

PUBLIC DISCLOSURE

March 31, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hamler State Bank
RSSD # 887827

210 Randolph Street
Hamler, OH 43524

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 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;
- The distribution of loans to borrowers reflects an excellent penetration among individuals of different income levels (including low- and moderate-income);
- The distribution of loans to businesses reflects an excellent penetration among 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 CRA examination.

The previous examination conducted January 25, 2010 resulted in a "Satisfactory" performance rating.

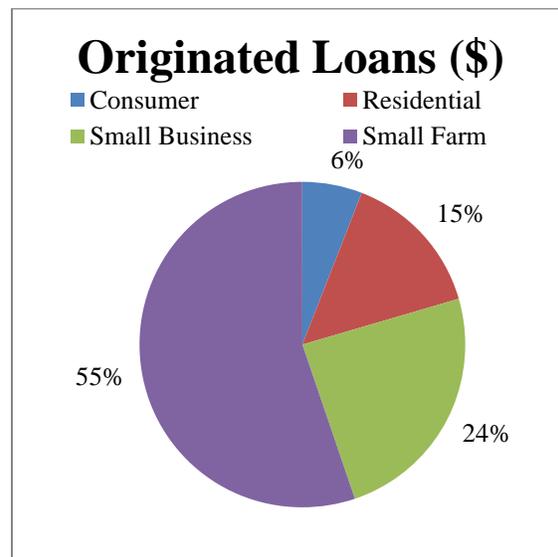
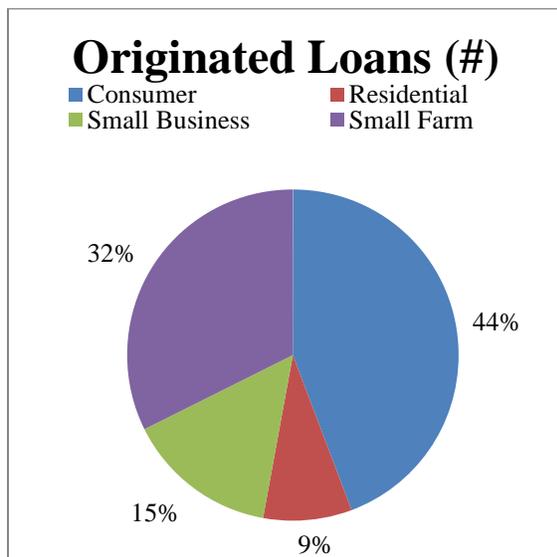
SCOPE OF EXAMINATION

The Hamler State Bank (Hamler) Community Reinvestment Act (CRA) performance was evaluated using the interagency small bank examination procedures under Regulation BB.

Hamler’s CRA performance was evaluated based on lending data for the period of January 1, 2012 to September 30, 2013. The loan products evaluated included consumer (including motor vehicle), residential mortgage, small business (commercial loans), and small farm lending.

The following table and charts illustrate the volume and distribution of loans originated during the evaluation period.

Loan Type	Number of Loans	Dollar Amount of Loans (000s)
Consumer	261	1,846
Residential	51	4,528
Small Business	87	7,579
Small Farm	191	17,206
Total	590	31,159



Based on total loan volume by number and dollar amount and the composition of the loan portfolio discussed on page four, small farm lending received the most weight, followed by residential mortgage, small business, and consumer.

The bank’s assessment area for CRA purposes is comprised of one assessment area that received a full-scope review. One community contact interview was conducted to provide perspective on the credit needs of the assessment area in which the bank operates.

Although both geographic and borrower distributions were evaluated in order to determine the bank's overall CRA performance, only Hamler's borrower distribution is discussed in this analysis, as the bank's assessment area consists of four middle-income and one upper-income census tracts, there are no distressed or underserved middle-income tracts, and the vast majority of the bank's lending was originated within the middle-income tracts. Additionally, it is noted that lending was performed in all of the bank's census tracts.

