

# **PUBLIC DISCLOSURE**

September 4, 2012

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Apple Creek Banking Company  
RSSD: 213912

P.O. Box 237  
Apple Creek, Ohio 44606

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 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 substantial majority of loans and other lending-related activities in the assessment area;
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment areas;
- The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes given the demographics of the assessment areas; and,
- There were no CRA-related complaints filed against the bank since the previous Community Reinvestment Act (CRA) evaluation.

The previous CRA evaluation as of July 7, 2008 was satisfactory.

## SCOPE OF EXAMINATION

The Apple Creek Banking Company (Apple Creek) was evaluated using the interagency small bank examination procedures. Apple Creek's CRA performance was evaluated based on lending data from January 1, 2011 through December 31, 2011.

The loan products evaluated included commercial loans and residential mortgage lending for home purchase, home refinance and home improvement loans. Consumer secured and unsecured loans and agricultural loans were not included in the evaluation given each product comprised only a small portion of the bank's lending portfolio.

The following table illustrates the volume of loans originated during the evaluation period.

<b>Loan Type</b>	<b>Number of Loans</b>	<b>Dollar Amount of Loans \$ (000)</b>
Mortgage Loans	71	8,557
Commercial Loans	87	10,815
<b>Total</b>	<b>158</b>	<b>19,372</b>

Given the above distribution of loans, residential mortgage lending and commercial lending received equal weight in this analysis.

The borrower distribution analysis under the lending test received greater weight than the geographic analysis, because the assessment area does not contain any low-income census tracts and has only one moderate-income census tract.

For the non-metropolitan assessment area, encompassing all of Wayne County, there was sufficient lending volume to conduct a full-scope evaluation. However, for the two adjoining Metropolitan Statistical Areas (MSAs) of Canton-Massillon 15940 and Akron 10420, there was insufficient lending volume to conduct a meaningful evaluation. Therefore, the evaluation is based solely on the performance in the non-metropolitan assessment area.

The size and condition of the institution, lending opportunities within the assessment area, and competition with other institutions were also considered in the bank's performance context.

### DESCRIPTION OF INSTITUTION

The Apple Creek Banking Company (Apple Creek) is a state member bank and is the sole subsidiary of Apple Creek Banc Corporation. As of March 31, 2012, Apple Creek reported \$106.2 million in total assets, an increase of \$12.6 million (13.5%) since the previous CRA evaluation in July 2008. The majority of this growth occurred in the investment portfolio, as loan growth declined during the recent economic recession.

The bank operates six branch offices. There are three branches in Wayne County (including the main office), two branches in Stark County, and one branch in Summit County. Apple Creek has not opened or closed any bank branches since the previous CRA evaluation.

Apple Creek is a full-service retail bank offering business and consumer deposit accounts and commercial, agricultural, residential mortgage, and consumer loans. As of December 31, 2011, Apple Creek had \$66.0 million in net loans, a decline of \$6.2 million from the previous CRA evaluation. The net loans represent 62.5% of total assets and a loan-to-deposit ratio of 76.5%. The following chart represents the bank's loan portfolio as of December 31, 2011.

Loan Type	Dollar Amount (000's)	Percent of Total Loans
Commercial / Industrial & Non Farm Non-Residential Real Estate	22,441	33.6%
Loans for Agricultural Production & Secured by Farmland	5,573	8.3%
Construction & Land Development	1,007	1.5%
Secured by 1-4 Family Residential Real Estate	36,909	55.2%
Consumer Loans	616	0.9%
All Other Loans	323	0.5%
<b>Total (gross)</b>	<b>66,869</b>	<b>100.0%</b>

Apple Creek's investment portfolio as of December 31, 2011 was \$31.3 million, which represents 29.7% of total assets. Investments in U.S. Treasuries and Agencies account for 47.2% of investments, while municipal securities comprise 19.9% of investments and interest bearing bank balances and Fed funds sold comprise 32.9% of investments.

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

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The following table illustrates Apple Creek's quarterly loan-to-deposit ratios and average for 16 quarters since the previous evaluation, along with the loan-to-deposit ratios and averages for the peer group, four local peer institutions, and the custom peer group. The custom peer group represents the average loan-to-deposit ratios and overall average for the four local peer institutions.

Loan-to-Deposit Ratios							
As of Date	Apple Creek	Peer Ratio <sup>1</sup>	Magnolia	N. Akron SB	Premier B&TC	Valley SB	Custom Peer <sup>2</sup>
March 31, 2012	76.8	68.4	51.8	96.9	102.1	106.6	89.4
December 31, 2011	76.5	71.3	55.1	94.7	104.8	107.6	90.6
September 30, 2011	79.5	68.4	52.5	95.3	69.7	107.5	81.2
June 30, 2011	82.2	69.3	55.9	95.8	67.1	107.3	81.5
March 31, 2011	83.3	67.8	53.0	97.0	70.2	116.4	84.2
December 31, 2010	84.0	70.7	54.5	95.1	70.9	127.2	86.9
September 30, 2010	89.2	72.8	54.1	96.3	67.1	130.9	87.1
June 30, 2010	93.4	72.4	57.8	100.8	68.8	136.2	90.9
March 31, 2010	96.3	71.1	59.1	104.7	69.2	141.7	93.7
December 31, 2009	97.9	72.7	60.2	107.1	72.9	140.4	95.1
September 30, 2009	99.3	75.2	59.2	111.6	73.9	147.9	98.2
June 30, 2009	95.1	74.3	59.29	115.5	72.9	141.8	97.4
March 31, 2009	92.9	74.0	60.0	120.2	77.3	144.8	100.6
December 31, 2008	93.2	75.7	63.8	128.6	88.5	137.3	104.5
September 30, 2008	91.8	77.7	64.9	130.4	92.5	144.6	108.1
June 30, 2008	95.8	77.1	65.3	123.8	87.0	140.4	104.1
<b>Quarterly Loan-to-Deposit Ratio Average Since the Previous Evaluation</b>	<b>89.2</b>	<b>72.4</b>	<b>57.9</b>	<b>107.1</b>	<b>78.4</b>	<b>129.9</b>	<b>93.3</b>

Apple Creek's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank has averaged 89.2% over the past 16 quarters of operations and is above the peer group average ratio of 72.4% and relatively comparable with the custom peer group average of 93.3%.

Apple Creek's LTD ratio peaked in the third quarter of 2009 and has generally declined since then. The downward trend occurred because loan demand weakened as a result of the economic

1 Apple Creek's national peer group consists of all commercial banks having assets between \$100 million and \$300 million.

2 Bank of Magnolia Company, Magnolia, Ohio; North Akron Savings Bank, Akron, Ohio; Premier Bank & Trust Company, NA, North Canton, Ohio; Valley Savings Bank, Cuyahoga Falls, Ohio.

recession, creating a scenario where deposit growth outpaced loan growth. Similar trends are also noted for the local peer institutions and custom peer average.

