill payment, automated teller machines, and drive-up facilities. The bank’s website, www.firstfedevansville.com, provides additional information.

Ability and Capacity

The Consolidated Report of Condition (Call Report) dated March 31, 2022, listed the following for the bank: total assets of \$479,274,000; total loans of \$333,179,000; total deposits of \$353,784,000; and total equity capital of \$49,602,000. As of the same date, the net loans-to-total deposits ratio was 93.2 percent, and the net loans-to-total assets ratio was 68.8 percent. The composition of FFSB’s loan portfolio as of March 31, 2022, is shown in the following table. The major categories of loans by dollar volume are home mortgages (including multi-family) and commercial, at 44.2 percent and 45.9 percent, respectively. The bank’s loan portfolio mix is representative of its business strategy and focus. Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AA credit needs.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	18,090	5.5
Secured by Farmland	7,654	2.3
Secured by 1-4 Family Residential Properties	135,038	40.5
Secured by Multifamily (5 or more) Residential Properties	12,481	3.7
Secured by Nonfarm Nonresidential Properties	87,568	26.3
Total Real Estate Loans	260,831	78.3
Commercial and Industrial Loans	65,455	19.6
Agricultural Production and Other Loans to Farmers	1,064	0.3
Consumer Loans	3,107	0.9
Obligations of State and Political Subdivisions in the U.S.	2,640	0.8
Other Loans	82	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	333,179	100.0*

*Source: Reports of Condition and Income; *Percentages may not total 100.0 percent.*

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which to evaluate its CRA performance. FFSB delineated two AAs in the State of Indiana. Brief descriptions of the AAs are noted in the following comments; the evaluation sections for each AA include detailed information.

The first AA is in the Evansville, Indiana-Kentucky Metropolitan Statistical Area (MSA) #21780. It consists of the all of the multi-state MSA’s counties within Indiana as follows: Posey County,

Vanderburgh County, and Warrick County. This AA will be referred to as the Evansville AA. The second AA is the Indiana nonmetropolitan (Non-MSA) area. It consists of the following Indiana Counties: Daviess County and Pike County. This AA will be referred to as the Non-MSA AA.

The AA designations are in conformance with the CRA requirements, consist of whole geographies, do not arbitrarily exclude low- or moderate-income areas, include all of the geographies where the bank's offices are located, and do not reflect illegal discrimination.

SCOPE OF EVALUATION

General Information

This evaluation time frame is from the prior August 19, 2019, evaluation to the current July 21, 2022, evaluation. Examiners used the Intermediate Small Institution CRA Examination Procedures to evaluate FFSB's CRA performance. These procedures include the Small Bank Lending Test and the Community Development Test. This evaluation does not consider any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage loans and small business loans. This conclusion considered the bank's business focus, the loan portfolio composition, and the number and dollar of loans originated during the evaluation period. Bank records evidenced that the lending focus and product mix remained consistent throughout the evaluation period.

Of total loans by dollar volume as of March 31, 2022, home mortgage lending (including multi-family) represented 44.2 percent, while commercial lending was 45.9 percent. Farm loans and consumer loans were not reviewed as those are not major loan products.

FFSB is subject to the Home Mortgage Disclosure Act (HMDA) data collection requirements. Therefore, this evaluation considered 2019, 2020, and 2021 HMDA lending. Home mortgage loan demand, resulting from the extraordinarily low-rate environment, increased in the AA in 2020 and 2021, which resulted in a greater number of originations for the bank. All three years of HMDA lending activity are included in the evaluation due this change as well as minor performance variation between years. The 2019 and 2020 aggregate data for HMDA reporters is included as a comparison for the bank's performance; 2021 aggregate data was not yet available at the time of this evaluation. The HMDA aggregate data consists of all reporters subject to the HMDA data collection requirements in the AAs.

All of the bank's small business loans originated from January 1, 2019, through December 31, 2021 were reviewed. In 2020 and 2021, lending volume substantially increased as a result of the bank's participation in the Small Business Administration's Paycheck Protection Program (PPP), a specialized lending program aimed at mitigating the effects of the COVID-19 pandemic. For small business lending, the complete universe of loans was analyzed and performance was assessed for the Lending Test criteria. All of the small business lending analyzed is detailed in this evaluation.

The following table presents the number and dollar volume of loan products reviewed. Home mortgage loans were given the greatest weight as it is the major product by number and dollar volume. Small business loans received secondary weight due to the smaller number of originations and dollar volume.

Small Business Lending and HMDA Lending				
Year	HMDA #	HMDA \$(000's)	Small Business #	Small Business \$(000's)
2019	349	49,047	135	16,029
2020	862	140,484	526	50,202
2021	608	109,605	501	41,718

Sources: 2019 to 2021 HMDA; 2019 to 2021 Small Business Loans Bank Data

Examiners reviewed and presented the number and dollar volume of home mortgage and small business loans. Examiners emphasized performance by number because the number is a better indicator of the quantity of individuals and businesses served.

