PUBLIC DISCLOSURE

August 25, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Settlers Bank
RSSD: 2747279

115 Third Street
Marietta, Ohio 45750

Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, OH 44101-1387

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, 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'S CRA RATING: This institution is rated Satisfactory.

The major factors and criteria contributing to this rating include:

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and assessment area credit needs;
- A majority of loans and other lending-related activities are in the assessment area;
- Geographic distribution of loans reflects excellent dispersion throughout the assessment area;
- The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income individuals);
- The distribution of loans to businesses reflects an adequate penetration among businesses of different sizes given the demographics of the assessment area; and,
- There were no CRA-related complaints filed against the bank since the previous examination.

The previous CRA evaluation, dated June 7, 2004 resulted in a “Satisfactory” rating.

SCOPE OF EXAMINATION

The evaluation of Settlers Bank (Settlers) Community Reinvestment Act (CRA) performance covered the period from January 1, 2006 to December 31, 2007. This evaluation was performed using the Interagency Small Bank Evaluation Procedures. Under this examination method, the bank is evaluated by considering lending activity throughout its assessment area.

The lending test includes an analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside the bank's assessment area;
- The geographic distribution of loans in the assessment area, including low and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low and moderate-income borrowers, and businesses of different sizes, including small business; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet the credit needs in its assessment areas.

The loan products reviewed for this evaluation included consumer, commercial, and mortgage loans. Consumer lending consists of motor vehicle, loans secured by other collateral, and unsecured loans. Commercial lending is comprised of unsecured, other secured, and real estate-secured small business loans. Mortgage loans consist of HMDA-reportable home purchase loans. HMDA-reportable home improvement and refinance loans are not included, because there was insufficient volume for a meaningful analysis. Further, there were not enough small farm loans to conduct a review.

Loans were evaluated to determine the lending activity inside and outside the bank's assessment area. In addition, loans inside the assessment area were evaluated on the geographic- and borrower-income distribution for the assessment area.

The bank's geographic distribution with respect to consumer loans was assessed by comparing the percentage of households in each geography category (moderate-, middle-, and upper-income tracts) to the percentage of loans made in each tract. For commercial loans, the percentage of loans in each geography category was compared to the percentage of businesses within the different tract types, regardless of the businesses' revenue size. The geographic distribution for HMDA loans was assessed by comparing the percentage of loans in each income category to the owner-occupancy rate in those tracts.

Data from the 2000 United States Census report is used when evaluating a bank's geographic distribution of loans among various income census tracts within a bank's assessment area. The distribution of loans to borrowers of different income levels was based on 2007 adjusted median household income statistics, made available by the United States Department of Housing and Urban Development (HUD). Specifically, the bank's borrower income distribution with respect to consumer loans was assessed by comparing the percentage of loans made to households in each income category (low-, moderate-, middle-, and upper-income) to the percentage of households in each income category. The bank's borrower distribution with respect to small business loans was assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to $1 million or greater than $1 million) to the percentage of total businesses in each revenue category. The bank's borrower distribution with respect to mortgage loans was assessed by comparing the percentage of loans made to borrowers in each income category to the percentage of families in each income category.

In addition, poverty level is determined by both income and family size; generally a larger proportion of poverty level families are found in the low-income category, and to a certain extent, the moderate-income category; therefore, it is difficult for borrowers at poverty level to qualify for real-estate types of loans because their income is often limited. The percentage of families below the poverty level was considered when evaluating lending performance to low- and moderate-income borrowers.

Consumer loans received the most weight, as they represented 69.8% of loans originated in the assessment area during the evaluation period by volume. Within the three consumer loan types, motor vehicle loans were given the most weight because they represented 36.6% of loans, followed by other unsecured and other secured loans, which consisted of 18.7% and 14.5% of originated loans, respectively. Although consumer loans only represented 26.6% of loans by dollar amount, consumer loans tend to be for a smaller loan amount and the bank made more than three times the number of consumer loans compared to the next highest volume of loans, which were small business loans. Small business loans comprised 21.9% of loans and received more weight than HMDA loans, which made up 8.2% of loans. Small business and HMDA loans were similar by dollar, while volume of loans represented 37.2% and 36.2%, respectively.

The geographic distribution analysis received less weight than the borrower distribution analysis, because 12 of the 16 tracts in the assessment area (75.0%) are middle-income. Further, there are no low- and only two moderate-income tracts.

