

# **PUBLIC DISCLOSURE**

October 17, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Friendship State Bank  
RSSD# 427241

5908 E Main Street  
Friendship, Indiana 47021

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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

## TABLE OF CONTENTS

<b>PERFORMANCE EVALUATION .....</b>	<b>2</b>
<b>SCOPE OF EXAMINATION .....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION.....</b>	<b>4</b>
<b>DESCRIPTION OF ASSESSMENT AREA.....</b>	<b>4</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA .....</b>	<b>7</b>
LENDING TEST .....	7
COMMUNITY DEVELOPMENT TEST.....	9
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>10</b>
<b>INDIANA NON-METROPOLITAN STATISTICAL AREA (MSA) – FULL REVIEW .....</b>	<b>11</b>
DESCRIPTION OF INSTITUTION’S OPERATIONS IN INDIANA NON-MSA .....	11
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA NON-MSA .....	16
<b>CINCINNATI OH-KY-IN MSA #17140 – FULL REVIEW .....</b>	<b>25</b>
DESCRIPTION OF INSTITUTION’S OPERATIONS IN CINICINNATI, OH-KY-IN MSA #17140 .....	25
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS CINCINNATI, OH-KY-IN MSA #17140...	30
<b>APPENDIX A – MAPS OF ASSESSMENT AREAS .....</b>	<b>39</b>
<b>APPENDIX B – 2020 LENDING TABLES .....</b>	<b>40</b>
<b>APPENDIX C – SCOPE OF EXAMINATION .....</b>	<b>46</b>
<b>APPENDIX D – GLOSSARY .....</b>	<b>47</b>

## INSTITUTION'S CRA RATING

**The Friendship State Bank is rated: Satisfactory**  
**The Lending Test is rated: Satisfactory**  
**The Community Development Test is rated: Satisfactory**

The Friendship State Bank is meeting the credit needs of its community based on an analysis of lending and community development activities. The Friendship State Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are located in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and loan distribution reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income, and businesses of different revenue sizes. Neither The Friendship State Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

The bank's community development performance demonstrates adequate responsiveness to the needs of its assessment areas through community development loans, qualified investments and donations, and community development services. This performance is appropriate considering the bank's capacity as well as the need and availability of community development opportunities within the bank's assessment areas.

## SCOPE OF EXAMINATION

The Friendship State Bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Bank Institution Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment areas, including the bank's asset size, financial condition, competition, and economic and demographic characteristics.

The bank maintains the following two delineated assessment areas: Indiana Non-Metropolitan Statistical Area (Non-MSA) and Cincinnati, OH-KY-IN Metropolitan Statistical Area (MSA) #17140. A full scope evaluation was evaluated for both assessment areas based on the bank's deposit market share, branch concentration, lending volume, and analysis at previous evaluations. The Indiana Non-MSA was given greater weight due to the bank's market share in the assessment area.

Loan products reviewed include Home Mortgage Disclosure Act (HMDA)-reportable loans and a sample of small business loans. These products are considered the bank's primary business lines based on volume by number and dollar amount. The bank's level of community development activity was also evaluated.

Performance within the designated assessment areas was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio ending June 30, 2022 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2020 to December 31, 2021, and a sample of small business loans originated from January 1, 2021 to December 31, 2021 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2020 to December 31, 2021, and a sample of small business loans originated from January 1, 2021 to December 31, 2021 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans originated from January 1, 2020 to December 31, 2021, and a sample of small business loans originated from January 1, 2021 to December 31, 2021, 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.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments and donations, and community development services, from October 1, 2018 through October 17, 2022, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, four community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and affordable housing.

## DESCRIPTION OF INSTITUTION

The Friendship State Bank is a wholly owned subsidiary of Friendship Bancorp (FBC), a one-bank holding company, headquartered in Friendship, Indiana. The bank operates a network of eight branches with eight full-service Automated Teller Machines (ATMs) located throughout southeast Indiana. According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$555.8 million as of June 30, 2022. The Friendship State Bank is primarily a residential real estate and commercial lender, as represented in the bank's loan portfolio table below. The bank offers a full range of traditional deposit and credit products to meet the needs of its assessment areas. Loan products are standard and generally non-complex and include residential mortgages, commercial, agricultural, consumer installment, and home equity lines of credit. In addition, the bank offers traditional deposit accounts including checking, savings, NOW accounts, money market deposit accounts (MMDAs), and certificates of deposits (CDs).

Details of the allocation of the bank's loan portfolio are provided in the following table.

<b>Composition of Loan Portfolio as of June 30, 2022</b>		
<b>Type</b>	<b>Dollar Volume (\$ in 000s)</b>	<b>% of Portfolio</b>
Residential Real Estate	168,457	60.7
Commercial	69,530	25.1
Agricultural	29,821	10.8
Consumer	9,598	3.5
Total	277,406	100.0

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

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

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on October 1, 2018.

## DESCRIPTION OF ASSESSMENT AREA

The Friendship State Bank operates within two assessment areas throughout southern Indiana. The designated assessment areas include the Indiana Non-MSA and the Cincinnati, OH-KY-IN MSA #17140. Within the Indiana Non-MSA assessment area, the bank includes Jefferson, Ripley, and Switzerland Counties in their entireties. The Cincinnati, OH-KY-IN MSA #17140 assessment area is comprised of a portion of Dearborn County and Ohio County in its entirety. The combined assessment area includes a total of 23 census tracts and is comprised of five moderate-income, 16 middle-income, and two upper-income census tracts. The Indiana Non-MSA assessment area has

no underserved or distressed middle-income census tracts. The combined assessment area is unchanged from the previous performance evaluation on October 1, 2018.

The bank's moderate-income census tracts are home to 4,773 families, representing 16.7 percent of all families in the assessment area. A total of 46,193 total housing units are located in the combined assessment area, of which 8,815 (19.1 percent) are located in moderate-income census tracts. Within the moderate-income census tracts 51.5 percent are owner-occupied. This indicates there are sufficient opportunities for home ownership within these tracts. Community representatives stated a need for affordable housing throughout all assessment areas.

A total of 4,488 businesses are located in the combined assessment area, of which 973 (21.7 percent) are located in moderate-income census tracts. Businesses with gross annual revenues less than \$1 million represent 91.7 percent of total businesses, evidencing numerous opportunities for small business lending in the combined assessment area.

Additional assessment area demographic information is provided in the following table.

Assessment Area: 2021 Combined Assessment Area								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,739	20.1
Moderate-income	5	21.7	4,773	16.7	805	16.9	5,554	19.4
Middle-income	16	69.6	20,516	71.8	1,637	8.0	6,642	23.3
Upper-income	2	8.7	3,267	11.4	180	5.5	10,621	37.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>23</b>	<b>100.0</b>	<b>28,556</b>	<b>100.0</b>	<b>2,622</b>	<b>9.2</b>	<b>28,556</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	8,815	4,536	15.0	51.5	3,005	34.1	1,274	14.5
Middle-income	32,514	22,301	73.8	68.6	6,642	20.4	3,571	11.0
Upper-income	4,864	3,401	11.2	69.9	1,114	22.9	349	7.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>46,193</b>	<b>30,238</b>	<b>100.0</b>	<b>65.5</b>	<b>10,761</b>	<b>23.3</b>	<b>5,194</b>	<b>11.2</b>
	<b>Total Businesses by Tract</b>	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	973	21.7	885	21.5	64	22.9	24	25.8
Middle-income	2,795	62.3	2,593	63.0	147	52.5	55	59.1
Upper-income	720	16.0	637	15.5	69	24.6	14	15.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>4,488</b>	<b>100.0</b>	<b>4,115</b>	<b>100.0</b>	<b>280</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>		<b>91.7</b>		<b>6.2</b>		<b>2.1</b>	
	<b>Total Farms by Tract</b>	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	14	4.4	14	4.5	0	0.0	0	0.0
Middle-income	249	78.8	246	78.6	3	100.0	0	0.0
Upper-income	53	16.8	53	16.9	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>316</b>	<b>100.0</b>	<b>313</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>		<b>99.1</b>		<b>0.9</b>		<b>0.0</b>	
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

The Friendship State Bank’s performance relative to the lending test is Satisfactory. Overall, the bank is meeting the credit needs of its assessment areas based on an analysis of the bank’s lending activities. The loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. A substantial majority of home mortgage and small business loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activities reflect reasonable penetration among individuals of different income levels and businesses of different revenue sizes. Lastly, no CRA-related complaints were received by the institution nor this Reserve Bank since the previous evaluation.

#### Loan-to-Deposit Ratio

The Friendship State Bank had a reasonable loan-to-deposit ratio (considering seasonal variations) is reasonable given the bank's size, financial condition, and the credit needs of its assessment area(s). As of June 30, 2022, the bank’s LTD ratio averaged 71.8 percent over a 16-quarter period. The LTD ratio is a decrease from the previous examination where the LTD ratio over 17-quarters was 80.2 percent. However, the LTD ratio of its local competitors also experienced a decrease indicating an overall decrease in market conditions. Community representatives noted low wages and wage growth, which may negatively affect demand for loans. While the bank’s LTD ratio is below peer average, the institution continues to demonstrate active lending within its assessment areas. The following table compares the bank’s LTD ratio to its local competitors.

Comparative Loan-to-Deposit Ratios as of June 30, 2022	
Institution	16-Quarter Average (%)
The Friendship State Bank	71.8
Peer Avg – Local	77.1
Civista Bank, Sandusky, OH	89.2
First Financial Bank, Cincinnati, OH	81.6
Old National Bank, Evansville, IN	81.3
Napoleon State Bank, Napoleon, IN	79.8
German American Bank, Jasper IN	76.5
Farmers Bank, Milton, KY	68.9
FCN Bank, Brookville, IN	62.2

#### Assessment Area Concentration

The Friendship State Bank originated a substantial majority of its loans in the bank’s assessment areas. During the evaluation period, the bank originated 87.0 percent of all loans by number and



86.2 percent of all loans by dollar amount within its assessment area. The bank originated 87.7 percent by number and 86.3 percent by dollar of its HMDA-reportable loans inside its assessment area. The bank originated 74.1 percent by number and 82.4 percent by dollar amount of its small business loans inside its assessment area. Ultimately, the percentage of HMDA-reportable and small business originations within the assessment area indicates the bank is actively serving the credit needs of the community.