**Lending in the Assessment Area**

Apple Creek’s residential mortgage lending and small business lending was analyzed to determine the volume of lending within and outside of the assessment area. The table below shows that for the combined residential mortgage lending and small business lending, 87.8% of the loan volume and 89.2% by dollar amount were made inside the assessment area.

Loan Type - Description	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
CV - Home Purchase - Conventional	25	80.6	1,900	73.8	6	19.4	674	26.2
RF - Refinancing	38	95.0	5,813	97.2	2	5.0	170	2.8
<b>Total HMDA related</b>	<b>63</b>	<b>88.7</b>	<b>7,713</b>	<b>90.1</b>	<b>8</b>	<b>11.3</b>	<b>844</b>	<b>9.9</b>
SB - Small Business	75	86.2	9,516	88	12	13.8	1,299	12
<b>Total Small Bus. related</b>	<b>75</b>	<b>86.2</b>	<b>9,516</b>	<b>88</b>	<b>12</b>	<b>13.8</b>	<b>1,299</b>	<b>12</b>
<b>TOTAL LOANS</b>	<b>144</b>	<b>87.8</b>	<b>17,632</b>	<b>89.2</b>	<b>20</b>	<b>12.2</b>	<b>2,143</b>	<b>10.8</b>

A substantial majority of the bank’s loans by both volume and dollar amount were made inside the assessment area.

**Geographic Distribution**

The geographic distribution of loans reflects an excellent dispersion. Refer to the geographic distribution discussion under the non-metropolitan assessment area.

**Borrower Distribution**

The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes. Refer to the borrower distribution discussion under the non-metropolitan assessment area.

**Response to Consumer Complaints**

No CRA-related complaints were filed against Apple Creek during this evaluation period.

**Fair Lending Or Other Illegal Credit Practices Review**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank maintains fair lending policies and procedures and has an effective fair lending program.

**NON-METROPOLITAN ASSESSMENT AREA**  
 (Full-scope Review)

**DESCRIPTION OF OPERATIONS IN NON-METROPOLITAN ASSESSMENT AREA**

Apple Creek has designated Wayne County as one of its three assessment areas. Wayne County is located in a non-metropolitan area in the northeast quadrant of the state of Ohio. This assessment area is comprised of 33 census tracts, of which none are low-income, one is moderate-income, 26 are middle-income, and six are upper-income. None of the middle-income tracts are designated by the FFIEC as distressed or underserved. The main office is located in Apple Creek and two additional banking branches are located in Wooster, Ohio. All three banking branches are located in middle-income census tracts.

In Wayne County, thirteen financial institutions insured by the FDIC operate 49 banking branches. Based on the FDIC's deposit market share report as of June 30, 2012, Apple Creek ranked seventh with a 3.3% deposit market share. The following table illustrates deposit market share by financial institution within the assessment area.

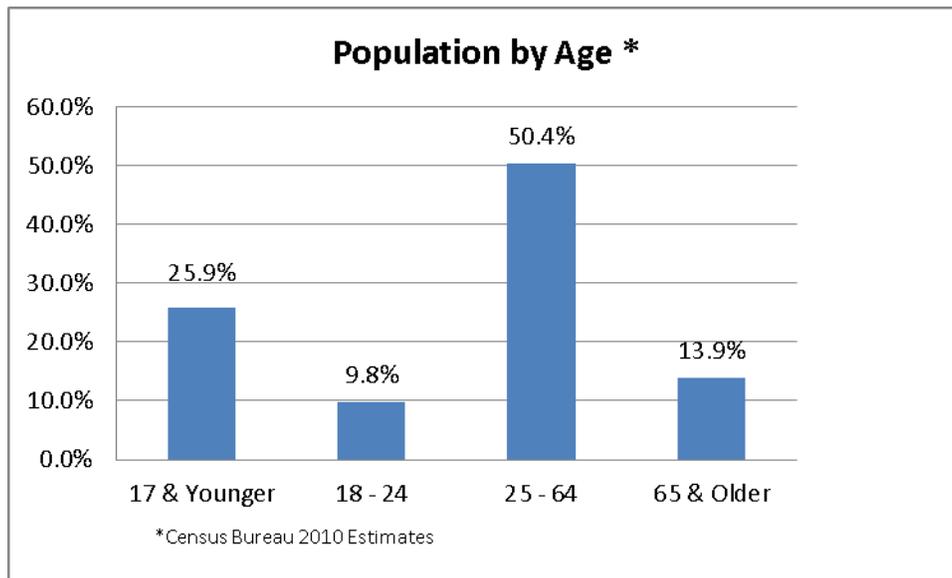
#	Financial Institution	# Offices	\$ Deposits (000)	Deposit Market Share
1	PNC Bank, National Association	11	471,264	28.5%
2	Firstmerit Bank, National Association	6	308,343	18.7%
3	First National Bank	9	248,759	15.0%
4	Wayne Savings Community Bank	6	221,283	13.4%
5	JPMorgan Chase Bank, National Association	2	103,749	6.3%
6	Premier Bank & Trust, National Association	2	80,702	4.9%
7	The Apple Creek Banking Company	3	55,268	3.3%
8	Farmers State Bank	3	43,856	2.7%
9	The Huntington National Bank	1	38,802	2.4%
10	Westfield Bank, FSB	1	31,549	1.9%
11	The Commercial and Savings Bank of Millersburg, Ohio	3	26,711	1.6%
12	U.S. Bank National Association	1	22,430	1.4%
13	Woodforest National Bank	1	867	0.1%
		<b>49</b>	<b>1,653,583</b>	<b>100.0%</b>

Large and regional banking branches account for 42.9% of the banking branches and possess 57.1% of deposits and deposit market share, in addition to strong competition from local community banks.

### **Population Characteristics**

The 2000 U.S. Census Bureau reported the total population as 111,564 and the 2010 Census Bureau population estimate for Wayne County is 114,520, reflecting a population increase of 2.6%.<sup>3</sup> According to the Ohio Department of Development, the population for Wayne County is expected to grow by 19.0% over the next 20 years.<sup>4</sup> Approximately 3.0% of the population reside in the one moderate-income census tract, 78.0% reside in the 26 middle-income census tracts, and 19.0% reside in the six upper-income census tracts.

The population age distribution for Wayne County is as follows:



As depicted in the graph, approximately 60.2% of the population is between the ages of 18 and 64, the prime ages when individuals are in need of loans. Also, one-fourth of the population is under the age of 18, the legal age to enter into a contract.

### **Income Characteristics**

According to the 2000 U.S. Census data, there were 40,486 households, of which 29,724 were designated as families. Of these families, 13.0% were low-income, 17.7% were moderate-income, 25.1% were middle-income, and 44.2% were upper-income.

