

PUBLIC DISCLOSURE

September 9, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers and Drovers Bank
Certificate Number: 12602

201 West Main Street
Council Grove, Kansas 66846

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory. An institution in this category has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Farmers and Drivers Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or illegal credit practices. The following points summarize the Lending Test performance.

- The loan-to-deposit (LTD) ratio is reasonable considering the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of small farm, small business, and home mortgage loans were originated inside the institution's assessment areas.
- The distribution of borrowers reflects an overall reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels.
- Because the assessment areas consist entirely of middle-income geographies, review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The institution did not receive any CRA-related complaints since the previous examination; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 3, 2013, to the current evaluation dated September 9, 2019. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures consist of the Lending Test which considers the bank's performance according to the following criteria.

- LTD ratio
- Assessment area concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

Assessment Areas Reviewed

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Farmers and Drivers Bank has two adjoining assessment areas: (1) Morris County Assessment Area, which is located in nonmetropolitan Kansas, and (2) Wabaunsee County Assessment Area, which is part of the Topeka, Kansas, metropolitan statistical area (MSA). The Wabaunsee County Assessment Area is new since September 2016 when the bank acquired a branch in Alta Vista. The assessment areas were analyzed separately and examiners used full-scope procedures to analyze the performance in each assessment areas. Because the Morris County Assessment Area contains the institution's long-operating main office and the majority of the bank's lending and deposit activity, performance in this area is weighted more heavily than Wabaunsee County Assessment Area when arriving at overall conclusions.

Loan Products Reviewed

Examiners determined that the bank's major product lines are agriculture, home mortgage, and commercial loans; therefore, small farm, small business, and home mortgage loans were reviewed for this evaluation. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The small farm loans received greater weight in this evaluation due to the larger agricultural loan volume when compared to home mortgage and commercial lending.

Examiners reviewed all outstanding small farm and small business loans originated or extended in 2018 for the Assessment Area Concentration criterion. The bank originated or extended 429 small farm loans totaling \$28.1 million and 107 small business loans totaling \$6.5 million in 2018. Discussions with management confirmed that review of small farm and business loans transacted during this time period would be representative of the bank's lending since the previous evaluation. D&B data for 2018 provided a standard of comparison for small farm and small business loans.

In addition, the bank's Home Mortgage Disclosure (HMDA) records for 2017 and 2018 were used to evaluate the bank's home mortgage lending for all criteria. The bank originated 79 HMDA loans totaling \$7.6 million in 2017 and 64 HMDA loans totaling \$6.1 million in 2018.

The 2017 HMDA aggregate data provided a standard of comparison for 2017 HMDA loans.

For the Borrower Profile criteria, a sample of 58 small farm loans totaling \$4.1 million and 41 small business loans totaling \$2.0 million was selected from the universe of loans within the Morris County Assessment Area. All small farm loans within the Wabaunsee County Assessment Area were evaluated. Additionally, due to the insufficient small business lending in the Wabaunsee County Assessment Area (2 loans totaling \$22,000) small business loans were not evaluated. Bank management confirmed that they are willing to provide credit to businesses in the Wabaunsee County Assessment Area. However, management noted that within the small community of Alta Vista there are few businesses and limited business lending opportunities.

Examiners reviewed the number and dollar volume of the small farm, small business, and home mortgage loans. Although the number and dollar volume of the loan reviews are both presented, examiners gave greater consideration to the number of loans because the number of loans is a better indicator of the number of farms and businesses and individuals served by the bank.

DESCRIPTION OF INSTITUTION

Background

Farmers and Drivers Bank is a full-service institution located in Council Grove, Kansas. The city of Council Grove is located in east-central Morris County in northeast Kansas. The bank is wholly owned by Farmers and Drivers Financial Corporation, Inc., a one-bank holding company. Farmers and Drivers Bank received a Satisfactory rating at its prior FDIC Performance Evaluation dated September 3, 2013, based on Interagency Small Institution Examination Procedures.