The following table summarizes the bank’s lending inside and outside its assessment area for HMDA-reportable loans from January 1, 2020 to December 31, 2021 and a sample of small business loans from January 1, 2021 to December 31, 2021.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	13	92.9	2,463	97.2	1	7.1	70	2.8
Home Purchase - Conventional	254	83.8	39,070	83.9	49	16.2	7,479	16.1
Home Purchase - FHA	3	100.0	382	100.0	0	0.0	0	0.0
Multi-Family Housing	5	83.3	2,136	93.8	1	16.7	142	6.2
Refinancing	630	89.2	87,407	86.9	76	10.8	13,121	13.1
<b>Total HMDA related</b>	<b>905</b>	<b>87.7</b>	<b>131,458</b>	<b>86.3</b>	<b>127</b>	<b>12.3</b>	<b>20,812</b>	<b>13.7</b>
<b>Small Business related</b>	<b>40</b>	<b>74.1</b>	<b>3,463</b>	<b>82.4</b>	<b>14</b>	<b>25.9</b>	<b>742</b>	<b>17.6</b>
<b>Total Loans</b>	<b>945</b>	<b>87.0</b>	<b>134,921</b>	<b>86.2</b>	<b>141</b>	<b>13.0</b>	<b>21,554</b>	<b>13.8</b>

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

### Geographic and Borrower Distribution

The geographic distribution of HMDA-reportable and small business loans reflects reasonable dispersion throughout the assessment areas. The bank’s distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes is reasonable given the demographics of the bank’s assessment areas. Additional information regarding the bank’s geographic and borrower distribution is found within the respective assessment area sections below.

### Response to Complaints

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

## COMMUNITY DEVELOPMENT TEST

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

### **Lending, Investment, and Services Activities**

During the evaluation period, The Friendship State Bank originated one qualified loan with a total of \$346,000 toward community services within its assessment area. While this was a decrease in qualified loan volume from the previous examination the actual dollar amount loaned to community development activities increased from \$220,079 at the previous evaluation.

During the evaluation period, the bank made six qualified investments totaling approximately \$12.5 million. The majority of qualified investments were made to assist in affordable housing efforts, while the majority of qualified donations were targeted for community services and economic development. When compared to the previous evaluation the bank has increased the dollar amount of qualified investments within the assessment area by \$6,705,000 and two by number. The bank provided 30 qualified donations to organizations which support economic development and community service tailored to meet the needs of low-and moderate-income individuals and households in the bank's assessment areas. The bank's donations totaled \$14,355, which is a significant decrease from the previous evaluation in which the bank made 81 donations totaling \$24,435.

During the evaluation period The Friendship State Bank's staff provided 1,552 hours of community development services. A majority of the total number of service hours were dedicated to organizations with a community service focus. Bank staff provided these organizations with financial planning or resource allocation services as well as working with programs that target low- to moderate-income individuals throughout the bank's assessment area. Bank employees served as board and committee members with several of these organizations. During the previous examination the bank's qualified community development service hours totaled 1,782 hours.

Additionally, during the review period the bank originated 412 Paycheck Protection Program (PPP) loans through the SBA's PPP lending program in response to the COVID-19 pandemic, totaling \$11.3 million. This further illustrates the bank's willingness in meeting the credit needs of the communities it serves.

Additional information with respect to the bank's community development activities is found within the individual assessment area sections.

Community Development Activities October 1, 2018 – October 17, 2022								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$	#	\$	#	\$	#	Hours
<b>Full Review</b>								
Indiana Non-MSA	1	346,000	2	665,000	20	9,795	5	728
Cincinnati, OH-KY-IN MSA #17140	0	0	4	11,840,000	10	4,560	6	824
<b>Total Qualified</b>	<b>1</b>	<b>346,000</b>	<b>6</b>	<b>12,505,000</b>	<b>30</b>	<b>14,355</b>	<b>12</b>	<b>1,552</b>

**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.

## INDIANA NON-METROPOLITAN STATISTICAL AREA (MSA) – FULL REVIEW

### SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Indiana Non-MSA assessment area. The scope is consistent with the scope of examination described within the institution summary, and this assessment area was given greater weight due to the bank's market share in the assessment area. For further information, refer to the "Scope of Examination" section for details.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN INDIANA NON-MSA

The Indiana Non-MSA assessment area consists of Jefferson, Ripley, and Switzerland Counties in their entireties. Based on 2021 FFIEC Census Data, the 16 census tracts in this assessment area are comprised of two moderate-income, twelve middle-income, and two upper-income census tracts. No low- or unknown-income census tracts are located within the assessment area. There have been no changes since the previous examination to the assessment area.

The bank operates a main office and four branches, with full-service ATMs at each location. The main office, located in Friendship, as well as the branches in Madison, Versailles, and Vevay, Indiana are located in middle-income census tracts. The Batesville branch is located in an upper-income census tract.

According to the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, The Friendship State Bank ranked first among nine FDIC-insured financial institutions operating in the assessment area with 20.1 percent of the market share. The bank held \$327.4 million in deposits inside of the market. Following in market share include First Financial Bank (19.5 percent) and German American Bank (19.5 percent). Although the institution operates in a moderately competitive banking environment, the bank's performance demonstrates an ability to maintain a strong presence in the assessment area among institutions of similar asset size.

In 2021, FSB ranked 2<sup>nd</sup> among 199 HMDA-reporters, originating 295 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, First Financial Bank originated 486 HMDA-reportable loans.

Additional assessment area demographic information is provided in the following table. Please refer to Appendix B for 2020 demographic information.

Assessment Area: 2021 IN Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,796	19.3
Moderate-income	2	12.5	2,138	10.9	465	21.7	3,697	18.8
Middle-income	12	75.0	14,283	72.5	1,232	8.6	4,511	22.9
Upper-income	2	12.5	3,267	16.6	180	5.5	7,684	39.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>16</b>	<b>100.0</b>	<b>19,688</b>	<b>100.0</b>	<b>1,877</b>	<b>9.5</b>	<b>19,688</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,481	1,989	9.7	57.1	899	25.8	593	17.0
Middle-income	23,105	15,076	73.7	65.2	5,207	22.5	2,822	12.2
Upper-income	4,864	3,401	16.6	69.9	1,114	22.9	349	7.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>31,450</b>	<b>20,466</b>	<b>100.0</b>	<b>65.1</b>	<b>7,220</b>	<b>23.0</b>	<b>3,764</b>	<b>12.0</b>
	<b>Total Businesses by Tract</b>	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	188	6.5	169	6.4	10	5.2	9	13.2
Middle-income	1,986	68.6	1,828	69.4	113	58.9	45	66.2
Upper-income	720	24.9	637	24.2	69	35.9	14	20.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2,894</b>	<b>100.0</b>	<b>2,634</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>91.0</b>		<b>6.6</b>		<b>2.3</b>
	<b>Total Farms by Tract</b>	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	10	3.9	10	3.9	0	0.0	0	0.0
Middle-income	194	75.5	192	75.3	2	100.0	0	0.0
Upper-income	53	20.6	53	20.8	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>257</b>	<b>100.0</b>	<b>255</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>99.2</b>		<b>0.8</b>		<b>0.0</b>
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Population Characteristics

The following table presents the population trends for the assessment area, counties that make up the assessment area, the entire Indiana Non-MSA, and the state of Indiana from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 71,565. The assessment area experienced a slight decline in population by 0.4 percent between 2010 and 2015. This decrease was identical to the decline the Indiana Non-MSA experienced (0.4 percent) while the state of Indiana experienced population growth of 1.3 percent. Of the three counties located in the assessment area, only Jefferson County experienced minimal growth in population, by 0.1 percent. Community representatives attributed this decline in population to the rural nature of the area. A representative also stated that individuals have migrated from Switzerland and Ripley Counties to more urban counties, for example, Dearborn County, Indiana (part of the bank’s Cincinnati OH-KY-IN MSA assessment area).

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	71,859	71,565	-0.4
Jefferson County, IN	32,428	32,453	0.1
Ripley County, IN	28,818	28,612	-0.7
Switzerland County, IN	10,613	10,500	-1.1
Indiana Non-MSA	1,481,934	1,475,951	-0.4
Indiana	6,483,802	6,568,645	1.3

*Source: 2010 U.S. Census Bureau Decennial Census  
 2011 - 2015 U.S. Census Bureau American Community Survey*

### Income Characteristics

According to 2021 FFIEC Census Data, the assessment area is comprised of 19,688 families, of which 19.3 percent are low-income, 18.8 percent are moderate-income, 22.9 percent are middle-income, and 39.0 percent are upper-income. Approximately 9.5 percent of families residing within the assessment area live below the poverty line, which is below the 11.1 percent in the state of Indiana.

The following table compares the median family income (MFI) for the assessment area, counties that make up the assessment area, the entire Indiana Non-MSA, and the state of Indiana. According to the 2011-2015 Census Bureau data, the MFI in the assessment area decreased by 7.9 percent from 2010 to 2015, while the state of Indiana MFI decreased by 4.8 percent. Amongst the three counties that make up the assessment area none of them saw a positive growth in MFI. Switzerland County reported the largest MFI decline of 14.2 percent. A community representative stated that wages have decreased over the past three years and indicated that wages are not competitive. Both representatives indicated a need for wage increases in order to provide residents with a more sustainable lifestyle and to improve their overall quality of life.

Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Assessment Area	59,572	54,883	-7.9
Jefferson County, IN	56,999	52,814	-7.3
Ripley County, IN	62,402	59,967	-3.9
Switzerland County, IN	56,374	48,384	-14.2
Indiana Non-MSA	57,143	55,715	-2.5
Indiana	64,187	61,119	-4.8

*Source: 2006 - 2010 U.S. Census Bureau American Community Survey  
 2011 - 2015 U.S. Census Bureau American Community Survey  
 Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

### Housing Characteristics

There are a total of 31,450 total housing units in the assessment area. The majority of housing units are owner-occupied at 65.1 percent, while 23.0 percent are rental units. Within the assessment area, 12.0 percent of housing units are vacant, which is comparable to the state of Indiana at 11.3 percent.

The following table presents recent housing cost burden for individuals within the counties of the assessment area, as well as the state of Indiana. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the following table, low-income individuals are generally impacted at a higher rate than moderate-income individuals as both renters and owners. Of the three counties that comprise the assessment area, Switzerland County has the lowest proportion of renters that meet the cost burden criteria, with 18.9 percent, while Jefferson County has the lowest proportion of owners that meet the cost burden criteria at 13.6 percent. While Jefferson County has the highest proportion of renters that meet the cost burden criteria at 35.7 percent, Switzerland County has the highest proportion of owners at 25.9 percent. The proportion of households that meet the cost burden criteria in the state of Indiana is 41.7 percent for renters and 15.7 percent for owners.

Overall, community representatives stated there is a need for both owner-occupied and rental affordable housing within the assessment area. A representative indicated that housing stock is low and aging at a fast rate, leading to deteriorating conditions. Another representative stated there is a large homeless population in the area, limited housing vouchers available and a lack of landlords willing to participate in affordable housing programs.

Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	65.6%	25.6%	32.6%	61.4%	27.8%	16.7%
Jefferson County, IN	73.8%	35.7%	39.5%	53.8%	21.0%	13.6%
Ripley County, IN	55.6%	19.7%	29.2%	59.6%	34.1%	16.6%
Switzerland County, IN	60.9%	8.3%	18.9%	77.4%	32.7%	25.9%
Indiana Non-MSA	68.3%	29.3%	35.5%	56.8%	24.6%	15.0%
Indiana	75.0%	37.2%	41.7%	61.1%	28.5%	15.7%

*Cost Burden is housing cost that equals 30 percent or more of household income*

*Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy*

### Employment Conditions

The following table presents the unemployment trends for the assessment area, counties within the assessment area, the Indiana Non-MSA, as well as the state of Indiana. All counties within the assessment area, the Indiana Non-MSA, as well as the state of Indiana, had stable unemployment rates leading up to 2020 when overall rates increased during this period. In 2021, the assessment area saw unemployment rates of 3.0 percent, a decrease from the prior year when it averaged 7.2 percent due to results of the COVID-19 pandemic. This decrease was similar to that seen state-wide as the state of Indiana experienced unemployment declines from 7.2 percent in 2020 to 3.6 percent in 2021. Overall, the assessment area experiences unemployment at a similar rate as the state of Indiana. In 2021 the counties that comprise the assessment demonstrate better unemployment rates when compared to statewide rate.

Community representatives stated that unemployment has recovered from impacts of the pandemic and is now lower than pre-pandemic levels, indicating a healthy workforce. Representatives also indicated that there is a general need for workers to fill entry level positions due to the non-competitive wages offered. Furthermore, a representative stated it is difficult to fill positions as wages are too low for full-time workers to afford childcare.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Assessment Area	3.6	3.5	3.3	7.2	3.0
Jefferson County, IN	3.7	3.4	3.3	7.5	3.1
Ripley County, IN	3.5	3.5	3.2	6.5	2.8
Switzerland County, IN	4.0	3.8	3.3	8.2	3.5
Indiana Non-MSA	3.4	3.2	3.1	6.6	3.0
Indiana	3.5	3.4	3.3	7.2	3.6

*Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics*



## **Industry Characteristics**

According to the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base that features employers in both the public and private sectors. The employment sectors heavily impacting the assessment area includes manufacturing, government, and retail trade. Community representatives observed that workers are experiencing challenges finding sustainable wages due to lower-wage entry level positions. All sectors experienced employment challenges during the pandemic however, all have returned to pre-pandemic employment numbers.

## **Community Representatives**

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on affordable housing, employment, and economic development needs within the assessment area. Both representatives highlighted that there is a need for affordable housing, both for owners and renters. Further, representatives indicated that there is a challenge in filling entry level positions as the current job market is extremely competitive. Further, a representative stated wages need to be increased to provide stability for residents.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA NON-MSA**

### **LENDING TEST**

#### **Geographic Distribution of Loans**

The Friendship State Bank demonstrates reasonable geographic distribution of loans given the bank's assessment area. The analysis includes both HMDA-reportable and small business loans, accounts for the size and complexity of the bank, and focuses on loan penetration in moderate-income census tracts as there are no low-income census tracts in the assessment area.

In 2020 and 2021, HMDA-reportable loans were originated in all sixteen census tracts. In 2021, small business loans were originated in 14 of 16 census tracts. Based upon this analysis, there are no conspicuous geographic lending gaps.

Specific to HMDA-reportable lending, due to limited or no lending activity of home improvement, multi-family, other purpose lines of credit, other purpose closed/exempt, and loan purpose not applicable loans, only home purchase and refinance loans will be discussed.

## HMDA – Reportable Loans

The geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area. In 2021, The Friendship State Bank originated 12.6 percent of their total HMDA-reportable loans in moderate-income census tracts, which is greater than the aggregate and the percentage of owner-occupied units located within those geographies at 10.4 and 9.7 percent, respectively. The majority (78.2 percent) of the bank's HMDA-reportable loans were originated in middle-income census tracts, which is greater when compared with the aggregate and the percentage of owner-occupied units located within those geographies at 74.0 percent and 73.7 percent, respectively. Additionally, the bank originated 9.2 percent of HMDA-reportable loans in upper-income census tracts. This is below both the aggregate and the percentage of owner-occupied units in those geographies at 15.5 percent and 16.6 percent, respectively.

The bank's distribution of HMDA-reportable lending across geographies of different income levels in 2020 was consistent with the distribution of loans in 2021.

### *Home Purchase Loans*

In 2021, home purchase loans represented 30.3 percent of the bank's total HMDA-reportable loans in the Indiana Non-MSA assessment area. The bank originated 13.5 percent of its home purchase loans in moderate-income census tracts. The bank's performance is above the aggregate lender rate at 10.4 percent and the 9.7 percent of owner-occupied units. The majority of the bank's home purchase loans were originated in middle-income census tracts at 73.0 percent, comparable to the aggregate lender rate at 75.0 percent and the 73.7 percent of owner-occupied units. Lastly, the bank originated 13.5 percent of its home purchase loans in upper-income census tracts, which was comparable to the aggregate lender rate at 14.6 percent but was below the 16.6 percent of owner-occupied units located in upper-income census tracts.

### *Refinance Loans*

In 2021, refinance loans represented 67.7 percent of the bank's total HMDA-reportable loans in the Indiana Non-MSA assessment area. The bank originated 12.1 percent of its refinance loans in moderate-income census tracts. The bank's performance is above both the aggregate lender rate of 10.7 percent and the 9.7 percent of owner-occupied units located in moderate-income census tracts. The majority of the bank's refinance loans were originated in middle-income census tracts at 80.4 percent. The bank's performance exceeds the aggregate lender rate of 72.0 percent and the 73.7 percent of owner-occupied units in middle income tracts. Finally, the bank originated 7.5 percent of refinance loans in upper-income census tracts which was significantly below when compared to the aggregate lender rate of 17.1 percent and the 16.6 percent of owner-occupied units.

The following table summarizes the bank's 2021 HMDA-reportable lending in the assessment area. Please refer to Appendix B for the 2020 geographic distribution lending tables.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2021 IN Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count		Dollar		Agg	Agg	
		#	%	\$ (000s)	%			
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	12	13.5	10.4	2,406	16.3	10.3	9.7
	Middle	65	73.0	75.0	10,295	69.6	73.0	73.7
	Upper	12	13.5	14.6	2,092	14.1	16.7	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>89</b>	<b>100.0</b>	<b>100.0</b>	<b>14,793</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	24	12.1	10.7	3,096	11.4	10.3	9.7
	Middle	160	80.4	72.0	21,897	80.4	70.3	73.7
	Upper	15	7.5	17.1	2,242	8.2	19.3	16.6
	Unknown	0	0.0	0.1	0	0.0	0.1	0.0
	<b>Total</b>	<b>199</b>	<b>100.0</b>	<b>100.0</b>	<b>27,235</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	25.0	12.1	100	33.1	13.6	9.7
	Middle	3	75.0	73.5	202	66.9	70.5	73.7
	Upper	0	0.0	14.4	0	0.0	15.9	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>100.0</b>	<b>302</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	<b>Multi-Family</b> 0.0
	Moderate	0	0.0	27.3	0	0.0	24.8	3.0
	Middle	2	100.0	72.7	1,135	100.0	75.2	70.8
	Upper	0	0.0	0.0	0	0.0	0.0	26.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>1,135</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	5.8	0	0.0	5.9	9.7
	Middle	0	0.0	79.7	0	0.0	74.5	73.7
	Upper	0	0.0	14.5	0	0.0	19.5	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	6.7	0	0.0	2.8	9.7
	Middle	0	0.0	83.3	0	0.0	93.0	73.7
	Upper	0	0.0	10.0	0	0.0	4.2	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	6.7	0	0.0	9.5	9.7
	Middle	0	0.0	91.7	0	0.0	81.9	73.7
	Upper	0	0.0	1.7	0	0.0	8.6	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	37	12.6	10.4	5,602	12.9	10.3	9.7
	Middle	230	78.2	74.0	33,529	77.1	71.8	73.7
	Upper	27	9.2	15.5	4,334	10.0	17.8	16.6
	Unknown	0	0.0	0.1	0	0.0	0.1	0.0
	<b>Total</b>	<b>294</b>	<b>100.0</b>	<b>100.0</b>	<b>43,464</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The bank’s lending volume in moderate-income census tracts at 10.7 percent is greater than the percentage of total businesses located in moderate-income census tracts at 6.5 percent. A majority (78.6 percent) of the bank’s small business loans were originated in middle-income census tracts, which was above the percentage of total businesses located in those geographies at 68.6 percent. Further, the bank originated 10.7 percent of its small business loans in upper-income census tracts, significantly below the percentage of total businesses located in those geographies at 24.9 percent. The following table presents the bank’s geographic distribution of small business loans in 2021.

