



## PUBLIC DISCLOSURE

July 10, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Monterey  
Charter Number 9784

6222 E. Main Street  
Monterey, IN 46960

Office of the Comptroller of the Currency

Indianapolis Field Office  
8777 Purdue Road, Suite 105  
Indianapolis, IN 46268

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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## Overall CRA Rating

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The First National Bank of Monterey (FNBM or bank) demonstrates a satisfactory record in meeting the credit needs of its community. The major factors that support the satisfactory rating include:

- The average loan-to-deposit (LTD) ratio is reasonable.
- The substantial majority of loans are inside the assessment area (AA).
- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes.
- The geographic distribution of loans shows excellent dispersion within the AA.
- Community development activities demonstrate adequate responsiveness to identified needs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**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.

**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 MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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.

**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).

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

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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.

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

**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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

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

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

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

**Rated Area:** A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

**Small Loan(s) to Farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** 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 geography.

## Description of Institution

The First National Bank of Monterey (FNBM) is a federally chartered financial institution headquartered in Monterey, Indiana. FNBM offers traditional loan and deposit products and services at its main office and three branch offices. All offices are located in non-MSA counties within the state of Indiana. The main office and one branch are located in Pulaski County, one branch is in Marshall County, and one branch is in Starke County. Each branch office location has a deposit-taking automated teller machine. FNBM's branch office in Winamac, Indiana (Pulaski County) is its primary deposit-gathering location with approximately 42 percent of total deposits.

As of March 31, 2017, FNBM had total assets of \$315.9 million and tier one capital of \$37.6 million. Gross loans of \$171.4 million represented 54.3 percent of total assets. FNBM's loan originations and loan portfolio composition indicate diversified lending activity among residential real estate, business, farm, and consumer loans. Based on the number and dollar volume of loan originations, farm loans are the main product followed by business loans, residential loans, and consumer loans.

The following tables provide an overview of FNBM's loan originations and portfolio composition.

Loan Originations		
Loan Category	% of # of Loans Originated	% of \$ of Loans Originated
Residential Loans	13.6%	16.7%
Farm Loans	27.8%	59.4%
Business Loans	15.4%	18.5%
Consumer Loans	43.2%	5.4%
Total	100.0%	100.0%

Source: Internal Bank Report 2015, 2016, and YTD March 31, 2017

Loan Portfolio Composition			
Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Loans	\$ 35,593	20.8%	11.3%
Farm Loans	\$ 100,294	58.5%	31.8%
Business Loans	\$ 31,301	18.3%	9.9%
Consumer Loans	\$ 4,174	2.4%	1.3%
Total Gross Loans	\$ 171,362	100.0%	54.3%

Source: Call Report March 31, 2017

FNBM does not have any legal, financial or other impediments that hinder its ability to meet the credit needs of its AA. FNBM was previously assigned a CRA rating of Satisfactory, which was reported in its CRA Public Evaluation dated April 28, 2014.



## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We assessed FNBM's CRA performance using Intermediate Small Bank performance criteria. This criteria includes both a Lending Test and a Community Development (CD) Test. The Lending Test reflects an evaluation of FNBM's record of meeting the credit needs of the AA through its lending activities. The CD Test reflects an evaluation of FNBM's responsiveness to the CD needs of the AA through its CD activities which includes those loans, qualified investments, and services with a CD purpose.

The time period for this CRA performance evaluation is April 28, 2014 to July 10, 2017. The evaluation of FNBM's lending activity was based on pertinent data gathered from a representative sample of the bank's primary loan products. This sample consisted of randomly selected farm, business, and residential real estate loans originated by FNBM between January 1, 2015 and March 31, 2017. As the primary loan product, farm loans receive more weight in the analysis. The evaluation of FNBM's CD activities was based on all CD-purpose loans, qualified investments, and services that occurred between April 28, 2014 and July 10, 2017.

### **Data Integrity**

FNBM is not subject to the data collection and reporting requirement of the Home Mortgage Disclosure Act (HMDA) or CRA. As such, we evaluated the bank's performance based on loan data gathered through our review of the bank's loan files.