The 2015 American Community Survey (ACS) and Dun & Bradstreet (D&B) data are the demographic comparators used in this evaluation. If different demographic data was used, the data source is noted.

For the Community Development Test, community development activities for qualified loans, investments, and services were reviewed for the period from August 20, 2019 through July 21, 2022. Prior period investments with a balance as of the current evaluation date also qualified for community development credit consideration.

Two AAs are designated in the State of Indiana. The Evansville AA is in the Evansville, Indiana-Kentucky MSA #21780. It consists of the following Indiana Counties: Posey County, Vanderburgh County, and Warrick County. The second AA is the Non-MSA AA. It consists of the following Indiana Counties: Daviess County and Pike County. The following table details the loans, deposits, and offices within each AA.

Assessment Area Breakdown of Loans, Deposits, and Offices						
Assessment Area	Loans*		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Evansville MSA	293,369	85.4	268,895	72.5	7	77.8
Indiana Non-MSA	50,139	14.6	102,249	27.5	2	22.2
Total	343,508	100.0	371,144	100.0	9	100.0

*Sources: Bank Records; FDIC Summary of Deposits (6/30/2021)
 (*) Comprised of 2019 to 2021 HMDA loans and small business loans*

Each AA received a full-scope review at the previous evaluation. At the current evaluation, the Evansville AA will receive a full-scope review. The Evansville AA contains the majority of loans, deposits, and banking offices. The Non-MSA AA will receive a limited-scope review as it contains a much lower volume of loans, deposits, and banking offices. The Evansville AA will receive greater weight when assessing performance while the Non-MSA AA will receive secondary weight.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test performance is reasonable based on the institution's performance for each of the evaluated criteria.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data over 11 calendar quarters, averaged 98.0 percent. The following table details the LTD ratio. The ratio ranged from a low of 91.1 percent on December 31, 2021, to a high of 109.4 percent on September 30, 2020.

FFSB also sells mortgages on the secondary market. Sold loans were as follows: 2019 – 102 loans totaling \$15,589,000; 2020 – 514 loans totaling \$88,727,000; and 2021 – 351 loans totaling \$61,975,000. Those sold loans are not included in the LTD ratio but allow additional liquidity to fund loans.

The bank's LTD ratio was compared to the ratios of similarly situated banks (SSBs) based on asset size, geographic location, and lending focus. As shown in the following table, FFSB's ratio exceeded the ratio of four SSBs. The first three SSB's have offices in the AA, while the fourth one has a similar asset size and is also located in Indiana.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
First Federal Savings Bank	479,274	98.0
Similarly-Situated Institution #1	515,709	96.3
Similarly-Situated Institution #2	593,128	87.5
Similarly-Situated Institution #3	258,538	84.6
Similarly-Situated Institution #4	511,689	76.6
<i>Source: Reports of Condition and Income 9/30/2019 – 3/31/2022</i>		

Assessment Area Concentration

A substantial majority of loans and other lending related activities are in the institution’s AA. Refer to the following table for details on the loan distribution.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	329	94.3	20	5.7	349	44,772	91.3	4,275	8.7	49,047
2020	754	87.5	108	12.5	862	122,308	87.1	18,176	12.9	140,484
2021	531	87.3	77	12.7	608	91,065	83.1	18,540	16.9	109,605
Subtotal	1,614	88.7	205	11.3	1,819	258,145	86.3	40,991	13.7	299,136
Small Business										
2019	87	64.4	48	35.6	135	12,270	76.5	3,759	23.5	16,029
2020	384	73.0	142	27.0	526	39,349	78.4	10,853	21.6	50,202
2021	352	70.3	149	29.7	501	33,744	80.9	7,974	19.1	41,718
Subtotal	823	70.8	339	29.2	1,162	85,363	79.1	22,586	20.9	107,949
Total	2,437	81.8	544	18.2	2,981	343,508	84.4	63,577	15.6	407,085
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Performance was consistent throughout the AAs. Refer to the separate AA discussions for further detail regarding the institution’s performance under this criterion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low and moderate income) and businesses of different sizes. Performance was consistent throughout the AAs. Refer to the separate AA discussions for further detail regarding the institution’s performance under this criterion.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates adequate responsiveness to the community development needs in its AAs through qualified community development loans, investments, and services, as appropriate, considering the institution’s capacity and the need and

availability of such opportunities within the AAs. The following sections present overall conclusions, and the separate AA discussions later in this evaluation contain additional details.