<b>Geographic Distribution of Small Business Loans</b>						
Assessment Area: 2021 IN Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	3	10.7	818	28.8	6.5
	Middle	22	78.6	1,760	62.0	68.6
	Upper	3	10.7	261	9.2	24.9
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>2,839</b>	<b>100.0</b>	<b>100.0</b>

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS  
 Note: Percentages may not add to 100.0 percent due to rounding

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

The Friendship State Bank demonstrates a distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes that is reasonable given the demographics of the bank’s assessment area.

### HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among borrowers of different income levels. In 2021, the bank originated 9.5 percent by number of its HMDA-reportable loans to low-income borrowers, above the aggregate of lenders (6.4 percent) and below the percentage of low-income families in the assessment area (19.3 percent). The bank originated 15.3 percent by number of its HMDA-reportable loans to moderate-income borrowers, below the aggregate (19.4 percent) and the percentage of families designated as moderate-income

in the assessment area (18.8 percent). The bank originated 26.9 percent of HMDA-reportable loans to middle-income borrowers, above the aggregate and the demographic at 22.2 and 22.9 percent, respectively. The bank originated a large proportion of its HMDA-reportable loans to upper-income borrowers (42.9 percent), which was significantly greater when compared to the aggregate (31.1 percent) and above the demographic (39.0 percent). In addition, 5.4 percent of the bank's HMDA-reportable loans were originated to borrowers of unknown income, significantly below the aggregate at 20.9 percent.

The bank's distribution of HMDA-reportable lending to borrowers of different income levels in 2020 was consistent with the distribution of HMDA-reportable loans in 2021. Please see Appendix B for 2020 lending tables and exhibits.

#### *Home Purchase*

In 2021 home purchase loans accounted for 30.3 percent of the bank's total HMDA-reportable loans in the Indiana Non-MSA assessment area. The bank originated 14.6 percent of its home purchase loans to low-income borrowers. The bank's performance exceeded the aggregate lender rate of 6.6 percent and was below the percentage of low-income families in the assessment area of 19.3 percent. The bank originated 19.1 percent of home purchase loans to moderate-income borrowers, which is comparable to the percentage of moderate-income families in the assessment area (18.8 percent) and was below the aggregate lender rate of 22.4 percent. The bank originated 18.0 percent of its home purchase loans to middle-income borrowers, which was below both the aggregate lender rate and middle-income families in the assessment area at 21.1 percent and 22.9 percent, respectively. The bank originated 43.8 percent of its home purchase loans to upper-income borrowers. The bank's performance significantly exceeded the aggregate lender rate at 25.3 percent and was greater than the percent of upper-income families in the assessment area at 39.0 percent. Lastly, the bank originated 4.5 percent of home purchase loans to borrowers with unknown income, significantly below the aggregate at 24.6 percent.

#### *Refinance*

In 2021, the bank originated 7.5 percent of its refinance loans to low-income borrowers. The bank's performance is above the aggregate lender rate at 6.1 percent and significantly below the percentage of low-income families located in the assessment area at 19.3 percent. The bank originated 14.1 percent of its refinance loans to moderate-income borrowers, which is below the aggregate lender rate at 18.5 percent and the percentage of moderate-income families in the assessment area at 18.8 percent. The bank originated 31.2 percent of its refinance loans to middle-income borrowers. The bank's performance was above both the aggregate at 23.8 percent and the percentage of middle-income families in the assessment area at 22.9 percent. The bank originated the greatest percentage (41.7 percent) of its refinance loans to upper-income borrowers. The bank's performance was greater than both the aggregate lender rate at 33.5 percent and the percentage of upper-income families in the assessment area of 39.0 percent. Lastly, the bank originated 5.5

percent of refinance loans to borrowers with unknown income, significantly below the aggregate rate of 18.1 percent.

The following table summarizes the bank's 2021 HMDA-reportable lending in the assessment area. Please refer to Appendix B for the 2020 borrower distribution tables.

<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2021 IN Non MSA</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2021			2021			
		Count Bank		Agg	Dollar Bank		Agg	
#	%	%	\$(000s)	\$ %	\$ %			
Home Purchase	Low	13	14.6	6.6	958	6.5	4.2	19.3
	Moderate	17	19.1	22.4	1,746	11.8	18.4	18.8
	Middle	16	18.0	21.1	2,610	17.6	22.3	22.9
	Upper	39	43.8	25.3	8,712	58.9	34.6	39.0
	Unknown	4	4.5	24.6	767	5.2	20.4	0.0
	<b>Total</b>	<b>89</b>	<b>100.0</b>	<b>100.0</b>	<b>14,793</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	15	7.5	6.1	1,219	4.5	3.7	19.3
	Moderate	28	14.1	18.5	2,910	10.7	13.2	18.8
	Middle	62	31.2	23.8	8,010	29.4	22.0	22.9
	Upper	83	41.7	33.5	13,502	49.6	40.9	39.0
	Unknown	11	5.5	18.1	1,594	5.9	20.1	0.0
	<b>Total</b>	<b>199</b>	<b>100.0</b>	<b>100.0</b>	<b>27,235</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	3.0	0	0.0	2.3	19.3
	Moderate	0	0.0	18.2	0	0.0	14.3	18.8
	Middle	1	25.0	20.5	131	43.2	18.2	22.9
	Upper	3	75.0	55.3	172	56.8	63.1	39.0
	Unknown	0	0.0	3.0	0	0.0	2.1	0.0
	<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>100.0</b>	<b>302</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	19.3
	Moderate	0	0.0	0.0	0	0.0	0.0	18.8
	Middle	0	0.0	9.1	0	0.0	18.5	22.9
	Upper	1	50.0	45.5	355	31.3	15.9	39.0
	Unknown	1	50.0	45.5	780	68.7	65.6	0.0
	<b>Total</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>1,135</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	12.3	0	0.0	10.3	19.3
	Moderate	0	0.0	11.6	0	0.0	11.9	18.8
	Middle	0	0.0	23.2	0	0.0	19.7	22.9
	Upper	0	0.0	48.6	0	0.0	55.3	39.0
	Unknown	0	0.0	4.3	0	0.0	2.8	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	10.0	0	0.0	2.7	19.3
	Moderate	0	0.0	13.3	0	0.0	11.0	18.8
	Middle	0	0.0	40.0	0	0.0	35.2	22.9
	Upper	0	0.0	36.7	0	0.0	51.1	39.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	19.3
	Moderate	0	0.0	0.0	0	0.0	0.0	18.8
	Middle	0	0.0	0.0	0	0.0	0.0	22.9
	Upper	0	0.0	0.0	0	0.0	0.0	39.0
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	28	9.5	6.4	2,177	5.0	4.0	19.3
	Moderate	45	15.3	19.4	4,655	10.7	15.4	18.8
	Middle	79	26.9	22.2	10,751	24.7	22.0	22.9
	Upper	126	42.9	31.1	22,740	52.3	38.4	39.0
	Unknown	16	5.4	20.9	3,141	7.2	20.2	0.0
	<b>Total</b>	<b>294</b>	<b>100.0</b>	<b>100.0</b>	<b>43,464</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different sizes. A sample of small business loans originated in 2021 were reviewed, of which 96.4 percent by number were to businesses with gross revenues equal to or less than \$1 million. The bank’s performance exceeds the presence of total small businesses operating in the assessment area at 91.0 percent. Of the sample of small business loans originated to banks with revenues of \$1 million or less, 77.8 percent of those loans were in amounts of \$100,000 or less, which are considered the most beneficial to small businesses, indicating the bank’s willingness to meet those credit needs.

The following table presents the bank’s distribution of small business loans in 2021.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 IN Non MSA							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses	
Revenue	Loan Size	Count		Dollar			%
		Bank	%	Bank	%		
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	27	96.4	2,374	83.6	91.0
		Over \$1 Million	1	3.6	465	16.4	6.6
		Unknown	0	0.0	0	0.0	2.3
		<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>2,839</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	21	75.0	618	21.8	
		\$100,001 - \$250,000	3	10.7	500	17.6	
		\$250,001 - \$1 Million	4	14.3	1,721	60.6	
		<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>2,839</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	21	77.8	618	26.0	
		\$100,001 - \$250,000	3	11.1	500	21.1	
		\$250,001 - \$1 Million	3	11.1	1,256	52.9	
		<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>2,374</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

### COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services.

### Lending

During the evaluation period, the bank originated one qualified community development loan totaling \$346,000 toward community service within the assessment area. While this is a decrease in



number of loans since the previous examination at which the bank originated two qualified loans, it represents a 73.0 percent increase in loan dollars placed into the assessment area. As affordable housing was a need iterated by community representatives, this loan is particularly responsive.