3 U.S. Census Bureau: <http://quickfacts.census.gov/qfd/states/39/39169.html>

4 <http://development.ohio.gov/research/files/s0.htm>

In the assessment area, 5.4% of families were below the poverty level, lower than the statewide family poverty rate of 7.8%. Of the families living below the poverty level, 7.6% reside in moderate-income census tracts, 81.1% reside in middle-income census tracts, and 11.3% reside in upper-income census tracts. According to 2010 U.S. Census Bureau estimates, families below the poverty rate for Wayne County increased to 7.8% and the statewide family poverty rate increased to 10.3%. Poverty rates have risen uniformly for Wayne County and the state of Ohio by about 2.5%. Families living below the poverty level continue to be lower than the statewide family poverty rate.

According to the Department of Housing and Urban Development (HUD), the 2011 estimated median family income for the non-metropolitan assessment area is \$52,900 and statewide median family income is \$60,300. The 2010 median household income as reported by the U.S. Census Bureau for Wayne County is \$48,375, as compared to the state median household income of \$47,358. The non-metropolitan median family income is less than the statewide median family income, whereas the median household income for Wayne County is slightly higher than the state median household income.

### **Housing Characteristics**

According to the 2000 U.S. Census Bureau data, the assessment area contained 42,324 housing units, of which 70.1% were owner-occupied, 25.5% were rentals, and 4.4% were vacant. Single family units comprised 72.9% of the housing units, while two-to-four family units comprised 11.0%, multi-family units comprise 6.8%, and mobile homes comprise 9.3%. Owner-occupied housing units by census tracts were as follows: 42.0% are owner-occupied for the one moderate-income census tract; 68.9% for the 26 middle-income census tracts; and 80.9% for the six upper-income census tracts. The overall owner-occupancy rate of 70.1% was higher than the state owner-occupancy rate of 64.2%.

The median age of the housing stock in the moderate-income census tract was 61 years and the median age of the housing stock for both the middle- and upper income census tracts was 33 years, with an overall median housing age of 34 years. As the housing stock ages, especially in the moderate-income census tract, the need and opportunity for home improvement lending will likely increase.

The median housing value was \$104,850 and the affordability ratio was 39.6; the affordability ratio is derived by dividing the median household income by the median housing value. A larger ratio indicates that housing is more affordable. The housing stock was slightly less affordable than the state affordability ratio of 40.8. Further, based on the estimated 2011 median family income for nonmetropolitan Ohio (\$52,900), about 44.1% of the homes valued up to \$96,950 in the assessment area would be considered affordable for low-income individuals and approximately 79.1% of the homes valued up to \$155,125 would be considered affordable for moderate-income individuals. These percentages were calculated assuming a housing expense ratio equal to 28.0% of gross income for a 4.0% fixed-rate, 30-year loan.

According to RealtyTrac, an online real estate marketplace and data tracking company, Ohio had 9,718 foreclosure filings in July 2012.<sup>5</sup> For the state of Ohio, this represents one foreclosure for every 528 housing units. For Wayne County, there were 57 foreclosure filings reported for the same period, representing one foreclosure for every 804 housing units. The foreclosure rate for Wayne County is less than the statewide foreclosure rate.

The median gross rent in the assessment area was \$492, with nearly 46.2% of rents being less than \$500 a month, according to the 2000 U.S. Census. Approximately 9.7% of rental units had rents greater than \$700 per month. Additionally, 26.7% of renters had rent costs greater than 30.0% of the median family income within the assessment area, indicating that rents were more affordable for low- and moderate-income borrowers in the bank's assessment area as compared to the state of Ohio's 33.8%.

### **Labor, Employment, and Economic Characteristics**

The primary economic activity is agricultural, with 59.6% of the land used for cropland and 11.6% used for pasture. Forest comprises 22.5% of land usage and urban usage (residential/commercial/industrial/transportation) comprises 5.3%.<sup>6</sup> Wayne County ranks first in the state in dairy, first in oats, sixth in hay, and ninth in hog/pig production.<sup>7</sup> Factoring the amount of land dedicated for agricultural purposes and the amount of land covered by forest, the remaining amount of land available for business usage and residential properties is limited.

According to 2010 Dun & Bradstreet data, there are 5,247 small business and small farms within the assessment area. The major business activities include administrative and support services (14.6%), other services (11.6%), agriculture and forestry (11.2%), construction (11.0%), and retail trade (9.9%). The majority of businesses (89.0%) have revenues of less than \$1 million annually. Most businesses (62.8%) have been in operation for more than ten years, with 29.7% of those businesses for 25 years or more.

Listed below are the major employers:

- Buehler Food Markets Inc
- College of Wooster
- Frito-Lay Inc
- JLK Industries
- JM Smucker Co
- LuK Inc
- State of Ohio
- Will-Burt Co
- Wooster Brush Co
- Wooster City Schools
- Wooster Community Hospital
- Worthington Ind/Gerstenslager Co

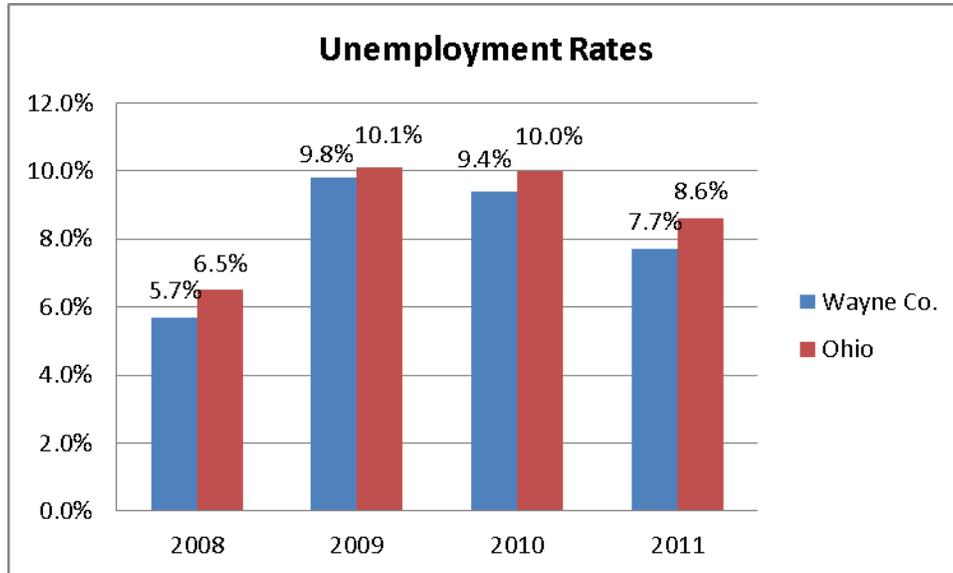
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5 [www.realtytrac.com](http://www.realtytrac.com)

6 <http://development.ohio.gov/research/files/s0.htm>

7 [http://www.nass.usda.gov/Statistics\\_by\\_State/Ohio/Publications/County\\_Estimates/index.asp](http://www.nass.usda.gov/Statistics_by_State/Ohio/Publications/County_Estimates/index.asp)

Job losses due to the economic recession were generally widespread across most business sectors within the assessment area. The following table shows the unemployment rates for Wayne County compared to the state of Ohio from 2008 through 2011.<sup>8</sup>



The table shows that the unemployment rate trend for Wayne County was similar to that of the state, with unemployment rates somewhat less than the reported statewide rates over the four-year period.