Operations

Farmers and Drivers Bank operates with two full-service office locations, and a separate drive-in location. The bank operates its main office and drive-in facility in the city of Council Grove (population 11,791), which is located in middle-income census tract 9637. In December 2016, the bank closed a limited-service branch in Council Grove. Farmers and Drivers Bank acquired The Alta Vista State Bank, Alta Vista, Kansas, in September of 2016. The community of Alta Vista (population 444) is in the southwestern portion of adjacent Wabaunsee County, and is located in middle-income census tract 4831. Aside from these events, the bank has not opened or closed any other branches.

The bank actively offers agricultural, commercial, home mortgage, and consumer loans, with a primary focus on agricultural lending. The bank also provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services include internet banking, electronic bill pay, and two bank-owned automated teller machines located in Council Grove.

Ability and Capacity

As of June 30, 2019, bank assets totaled \$180,628,000, including loans and leases totaling \$96,203,000. The following table illustrates the loan portfolio composition as of June 30, 2019,

based on dollar volume. As the table illustrates, agricultural loans comprise 40.8 percent of the portfolio, commercial loans comprise 13.7 percent, residential home loans comprise 28.5 percent, and consumer loans comprise 15.7 percent.

Loan Portfolio Distribution as of June 30, 2019		
Loan Category	\$ (000s)	%
Construction and Land Development	912	0.9
Secured by Farmland	17,594	18.3
Secured by 1-4 Family Residential	27,330	28.4
Multi-family (5 or more) Residential	136	0.1
Commercial Real Estate	7,765	8.1
Total Real Estate Loans	53,737	55.8
Commercial and Industrial	5,397	5.6
Agricultural	21,599	22.5
Consumer	15,059	15.7
Other	28	0.0
Lease Financing Receivables (net of unearned income)	383	0.4
Less: Unearned income	0	0.0
Total Loans	96,203	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The following sections discuss demographic and economic information for the bank's two assessment areas.

MORRIS COUNTY ASSESSMENT AREA

Economic and Demographic Data

The Morris County Assessment Area consists of the two census tracts that make up Morris County: census tract 9637, which includes the city of Council Grove and the immediate surrounding area; and census tract 9636, which includes the communities of Dwight (population 272), White City (population 618), and several other small towns. Both census tracts are classified as middle-income geographics.

Of the 528 businesses and farms within the assessment area, service industries represent the largest portion of businesses at 34.1 percent, followed by agriculture (18.8 percent), retail trade (12.3 percent), and construction (7.6 percent). In addition, 78.0 percent of the businesses have four or fewer employees, and 89.4 percent operate from a single location. The following table provides additional demographic data for the Morris County Assessment Area.

Demographic Information for Morris County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0
Population by Geography	5,750	0.0	0.0	100.0	0.0
Housing Units by Geography	3,195	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	1,846	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	560	0.0	0.0	100.0	0.0
Vacant Units by Geography	789	0.0	0.0	100.0	0.0
Businesses by Geography	429	0.0	0.0	100.0	0.0
Farms by Geography	99	0.0	0.0	100.0	0.0
Family Distribution by Income Level	1,640	14.8	18.2	29.6	37.4
Household Distribution by Income Level	2,406	20.0	17.4	22.3	40.3
Median Family Income Nonmetropolitan Kansas	\$56,877	Median Housing Value			\$85,153
Families Below Poverty Level	4.8%	Median Gross Rent			\$620

Source: 2013 ACS Census; 2018 D&B Data

According to the Kansas Department of Labor, Morris County's unemployment rate increased from 3.0 percent in July 2018 to 3.2 percent in July 2019. As a comparison, the unemployment rate for the State of Kansas remained steady at 3.3 percent in both July 2018 and July 2019.

The 2017 and 2018 Federal Financial Institution Examination Council (FFIEC)'s updated median family income levels of \$60,300 and \$61,100, respectively, for nonmetropolitan Kansas were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories, with the respective income ranges, are presented in the following table.