### Investments

During the evaluation period, the bank disbursed funds for two qualified investments within the assessment area totaling approximately \$665,000. These investments were existing agreements with an affordable housing entity and a community service organization. The investments indicate the bank’s continued willingness serve needs within the assessment area. Additionally, during the review period the bank made a total of 20 qualified donations totaling \$9,795 towards affordable housing, economic development, and community service events and organizations. This represents a decrease from the previous evaluation, where the bank made a total of 52 qualified donations for a total of \$16,155. The majority of donations were focused on economic development.

### Services

During the evaluation period, bank staff provided 728 community development service hours among five different organizations. Bank staff served in leadership capacities for the majority of organizations as board and/or committee members and advisors. The bank’s participation in community development services was deemed proactive and responsive to the needs of the community based on organizations served and conversations with community representatives. Overall, the bank’s performance was slightly below that of the previous evaluation in which the bank provided 846 community service hours across six organizations.

The following table presents the bank’s community development activities during the evaluation period for the assessment area.

Summary of CD Activities Indiana Non-MSA Assessment Area October 1, 2018 – October 18, 2018										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	0	0	1	346,000	1	346,000
Investment	1	500,000	0	0	0	0	1	165,000	2	665,000
Donations	1	1,500	11	5,950	0	0	8	2,345	20	9,795
Services	0	0	3	380	0	0	2	348	5	728

## CINCINNATI OH-KY-IN MSA #17140 – FULL REVIEW

### SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Cincinnati OH-KY-IN MSA assessment area. The scope is consistent with the scope of examination described within the institution summary. For further information, refer to the "Scope of Examination" section for details.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN CINCINNATI, OH-KY-IN MSA #17140

The bank's Cincinnati, OH-KY-IN MSA #17140 assessment area consists of Ohio County in its entirety and a portion of Dearborn County. Based on 2021 FFIEC Census Data, the assessment area is comprised of seven census tracts which includes three moderate-income census tracts and four middle-income census tracts. No low- or unknown-income census tracts are located within the assessment area. There have been no changes since the previous examination to the assessment area.

Within the assessment area, the bank operates three full-service branches accompanied by full-service ATMs at each location. The branches are located in Rising Sun, Dillsboro, and Lawrenceburg, Indiana. The branches in Dillsboro and Lawrenceburg are in Dearborn County and are located in middle-income census tracts. The Rising Sun branch, in Ohio County, is located in a moderate-income census tract.

According to the June 30, 2022, FDIC Deposit Market Share Report, the bank ranked fourth among seven FDIC-insured financial institutions operating in Ohio and Dearborn Counties with 13.5 percent of the market share. The bank held \$194.4 million in deposits inside of the market. For comparison, the leading institutions by market share are Civista Bank (39.7 percent), First Financial Bank (17.9 percent), and U.S. Bank National Association (16.8 percent).

In 2021, FSB ranked 2<sup>nd</sup> among 159 HMDA-reporters, originating 147 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, Civista Bank originated 229 HMDA-reportable loans.

Additional assessment area demographic information is provided in the following table. Please refer to Appendix B for 2020 demographic information.

Assessment Area: 2021 Cincinnati, OH-KY-IN MSA 17140								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,943	21.9
Moderate-income	3	42.9	2,635	29.7	340	12.9	1,857	20.9
Middle-income	4	57.1	6,233	70.3	405	6.5	2,131	24.0
Upper-income	0	0.0	0	0.0	0	0.0	2,937	33.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>7</b>	<b>100.0</b>	<b>8,868</b>	<b>100.0</b>	<b>745</b>	<b>8.4</b>	<b>8,868</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	5,334	2,547	26.1	47.8	2,106	39.5	681	12.8
Middle-income	9,409	7,225	73.9	76.8	1,435	15.3	749	8.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>14,743</b>	<b>9,772</b>	<b>100.0</b>	<b>66.3</b>	<b>3,541</b>	<b>24.0</b>	<b>1,430</b>	<b>9.7</b>
	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	785	49.2	716	48.3	54	61.4	15	60.0
Middle-income	809	50.8	765	51.7	34	38.6	10	40.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,594</b>	<b>100.0</b>	<b>1,481</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>
	Percentage of Total Businesses:			92.9		5.5		1.6
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	4	6.8	4	6.9	0	0.0	0	0.0
Middle-income	55	93.2	54	93.1	1	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>59</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	Percentage of Total Farms:			98.3		1.7		0.0
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

### Population Characteristics

The following table presents the population trends for the assessment area, counties that makeup the assessment area, the state of Indiana, and the entire Cincinnati, OH-KY-IN MSA from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 55,712, a slight decline in population of 0.8 percent from 2010. Neither of the two counties that comprise the assessment area recorded a population growth; Ohio County recorded the greatest population loss of 1.6 percent. The state and entire Cincinnati, OH-KY-IN MSA experienced population growth during this same timeframe, of 1.3 and 1.2 percent respectively. Community representatives stated that Ohio County is the smallest county within Indiana and the rural nature of the area causes residents to migrate outside of the area.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	56,175	55,712	-0.8
Dearborn County, IN	50,047	49,679	-0.7
Ohio County, IN	6,128	6,033	-1.6
Cincinnati, OH-KY-IN MSA	2,137,667	2,162,401	1.2
Indiana	6,483,802	6,568,645	1.3

*Source: 2010 U.S. Census Bureau Decennial Census  
 2011 - 2015 U.S. Census Bureau American Community Survey*

### Income Characteristics

According to 2021 FFIEC Census Data, the assessment area is comprised of 8,868 families, of which 21.9 percent are low-income, 22.9 percent are moderate-income, 24.0 percent are middle-income, and 33.1 percent are upper-income. Approximately 8.4 percent of families residing within the assessment area live below the poverty line, which is below the 11.1 percent in the state of Indiana.

The following table compares the MFI for the assessment area, counties that makeup the assessment area, the entire Cincinnati, OH-KY-IN MSA, and the state of Indiana. According to the 2011-2015 U.S. Census Bureau data, the MFI in the assessment area decreased by 3.1 percent, compared to a 5.7 percent growth in the entire Cincinnati, OH-KY-IN MSA and a 4.8 percent decrease in the state of Indiana. Of the two counties that make up the assessment area, Ohio County experienced the greatest decrease of 11.1 percent while Dearborn County experienced a 2.9 percent decrease. Community representatives confirmed that the MFI changes are reflective of lower-paying, entry level positions that are more prevalent in the area, in addition to an unemployment rate that rose during the COVID-19 pandemic. Further, a community representative stated there is a need for wage increases across the state as a whole, because employers will not offer higher than minimum wage unless legislation changes.

Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Assessment Area	71,664	69,417	-3.1
Dearborn County, IN	72,482	70,401	-2.9
Ohio County, IN	69,988	62,246	-11.1
Cincinnati, OH-KY-IN MSA	66,148	69,949	5.7
Indiana	64,187	61,119	-4.8
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

### Housing Characteristics

There are a total of 14,743 total housing units in the assessment area. The majority of housing units are owner-occupied at 66.3 percent, while 24.0 percent are rental units. Within the assessment area, 9.7 percent of housing units are vacant, which is below the state of Indiana vacancy rate of 11.3 percent.

The following table presents recent housing cost burden for individuals within the counties of the assessment area, as well as the state of Indiana. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the following table, low-income individuals are generally impacted at a higher rate than moderate-income individuals for both renters and owners. Of the two counties that comprise the assessment area, Ohio County has the lowest proportion of renters and owners that meet the cost burden criteria, with 23.1 and 14.2 percent, respectively. The proportion of households that meet the cost burden criteria in the state of Indiana is 41.7 percent for renters and 15.7 percent for owners.

Community representatives unanimously agreed the most pressing challenge to the local economy is the lack of affordable housing available throughout the assessment area for both homeowners and renters. A community representative stated that new housing developments within the area have negatively impacted the affordability of housing units within the assessment area. The representative stated that many developments have been aimed at appealing Dearborn County's flourishing downtown area to attract residents with luxury rental units.

Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	72.7%	18.5%	42.6%	58.7%	38.8%	18.0%
Dearborn County, IN	75.0%	18.9%	45.2%	60.7%	41.6%	18.5%
Ohio County, IN	51.1%	14.3%	23.1%	45.3%	24.4%	14.2%
Cincinnati, OH-KY-IN MSA	73.2%	27.9%	40.8%	65.3%	35.2%	17.7%
Indiana	75.0%	37.2%	41.7%	61.1%	28.5%	15.7%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy</i>						

### Employment Conditions

The following table presents the unemployment trends for the assessment area, the counties within the assessment area, as well as the state of Indiana, and the Cincinnati, OH-KY-IN MSA as a whole. All of the counties within the assessment area, as well as the state of Indiana, had stable unemployment rates leading up to 2020 when overall rates increased during this period. In 2021 the assessment area saw unemployment rates of 2.9 percent, a decrease from the prior year when it averaged 7.0 percent due to results of the COVID-19 pandemic. This decrease was similar to that seen state-wide as the state of Indiana experienced unemployment declines from 7.2 percent in 2020 to 3.6 percent in 2021. Overall, in 2021, the counties making up the assessment area experience lower unemployment rates when compared to the state of Indiana's rate of 3.6 percent.

A community representative indicated that the assessment area's unemployment rate is currently on par with the state of Indiana and has recovered from the COVID-19 pandemic and that it has increased manufacturing and food service opportunities.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Assessment Area	3.8	3.6	3.5	7.0	2.9
Dearborn County, IN	3.8	3.6	3.5	7.0	3.0
Ohio County, IN	3.6	3.4	3.4	7.4	2.5
Cincinnati, OH-KY-IN MSA	4.3	3.9	3.7	7.0	4.4
Indiana	3.5	3.4	3.3	7.2	3.6
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

### Industry Characteristics

According to the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base that features employers in both the public and private sectors. The employment

sectors heavily impacting the assessment area includes retail, government, and accommodation and food services. A community representative stated the leading industries include manufacturing, retail, food services, and healthcare, and that no industries appear to be moving into the area or leaving. However, the area experiences increased tourism due to local ski slopes that offer various tourist attractions.