DESCRIPTION OF INSTITUTION

Settlers is a full-service banking institution with one office located in the southeastern Ohio city of Marietta, along the Ohio River. Settlers had assets of $91.7 million as of June 30, 2008 with 55.3% of the bank's lending activity in 1-4 family residential loans. Commercial real estate made up 24.7% of the bank's lending. Real estate loans make up 81.7% of the bank's lending portfolio. For non-real estate loans, the bank's commercial lending make up 10.82% of the bank's lending. Consumer and agricultural loans make up 7.47% and 0.02%, respectively.

Settlers offers a variety of loan products, including fixed and variable rate mortgage loans, home equity lines of credit, automobile, other consumer (such as motorcycle and recreational vehicle) loans, and commercial loans. Settlers also offers savings and checking accounts, along with certificates of deposits and individual retirement accounts.

Settlers is primarily a retail lender, as illustrated in the following chart of the bank's loan portfolio:

Loan Type	Dollar Amount (000s)	Percent of Total Loans
Construction and Land Development	1,131	1.5
Secured by Farmland	150	0.2
1-4 Family Residential	41,224	55.3
Commercial Real Estate	18,390	24.7
Total Real Estate Loans	**60,895**	**81.7**
Commercial and Industrial	8,058	10.8
Agricultural	12	0.0
Consumer	5,562	7.5
All Other Loans	55	0.1
Less: Unearned Income	78	0.1
Total	**74,504**	**100.0**

There are no legal or financial constraints preventing Settlers from meeting the credit needs of its assessment area and is consistent with its asset size, business strategy, resources, and local economy.

DESCRIPTION OF PARKERSBURG-MARIETTA, WEST VIRGINIA-OHIO METROPOLITAN STATISTICAL AREA 37620

Settlers' assessment area is comprised of all of Washington County, Ohio, which is part of the Parkersburg-Marietta, WV-OH metropolitan statistical area (MSA). Washington County is in the extreme southeastern portion of Ohio. The Parkersburg-Marietta MSA is a multi-state metropolitan area, which includes Washington County in Ohio and Pleasants, Wirt, and Wood Counties in West Virginia.

The assessment area is comprised of 16 tracts. The tract distribution is as follows:

- 2 moderate-income
- 12 middle-income
- 2 upper-income

The two moderate-income tracts are in downtown Marietta and border the Ohio River. Settlers' banking office, which has a full-service ATM, is in a moderate-income tract. The two upper-income tracts are north of the moderate-income tracts, while the 12 middle-income tracts surround the moderate- and upper-income tracts to the north, east, and west.

As of June 30, 2007, Settlers ranked fourth of 11 institutions in Washington County with 6.6% of total deposits.[1] Peoples Bank, N.A., headquartered in Marietta, is the dominant competitor in this county with 45.2% of deposits. Other major competitors include J.P. Morgan Chase Bank, National Association and Advantage Bank, which is based in Cambridge.

Washington County is part of the Appalachian Regional Commission (ARC). The ARC was established by the United States Congress in 1965. Counties in 13 states are part of the ARC. In Ohio, 29 counties in southern part of the state were named.[2] The ARC is a federal-state partnership that promotes economic development and quality of life issues. When the ARC was established, one in three Appalachians lived in poverty. Poverty has decreased, but remains high compared to the rest of the nation (portions of the ARC have a 27% poverty rate). Additionally, per capita incomes are lower and unemployment rates are higher in the ARC than the remainder of the nation.[3]

Population Characteristics

The population in this assessment area was 63,251 as of the 2000 Census. From 1990 to 2000, the population of Washington County increased by 1.6%, while the population fell 2.6% from 2000 to 2007.[4] Of the total population, 23.5% were 17 years of age and younger, 8.8% were age 18 to 24 years, 52.7% were age 25 to 64 years, and 15.0% were age 65 and over.

Income Characteristics

[1] FDIC Summary of Deposits: www.fdic.gov
[2] Ohio County Profiles from the Ohio Department of Development, Office of Strategic Research: www.odod.state.oh.us/research/
[3] Appalachian Regional Commission: www.arc.gov
[4] USDA Economic Research: www.ers.usda.gov

The median family income for the assessment area was $41,708, which was lower than the State of Ohio's median family income of $50,037. Families comprised 70.6% of the households in the assessment area. Approximately 8.6% of the families lived below the poverty level. Of the families living in the assessment area, 17.3% were low-income families, 19.2% were moderate-income families, 22.0% were middle-income families, and 41.5% were upper-income families.