Community Development Loans

FFSB originated 22 community development loans totaling nearly \$48.5 million during the evaluation period. This level of activity represented 10.1 percent of total assets and 14.7 percent of net loans as of March 31, 2022.

In early 2020, Congress created the PPP to assist businesses during the COVID-19 pandemic. FFSB originated 6 PPP loans totaling \$11.3 million that qualified as community development and are included in the community development loan totals. Those loans promoted job retention for low- and moderate-income persons and benefited low- and moderate-income census tracts.

The bank's performance represents an increase by number and dollar volume since the previous evaluation period, during which FFSB made 20 community development loans totaling \$36.5 million. The bank's performance as a percentage of total assets and net loans also improved since the previous evaluation when the percentages were 8.5 percent and 12.2 percent, respectively. However, it is worth noting that the loans at the previous evaluation were all non-PPP loans as the program did not exist at that time.

Examiners compared FFSB's performance to the performance of three SSBs. The SSBs also originated PPP loans that qualified as community development. As a percentage of net loans and total assets, FFSB originated a higher level of community development loans than two of the SSBs and slightly below the third. The SSBs' community development loans to total assets ranged from 3.4 percent to 11.4 percent; and community development loans to net loans ranged from 4.4 percent to 16.8 percent.

Two of the SSBs originated over 200 PPP loans each, which significantly increased their percentage of community development loans to net loans and total assets. Examiners performed an additional comparison that excluded PPP loans, and FFSB's performance exceeded all three SSBs. Excluding PPP loans, the SSBs' community development loans to total assets ranged from 0.1 percent to 7.1 percent compared to FFSB's ratio of 7.8 percent; and community development loans to net loans ranged from 0.2 percent to 10.4 percent compared to FFSB's ratio of 11.3 percent.

As shown in the following tables, the majority of the community development loans facilitated community services for low- and moderate-income individuals (by dollar volume), economic development initiatives, and revitalization/stabilization of low- and moderate-income areas.

Community Development Lending by Assessment Area- Overall										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Evansville MSA	1	153	0	0	8	5,266	11	12,978	20	18,397
Non-MSA	0	0	1	30,000	1	77	0	0	2	30,077
Total	1	153	1	30,000	9	5,343	11	12,978	22	48,474

Source: Bank Data; Review period 08/20/2019 to 07/21/2022

Community Development Lending- Overall										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	1	100	0	0	1	100
2020	1	153	1	30,000	4	3,219	7	8,646	13	42,018
2021	0	0	0	0	3	1,333	4	4,332	7	5,665
YTD 2022	0	0	0	0	1	691	0	0	1	691
Total	1	153	1	30,000	9	5,343	11	12,978	22	48,474

Source: Bank Data; Review period 08/20/2019 to 07/21/2022

Qualified Investments

During the evaluation period, the bank maintained 19 qualified investments and donations totaling \$2.8 million. This dollar amount includes grants and donations totaling \$103,000. This total also includes two prior period investments in the AAs totaling \$710,000 as well as one prior period investment that benefited a broader regional area including the AAs totaling \$570,000. The broader regional investments supported affordable housing, including investments that supported down payment assistance to low- and moderate-income borrowers.

This level of qualified investments represents 0.6 percent of total assets and 3.4 percent of total investments as of March 31, 2022. The bank's quantity of qualified investments increased from the previous evaluation when the bank maintained qualified investments and donations totaling \$786,000. Additionally, the bank's level of qualified investments and donations is similar to the levels of three SSBs, exceeding the ratios of two SSBs and below the ratio of the third SSB.

The following tables detail the bank's qualified investments.

Qualified Investments by Assessment Area- Overall										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Evansville AA	1	80	8	11	3	12	3	1,310	15	1,413
Non-MSA AA	0	0	1	<1	0	0	0	0	1	<1
Regional Activities	3	1,370	0	0	0	0	0	0	3	1,370
Total	4	1,450	9	11	3	12	3	1,310	19	2,783

Source: Bank Records; Review period 08/20/2019 to 07/21/2022

Qualified Investments - Overall										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	570	0	0	0	0	2	710	3	1,280
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	1	600	1	600
YTD 2022	2	800	0	0	0	0	0	0	2	800
Subtotal	3	1,370	0	0	0	0	3	1,310	6	2,680
Qualified Grants & Donations	1	80	9	11	3	12	0	0	13	103
Total	4	1,450	9	11	3	12	3	1,310	19	2,783

Source: Bank Data; Review period 08/20/2019 to 07/21/2022

Community Development Services

During the evaluation period, FFSB provided 35 community development services within the AA. This level was slightly lower than the 47 services at the previous evaluation. Services provided include serving on committees and boards of qualified community development purpose organizations. FFSB averaged 11.7 services per year. The COVID-19 pandemic impacted the number of services as bank personnel were unable to participate in services for a period of time. Examiners compared the bank's average level of annual services to three SSBs. FFSB had a greater level of services compared to one SSB in the AA (5.4 average per year) and a lower level compared to the second SSB in the AA (17.6 average per year). In addition, FFSB had a lower level of services compared to the SSB in the State of Indiana (25.7 average per year). The following tables detail the community development services by year, community development category, and AA.