The following demographic table illustrates the assessment area:

<sup>8</sup> [http://development.ohio.gov/reports/reports\\_research.htm](http://development.ohio.gov/reports/reports_research.htm)

### Combined Demographics Report

Income Categories	Tract		Families by		Families < Poverty Level as % of Families by Tract		Families by	
	Distribution		Tract Income				Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	3,877	13
Moderate-income	1	3	882	3	121	13.7	5,262	17.7
Middle-income	26	78.8	23,021	77.4	1,297	5.6	7,459	25.1
Upper-income	6	18.2	5,839	19.6	181	3.1	13,144	44.2
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>33</b>	<b>100</b>	<b>29,742</b>	<b>100</b>	<b>1,599</b>	<b>5.4</b>	<b>29,742</b>	<b>100</b>

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	1,689	709	2.4	42	861	51	119	7
Middle-income	32,756	22,574	76.1	68.9	8,715	26.6	1,467	4.5
Upper-income	7,879	6,370	21.5	80.8	1,216	15.4	293	3.7
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>42,324</b>	<b>29,653</b>	<b>100</b>	<b>70.1</b>	<b>10,792</b>	<b>25.5</b>	<b>1,879</b>	<b>4.4</b>

	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
			#	%	#	%	#	%	#
Low-income	0	0	0	0	0	0	0	0	0
Moderate-income	155	3.3	127	3.1	14	4.4	14	6.2	
Middle-income	3,648	78.3	3,185	77.4	271	85.8	192	85.3	
Upper-income	854	18.3	804	19.5	31	9.8	19	8.4	
Unknown-income	0	0	0	0	0	0	0	0	
<b>Total Assessment Area</b>	<b>4,657</b>	<b>100</b>	<b>4,116</b>	<b>100</b>	<b>316</b>	<b>100</b>	<b>225</b>	<b>100</b>	
<b>Percentage of Total Businesses:</b>			<b>88.4</b>		<b>6.8</b>		<b>4.8</b>		

	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
			#	%	#	%	#	%	#
Low-income	0	0	0	0	0	0	0	0	0
Moderate-income	1	0.2	1	0.2	0	0	0	0	0
Middle-income	447	75.8	438	75.5	9	90	0	0	
Upper-income	142	24.1	141	24.3	1	10	0	0	
Unknown-income	0	0	0	0	0	0	0	0	
<b>Total Assessment Area</b>	<b>590</b>	<b>100</b>	<b>580</b>	<b>100</b>	<b>10</b>	<b>100</b>	<b>0</b>	<b>0</b>	
<b>Percentage of Total Farms:</b>			<b>98.3</b>		<b>1.7</b>		<b>0</b>		

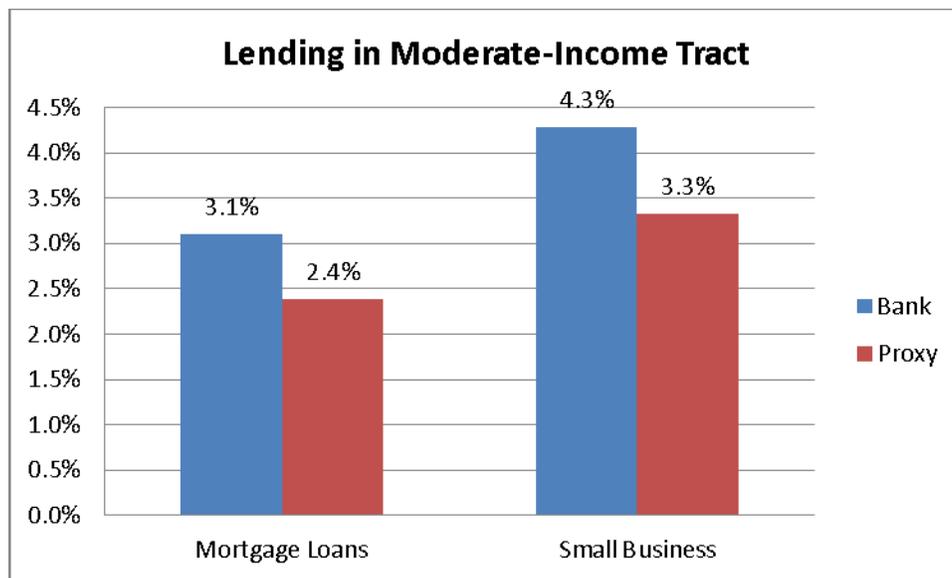
Based on 2010 D&B information according to 2000 Census Boundaries

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA  
NON-METROPOLITAN OHIO ASSESSMENT AREA**

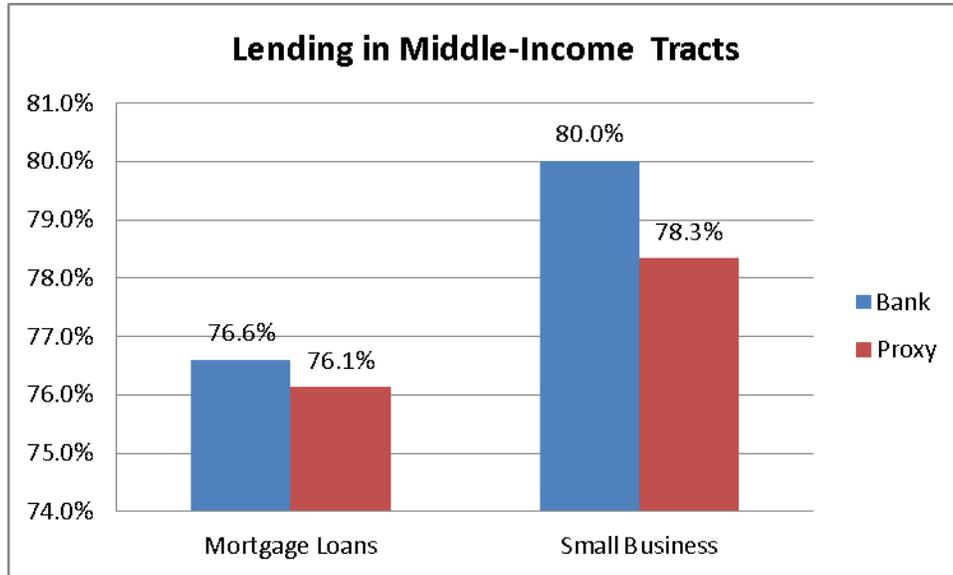
**Geographic Distribution of Lending**

The geographic distribution of lending reflects an overall excellent dispersion of loans within the assessment area. Both mortgage lending and business lending in the moderate- and middle-income tracts exceeded the respective proxy percentages. Mortgage and business lending in the upper-income census tracts were slightly less than the respective proxy percentages and is considered good.