### **Community Representatives**

Two community representatives were contacted to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area. A community representative stated that the assessment area has a large casino presence and as such, many residents are employed at the casino where wages are not as competitive. A representative stated there is a need for affordable housing, both in terms of rental units and for more affordable options for potential homeowners. The representative also stated there is a need for public transportation for local residents.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS CINCINNATI, OH-KY-IN MSA #17140**

### **LENDING TEST**

#### **Geographic Distribution of Loans**

The Friendship State Bank demonstrates a reasonable geographic distribution of loans given the bank's assessment area. The analysis includes both HMDA-reportable and small business loans, accounts for the size and complexity of the bank, and focuses on loan penetration in moderate-income census tracts as there are no low-income census tracts in the assessment area.

In 2020 and 2021, HMDA-reportable loans were originated in all seven census tracts. In 2021, small business loans were originated in six of seven census tracts. Based upon this analysis, there are no conspicuous geographic lending gaps.

Specific to HMDA-reportable lending, due to limited or no lending activity of home improvement, multi-family, other purpose lines of credit, other purpose closed/exempt, and loan purpose not applicable loans, only home purchase and refinance loans will be discussed.

#### **HMDA – Reportable Loans**

The geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area. In 2021, The Friendship State Bank originated 26.0 percent of the total HMDA-reportable loans in moderate-income census tracts, which is below the aggregate lender rate (30.3

percent) and comparable to the percentage of owner-occupied units located within those geographies at 26.1 percent. A majority (74.0 percent) of the bank's HMDA-reportable loans were originated in middle-income census tracts, which is greater when compared with the aggregate lender rate of 69.7 percent and comparable to the percentage of owner-occupied units located within those geographies at 73.9 percent.

The bank's distribution of HMDA-reportable lending across geographies of different income levels in 2020 was consistent with the distribution of loans in 2021.

#### *Home Purchase*

In 2021, home purchase loans represented 28.1 percent of the bank's total HMDA-reportable loans in the Cincinnati, OH-KY-IN assessment area. The bank originated 39.0 percent of home purchase loans in moderate-income census tracts. The bank's performance is slightly above the aggregate at 37.8 percent and significantly greater than the 26.1 percent of owner-occupied units. The majority of the bank's home purchase loans were originated in middle-income census tracts at 61.0 percent, comparable to the aggregate at 62.2 percent and significantly below the 73.9 percent of owner-occupied units.

#### *Refinance*

In 2021, refinance loans represented 71.2 percent of the bank's total HMDA-reportable loans in the Cincinnati, OH-KY-IN assessment area. The bank originated 20.2 percent of its refinance loans in moderate-income census tracts. The bank's performance was below both the aggregate lender rate of 24.6 percent and the 26.1 percent of owner-occupied units located in a moderate-income census tract. The majority of the bank's refinance loans were originated in middle-income census tracts at 79.8 percent. The bank's performance outperforms the aggregate lender rate of 75.4 percent and the 73.9 percent of owner-occupied units in middle-income tracts.

The following table summarizes the bank's 2021 HMDA-reportable lending in the assessment area. Please refer to Appendix B for the 2020 geographic distribution lending tables.



Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2021 Cincinnati, OH-KY-IN MSA 17140								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2021			Dollar			
		Count Bank		Agg	Bank			Agg
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	16	39.0	37.8	1,891	27.1	30.2	26.1
	Middle	25	61.0	62.2	5,085	72.9	69.8	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>41</b>	<b>100.0</b>	<b>100.0</b>	<b>6,976</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	21	20.2	24.6	2,887	20.2	19.9	26.1
	Middle	83	79.8	75.4	11,388	79.8	80.1	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>104</b>	<b>100.0</b>	<b>100.0</b>	<b>14,276</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	100.0	26.3	65	100.0	16.5	26.1
	Middle	0	0.0	73.7	0	0.0	83.5	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	<b>Multi-Family</b> 0.0
	Moderate	0	0.0	71.4	0	0.0	12.5	79.2
	Middle	0	0.0	28.6	0	0.0	87.5	20.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	28.0	0	0.0	27.0	26.1
	Middle	0	0.0	72.0	0	0.0	73.0	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	10.0	0	0.0	4.8	26.1
	Middle	0	0.0	90.0	0	0.0	95.2	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	7.7	0	0.0	7.5	26.1
	Middle	0	0.0	92.3	0	0.0	92.5	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	38	26.0	30.3	4,844	22.7	24.7	26.1
	Middle	108	74.0	69.7	16,473	77.3	75.3	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>146</b>	<b>100.0</b>	<b>100.0</b>	<b>21,317</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank’s lending volume in moderate-income census tracts at 33.3 percent was significantly below the 49.2 percent of total businesses located in moderate-income census tracts. A community representative noted that area manufacturing firms have struggled to remain in consistent operation throughout the pandemic. This may impact demand for small business loans. The bank originated a majority (66.7 percent) of its small business loans in middle-income census tracts, greatly exceeding the 50.8 percent of businesses located in middle-income census tracts. The following table presents the bank’s geographic distribution of small business loans in 2021.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 Cincinnati, OH-KY-IN MSA 17140</b>						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2021 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	4	33.3	249	39.9	49.2
	Middle	8	66.7	375	60.1	50.8
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>624</b>	<b>100.0</b>	<b>100.0</b>

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS  
 Note: Percentages may not add to 100.0 percent due to rounding

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

The Friendship State Bank demonstrates a distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes that is reasonable given the demographics of the bank's assessment area.

### HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among borrowers of different income levels. In 2021, the bank originated 11.0 percent by number of its HMDA-reportable loans to low-income borrowers, slightly below the aggregate of lenders (12.1 percent) and significantly below the percentage of low-income families in the assessment area (21.9 percent). The bank originated 29.5 percent by number of its HMDA-reportable loans to moderate-income borrowers, greater than the aggregate (25.1 percent) and the percentage of families designated as moderate-income in the assessment area (20.9 percent). The bank originated 25.3

percent of HMDA-reportable loans to middle-income borrowers, above the aggregate and comparable to the demographic at 22.2 percent and 24.0 percent, respectively. The bank originated 25.3 percent to upper-income borrowers, which was greater when compared to the aggregate (21.1 percent) and below the demographic (33.1 percent). In addition, 8.9 percent of the bank's HMDA-reportable loans were originated to borrowers of unknown income, significantly below the aggregate at 19.5 percent.

The bank's distribution of HMDA-reportable lending to borrowers of different income levels in 2020 was consistent with the distribution of HMDA-reportable loans in 2021. Please see Appendix B for 2020 lending tables and exhibits.

#### *Home Purchase*

In 2021 home purchase loans accounted for 28.1 percent of the bank's total HMDA-reportable loans in the Cincinnati, OH-KY-IN assessment area. The bank originated 14.6 percent of its home purchase loans to low-income borrowers. The bank's performance was slightly above the aggregate lender rate of 13.3 percent and was below the percentage of low-income families in the assessment area of 21.9 percent. The bank originated 29.3 percent of home purchase loans to moderate-income borrowers, which is slightly above the aggregate lender rate of 26.9 percent and greater than the percentage of moderate-income families in the assessment area (20.9 percent). The bank originated 19.5 percent of home purchase loans to middle-income borrowers, which was comparable to the aggregate lender rate (20.8 percent) and below the middle-income families in the assessment area at 24.0 percent. The bank originated 29.3 percent of its home purchase loans to upper-income borrowers. The bank's performance significantly exceeded the aggregate lender rate at 17.8 percent and slightly greater than the percent of upper-income families in the assessment area at 33.1 percent. Lastly, the bank originated 7.3 percent of home purchase loans to borrowers with unknown-income, significantly below the aggregate at 21.3 percent.

#### *Refinance*

In 2021 refinance loans accounted for 71.2 percent of the bank's total HMDA-reportable loans in the Cincinnati, OH-KY-IN assessment area. In 2021, the bank originated 9.6 percent of its refinance loans to low-income borrowers. The bank's performance is below the aggregate at 11.0 percent and significantly below the percentage of low-income families located in the assessment area at 21.9 percent. The bank originated 28.8 percent of its refinance loans to moderate-income borrowers, which is above the aggregate at 24.7 percent and the percentage of moderate-income families in the assessment area at 20.9 percent. The bank originated 27.9 percent of its refinance loans to middle-income borrowers. The bank's performance was above both the aggregate at 22.9 percent and the percentage of middle-income families in the assessment area at 24.0 percent. The bank originated 24.0 percent of its refinance loans to upper-income borrowers. The bank's performance was comparable to the aggregate at 22.6 percent and below the percentage of upper-income families in the assessment area of 33.1 percent. Lastly, the bank originated 9.6 percent of refinance loans to

borrowers with unknown income, below the aggregate rate of 18.9 percent.

The following table summarizes the bank's 2021 HMDA-reportable lending in the assessment area. Please refer to Appendix B for the 2020 borrower distribution tables.