### **Selection of Areas for Full-Scope Review**

FNBM's defines its AA as all or a portion of four counties in northwestern Indiana, all of which are part of the Indiana non-MSA. As such, FNBM's has only one AA and it was selected for full-scope review. Refer to the Appendix A for more information regarding this AA.

### **Ratings**

The overall rating is based on the full-scope review of FNBM's single AA, the Indiana non-MSA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

FNBM's performance in helping meet the credit needs of its AA through lending is rated Satisfactory.

#### Loan-to-Deposit Ratio

FNBM's LTD ratio is reasonable given its asset size, financial condition, and AA credit needs. The quarterly LTD ratio over the 12 quarters since the last CRA evaluation averaged 63.8 percent. During this timeframe, the LTD ranged from a high of 69.4 percent to a low of 55.0 percent. The LTD ratio includes a notable level of public funds, but does not reflect unused lines of credit or unfunded construction loans. If the LTD ratios are adjusted to reflect these unfunded loan commitments, the average increases from 63.8 percent to 71.3 percent. We also considered the reported LTD ratios do not include sold loans. During the evaluation period, sold loans totaled \$10.3 million.

#### Lending in Assessment Area

FNBM originated a substantial majority of loans within its delineated AA. In a random sample of 60 loans (20 residential real estate, 20 farm, and 20 business), 81.7 percent of the loans by number and 78.6 percent by dollar volume were originated inside the AA. The following table summarizes the number and dollars of loans that FNBM originated inside and outside its AA.

Table 1 – Lending in FNBM AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE Loans	16	80.00%	4	20.00%	20	\$1,595	78.68%	\$432	21.32%	\$2,028
Farm Loans	15	75.00%	5	25.00%	20	\$2,498	72.39%	\$953	27.61%	\$3,451
Business Loans	18	90.00%	2	10.00%	20	\$1,785	89.28%	\$214	10.72%	\$2,000
Totals	49	81.67%	11	18.33%	60	\$5,879	78.61%	\$1,600	21.39%	\$7,479

Source: Loan sample

#### Lending to Borrowers of Different Incomes and to Businesses/Farms of Different Sizes

The overall distribution of loans to borrowers of different incomes and businesses/farms of different sizes reflects reasonable penetration, which meets the standard for satisfactory performance.

### Residential Real Estate Loans

The distribution of residential real estate loans reflects reasonable penetration among borrowers of different incomes. FNBM originated 35.0 percent of its residential real estate loans to low- and moderate-income borrowers. The percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families in the AA. The percentage of loans to low-income borrowers was below the percentage of low-income families in the AA, but is reasonable considering the disproportionate impact of the poverty level on lending opportunities.

Table 2 - Borrower Distribution of Residential Real Estate Loans in FNBM AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE Loans	22.93%	10.00%	20.23%	25.00%	21.86%	25.00%	34.98%	40.00%

Source: Residential real estate loan sample; 2010 U.S. Census data

### Farm Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. FNBM originated the majority of its farm loans to farms with gross revenues of \$1.0 million or less. The percentage of loans to farms with revenues of \$1.0 million or less was below, but not significantly lower than, the percentage of such farms in the AA.

Table 2A - Borrower Distribution of Loans to Farms in FNBM AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Farms	96.74%	2.39%	0.87%	100.00%
% of Bank Loans in AA by #	75.00%	15.00%	10.00%	100.00%
% of Bank Loans in AA by \$	80.93%	14.19%	4.88%	100.00%

Source: Farm loan sample; 2016 Dunn & Bradstreet data

### Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. FNBM originated the majority of its business loans to businesses with revenues of \$1.0 million or less. The percentage of loans to businesses with revenues of \$1.0 million or less was below, but not significantly lower than, the percentage of such businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in FNBM AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Businesses	81.15%	4.85%	14.00%	100.00%
% of Bank Loans in AA by #	70.00%	15.00%	15.00%	100.00%
% of Bank Loans in AA by \$	53.95%	44.37%	1.68%	100.00%

Source: Business loan sample; 2016 Dunn & Bradstreet data

## Geographic Distribution of Loans

The overall geographic distribution of residential real estate, farm, and business loans reflects excellent dispersion, which exceeds the standard for satisfactory performance. The AA does not have any low-income census tracts and only two-moderate income census tracts.