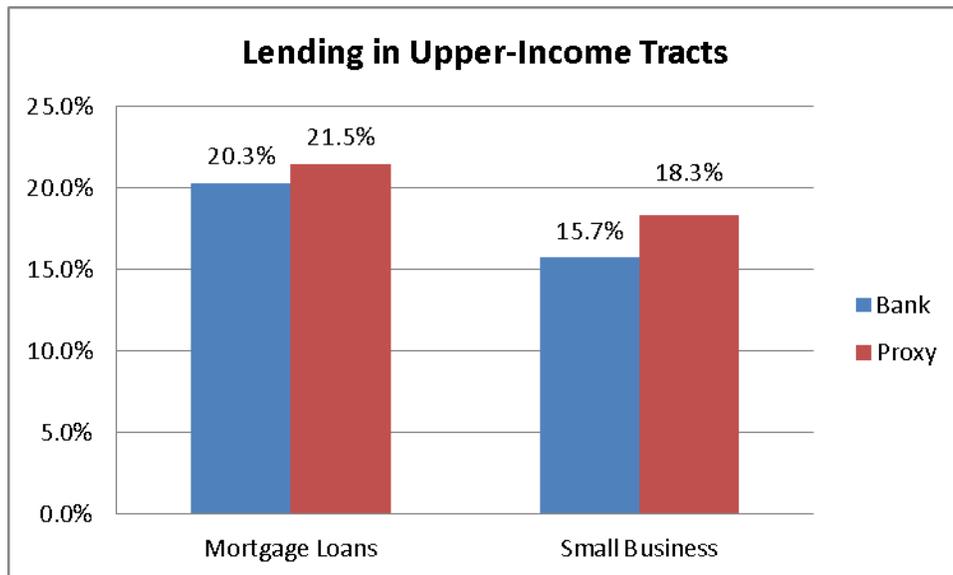
Because there are no low-income census tracts and only one moderate-income census tract within the non-metropolitan assessment area, the borrower distribution lending analysis was given greater weight than the geographic distribution for this evaluation.



For the one moderate income census tract, both mortgage and business lending exceeded the proxy percentages of owner-occupied housing units and businesses in the moderate-income census tract.



Of the 26 middle-income census tracts within the non-metropolitan assessment area, loans were originated in 22 census tracts for a penetration rate of 84.6%. One of the middle-income tracts without lending only had 282 residents and 34 housing units, while another middle-income tract without lending had a relatively high percentage of rental properties (52.9%); therefore, lending opportunities were limited in these tracts. There are no unreasonable gaps in lending in the middle-income tracts. Both mortgage lending and small business lending within middle-income census tracts exceeded the proxy percentages of owner-occupied housing units and small businesses in the middle-income census tracts. Lending in middle-income census tracts is considered excellent.



Of the six upper-income census tracts within the non-metropolitan assessment area of Wayne County, loans were originated in five census tracts for a penetration rate of 83.3%. The one upper-income census tract without lending is located in the north-central section of the county. Of the three banking branches in Wayne County, two are located in Wooster in central Wayne County and one banking branch is located in the south-central section of the county in Apple Creek. As such, convenient proximity to banking branches appears to be an inhibiting factor to lending. Mortgage lending and small business lending levels were slightly less than the proxy percentages of owner-occupied housing units and businesses within the upper-income census tracts. Overall lending in the upper-income census tracts is considered good

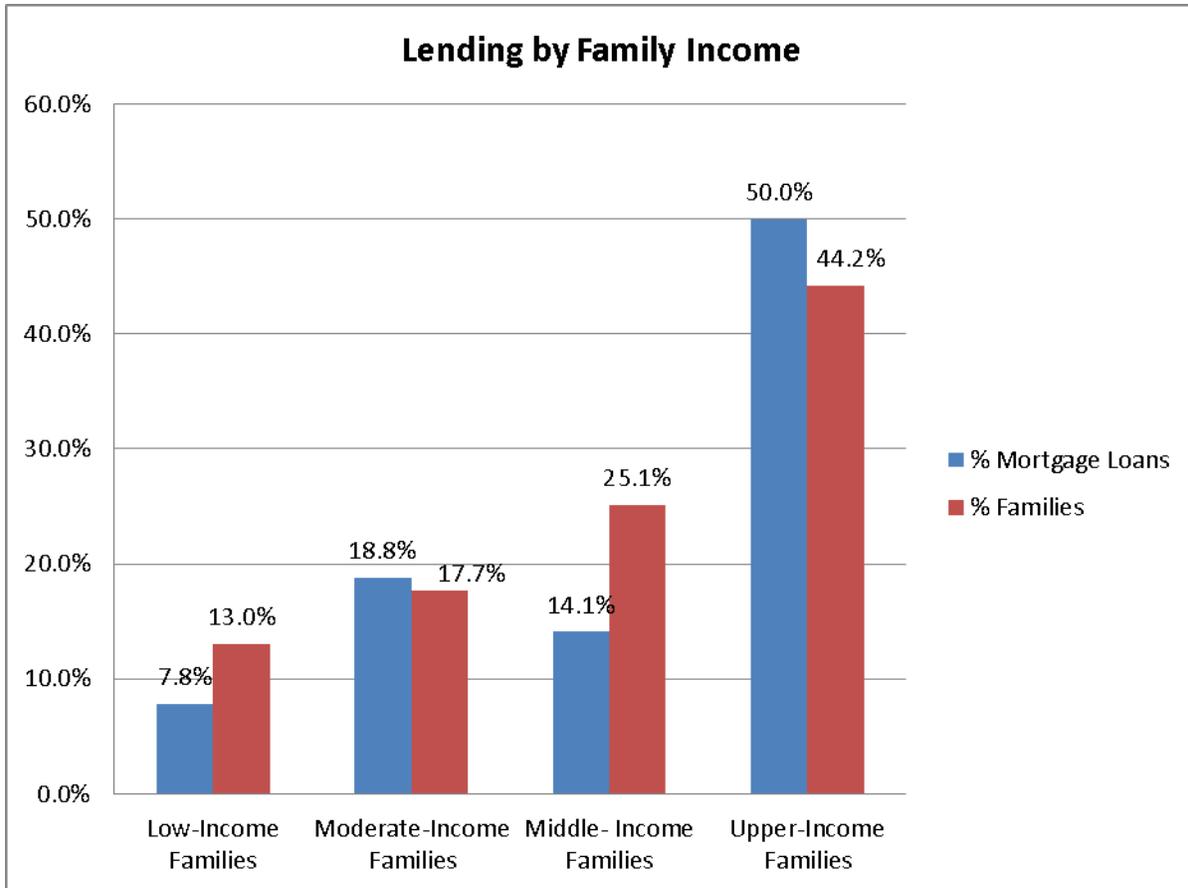
### **Borrower Distribution of Lending**

Apple Creek's lending performance reflects a reasonable distribution of lending to borrowers of different income levels and a reasonable distribution of lending to businesses of different revenue sizes (particularly to low- and moderate-income borrowers and small businesses).