Median Family Income Ranges for Nonmetropolitan Kansas				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2017 (\$60,300)	<\$30,150	\$30,150 to <\$48,240	\$48,240 to <\$72,360	≥\$72,360
2018 (\$61,100)	<\$30,550	\$30,550 to <\$48,880	\$48,880 to <\$73,320	≥\$73,320

Source: FFIEC

Competition

Farmers and Drivers Bank has direct competition from two other financial institutions in the city of Council Grove. A measure of competition for banking relationships can be ascertained from FDIC's Deposit Market Share data. The most recent report as of June 30, 2019, (covering FDIC insured institutions) shows there are only 5 financial institutions that operate full-service offices within Morris County. Of these institutions, Farmers and Drivers Bank ranked 1st with a 63.8 percent deposit market share.

Farmers and Drovers Bank is not required to collect or report its small business loan data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, review of aggregate data for small business loan reporters (generally large institutions) that have originated small business loans within Morris County helps to provide a sense of competition for this type of loan. The 2017 aggregate data (the most recent year for which data is available) shows 17 lenders that originated 55 small business loans within the assessment area.

In addition, aggregate HMDA data for 2017 (the most recent year for which data is available) shows that 30 mortgage lenders originated 110 HMDA-reportable loans within the Morris County Assessment Area. Farmers and Drovers Bank ranked 1st based on number of originated loans.

Community Contact

To help gain insight into the area economy, demographic trends, business environment, and credit needs within the assessment area, examiners interview members of the local community. This section includes observations made by a representative of a community resource organization, who was interviewed prior to this examination.

The community contact noted that farming and agricultural-related businesses are the primary economic drivers in the area. However, the contact stated that area farmers have experienced several tough economic years, with drought conditions impacting farming operations in 2018, and a cold spring with excessive rainfall impacting livestock and crop production in 2019. The contact also noted that schools in Morris County have a free and reduced lunch rate above 50 percent for the student body, suggesting that many area families are experiencing some level of economic insecurity. At the time of the interview, the contact noted there are only a small number of homes for sale, and that there is a limited availability of rental properties. The contact also stated that there are a few homes targeted toward low-income borrowers, but that overall, most homes are not regulated and prices are market driven.

According to the community contact, agricultural, commercial, and home mortgage lending all represent credit needs in the area; however, agricultural lending likely has the greatest demand. Additionally, the contact indicated that area residents tend to be loyal to the financial institution with which they have their banking relationship.

WABAUNSEE COUNTY ASSESSMENT AREA

The Wabaunsec County Assessment Area consists of the two census tracts that make up Wabaunsec County: census tract 4831 contains the communities of Alta Vista, Alma (population 832), Paxico (population 221), and Maple Hill (population 620); and census tract 4832 contains the communities of Eskridge (population 534), and Harveyville (population 236). Both census tracts are classified as middle-income geographies.

Of the 427 businesses and farms within the assessment area, service industries represent the largest portion of businesses at 29.0 percent, followed by agriculture (17.3 percent), construction

(10.3 percent), and retail trade (9.4 percent). In addition, 74.9 percent of the businesses have four or fewer employees, and 84.3 percent operate from a single location. The following table provides additional demographic data for the Wabaunsee County Assessment Area.

Demographic Information for Wabaunsee County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0
Population by Geography	6,997	0.0	0.0	100.0	0.0
Housing Units by Geography	3,241	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	2,293	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	375	0.0	0.0	100.0	0.0
Vacant Units by Geography	573	0.0	0.0	100.0	0.0
Businesses by Geography	353	0.0	0.0	100.0	0.0
Farms by Geography	74	0.0	0.0	100.0	0.0
Family Distribution by Income Level	1,864	15.1	18.8	29.7	36.4
Household Distribution by Income Level	2,668	19.0	18.5	19.7	42.8
Median Family Income Topeka, KS MSA	\$64,984	Median Housing Value			\$115,502
Families Below Poverty Level	3.9%	Median Gross Rent			\$693

Source: 2015 ACS Census; 2018 D&B Data.

According to the Kansas Department of Labor, Wabaunsee County's unemployment rate was 3.4 percent in July 2018 and in July 2019. As noted earlier, the unemployment rate for the State of Kansas remained steady at 3.3 percent in both July 2018 and July 2019.

The 2017 and 2018 FFIEC's updated median family income levels for the Topeka, Kansas, MSA of \$68,300 and \$68,600, respectively, were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories, with the respective income ranges, are presented in the following table.