### Residential Real Estate Loans

The geographic distribution of residential real estate loans shows reasonable dispersion. FNBM originated 10.0 percent of its residential real estate loans in the moderate-income census tracts. This percentage was below, but not significantly lower than, the percentage of owner-occupied housing located within these geographies.

Table 3 – Geographic Distribution of Residential Real Estate Loans in FNBM AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE Loans	0.00%	0.00%	14.15%	10.00%	70.00%	75.00%	15.85%	15.00%

Source: Residential real estate loan sample; 2010 U.S. Census data

### Farm Loans

The geographic distribution of farms loans shows excellent dispersion. FNBM originated one loan in the moderate-income census tract where only six farms are located. The bank's percentage of farm loans in the moderate-income census tracts exceeded the percentage of farms located in these geographies.

Table 3A - Geographic Distribution of Loans to Farms in FNBM AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.00%	0.00%	1.30%	5.00%	77.44%	85.00%	21.26%	10.00%

Source: Farm loan sample; 2016 Dunn & Bradstreet data

## Business Loans

The geographic distribution of business loans shows excellent dispersion. FNBM originated 25.0 percent of its business loans in the moderate-income census tracts. This percentage meets the percentage of businesses located in these geographies.

Table 3A - Geographic Distribution of Loans to Businesses in FNBM AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.00%	0.00%	25.39%	25.00%	59.36%	70.00%	15.25%	5.00%

Source: Business loan sample; 2016 Dunn & Bradstreet data

## Responses to Complaints

FNBM did not receive any complaints regarding its CRA performance during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

FNBM's performance under the community development test is rated Satisfactory. Community development loans, qualified investments, and services demonstrated adequate responsiveness to the community development needs of the AA, considering FNBM's capacity and the need and availability of such opportunities.

## Number and Amount of Community Development Loans

FNBM originated 26 CD loans totaling \$0.7 million. These loans, which supported affordable housing, social services, and economic development, consisted of the following:

- Four home mortgage loans that helped first-time, low-income borrowers purchase decent affordable housing.
- Three loans to Starke/Pulaski Habitat for Humanity, a non-profit organization that builds affordable housing for LMI families.
- Eighteen loans to Pulaski County Human Services, a non-profit organization that provides assistance to low-income, disabled, and elderly households.
- A loan to a small family-owned business to refurbish and expand its operation and retain 2-3 jobs for LMI persons.

## **Number and Amount of Qualified Investments**

FNBM made eight qualified investments totaling \$0.5 million during the evaluation period. These investments supported affordable housing for LMI individuals, education or workforce development for LMI students, and a minority-owned institution as follows:

- Six donations totaling \$14,134 to Pulaski/Starke Habitat for Humanity, Starke County Initiative for Lifelong Learning (SCILL), and local schools.
- A \$250,000 certificate of deposit with Pinnacle Bank, a minority-owned institution.
- An equity investment of \$217,367 in the Great Lakes Capital Fund IN (XIX-2), which funds affordable housing projects statewide through low-income housing tax credits.

## **Extent to Which the Bank Provides Community Development Services**

Eight bank employees provided 3,540 hours of service to five different organizations. Furthermore, two bank officers serve in a leadership role. One serves as director for Starke/Pulaski Habitat for Humanity and the other as a finance committee member for Starke County Economic Development Foundation. In addition, bank employees served as instructors for financial education programs where the majority of the attendees were LMI students or their parents.