As previously discussed, borrower distribution was weighted more heavily than the geographic distribution.

### ***Mortgage Lending***

Apple Creek's borrower distribution of lending reflects a good distribution of lending to borrowers of different income levels.



Mortgage lending to low-income borrowers was less than the proxy percentage of low-income families within the assessment area. Lending to low-income borrowers is considered good, considering that 5.4% of families within the assessment area are below the poverty level. In addition, during the recent recession and continuing into the current economic environment, credit standards have become more restrictive and less flexible.

Lending to moderate-income families exceeded the proxy percentage of moderate-income families within the assessment area. As such, mortgage lending to moderate-income borrowers is considered excellent.

For middle-income families, mortgage lending was less than the proxy percentage of moderate-income families within the assessment area. Considering that Apple Creek has three banking branches to serve Wayne County and there are 12 other financial institutions with an additional 46 banking branches competing for loans, lending to middle-income borrowers is considered adequate.

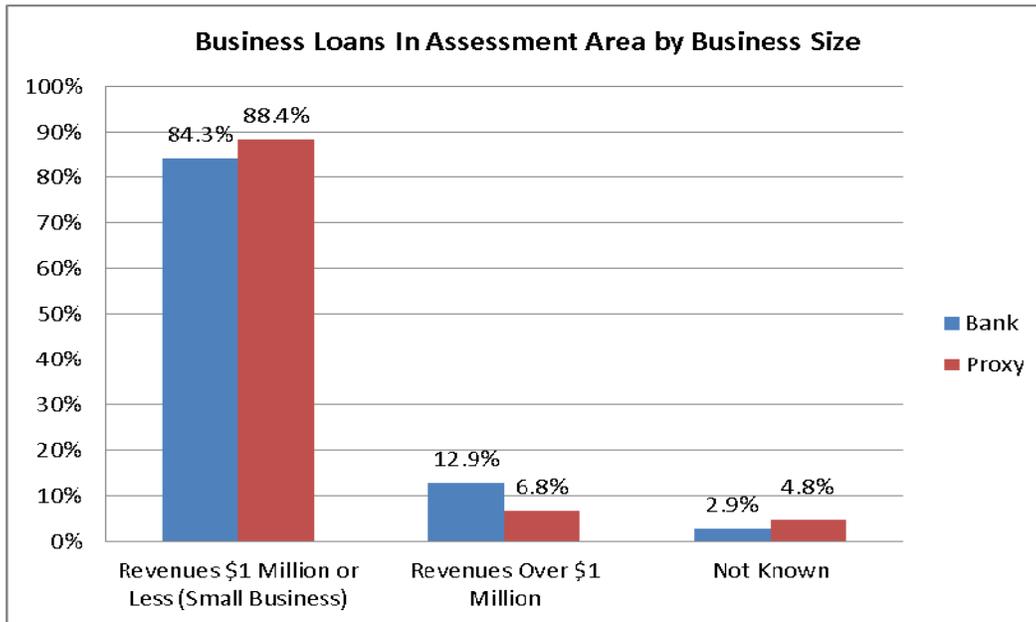
For upper-income families, mortgage lending exceeded the proxy percentage of upper-income families within the assessment area.

### *Lending to Businesses with Different Revenues Sizes*

Apple Creek’s distribution of lending to businesses of different revenue sizes reflects a good distribution of lending. The business demographic data for this assessment area discloses that there are 4,657 businesses, of which 88.4% are small businesses with annual revenues of \$1 million or less. During the evaluation period, Apple Creek originated 59 loans to small businesses (84.3%), nine loans to businesses with revenues greater than \$1 million (12.9%), and two loans to business with revenues not reported.

The 59 loans to small businesses totaled \$6.9 million, which is 79.1% of total business lending by dollar volume during the evaluation period. The nine loans to businesses with revenues exceeding \$1 million totaled \$1.6 million for 18.7% of the business lending volume.

The following chart depicts Apple Creek’s percentage of lending to businesses by revenue size compared to the percentage of businesses by revenue size within the assessment area.



Of the 59 loans to small businesses, 41 loans (69.5%) were extended in the amounts of \$100,000 or less.

Because smaller-size loans are commensurate with the borrowing needs of smaller businesses, Apple Creek’s level of lending activity demonstrates that such credit needs are being met.

**METROPOLITAN ASSESSMENT AREA**  
 (Limited-scope Review)

**DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN  
 CANTON-MASSILLON, OHIO MSA 15940**

The Canton-Massillon MSA is comprised of Carroll and Stark Counties. According to the 2011 population estimate based on the 2010 U.S. Census data, Stark County has a population of 375,087 (92.9%) and Carroll County has a population of 28,782 (7.1%) for a total MSA population of 403,869.

Within the Canton-Massillon MSA, Apple Creek has designated three of the 80 Stark County census tracts as part of the assessment area. These are all middle-income census tracts and are located along the western edge of the county bordering Wayne County. As of the 2000 U.S. Census data, the population of the three census tracts is 20,122, which represents approximately 5.4% of the population of Stark County. Based on Ohio’s Department of Development, Stark County’s population is projected to decline by approximately 2.0% by 2030.

Apple Creek operates two full-service branches located in the communities of Beach City and Canal Fulton. Five financial institutions insured by the FDIC operate eight banking branches within the three census tract assessment area. Apple Creek ranked last with a 6.7% deposit market share, based on the FDIC’s deposit market share report as of June 30, 2012. The following table illustrates deposit market share by financial institution within the assessment area.

#	Financial Institution	# Offices	\$ Deposits (000)	Deposit Market Share
1	The Huntington National Bank	2	105,050	42.99%
2	Firstmerit Bank, National Association	1	51,418	21.04%
3	PNC Bank, National Association	2	41,968	17.18%
4	JPMorgan Chase Bank, National Association	1	29,586	12.11%
5	The Apple Creek Banking Company	2	16,327	6.68%
		<b>8</b>	<b>244,349</b>	<b>100.00%</b>

The banking competition for the assessment area is dominated by large regional bank banking branches. As such, Apple Creek has to compete against large financial institutions that have evolved extensive network and support systems to deliver and service a large array of financial products and services.