Housing Characteristics

As of the 2000 Census, there were 27,760 housing units in Washington County. Owner-occupied units comprised 69.0% of the housing stock. The percentage of units housing 1-4 families was 79.5% while 5.5% of the units housed five families or more. The median age of the housing stock was 34 years, which is younger than the median age of the housing stock for the State of Ohio of 38 years and was the same as that for the MSA.

Labor, Employment, and Economic Characteristics

As of July 2008, the unemployment rate for the Washington County was 5.4%, which is below the nationwide rate of 6.0% and considerably lower than the State of Ohio's rate of 7.2%. The unemployment rate for the county is much lower than its surrounding counties (ranging from a high of 11.0% in Meigs County to low of 8.1% in Athens County).[5] According to bank management, employers such as Marietta Memorial Hospital, Marietta College, and Washington State Community College help to stabilize employment in Washington County, while the surrounding counties of Monroe, Morgan, and Noble had a more industrial base and decreases in manufacturing jobs have had a major impact there. This statement was also corroborated with the community contact.

As of 2005, the manufacturing, health care, retail trade, local government, and accommodation/food service industries employed the most persons in Washington County. Major employers in Washington County include:

- American Electric Power Company
- Eramet Marietta Inc. – a metal manufacturer
- RJF International Corp – a manufacturer of decorative, industrial, and office products
- Thermo Fisher Scientific Inc – a manufacturer of medical products
- Marietta College
- Marietta Memorial Hospital[6]

The following demographic table illustrates the bank's entire assessment area.

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5 Ohio Department of Job and Family Services, Office of Workforce Development, Bureau of Labor Market Information: www.lmi.state.oh.us

6 Ohio County Profiles from the Ohio Department of Development, Office of Strategic Research: www.odod.state.oh.us/research/

Combined Demographics Report

Settlers Bank

Analysis Year: 2006 & 2007

Assessment Area(s): MSA 37620

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	3,071	17.3
Moderate-income	2	12.5	1,414	8.0	263	18.6	3,404	19.2
Middle-income	12	75.0	14,682	82.6	1,228	8.4	3,911	22.0
Upper-income	2	12.5	1,670	9.4	43	2.6	7,380	41.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**16**	**100.0**	**17,766**	**100.0**	**1,534**	**8.6**	**17,766**	**100.0**

	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	2,724	1,266	6.6	46.5	1,136	41.7	322	11.8
Middle-income	22,667	15,965	83.3	70.4	4,570	20.2	2,132	9.4
Upper-income	2,369	1,934	10.1	81.6	266	11.2	169	7.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**27,760**	**19,165**	**100.0**	**69.0**	**5,972**	**21.5**	**2,623**	**9.4**

	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	821	37.3	687	35.9	106	51.0	28	35.0
Middle-income	1,325	60.1	1,175	61.3	100	48.1	50	62.5
Upper-income	58	2.6	54	2.8	2	1.0	2	2.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**2,204**	**100.0**	**1,916**	**100.0**	**208**	**100.0**	**80**	**100.0**
	Percentage of Total Businesses:			**86.9**		**9.4**		**3.6**

Community Contact

A community contact was conducted with an organization that promotes economic development in Washington County. The contact indicated that local financial institutions are willing to help small businesses; however, the contact felt that these institutions could take greater advantage of funding programs offered by the State of Ohio.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

A financial institution's loan-to-deposit ratio (LTD) compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the numbers of quarters.

Settlers' loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average ratio was 97.3% over the past 17 quarters of operation since the prior evaluation and is above the peer group average ratio.[7] The ratio has not fluctuated greatly since 2004 and has remained in the 90^{th} percentile except for the quarter ending March 31, 2007 when the ratio exceeded 100%.

The following table shows Settlers' quarterly loan-to-deposit ratios for the 17 quarters since the previous evaluation, along with the average loan-to-deposit for the same period.