## **Responsiveness to Community Development Needs**

FNBM's CD performance demonstrates adequate responsiveness to identified needs for decent affordable housing, financial education, and workforce development.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/15 to 03/31/17 Community Development Test: 04/28/14 to 07/10/17	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Monterey (FNBM) Monterey, Indiana	Residential Real Estate, Farm, and Business	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Indiana Non-MSA	Full-Scope	Fulton County – CTs 9531, 9532, 9533, and 9534 Marshall County – CTs 203.02 and 208 Pulaski County – CTs 9589, 9590, 9591, and 9592 Starke County – CTs 9537, 9538, 9539, 9540, 9541, and 9542



## Appendix B: Community Profiles for Full-Scope Areas

### Indiana Non-MSA AA

Demographic Information for Full-Scope Area: Indiana Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0.00	12.50	68.75	18.75	0.00
Population by Geography	56,940	0.00	17.04	67.74	15.22	0.00
Owner-Occupied Housing by Geography	17,028	0.00	14.15	70.00	15.85	0.00
Businesses by Geography	3,029	0.00	25.39	59.36	15.25	0.00
Farms by Geography	461	0.00	1.30	77.44	21.26	0.00
Family Distribution by Income Level	15,884	22.94	20.23	21.86	34.98	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,856	0.00	21.59	68.98	9.44	0.00
Median Family Income (MFI)	= \$53,037	Median Housing Value		= \$101,751		
FFIEC Adjusted MFI for 2016	= \$57,100	Unemployment Rate (2010 US Census)		= 4.24%		
Households Below Poverty Level	= 15%					
Families Below Poverty Level	= 12%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

FNBM defines its AA as all or a portion of four counties in northwestern Indiana, all of which are located in a non-MSA. The AA consists of four census tracts in Fulton County, two census tracts in Marshall County, six census tracts in Starke County, and four census tracts in Pulaski County. There are no low-income census tracts, two moderate-income census tracts, 11 middle-income census tracts, and three upper-income census tracts in this AA. The AA includes 16 of the 29 census tracts, since the entire four county area would be too large for FNBM to reasonably serve given its size and office locations. As delineated, FNBM's AA meets the requirements of CRA and does not arbitrarily exclude any low- or moderate-income geographies.

### Economic Information

Generally, the unemployment rate in all four counties improved over the evaluation period as did the statewide unemployment rate. However, the unemployment rates for each county varied in comparison to the state unemployment rate. The following table summarizes the annual unemployment rates (not seasonally adjusted):

Unemployment Rates				
	2014	2015	2016	YTD 2017
State of Indiana	5.9%	4.8%	4.4%	4.4%
Fulton County	6.2%	4.8%	4.7%	4.9%
Marshall County	5.5%	4.2%	3.8%	3.8%
Pulaski County	5.4%	4.5%	4.6%	5.0%
Starke County	7.2%	5.9%	5.4%	6.0%

Source: Bureau of Labor Statistics

The primary businesses industries in the AA are services (39.4 percent), agriculture, forestry, and fishing (13.2 percent), retail trade (12.6 percent), construction (7.1 percent), and finance, insurance, and real estate (6.2 percent). According to Hoosiers by the Numbers, some of the major employers in the four-county area are Braunability Wheelchair Lifts and Pulaski Memorial Hospital in Pulaski County, Southwire Company and Culver Academies in Marshall County, Rochester Metal Products Corporation and LAU Rochester in Fulton County, and Pathfinder Services Incorporated and Mpi Indiana Fineblanking in Starke County.

## Competition

Competition for deposits is notable due to the number and size of the financial institutions within the AA. As of June 30, 2016, the FDIC Deposit Data showed FNBM along with 14 other national and state banks operated 42 branches in Fulton, Marshall, Pulaski, and Starke Counties. FNBM's four offices with \$267.3 million of deposits represent a market share of 15.8 percent; this market share ranks FNBM second. In comparison to its competitors, FNBM is the only financial institution that does not have any offices outside the four county market area.

Notable competition for all loan products also exists. Aggregate HMDA data for 2015 shows 156 lenders originated or purchased residential real estate loans in the AA. Aggregate CRA loan data indicates 50 lenders originated or purchased business loans and 19 lenders originated or purchased farm loans in 2015.

Interviews with two community contacts familiar with small business and economic development needs in the AA provided insight on potential credit or community development opportunities. Both contacts perceive some need exists. One contact believes there is a need to assist first-time home buyers and to provide basic financial education for individuals and businesses. The other contact mentioned an ongoing need to support affordable housing projects, workforce development programs, and substance abuse initiatives.