Community Development Services by Assessment Area- Overall					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Evansville	15	10	2	0	27
Non-MSA	0	4	4	0	8
Total	15	14	6	0	35

Source: Bank Data; Review period 08/20/2019 to 07/21/2022

Community Development Services- Overall					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	4	3	1	0	8
2020	3	4	1	0	8
2021	3	3	2	0	8
YTD 2022	5	4	2	0	11
Total	15	14	6	0	35

Source: Bank Data; Review Period 8/20/2019 to 7/21/2022

Bank-wide services consistent with the FDIC’s unbanked and underbanked initiatives include participation in the Bank on Evansville program. This program is offered across both AAs and was developed to assist unbanked persons in the low- and moderate-income range. FFSB also offers the New Start Checking Account, which is low-cost and has no minimum balance. It is also offered to persons who have experienced previous banking difficulties and need a second chance to have an account. After one year, the New Start Checking Account can potentially be converted to an account which has no monthly service charge or minimum balance to open. New Start Checking Accounts opened during this evaluation period total 166 with 536 total accounts currently open.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

**EVANSVILLE, INDIANA-KENTUCKY METROPOLITAN STATISTICAL
AREA #21780 – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN EVANSVILLE,
INDIANA-KENTUCKY MSA #21780 ASSESSMENT AREA**

The Evansville AA consists of Posey County, Vanderburgh County, and Warrick County. Those counties encompass the Indiana portion of the Evansville, Indiana-Kentucky MSA #21780. The bank operates seven offices in this AA and provides the full range of products and services. The office locations are as follows: Posey County - one office in St. Philip (an unincorporated community with an Evansville mailing address); Vanderburgh County - five offices in Evansville; and Warrick County - one office in Newburgh. The Posey County office was relocated a short distance in late 2021 as discussed in the Description of Institution section.

Economic and Demographic Data

This AA includes 67 census tracts. These tracts reflect the following income designations according to the 2015 ACS:

- 10 low-income tracts,
- 13 moderate-income tracts,
- 28 middle-income tracts
- 14 upper-income tracts and
- 2 no income-category-assigned tracts.

The following table provides a summary of the demographics, housing, and business information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: Evansville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	67	14.9	19.4	41.8	20.9	3.0
Population by Geography	267,867	9.5	17.4	41.7	31.3	0.2
Housing Units by Geography	119,357	10.6	19.6	41.4	28.1	0.3
Owner-Occupied Units by Geography	74,045	6.0	12.4	43.9	37.6	0.1
Occupied Rental Units by Geography	33,153	17.1	33.1	37.0	12.2	0.6
Vacant Units by Geography	12,159	21.0	26.1	38.1	14.1	0.6
Businesses by Geography	22,695	8.2	18.6	35.6	33.0	4.6
Farms by Geography	955	3.7	8.1	49.3	38.3	0.6
Family Distribution by Income Level	69,352	20.6	17.4	20.5	41.6	0.0
Household Distribution by Income Level	107,198	22.5	17.1	17.5	42.9	0.0
Median Family Income MSA - 21780 Evansville, IN-KY MSA		\$61,595	Median Housing Value			\$120,546
			Median Gross Rent			\$710
			Families Below Poverty Level			10.6%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The largest employment sectors in the AA are education and health services, manufacturing, professional/business services, and retail trade. Major employers within the AA are Deaconess Hospital, Toyota Motor Manufacturing Indiana, Inc., St Vincent Hospitals, and Berry Global.

The AA's economy remained stable during the evaluation period until the COVID-19 pandemic began in early 2020. The May 2022 unemployment rates for the AA counties were as follows: Posey County - 2.1 percent (decreasing from 2.9 percent in May 2021), Vanderburgh County - 2.5 percent (decreasing from 4.0 percent in May 2021), and Warrick County - 2.1 percent (decreasing from 2.9 percent in May 2021). Those rates were comparable to the 2.2 percent State of Indiana rate in May 2022. The lower unemployment rate indicates that the economy is more stable. All unemployment rates are from the Bureau of Labor Statistics.

The AA's economy relies heavily upon small businesses. According to 2021 D&B data, 22,695 non-farm businesses are located in the AA. Of these businesses, 61.6 percent have four or fewer employees and 89.1 percent operate from a single location. The bank's performance of small business lending is compared to the business percentage reporting Gross Annual Revenues (GAR) of \$1 million and less, as noted in the following 2021 D&B data. Non-farm businesses within the AA reported the following GARs:

- 84.1 percent have \$1 million and less.
- 5.0 percent have more than \$1 million.
- 10.9 percent have unknown revenues.