The following demographic table illustrates the assessment area:

### Combined Demographics Report

Income Categories	Tract		Families by		Families < Poverty Level as % of Families by Tract		Families by	
	Distribution		Tract Income				Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	678	12.1
Moderate-income	0	0	0	0	0	0	1,058	18.9
Middle-income	3	100	5,605	100	230	4.1	1,510	26.9
Upper-income	0	0	0	0	0	0	2,359	42.1
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>3</b>	<b>100</b>	<b>5,605</b>	<b>100</b>	<b>230</b>	<b>4.1</b>	<b>5,605</b>	<b>100</b>

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	7,521	5,865	100	78	1,360	18.1	296	3.9
Upper-income	0	0	0	0	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>7,521</b>	<b>5,865</b>	<b>100</b>	<b>78</b>	<b>1,360</b>	<b>18.1</b>	<b>296</b>	<b>3.9</b>

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	774	100	707	100	32	100	35	100
Upper-income	0	0	0	0	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>774</b>	<b>100</b>	<b>707</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>35</b>	<b>100</b>
<b>Percentage of Total Businesses:</b>			<b>91.3</b>		<b>4.1</b>		<b>4.5</b>	

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	65	100	65	100	0	0	0	0
Upper-income	0	0	0	0	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>65</b>	<b>100</b>	<b>65</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Percentage of Total Farms:</b>			<b>100</b>		<b>0</b>		<b>0</b>	

Based on 2010 D&B information according to 2000 Census Boundaries

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**CONCLUSION WITH RESPECT TO PERFORMANCE TEST IN  
CANTON-MASSILLON, OHIO MSA 15940**

During the evaluation period, Apple Creek originated four residential mortgage loans and five small business loans for a total of nine loans within the assessment area.

There was one home purchase (\$85,000) loan originated to a moderate-income borrower and three home refinance (\$365,000) loans originated: one to a middle-income borrower; one to an upper-income borrower; and one loan originated with income not reported.

There were a total of five loans to small businesses (\$870,000) with revenues of less than \$1 million. Two of the loans were less than \$100,000 and the remaining three loans originated were in the amounts of \$120,000, \$275,000, and \$375,000.

Due to the limited volume of lending made in the MSA, no meaningful analysis or conclusions could be determined. Therefore, no evaluation of this assessment area was conducted.

**METROPOLITAN ASSESSMENT AREA**  
 (Limited-scope Review)

**DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN  
 AKRON, OHIO MSA 10420**

The Akron MSA is comprised of Summit and Portage Counties. According to the 2011 population estimate based on the to the 2010 U.S. Census data, Summit County has a population of 539,832 (77.0%) and Portage County has a population of 161,624 (23.0%) for a total MSA population of 701,456.

Within the Akron MSA, Apple Creek has designated four of the 131 Summit County census tracts as part of the assessment area. They are all middle-income census tracts and are located along the southwestern edge of the county bordering Wayne County. As of the 2000 U.S. Census data, the population of the three census tracts was 15,927, which represents approximately 3.0% of the population of Summit County. Based on Ohio’s Department of Development, Summit County’s population is projected to increase by approximately 4.0% by 2030.

Apple Creek operates one full-service branch located in the community of Clinton. There are nine financial institutions insured by the FDIC operating 20 banking branches within the assessment area. Apple Creek ranked last with a 0.88% deposit market share based on the FDIC’s deposit market share report as of June 30, 2012. The following table illustrates deposit market share by financial institution within the assessment area.

#	Financial Institution	# Offices	\$ Deposits (000)	Deposit Market Share
1	Firstmerit Bank, National Association	5	328,492	41.11%
2	JPMorgan Chase Bank, National Association	3	153,096	19.16%
3	PNC Bank, National Association	1	93,312	11.68%
4	KeyBank National Association	2	85,920	10.75%
5	U.S. Bank National Association	4	51,036	6.39%
6	RBS Citizens, National Association	2	30,996	3.88%
7	Fifth Third Bank	1	29,283	3.66%
8	North Akron Savings Bank	1	19,870	2.49%
9	The Apple Creek Banking Company	1	7,056	0.88%
		<b>20</b>	<b>799,061</b>	<b>100.00%</b>

The banking competition for the assessment area is dominated by large regional bank banking branches. As such, Apple Creek has to compete against large financial institutions that have evolved extensive network and support systems to deliver and service a large array of financial products and services.

The following demographic table illustrates the assessment area:

### Combined Demographics Report

Income Categories	Tract		Families by		Families < Poverty Level as % of Families by Tract		Families by	
	Distribution		Tract Income				Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	597	12.7
Moderate-income	0	0	0	0	0	0	911	19.4
Middle-income	4	100	4,693	100	131	2.8	1,201	25.6
Upper-income	0	0	0	0	0	0	1,984	42.3
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>4</b>	<b>100</b>	<b>4,693</b>	<b>100</b>	<b>131</b>	<b>2.8</b>	<b>4,693</b>	<b>100</b>

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	6,382	5,420	100	84.9	689	10.8	273	4.3
Upper-income	0	0	0	0	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>6,382</b>	<b>5,420</b>	<b>100</b>	<b>84.9</b>	<b>689</b>	<b>10.8</b>	<b>273</b>	<b>4.3</b>

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	643	100	615	100	16	100	12	100
Upper-income	0	0	0	0	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>643</b>	<b>100</b>	<b>615</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>12</b>	<b>100</b>
<b>Percentage of Total Businesses:</b>			<b>95.6</b>		<b>2.5</b>		<b>1.9</b>	

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	12	100	12	100	0	0	0	0
Upper-income	0	0	0	0	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>12</b>	<b>100</b>	<b>12</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Percentage of Total Farms:</b>			<b>100</b>		<b>0</b>		<b>0</b>	

Based on 2010 D&B information according to 2000 Census Boundaries

## **CONCLUSION WITH RESPECT TO PERFORMANCE TEST IN AKRON, OHIO MSA 10420**

During the evaluation period, Apple Creek originated only one residential refinance mortgage loan in a middle-income census tract to an upper-income borrower in the amount of \$151,000. This assessment area is composed of four middle-income census tracts.

Due to the limited volume of lending made in the MSA, no meaningful analysis or conclusions could be determined. Therefore, no evaluation of this assessment area was conducted.