Median Family Income Ranges for the Topeka, KS MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2017 (\$68,300)	<\$34,150	\$34,150 to <\$54,640	\$54,640 to <\$81,960	≥\$81,960
2018 (\$68,600)	<\$34,300	\$34,300 to <\$54,880	\$54,880 to <\$82,320	≥\$82,320

Source: FFIEC

Competition

Farmers and Drivers Bank is the only financial institution within the community of Alta Vista. However, the FDIC's Deposit Market Share data for June 30, 2019, shows there are five financial institutions that operate full-service branches within Wabaunsee County. Of these

institutions, Farmers and Drivers Bank is ranked 4th with an 11.0 percent deposit market share within the county

The review of 2017 small business loan aggregate data for Wabaunsee County shows 20 lenders that originated only 46 small business loans within the assessment area. In addition, aggregate HMDA data for 2017 shows that 56 mortgage lenders originated 186 HMDA reportable loans within the Wabaunsee County assessment area. Farmers and Drivers Bank ranked 5th based on number of originated loans.

According to bank management, agricultural lending represents the primary credit need in the Wabaunsee County Assessment Area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Farmers and Drivers Bank demonstrated satisfactory performance under the Lending Test. The Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The institution's average net LTD ratio is 73.3 percent for the 24 quarters from September 30, 2013, to June 30, 2019 (representing the time period since the institution's previous CRA evaluation). During this period, the bank experienced a 41.7 percent increase in net loans from \$66,911,000 as of September 30, 2013, to \$94,825,000 as of June 30, 2019. During this same time period, the bank experienced a 23.7 percent decrease in deposits from \$140,294,000 to \$106,990,000. The current June 30, 2019, quarterly LTD ratio is 88.6 percent.

The bank's average net LTD ratio is comparable to the LTD ratios of similarly-situated institutions, which were chosen based on their asset size, geographic location, and lending focus. This comparison shows Farmers and Drivers Bank has an average LTD ratio that is within the range of ratios of the other banks, demonstrating reasonable lending activity.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2019 (\$000s)	Average Net LTD Ratio (%)
Farmers and Drivers Bank, Council Grove, Kansas	180,628	73.3
The Citizens State Bank and Trust Company, Council Grove, Kansas	48,362	89.3
Flint Hills Bank, Eskridge, Kansas	131,333	61.4
The Stockgrowers State Bank, Maple Hill, Kansas	83,709	60.8
<i>Source: Reports of Condition and Income 9/30/13 through 6/30/19</i>		

Assessment Area Concentration

A majority of the small farm, small business, and home mortgage loans reviewed, by number and dollar volume, were located within the assessment areas. The following table provides details for the combined assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	372	86.7	57	13.3	429	22,806	81.2	5,270	18.8	28,076
Small Business	91	85.1	16	14.9	107	5,023	77.4	1,469	22.6	6,492
2017 HMDA	71	89.9	8	10.1	79	6,691	88.1	907	11.9	7,598
2018 HMDA	54	84.4	10	15.6	64	4,739	77.8	1,352	22.2	6,091
HMDA Subtotal	125	87.4	18	12.6	143	11,430	83.5	2,259	16.5	13,689

Source: 2018 Bank Data; 2017 and 2018 HMDA Data

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes, and individuals of different income levels. Performance in the Morris County Assessment Area primarily supports this conclusion.

MORRIS COUNTY ASSESSMENT AREA

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes, and individuals of different income levels within the Morris County Assessment Area.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes in the Morris County Assessment Area. Specifically, the percentage of loans to farms with gross annual revenues of \$1 million or less is generally consistent with the percentage of farms in this revenue category. Of the 7 loans to farms with gross revenues above \$1 million, 5 loans are to the same borrower and have skewed the lending percentage to larger farm operations. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category for the Morris County Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.0	51	87.9	3,885	94.0
>1,000,000	1.0	7	12.1	249	6.0
Total	100.0	58	100.0	4,134	100.0