The FFIEC updated median family income is used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. The categories are based on the 2019 to 2021 FFIEC-updated median family incomes for the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Evansville, IN-KY MSA Median Family Income (21780)				
2019 (\$67,200)	<\$33,600	\$33,600 to <\$53,760	\$53,760 to <\$80,640	≥\$80,640
2020 (\$74,800)	<\$37,400	\$37,400 to <\$59,840	\$59,840 to <\$89,760	≥\$89,760
2021 (\$78,400)	<\$39,200	\$39,200 to <\$62,720	\$62,720 to <\$94,080	≥\$94,080
<i>Source: FFIEC</i>				

Competition

The AA is a highly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, 15 financial institutions operated 73 full-service offices within the AA. FFSB ranked sixth in market share, holding 3.6 percent of all deposits.

Furthermore, there is a high level of competition for home mortgage loans within the AA.

Specifically, 2020 HMDA aggregate data listed 269 lenders reporting 16,128 home mortgage loans originated or purchased in the AA. FFSB ranked seventh in home mortgage loan extensions with a 3.7 percent market share, which is comparable to the bank’s deposit market share. The level of competition is high considering the size and population of the AA, the number of financial institution offices for banking services, and the number of lenders providing HMDA loans.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. Examiners completed one community contact with an economic development organization that serves the AA. The contact specified that mortgage loans, small business loans, and affordable housing were always needed. In addition, education and business support services are needed for women-owned and minority-owned businesses. Education and training for future and existing small business owners is another opportunity for financial institutions.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business lending represent the primary credit needs in the AA. In addition, community development needs include affordable housing, community services, and job creation/retention.

CONCLUSIONS ON PERFORMANCE CRITERIA IN EVANSVILLE, INDIANA-KENTUCKY MSA #21780 ASSESSMENT AREA

LENDING TEST

The Lending Test performance in the Evansville AA is reasonable based on the institution's performance under the Geographic Distribution and Borrower Profile criteria.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA.

Home Mortgage Loans

The geographic distribution of home mortgage loans is reasonable. The home mortgage loan distribution is shown in the following table. The bank's lending in the low-income census tracts was consistent throughout the review period but below the owner-occupied housing level for each year. However, in both 2019 and 2020, the bank's lending was comparable to the aggregate data, which serves as a better comparator for bank's performance as it represents the lending performance of all other HMDA reporters in the AA. In the moderate-income census tracts, the institution's lending was comparable to the aggregate data as well as the owner-occupied housing level in 2019 and 2020. In 2021, the bank's lending declined to approximately 3 percent below the owner-occupied housing level but remained within a reasonable range. Performance is reasonable based upon the level of lending to borrowers in the low- and moderate-income census tracts throughout the review period.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Evansville MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	6.0	3.3	9	3.8	2,880	8.1
2020	6.0	2.8	12	2.0	947	0.9
2021	6.0	--	15	3.6	1,029	1.3
Moderate						
2019	12.4	12.3	29	12.2	2,938	8.3
2020	12.4	10.4	66	11.1	6,823	6.7
2021	12.4	--	38	9.1	3,699	4.8
Middle						
2019	43.9	40.9	86	36.3	11,483	32.4
2020	43.9	40.0	214	35.9	30,962	30.5
2021	43.9	--	160	38.5	26,823	35.2
Upper						
2019	37.6	43.3	112	47.3	17,954	50.6
2020	37.6	46.7	303	50.8	62,772	61.8
2021	37.6	--	203	48.8	44,737	58.6
Not Available						
2019	0.1	0.1	1	0.4	206	0.6
2020	0.1	0.1	1	0.2	120	0.1
2021	0.1	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	237	100.0	35,461	100.0
2020	100.0	100.0	596	100.0	101,624	100.0
2021	100.0	--	416	100.0	76,288	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans is reasonable. The following table details the geographic distribution of small business loans. In the low-income census tracts, the bank's lending exceeded the business population for each year reviewed. The bank's lending in the moderate-income census tracts was comparable to the business population for each year reviewed. Performance is reasonable based upon the level of lending to businesses in the low- and moderate-income census tracts.