Loan-to-Deposit Ratios				
Date	Net Loans $ (000s)	Total Deposits $ (000s)	Bank Ratio (%)	Peer Ratio (%)
June 30, 2008	73,585	77,706	94.7	82.2
March 31, 2008	74,028	75,124	98.5	80.3
December 31, 2007	74,050	75,852	97.6	79.6
September 30, 2007	73,225	75,059	97.6	80.0
June 30, 2007	72,837	73,357	99.3	78.8
March 31, 2007	71,319	71,082	100.3	78.3
December 31, 2006	70,718	70,913	99.7	77.6
September 30, 2006	69,413	69,946	99.2	79.1
June 30, 2006	67,749	70,628	95.9	79.1
March 31, 2006	66,640	69,982	95.2	78.5
December 31, 2005	67,002	70,514	95.0	77.9
September 30, 2005	65,921	67,655	97.4	78.7
June 30, 2005	63,812	65,247	97.8	78.6
March 31, 2005	62,986	63,709	98.9	78.3
December 31, 2004	59,303	61,624	96.2	78.1
September 30, 2004	57,512	58,526	98.3	78.0
June 30, 2004	53,587	58,139	92.2	76.5
Quarterly Loan-to-Deposit Ratio Since Previous Examination			97.3	76.5

7 Settlers' peer group is commercial banks having assets between $50 and $100 million in a metropolitan area with 2 or fewer full service offices

Lending in the Assessment Area

A majority of loans were made inside the assessment area. 84.0% of loans by volume and 82.4% of loans by dollar amount were made in the assessment area. The following table depicts lending inside and outside the assessment area by loan category.

Lending Inside and Outside the Assessment Area								
Loan Type	**Inside the Assessment Area**				**Outside the Assessment Area**			
	# of Loans	%	$ (000s)	%	# of Loans	%	$ (000s)	%
HMDA	51	70.8	6,912	75.1	21	29.2	2,297	24.9
Small Business	136	93.2	7,107	91.9	10	6.8	629	8.1
Consumer	433	83.3	5,081	81.6	87	16.7	1,146	18.4
Total	**620**	84.0	**19,099**	**82.4**	**118**	**16.0**	**4,072**	**17.6**

Geographic Distribution of Lending

The geographic distribution is more than reasonable. Settlers' lending in the two moderate-income tracts exceeded the proxies for all loan categories reviewed. During the evaluation period, Settlers did not originate any loans in one middle-income tract in its assessment area. This geography is in the extreme eastern part of the county and is a distance from Settlers' office in downtown Marietta.

Tables showing the geographic distribution of lending are in Appendix A.

Motor Vehicle Loans

Settlers made 20.7% of its motor vehicle loans in the moderate-income tracts, which is considerably higher than the percentage of households in these tracts at 9.4%. Thus, lending in the moderate-income tracts is excellent.

Settlers originated 61.2% of its loans in middle-income tracts compared to the percentage of households in these tracts at 81.8%. Lending in the upper-income tracts represented 18.1% of the bank's loans compared to 8.8% of the households living in these geographies.

Other Unsecured

The bank originated 23.3% of its unsecured consumer loans in the moderate-income geographies, which exceeds the percentage of households in these tracts at 9.4%. Therefore, lending in the moderate-income tracts is excellent.

Lending in the middle-income tracts represented 64.7% of the bank's loans compared to 81.8% of households living in these geographies. The bank made 12.1% of its loans in the upper-income tracts compared to the percentage of households in these geographies at 8.8%.

Other Secured

Settlers made 13.3% of its consumer loans secured by other collateral in the moderate-income tracts, which is higher than the percentage of households in these tracts at 9.4%. Therefore, lending in the moderate-income tracts is excellent.

The bank originated 65.6% of its loans in middle-income geographies compared to the 81.8% of households living in these tracts. Settlers made 21.1% of its loans in upper-income tracts compared to the percentage of households in these tracts at 8.8%.

Small Loans to Businesses

The bank originated 42.6% of its small loans to businesses in moderate-income tracts, which exceeded the percentage of businesses in these geographies at 37.3%. Therefore, lending in the moderate-income tracts is excellent.

Settlers made 44.9% of its loans in the middle-income tracts compared to the percentage of businesses in these geographies at 60.1%. While 2.6% of the businesses are in the upper-income tracts, the bank made 12.5% of its loans in these tracts.

HMDA

Settlers made 21.6% of its HMDA loans in the moderate-income tracts, which was considerably higher than the percentage of owner-occupied units in these geographies at 6.6%. Thus, lending in the moderate-income geographies is excellent.

The bank made 56.9% and 21.6% of its HMDA loans in the middle- and upper-income tracts compared to percentage of owner-occupied units in these tracts at 83.3% and 10.1%.

Borrower Distribution of Lending

Overall, the borrower distribution is reasonable. Although HMDA lending is poor, mortgage loans had the least volume. The borrower distribution for consumer loans, which represented the greatest volume of loans, was good.

Motor Vehicle Loans

Settlers made 18.5% of its loans to low-income borrowers, which was slightly below the percentage of low-income households at 21.0%. Thus, the borrower distribution of motor vehicle loans to low-income borrowers is good.