Source: 2018 D&B Data; 2018 Bank Data

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes in the Morris County Assessment Area. The bank's lending to businesses with gross annual revenues of \$1 million or less is generally consistent with the percentage of businesses in this revenue category. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Morris County Assessment Area					
Gross Revenue Level	% of Business	#	%	\$(000s)	%
<=\$1,000,000	80.9	36	87.8	999	49.9
>1,000,000	5.1	5	12.2	1,005	50.1
Revenue Not Available	14.0	0	0.0	0	0.0
Total	100.0	41	100.0	2,004	100.0

Source: 2019 D&B Data; 2018 Bank Data

Home Mortgage Loans

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Morris County Assessment Area. For 2017, Farmers and Drivers Bank's lending to low-income borrowers is above the aggregate performance while lending to moderate-income borrowers is below aggregate performance. Home mortgage lending in 2018 was similar to 2017 lending and also reasonable. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level in the Morris County Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	14.8	9.7	10	16.7	317	5.3
2018	14.8	--	8	16.7	312	6.8
Moderate						
2017	18.2	20.2	8	13.3	547	9.1
2018	18.2	--	5	10.4	169	3.7
Middle						
2017	29.6	11.3	7	11.7	513	8.5
2018	29.6	--	7	14.6	421	9.2
Upper						
2017	37.4	43.5	29	48.3	3,997	66.3
2018	37.4	--	24	50.0	3,326	73.0
Not Available						
2017	0.0	15.3	6	10.0	657	10.9
2018	0.0	--	4	8.4	330	7.2
Totals						
2017	100.0	100.0	60	100.0	6,031	100.0
2018	100.0	--	48	100.0	4,558	100.0

Source: 2015 ACS Census; 2017 & 2018 Bank Data, 2017 HMDA Aggregate Data. "--" data not available.
Due to rounding, totals may not equal 100.0

WABAUNSEE COUNTY ASSESSMENT AREA

The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes, and individuals of different income levels within the Wabaunsee County Assessment Area.

Small Farm Loans

The distribution of borrowers reflects excellent penetration among farms of different revenue sizes in the Wabaunsee County Assessment Area. All 2018 small farm loans originated in the Wabaunsee County Assessment Area were to farms with gross annual revenues of \$1 million dollars or less. Although the bank's lending is excellent, according to D&B data, 98.7 percent of farms are in this revenue category, therefore this conclusion received less weight as the bank's lending would be expected.

Home Mortgage Loans

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Wabaunsee County Assessment Area. Home mortgage lending in the Wabaunsee County Assessment Area is more limited than the lending in the Morris County

Assessment Area, and reflects the difference in population between Council Grove and Alta Vista and the availability of home mortgage lending opportunities. Although the 2017 lending shows excellent home mortgage lending to low- and moderate-income individuals (based on percentage comparison to aggregate data), the overall small number of 2017 loans, including the drop in lending in 2018, lessens the weight of this factor and, therefore, the lending is reasonable. The following table provides details. Bank management noted that home mortgage lending in 2017 was more active than in 2018, and that the lower numbers of home mortgage lending for both assessment areas was a factor of market activity and not due to any change in lending focus for the bank.

Distribution of Home Mortgage Loans by Borrower Income Level in the Wabausee County Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	15.1	9.8	3	27.3	33	5.0
2018	15.1	--	1	16.7	16	8.8
Moderate						
2017	18.8	21.4	3	27.3	176	26.7
2018	18.8	--	1	16.7	37	20.4
Middle						
2017	29.7	22.3	3	27.3	257	38.9
2018	29.7	--	1	16.7	28	15.5
Upper						
2017	36.4	33.0	2	18.2	194	29.4
2018	36.4	--	2	33.3	71	39.2
Not Available						
2017	0.0	13.5	0	0.0	0	0.0
2018	0.0	--	1	16.7	28	16.0
Totals						
2017	100.0	100.0	11	100.0	660	100.0
2018	100.0	--	6	100.0	181	100.0
<i>Source: 2015 ACS Census, 2018 Bank Data, 2017 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Geographic Distribution

Because both of the assessment areas consist entirely of middle-income geographics, review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

GLOSSARY

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

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

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

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

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

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

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

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

Family Income: Includes the income of all members of a family that are age 15 and older.

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

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

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

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

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