Geographic Distribution of Small Business Loans						
Assessment Area: Evansville MSA						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2019	8.2	9	11.0	345	3.0
	2020	7.9	42	11.4	4,606	11.9
	2021	8.2	34	11.3	4,456	15.1
Moderate						
	2019	19.3	15	18.3	2,211	18.9
	2020	18.7	81	22.0	11,026	28.4
	2021	18.6	56	18.6	7,667	26.0
Middle						
	2019	36.7	19	23.2	3,619	31.0
	2020	36.5	121	32.8	12,993	33.5
	2021	35.6	102	33.9	9,973	33.8
Upper						
	2019	31.1	37	45.1	5,235	44.8
	2020	32.1	118	32.0	9,535	24.6
	2021	33.0	104	34.6	6,719	22.8
Not Available						
	2019	4.7	2	2.4	282	2.4
	2020	4.8	7	1.9	634	1.6
	2021	4.6	5	1.7	695	2.4
Totals						
	2019	100.0	82	100.0	11,692	100.0
	2020	100.0	369	100.0	38,794	100.0
	2021	100.0	301	100.0	29,510	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Loans

The borrower distribution of home mortgage loans is reasonable. The following table details the borrower distribution of home mortgage loans. The lending to low-income borrowers exceeded the aggregate data in 2019, then dropped slightly below the aggregate in 2020; performance in 2021 improved to exceed the bank's 2019 and 2020 performance levels. The bank's lending was lower

than the low-income family population for each year reviewed. However, families with incomes below the poverty level equal 10.6 percent of total AA families. Many persons with incomes below the poverty level are unable to afford the expenses of homeownership and a mortgage. Considering the percentage of the AA population below the poverty level, the bank's lending to low-income borrowers compared reasonably to the family population throughout the review period.

FFSB's lending exceeded the moderate-income family population for each year reviewed. Lending was comparable to the aggregate data in 2019 and exceeded the aggregate in 2020. In summary, lending was reasonable overall based upon the level of lending to low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Evansville MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.6	8.9	24	10.1	1,616	4.6
2020	20.6	10.1	52	8.7	4,069	4.0
2021	20.6	--	54	13.0	4,689	6.1
Moderate						
2019	17.4	20.7	48	20.3	3,995	11.3
2020	17.4	20.0	135	22.7	13,944	13.7
2021	17.4	--	80	19.2	9,039	11.8
Middle						
2019	20.5	21.0	47	19.8	4,477	12.6
2020	20.5	21.7	145	24.3	19,848	19.5
2021	20.5	--	100	24.0	13,955	18.3
Upper						
2019	41.6	31.5	101	42.6	20,123	56.7
2020	41.6	30.4	244	40.9	56,257	55.4
2021	41.6	--	172	41.3	46,829	61.4
Not Available						
2019	0.0	17.9	17	7.2	5,250	14.8
2020	0.0	17.8	20	3.4	7,506	7.4
2021	0.0	--	10	2.4	1,776	2.3
Totals						
2019	100.0	100.0	237	100.0	35,461	100.0
2020	100.0	100.0	596	100.0	101,624	100.0
2021	100.0	--	416	100.0	76,288	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The small business loan distribution by GARs was reasonable. It is shown in the following table. The bank's lending was comparable to or exceeded the business population in the \$1 million and less revenue category for each year reviewed. Performance is reasonable based upon the level of lending in the aforementioned revenue range.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Evansville MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2019	80.0	66	80.5	10,634	91.0
2020	82.0	303	82.1	23,794	61.3
2021	84.1	268	89.0	23,608	80.0
>\$1,000,000					
2019	6.8	16	19.5	1,058	9.0
2020	6.0	64	17.3	14,976	38.6
2021	5.0	33	11.0	5,902	20.0
Revenue Not Available					
2019	13.2	0	0.0	0	0.0
2020	12.0	2	0.5	24	0.1
2021	10.9	0	0.0	0	0.0
Totals					
2019	100.0	82	100.0	11,692	100.0
2020	100.0	369	100.0	38,794	100.0
2021	100.0	301	100.0	29,510	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates adequate responsiveness to community development needs in this AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the AA.

Community Development Loans

During the evaluation period, FFBSB originated 20 community development loans totaling nearly \$18.4 million within this AA. This included 6 PPP loans totaling \$11.3 million. FFBSB's performance in this AA increased from the prior evaluation's 18 community development loans totaling approximately \$16.5 million. The following table provides details on the community development lending in this AA.

Community Development Lending Assessment Area: Evansville MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	1	100	0	0	1	100
2020	1	153	0	0	4	3,219	7	8,646	12	12,018
2021	0	0	0	0	2	1,256	4	4,332	6	5,588
YTD 2022	0	0	0	0	1	691	0	0	1	691
Total	1	153	0	0	8	5,266	11	12,978	20	18,397

Source: Bank Data; Review period 08/20/2019 to 07/21/2022

The following are notable examples of FFSB’s community development loans in this AA:

- Two PPP loans totaling nearly \$3.5 million retained over 200 jobs including those for low- and moderate-income individuals at a medical office located in a low-income census tract in Evansville. The office provides necessary medical care to local residents.
- A \$1.8 million loan funded a business purchase in a low-income census tract in Evansville. The business also employs low- and moderate-income individuals.
- A \$550,000 loan funded the purchase of a pharmacy located in a moderate-income census tract, surrounded by low- and moderate-income census tracts, in Evansville. The pharmacy provides necessary medical supplies, prescriptions, immunizations, and various over-the-counter and consumable products to local residents.