The bank originated 18.1% of its motor vehicle loans to moderate-income borrowers, which exceeds the 17.1% of moderate-income households. Therefore, the borrower distribution of motor vehicle loans to moderate-income borrowers is excellent.

Settlers originated 20.7% and 30.4% of its motor vehicle loans to middle- and upper-income borrowers compared to the percentage of middle- and upper-income households at 19.4% and 42.6%. Income information was unavailable for 12.3% of the motor vehicle loans.

Other Unsecured

Settlers originated 16.4% of its unsecured consumer loans to low-income borrowers, which was below the percentage of low-income households at 21.0%. Therefore, the borrower distribution of unsecured loans to low-income borrowers is good.

The bank made 25.0% of its unsecured loans to moderate-income borrowers, which exceeded the percentage of moderate-income households at 17.1%. Thus, the borrower distribution of unsecured loans to moderate-income borrowers is excellent.

Settlers made 23.3% and 26.7% of its unsecured consumer loans to middle- and upper-income borrowers compared to the percentage of middle- and upper-income households at 19.4% and 42.6%. Income information was not available for 8.6% of the unsecured consumer loans.

Other Secured

The bank made 7.8% of its consumer loans secured by other collateral to low-income borrowers, which was significantly below 21.0% of low-income households in the assessment area. Thus, the borrower distribution of other secured consumer loans to low-income borrowers is poor.

Settlers made 10.0% of its other secured consumer loans to moderate-income borrowers, which was below the percentage of moderate-income households at 17.1%. Therefore, the borrower distribution of other secured consumer loans to moderate-income borrowers is adequate.

The bank originated 11.1% and 35.6% of its other secured consumer loans to middle- and upper-income borrowers, compared to the percentage of middle- and upper-income households at 19.4% and 42.6%. Income information was unavailable for 35.6% of other secured consumer loans.

Small Loans to Businesses

Businesses with revenues of $1 million or less received 57.4% of the small business loans, which is less than the percentage of small businesses in the assessment area at 86.9%. Thus, the distribution of loans to business with revenues of $1 million or less is adequate.

HMDA

Settlers originated 3.9% of its HMDA loans to low-income borrowers, which is considerably lower than the percentage of low-income families in the assessment area at 17.3%. Therefore, the borrower distribution of HMDA loans to low-income borrowers is poor.

The bank made 7.8% of its HMDA loans to moderate-income borrowers, which is lower than the percentage of moderate-income families at 19.2%. Thus, the borrower distribution of HMDA loans to moderate-income borrowers is poor.

Settlers made 23.5% and 62.7% of its HMDA loans to middle- and upper-income borrowers compared to the percentage of middle- and upper-income families at 22.0% and 41.5%. Income was unavailable for 2.0% of HMDA loans.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A fair lending review was completed in conjunction with the compliance and CRA examinations. No violations of the provisions of anti-discrimination laws and regulations were identified during the examination. Settlers maintains fair lending policies and procedures and provides bank staff with fair lending training. Further, no instances of illegal credit practices were discovered.

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APPENDIX A

LENDING TABLES

Geographic Distribution of Consumer Loans Assessment Area/Group: MSA 37620								
	Total Consumer Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Motor Vehicle	227	52.4	9.4	20.7	81.8	61.2	8.8	18.1
Other - Secured	90	20.8	9.4	13.3	81.8	65.6	8.8	21.1
Other - Unsecured	116	26.8	9.4	23.3	81.8	64.7	8.8	12.1

Borrower Distribution of Consumer Loans Assessment Area/Group: MSA 37620										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Motor Vehicle	227	52.4	21.0	18.5	17.1	18.1	19.4	20.7	42.6	30.4
Other - Secured	90	20.8	21.0	7.8	17.1	10.0	19.4	11.1	42.6	35.6
Other - Unsecured	116	26.8	21.0	16.4	17.1	25.0	19.4	23.3	42.6	26.7

APPENDIX B

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.

Census tract: 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 statistical areas. Census tracts 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.

Community development: All Agencies have adopted the following language. 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 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, 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 definition of community development. Activities that revitalize or stabilize:

(i) Low-or moderate-income geographies;
(ii) Designated disaster areas; or
(iii) 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, and 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 needs, including needs of low- and moderate-income individuals.

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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and 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.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

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

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 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.

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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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.

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

APPENDIX C

ASSESSMENT AREA MAP

Settlers Bank

Assessment Area: MSA 37620