<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2021 Cincinnati, OH-KY-IN MSA 17140</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income
		2021						
		Count Bank		Agg	Dollar Bank		Agg	
		#	%	%	\$(000s)	\$ %	\$ %	%
Home Purchase	Low	6	14.6	13.3	351	5.0	8.2	21.9
	Moderate	12	29.3	26.9	1,796	25.7	22.3	20.9
	Middle	8	19.5	20.8	1,707	24.5	22.2	24.0
	Upper	12	29.3	17.8	2,804	40.2	26.4	33.1
	Unknown	3	7.3	21.3	318	4.6	21.0	0.0
	<b>Total</b>		<b>41</b>	<b>100.0</b>	<b>100.0</b>	<b>6,976</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	10	9.6	11.0	1,099	7.7	7.2	21.9
	Moderate	30	28.8	24.7	3,501	24.5	19.5	20.9
	Middle	29	27.9	22.9	4,119	28.9	23.2	24.0
	Upper	25	24.0	22.6	4,507	31.6	28.9	33.1
	Unknown	10	9.6	18.9	1,050	7.4	21.3	0.0
	<b>Total</b>		<b>104</b>	<b>100.0</b>	<b>100.0</b>	<b>14,276</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	13.2	0	0.0	8.2	21.9
	Moderate	1	100.0	28.9	65	100.0	19.4	20.9
	Middle	0	0.0	18.4	0	0.0	21.5	24.0
	Upper	0	0.0	31.6	0	0.0	46.2	33.1
	Unknown	0	0.0	7.9	0	0.0	4.6	0.0
	<b>Total</b>		<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.9
	Moderate	0	0.0	0.0	0	0.0	0.0	20.9
	Middle	0	0.0	0.0	0	0.0	0.0	24.0
	Upper	0	0.0	0.0	0	0.0	0.0	33.1
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	15.0	0	0.0	13.3	21.9
	Moderate	0	0.0	21.5	0	0.0	16.2	20.9
	Middle	0	0.0	29.0	0	0.0	28.5	24.0
	Upper	0	0.0	31.8	0	0.0	40.6	33.1
	Unknown	0	0.0	2.8	0	0.0	1.5	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	10.0	0	0.0	3.3	21.9
	Moderate	0	0.0	0.0	0	0.0	0.0	20.9
	Middle	0	0.0	50.0	0	0.0	34.8	24.0
	Upper	0	0.0	40.0	0	0.0	62.0	33.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	21.9
	Moderate	0	0.0	0.0	0	0.0	0.0	20.9
	Middle	0	0.0	0.0	0	0.0	0.0	24.0
	Upper	0	0.0	0.0	0	0.0	0.0	33.1
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	16	11.0	12.1	1,450	6.8	7.6	21.9
	Moderate	43	29.5	25.1	5,362	25.2	20.1	20.9
	Middle	37	25.3	22.2	5,826	27.3	22.1	24.0
	Upper	37	25.3	21.1	7,311	34.3	27.3	33.1
	Unknown	13	8.9	19.5	1,368	6.4	22.9	0.0
	<b>Total</b>		<b>146</b>	<b>100.0</b>	<b>100.0</b>	<b>21,317</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Small Business Loans

The distribution of small business loans reflects reasonable dispersion among businesses of different sizes. A sample of small business loans originated in 2021 were reviewed, of which 83.3 percent by number were to businesses with gross revenues equal to or less than \$1 million. The bank’s performance is below the presence of total small businesses operating in the assessment at 92.9 percent. Of the sample of small business loans originated to banks with revenues of \$1 million or less, 80.0 percent of those loans were in amounts of \$100,000 or less, which are considered the most beneficial to small businesses, indicating the bank’s willingness to meet the credit needs of small businesses.

The following table presents the bank’s distribution of small business loans in 2021.

<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2021 Cincinnati, OH-KY-IN MSA 17140</b>							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses %	
Revenue	Loan Size	Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	\$1 Million or Less	10	83.3	555	88.9	92.9	
		Over \$1 Million	2	16.7	69	11.1	5.5
		Unknown	0	0.0	0	0.0	1.6
		<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>624</b>	<b>100.0</b>	<b>100.0</b>
	\$100,000 or Less	10	83.3	313	50.2		
		\$100,001 - \$250,000	2	16.7	311		49.8
		\$250,001 - \$1 Million	0	0.0	0		0.0
		<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>624</b>		<b>100.0</b>
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	8	80.0	244	44.0	
		\$100,001 - \$250,000	2	20.0	311	56.0	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
		<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>555</b>	<b>100.0</b>	

Originations & Purchases  
 2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

### COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs of its assessment area through qualified investments and donations and community development services.

## Lending

During the evaluation period, the bank did not originate any qualified loans for a community development purpose within this assessment area. During the previous evaluation, the bank originated one loan of \$20,079.

## Investments

During the evaluation period, the bank made qualified disbursements on four investments totaling \$11.8 million within the assessment area (\$5.8 million of prior period investments and \$6.1 million of new investments). The vast majority, \$11.6 million, went towards economic development efforts within the assessment area. The remaining \$250,000 assisted in affordable housing. This represents a notable increase as the bank did not make any new qualified investments at the previous evaluation. Additionally, the bank made ten qualified donations totaling \$4,560 within the assessment area. The majority of donations were focused on economic development by dollar volume and community service by number. This is a decrease from the number and dollar volume of donations at the previous evaluation, at 29 and \$8280, respectively, to 15 community organizations.

## Services

During the evaluation period, bank staff provided 824 community development service hours among seven different organizations. Bank staff served in leadership capacities for the majority of organizations. This represents a decline in the total number of qualified service hours compared to the previous evaluation period, during which time the bank completed 936 hours of community development services across seven organizations. However, when considering the limitations caused by the COVID-19 pandemic, the bank's performance is considered comparable to the bank's performance during the previous evaluation.

Summary of CD Activities Cincinnati, OH-KY-IN Assessment Area October 1, 2018 – October 17, 2022										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	0	0	0	0	0	0
Investment	1	250,000	3	11,590,000	0	0	0	0	4	11,840,000
Donations	0	0	2	2,750	0	0	8	1,810	10	4,560
Services	0	0	1	160	0	0	5	664	7	824





**APPENDIX B – 2020 Lending Tables  
 Indiana Non-MSA – Full Review**

Assessment Area: 2020 IN Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,796	19.3
Moderate-income	2	12.5	2,138	10.9	465	21.7	3,697	18.8
Middle-income	12	75.0	14,283	72.5	1,232	8.6	4,511	22.9
Upper-income	2	12.5	3,267	16.6	180	5.5	7,684	39.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>16</b>	<b>100.0</b>	<b>19,688</b>	<b>100.0</b>	<b>1,877</b>	<b>9.5</b>	<b>19,688</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,481	1,989	9.7	57.1	899	25.8	593	17.0
Middle-income	23,105	15,076	73.7	65.2	5,207	22.5	2,822	12.2
Upper-income	4,864	3,401	16.6	69.9	1,114	22.9	349	7.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>31,450</b>	<b>20,466</b>	<b>100.0</b>	<b>65.1</b>	<b>7,220</b>	<b>23.0</b>	<b>3,764</b>	<b>12.0</b>
	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	191	6.5	173	6.5	11	5.6	7	10.8
Middle-income	2,008	68.4	1,851	69.2	113	57.7	44	67.7
Upper-income	738	25.1	652	24.4	72	36.7	14	21.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2,937</b>	<b>100.0</b>	<b>2,676</b>	<b>100.0</b>	<b>196</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>
	Percentage of Total Businesses:			91.1		6.7		2.2
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	9	3.3	9	3.3	0	0.0	0	0.0
Middle-income	208	76.5	206	76.3	2	100.0	0	0.0
Upper-income	55	20.2	55	20.4	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>272</b>	<b>100.0</b>	<b>270</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	Percentage of Total Farms:			99.3		0.7		0.0

2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
 Note: Percentages may not add to 100.0 percent due to rounding

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2020 IN Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		Count		Dollar				
		Bank	Agg	Bank	Agg	Agg		
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	12	13.3	12.3	1,723	15.0	11.7	9.7
	Middle	70	77.8	73.0	8,428	73.3	70.4	73.7
	Upper	8	8.9	14.7	1,343	11.7	17.9	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>90</b>	<b>100.0</b>	<b>100.0</b>	<b>11,494</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	26	12.1	8.6	3,476	11.4	7.8	9.7
	Middle	166	77.6	69.6	23,163	76.2	67.7	73.7
	Upper	22	10.3	21.7	3,751	12.3	24.5	16.6
	Unknown	0	0.0	0.1	0	0.0	0.1	0.0
	<b>Total</b>		<b>214</b>	<b>100.0</b>	<b>100.0</b>	<b>30,390</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	2	28.6	12.0	116	6.1	8.6	9.7
	Middle	4	57.1	72.0	1,690	89.1	71.3	73.7
	Upper	1	14.3	16.0	90	4.7	20.1	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>7</b>	<b>100.0</b>	<b>100.0</b>	<b>1,896</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	18.2	0	0.0	21.3	3.0
	Middle	2	100.0	81.8	415	100.0	78.7	70.8
	Upper	0	0.0	0.0	0	0.0	0.0	26.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>415</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	4.4	0	0.0	5.3	9.7
	Middle	0	0.0	73.6	0	0.0	69.6	73.7
	Upper	0	0.0	22.0	0	0.0	25.2	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	7.4	0	0.0	3.4	9.7
	Middle	0	0.0	85.2	0	0.0	85.8	73.7
	Upper	0	0.0	7.4	0	0.0	10.7	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	15.6	0	0.0	16.6	9.7
	Middle	0	0.0	75.6	0	0.0	72.1	73.7
	Upper	0	0.0	8.9	0	0.0	11.3	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	40	12.8	10.2	5,315	12.0	9.5	9.7
	Middle	242	77.3	71.4	33,696	76.2	69.1	73.7
	Upper	31	9.9	18.4	5,184	11.7	21.4	16.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>313</b>	<b>100.0</b>	<b>100.0</b>	<b>44,195</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2016 FFIEC Census Data								
Note: Percentages may not add to 100.0 percent due to rounding								