Qualified Investments

During the evaluation period, the bank purchased one new qualified investment totaling \$600,000 in this AA. This represents similar performance compared to the previous evaluation, when two new qualified investments totaling \$710,000 were purchased; these investments are still outstanding. The prior period and new investments support infrastructure improvement projects that benefit low- and moderate-income neighborhoods in Evansville.

Additionally, the bank made 12 grants and donations totaling approximately \$103,000 in this AA. These grants supported affordable housing, community services targeted to low- and moderate-income individuals, and economic development. For example, the bank made one donation for \$80,000 to a non-profit housing organization which provides affordable housing to families in need in the AA.

The following table details the bank’s qualified investments and donations in the Evansville AA.

Qualified Investments Evansville AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	2	710	2	710
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	1	600	1	600
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	3	1,310	3	1,310
Qualified Grants & Donations	1	80	8	11	3	12	0	0	12	103
Total	1	80	8	11	3	12	3	1,310	15	1,413
<i>Source: Bank Data; Bank Data; Review Period: 8/20/2019 to 7/21/2022</i>										

Community Development Services

FFSB provided 27 community development services within the AA. Services at the previous evaluation totaled 36; thus, fewer services were provided during the current evaluation period. The COVID-19 Pandemic impacted the number of services as bank personnel were unable to participate in services for a period of time. Given the pandemic, the bank found a reasonable volume of services in which to participate. In this AA, one office is in a moderate-income census tract. This office location increases access to banking services for those census tract residents. The following table details the services by community development category.

Community Development Services-Evansville MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	4	2	0	0	6
2020	3	3	0	0	6
2021	3	2	1	0	6
YTD 2022	5	3	1	0	9
Total	15	10	2	0	27
<i>Source: Bank Data; Review Period: 8/20/2019 to 7/21/2022</i>					

Examples of community development services include:

- The bank services the mortgage loan portfolio of Habitat for Humanity and also provides loan closing services. Currently, the portfolio includes 439 loans.
- A bank officer serves on the Board of Directors of an affordable housing organization and also serves on a committee which serves low- and moderate-income clients using the program.

INDIANA NON-MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN INDIANA NON-MSA ASSESSMENT AREA

FFSB’s Non-MSA AA in the State of Indiana is comprised of Daviess and Pike Counties. The bank operates two offices in the AA and provides a full range of products and services. The office locations are as follows: Daviess County – one office in Washington; and Pike County – one office in Petersburg.

Economic and Demographic Data

This AA includes 11 census tracts. These tracts reflect the following income designations according to the 2015 ACS:

- 0 low-income tracts,
- 1 moderate-income tract,
- 8 middle-income tracts, and
- 2 upper-income tracts.

The following table provides a summary of the demographics, housing, and business information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: Indiana Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	9.1	72.7	18.2	0.0
Population by Geography	45,098	0.0	7.3	76.0	16.6	0.0
Housing Units by Geography	18,217	0.0	8.5	75.6	15.9	0.0
Owner-Occupied Units by Geography	12,383	0.0	8.8	73.4	17.8	0.0
Occupied Rental Units by Geography	4,063	0.0	5.8	79.0	15.2	0.0
Vacant Units by Geography	1,771	0.0	12.1	83.9	4.1	0.0
Businesses by Geography	3,326	0.0	4.5	78.8	16.7	0.0
Farms by Geography	378	0.0	3.4	80.4	16.1	0.0
Family Distribution by Income Level	11,811	16.9	19.0	22.3	41.8	0.0
Household Distribution by Income Level	16,446	21.3	16.6	19.7	42.4	0.0
Median Family Income Non-MSAs - IN		\$55,715	Median Housing Value			\$104,829
			Median Gross Rent			\$626
			Families Below Poverty Level			8.7%
<small>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

The largest employment sectors in the AA are manufacturing, retail trade, services, and government. Major employers within the AA are Daviess Community Hospital, Walmart Supercenter, Indianapolis Power and Light, Boyd and Sons, Inc., and JRV Supply Co.

The AA's economy remained stable during the evaluation period until the COVID-19 pandemic began in early 2020. The May 2022 unemployment rates for the AA counties were as follows: Daviess County – 1.9 percent (decreasing from 2.6 percent in May 2021) and Pike County – 2.4 percent (decreasing from 3.5 percent in May 2021). Those rates were comparable to the 2.2 percent State of Indiana rate in May 2022. The lower unemployment rate indicates that the economy is more stable and most residents are able to find employment. All unemployment rates are from the Bureau of Labor Statistics.