APPENDIX A

LENDING TABLES

HMDA Loan Distribution Table

Assessment Area/Group :Apple Creek Wayne County AA 2011

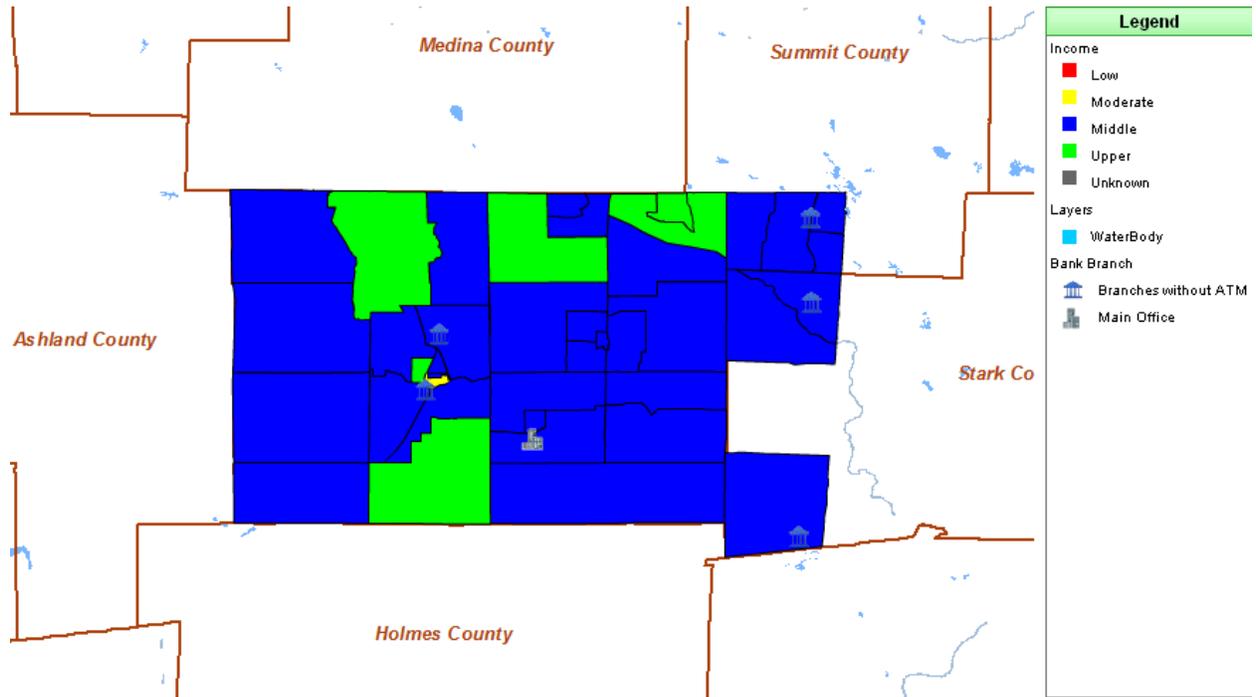
Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Home Purchase</b>							
Low	0	0.0%	0	0.0%	3	12.5%	153	8.4%
Moderate	2	8.3%	69	3.8%	3	12.5%	148	8.2%
Low/Moderate Total	2	8.3%	69	3.8%	6	25.0%	301	16.6%
Middle	14	58.3%	922	50.8%	3	12.5%	166	9.1%
Upper	8	33.3%	824	45.4%	11	45.8%	978	53.9%
Unknown	0	0.0%	0	0.0%	4	16.7%	370	20.4%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	24	100.0%	1,815	100.0%	24	100.0%	1,815	100.0%
	<b>Refinance</b>							
Low	0	0.0%	0	0.0%	2	5.9%	152	2.9%
Moderate	0	0.0%	0	0.0%	7	20.6%	590	11.1%
Low/Moderate Total	0	0.0%	0	0.0%	9	26.5%	742	14.0%
Middle	31	91.2%	5,066	95.6%	6	17.6%	580	10.9%
Upper	3	8.8%	231	4.4%	18	52.9%	2,700	51.0%
Unknown	0	0.0%	0	0.0%	1	2.9%	1,275	24.1%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	34	100.0%	5,297	100.0%	34	100.0%	5,297	100.0%
	<b>Home Improvement</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	2	33.3%	5	1.2%
Low/Moderate Total	0	0.0%	0	0.0%	2	33.3%	5	1.2%
Middle	4	66.7%	109	27.0%	0	0.0%	0	0.0%
Upper	2	33.3%	294	73.0%	3	50.0%	354	87.8%
Unknown	0	0.0%	0	0.0%	1	16.7%	44	10.9%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	6	100.0%	403	100.0%	6	100.0%	403	100.0%
	<b>Multi-Family</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<b>HMDA Totals</b>							
Low	0	0.0%	0	0.0%	5	7.8%	305	4.1%
Moderate	2	3.1%	69	0.9%	12	18.8%	743	9.9%
Low/Moderate Total	2	3.1%	69	0.9%	17	26.6%	1,048	13.9%
Middle	49	76.6%	6,097	81.1%	9	14.1%	746	9.9%
Upper	13	20.3%	1,349	18.0%	32	50.0%	4,032	53.7%
Unknown	0	0.0%	0	0.0%	6	9.4%	1,689	22.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%

CRA Loan Distribution Table

Assessment Area/Group: Apple Creek Wayne County AA 2011

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>By Tract Income</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	3	4.3%	94	1.1%	0	0.0%	0	0.0%
Low/Moderate Total	3	4.3%	94	1.1%	0	0.0%	0	0.0%
Middle	56	80.0%	7,963	92.1%	0	0.0%	0	0.0%
Upper	11	15.7%	589	6.8%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	70	100.0%	8,646	100.0%	0	0.0%	0	0.0%
<b>By Revenue</b>								
Total \$1 Million or Less	59	84.3%	6,839	79.1%	0	0.0%	0	0.0%
Over \$1 Million	9	12.9%	1,617	18.7%	0	0.0%	0	0.0%
Not Known	2	2.9%	190	2.2%	0	0.0%	0	0.0%
Total	70	100.0%	8,646	100.0%	0	0.0%	0	0.0%
<b>By Loan Size</b>								
\$100,000 or less	45	64.3%	1,832	21.2%	0	0.0%	0	0.0%
\$100,001 - \$250,000	16	22.9%	2,694	31.2%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	8	11.4%	2,845	32.9%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	1	1.4%	1,275	14.7%	0	0.0%	0	0.0%
Total	70	100.0%	8,646	100.0%	0	0.0%	0	0.0%
<b>By Loan Size and Revenue \$1 Million or Less</b>								
\$100,000 or less	41	69.5%	1,635	23.9%	0	0.0%	0	0.0%
\$100,001 - \$250,000	11	18.6%	1,834	26.8%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	6	10.2%	2,095	30.6%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	1	1.7%	1,275	18.6%	0	0.0%	0	0.0%
Total	59	100.0%	6,839	100.0%	0	0.0%	0	0.0%

### APPENDIX B ASSESSMENT AREA MAP



## APPENDIX C

### GLOSSARY OF TERMS

**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
- (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
  - 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.