<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2020 IN Non MSA</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2020			2020			
		Count Bank		Agg	Dollar Bank		Agg	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	13	14.4	8.6	979	8.5	4.5	19.3
	Moderate	19	21.1	27.6	1,610	14.0	23.0	18.8
	Middle	23	25.6	20.2	2,977	25.9	21.9	22.9
	Upper	33	36.7	26.0	5,766	50.2	34.6	39.0
	Unknown	2	2.2	17.5	163	1.4	16.0	0.0
	<b>Total</b>		<b>90</b>	<b>100.0</b>	<b>100.0</b>	<b>11,494</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	17	7.9	4.6	1,386	4.6	2.5	19.3
	Moderate	27	12.6	15.6	3,230	10.6	11.1	18.8
	Middle	52	24.3	19.8	6,608	21.7	17.6	22.9
	Upper	108	50.5	44.0	17,680	58.2	51.1	39.0
	Unknown	10	4.7	16.0	1,486	4.9	17.7	0.0
	<b>Total</b>		<b>214</b>	<b>100.0</b>	<b>100.0</b>	<b>30,390</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	6.0	0	0.0	3.7	19.3
	Moderate	3	42.9	22.0	195	10.3	14.9	18.8
	Middle	1	14.3	18.0	100	5.3	18.9	22.9
	Upper	2	28.6	50.7	291	15.3	49.1	39.0
	Unknown	1	14.3	3.3	1,310	69.1	13.4	0.0
	<b>Total</b>		<b>7</b>	<b>100.0</b>	<b>100.0</b>	<b>1,896</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	19.3
	Moderate	1	50.0	9.1	120	28.8	3.0	18.8
	Middle	0	0.0	0.0	0	0.0	0.0	22.9
	Upper	0	0.0	9.1	0	0.0	7.2	39.0
	Unknown	1	50.0	81.8	295	71.2	89.9	0.0
	<b>Total</b>		<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>415</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	5.5	0	0.0	3.0	19.3
	Moderate	0	0.0	11.0	0	0.0	14.0	18.8
	Middle	0	0.0	24.2	0	0.0	26.2	22.9
	Upper	0	0.0	52.7	0	0.0	53.5	39.0
	Unknown	0	0.0	6.6	0	0.0	3.4	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	18.5	0	0.0	9.9	19.3
	Moderate	0	0.0	22.2	0	0.0	11.6	18.8
	Middle	0	0.0	18.5	0	0.0	19.7	22.9
	Upper	0	0.0	37.0	0	0.0	56.0	39.0
	Unknown	0	0.0	3.7	0	0.0	2.9	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	19.3
	Moderate	0	0.0	0.0	0	0.0	0.0	18.8
	Middle	0	0.0	0.0	0	0.0	0.0	22.9
	Upper	0	0.0	0.0	0	0.0	0.0	39.0
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	30	9.6	6.3	2,365	5.4	3.3	19.3
	Moderate	50	16.0	20.1	5,154	11.7	15.7	18.8
	Middle	76	24.3	19.6	9,686	21.9	19.1	22.9
	Upper	143	45.7	36.9	23,737	53.7	43.7	39.0
	Unknown	14	4.5	17.0	3,254	7.4	18.2	0.0
	<b>Total</b>		<b>313</b>	<b>100.0</b>	<b>100.0</b>	<b>44,195</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

**Cincinnati OH-KY-IN MSA – Full Review**

Assessment Area: 2020 Cincinnati, OH-KY-IN MSA 17140								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,943	21.9
Moderate-income	3	42.9	2,635	29.7	340	12.9	1,857	20.9
Middle-income	4	57.1	6,233	70.3	405	6.5	2,131	24.0
Upper-income	0	0.0	0	0.0	0	0.0	2,937	33.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>7</b>	<b>100.0</b>	<b>8,868</b>	<b>100.0</b>	<b>745</b>	<b>8.4</b>	<b>8,868</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	5,334	2,547	26.1	47.8	2,106	39.5	681	12.8
Middle-income	9,409	7,225	73.9	76.8	1,435	15.3	749	8.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>14,743</b>	<b>9,772</b>	<b>100.0</b>	<b>66.3</b>	<b>3,541</b>	<b>24.0</b>	<b>1,430</b>	<b>9.7</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	790	48.5	716	47.6	60	60.0	14	53.8
Middle-income	839	51.5	787	52.4	40	40.0	12	46.2
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,629</b>	<b>100.0</b>	<b>1,503</b>	<b>100.0</b>	<b>100</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.3</b>		<b>6.1</b>		<b>1.6</b>
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	5	8.6	5	8.8	0	0.0	0	0.0
Middle-income	53	91.4	52	91.2	1	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>58</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.3</b>		<b>1.7</b>		<b>0.0</b>
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2020 Cincinnati, OH-KY-IN MSA 17140								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		Count		Dollar				
		Bank	Agg	Bank	Agg	Agg		
2020		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	8	21.6	35.3	792	12.8	29.6	26.1
	Middle	29	78.4	64.7	5,398	87.2	70.4	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>37</b>	<b>100.0</b>	<b>100.0</b>	<b>6,189</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	22	19.5	21.6	2,388	15.4	18.0	26.1
	Middle	91	80.5	78.4	13,118	84.6	82.0	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>113</b>	<b>100.0</b>	<b>100.0</b>	<b>15,507</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	33.3	0	0.0	32.5	26.1
	Middle	1	100.0	66.7	200	100.0	67.5	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	0.0	0	0.0	0.0	79.2
	Middle	1	100.0	100.0	586	100.0	100.0	20.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>586</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	17.6	0	0.0	13.4	26.1
	Middle	0	0.0	82.4	0	0.0	86.6	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	22.2	0	0.0	28.0	26.1
	Middle	0	0.0	77.8	0	0.0	72.0	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	40.5	0	0.0	37.1	26.1
	Middle	0	0.0	59.5	0	0.0	62.9	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	30	19.7	27.4	3,180	14.1	23.4	26.1
	Middle	122	80.3	72.6	19,302	85.9	76.6	73.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>152</b>	<b>100.0</b>	<b>100.0</b>	<b>22,482</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Originations & Purchases  
2016 FFIEC Census Data

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

<b>Borrower Distribution of HMDA Reportable Loans</b>							
<b>Assessment Area: 2020 Cincinnati, OH-KY-IN MSA 17140</b>							
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison					Families by Family Income %
		2020			Dollar		
		Count Bank		Agg	Bank		
		#	%	%	\$(000s)	\$ %	\$ %
Home Purchase	Low	3	8.1	19.0	208	3.4	12.9
	Moderate	11	29.7	29.8	1,811	29.3	26.7
	Middle	8	21.6	20.1	942	15.2	22.0
	Upper	14	37.8	20.3	3,078	49.7	28.5
	Unknown	1	2.7	10.8	150	2.4	9.9
	<b>Total</b>		<b>37</b>	<b>100.0</b>	<b>100.0</b>	<b>6,189</b>	<b>100.0</b>
Refinance	Low	12	10.6	8.1	1,028	6.6	4.8
	Moderate	23	20.4	20.8	2,649	17.1	17.2
	Middle	39	34.5	23.8	5,501	35.5	21.6
	Upper	33	29.2	28.1	5,372	34.6	34.3
	Unknown	6	5.3	19.3	956	6.2	22.0
	<b>Total</b>		<b>113</b>	<b>100.0</b>	<b>100.0</b>	<b>15,507</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	9.8	0	0.0	8.1
	Moderate	0	0.0	17.6	0	0.0	9.0
	Middle	1	100.0	41.2	200	100.0	40.0
	Upper	0	0.0	29.4	0	0.0	41.6
	Unknown	0	0.0	2.0	0	0.0	1.4
	<b>Total</b>		<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	0.0	0	0.0	0.0
	Middle	0	0.0	0.0	0	0.0	0.0
	Upper	0	0.0	50.0	0	0.0	38.6
	Unknown	1	100.0	50.0	586	100.0	61.4
	<b>Total</b>		<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>586</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	14.7	0	0.0	9.8
	Moderate	0	0.0	20.6	0	0.0	19.2
	Middle	0	0.0	23.5	0	0.0	21.1
	Upper	0	0.0	32.4	0	0.0	44.4
	Unknown	0	0.0	8.8	0	0.0	5.6
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	22.2	0	0.0	11.9
	Moderate	0	0.0	11.1	0	0.0	13.2
	Middle	0	0.0	27.8	0	0.0	35.8
	Upper	0	0.0	16.7	0	0.0	19.6
	Unknown	0	0.0	22.2	0	0.0	19.6
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	0.0	0	0.0	0.0
	Middle	0	0.0	0.0	0	0.0	0.0
	Upper	0	0.0	0.0	0	0.0	0.0
	Unknown	0	0.0	100.0	0	0.0	100.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
HMDA Totals	Low	15	9.9	12.4	1,237	5.5	8.2
	Moderate	34	22.4	23.5	4,460	19.8	20.5
	Middle	48	31.6	22.4	6,643	29.5	21.7
	Upper	47	30.9	24.5	8,450	37.6	31.4
	Unknown	8	5.3	17.1	1,692	7.5	18.1
	<b>Total</b>		<b>152</b>	<b>100.0</b>	<b>100.0</b>	<b>22,482</b>	<b>100.0</b>
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

**APPENDIX C – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	<b>Lending Test:</b> HMDA-reportable loans: January 1, 2020 to December 31, 2021 Small Business loans (sample): January 1, 2021 to December 31, 2021 <b>Community Development Test:</b> October 1, 2018 to October 17, 2022		
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
The Friendship State Bank			HMDA-Reportable Loans Small Business Loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Indiana Non-MSA	Full scope review	N/A	N/A
Cincinnati OH – KY – IN MSA 17140	Full scope review	N/A	N/A

## APPENDIX D – Glossary

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

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

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

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

**Area Median Income (AMI):** AMI means –

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

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

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

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

---

<sup>1</sup> Source: FFIEC press release dated October 19, 2011.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

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

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

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

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

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

**Income Level:** Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Small Farm Loan:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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