CONCLUSIONS ON PERFORMANCE CRITERIA IN INDIANA NON-MSA ASSESSMENT AREA

LENDING TEST

The institution's lending performance in the Non-MSA AA is consistent with the institution's lending performance in the AA that was reviewed using full-scope examination procedures.

Geographic Distribution

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	8.8	5.5	5	5.4	389	4.2
2020	8.8	6.6	10	6.3	2,241	10.8
2021	8.8	--	10	8.7	1,264	8.6
Middle						
2019	73.4	77.7	73	79.3	7,574	81.3
2020	73.4	75.2	121	76.6	14,946	72.3
2021	73.4	--	84	73.0	10,672	72.2
Upper						
2019	17.8	16.8	14	15.2	1,348	14.5
2020	17.8	18.2	27	17.1	3,497	16.9
2021	17.8	--	21	18.3	2,841	19.2
Totals						
2019	100.0	100.0	92	100.0	9,311	100.0
2020	100.0	100.0	158	100.0	20,684	100.0
2021	100.0	--	115	100.0	14,777	100.0
<small>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</small>						

Small Business Loans

Geographic Distribution of Small Business Loans					
Assessment Area: Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2019	4.7	0	0.0	0	0.0
2020	4.7	4	26.7	86	15.5
2021	4.5	5	9.8	88	2.1
Middle					
2019	79.3	5	100.0	578	100.0
2020	79.3	11	73.3	469	84.5
2021	78.8	37	72.5	2,800	66.1
Upper					
2019	16.0	0	0.0	0	0.0
2020	16.1	0	0.0	0	0.0
2021	16.7	9	17.6	1,346	31.8
Totals					
2019	100.0	5	100.0	578	100.0
2020	100.0	15	100.0	555	100.0
2021	100.0	51	100.0	4,234	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	16.9	6.7	5	5.4	184	2.0
2020	16.9	5.5	6	3.8	398	1.9
2021	16.9	--	3	2.6	131	0.9
Moderate						
2019	19.0	22.1	19	20.7	1,302	14.0
2020	19.0	19.7	38	24.1	2,803	13.6
2021	19.0	--	33	28.7	2,898	19.6
Middle						
2019	22.3	26.8	28	30.4	2,244	24.1
2020	22.3	22.9	45	28.5	5,648	27.3
2021	22.3	--	28	24.3	3,100	21.0
Upper						
2019	41.8	32.2	37	40.2	5,147	55.3
2020	41.8	34.8	66	41.8	11,339	54.8
2021	41.8	--	49	42.6	8,351	56.5
Not Available						
2019	0.0	12.2	3	3.3	434	4.7
2020	0.0	17.1	3	1.9	496	2.4
2021	0.0	--	2	1.7	297	2.0
Totals						
2019	100.0	100.0	92	100.0	9,311	100.0
2020	100.0	100.0	158	100.0	20,684	100.0
2021	100.0	--	115	100.0	14,777	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2019	82.6	5	100.0	578	100.0
2020	84.1	15	100.0	555	100.0
2021	85.7	45	88.2	2,633	62.2
>\$1,000,000					
2019	4.4	0	0.0	0	0.0
2020	4.0	0	0.0	0	0.0
2021	3.5	6	11.8	1,601	37.8
Revenue Not Available					
2019	13.0	0	0.0	0	0.0
2020	11.9	0	0.0	0	0.0
2021	10.9	0	0.0	0	0.0
Totals					
2019	100.0	5	100.0	578	100.0
2020	100.0	15	100.0	555	100.0
2021	100.0	51	100.0	4,234	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

When considering business operations as well as need and opportunity, the institution's community development performance in the Non-MSA AA is consistent with the institution's community development performance in the AA that was reviewed using full-scope examination procedures.

Community Development Loans

Community Development Lending Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	30,000	0	0	0	0	1	30,000
2021	0	0	0	0	1	77	0	0	1	77
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	0	0	1	30,000	1	77	0	0	2	30,077

Source: Bank Data; Review period 08/20/2019 to 07/21/2022

Qualified Investments

The bank made 1 qualifying donation for \$100 in this AA during the review period.

Community Development Services

Community Development Services-Non-MSA AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	1	1	0	2
2020	0	1	1	0	2
2021	0	1	1	0	2
YTD 2022	0	1	1	0	2
Total	0	4	4	0	8

Source: Bank Data; Review Period: 8/20/2019 to 7/21/2022

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

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

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

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

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income 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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

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

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

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

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

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

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Qualified Investment: A 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.

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating 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.

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

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