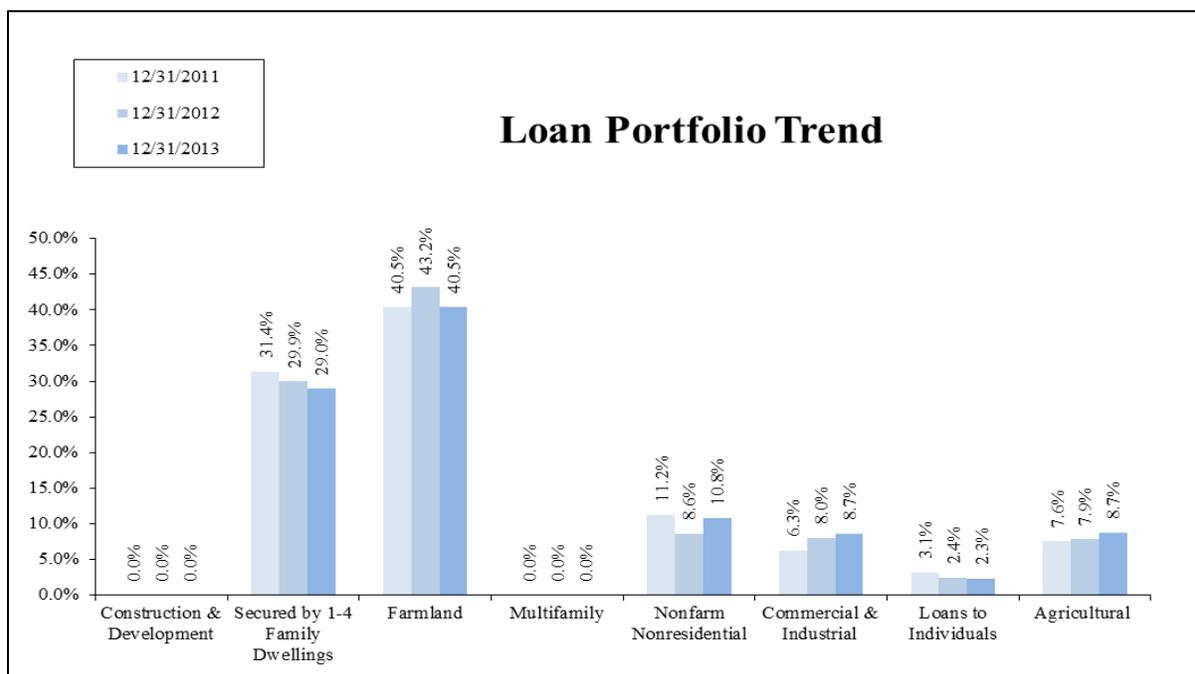
DESCRIPTION OF INSTITUTION

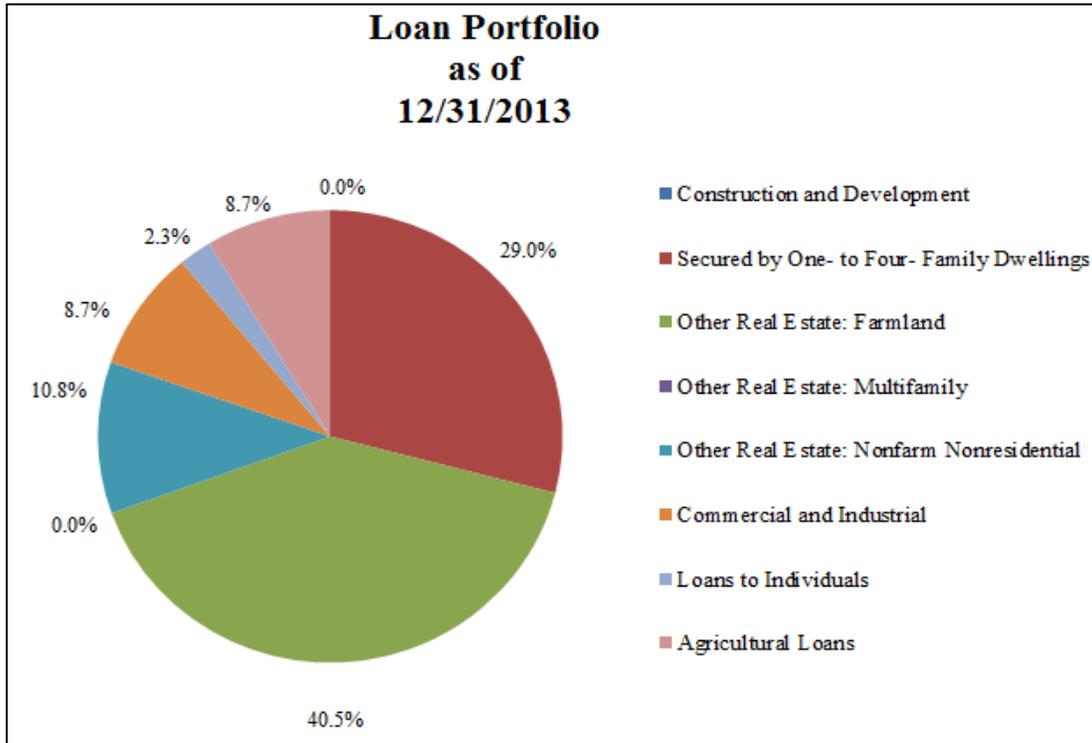
Hamler State Bank is an independently owned community bank located in Hamler, Ohio. According to the December 31, 2013 Uniform Bank Performance Report (UBPR), Hamler had total assets of \$73.7 million, a 23.3% increase in total assets since the previous CRA evaluation.

Hamler has one office in northwestern Ohio. The main office is located in the village of Hamler in Henry County. The bank has one full-service ATM, which is located at a local gas station around the corner from the main office. Hamler is a full-service retail bank offering deposit accounts, residential mortgages, consumer, commercial and agricultural loans, small business, and small farm loans. Since the previous evaluation, Hamler has not opened or closed any branch offices or ATMs.

As of December 31, 2013, the bank’s net loans and leases represented 51.2% of total assets. The following charts display the loan portfolio composition and trend as of December 31, 2013.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	12/31/2013		12/31/2012		12/31/2011	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	0	0.0%	0	0.0%	0	0.0%
Secured by One- to Four- Family Dwellings	11,023	29.0%	11,076	29.9%	9,825	31.4%
Other Real Estate: Farmland	15,376	40.5%	15,988	43.2%	12,672	40.5%
Other Real Estate: Multifamily	0	0.0%	0	0.0%	0	0.0%
Other Real Estate: Nonfarm Nonresidential	4,111	10.8%	3,164	8.6%	3,512	11.2%
Commercial and Industrial	3,287	8.7%	2,969	8.0%	1,960	6.3%
Loans to Individuals	871	2.3%	881	2.4%	978	3.1%
Agricultural Loans	3,316	8.7%	2,923	7.9%	2,372	7.6%
Total	\$37,984	100.00%	\$37,001	100.00%	\$31,319	100.00%





Hamler's investment portfolio as of December 31, 2013 was \$32.8 million, which represented 44.6% of total assets. Investments in U.S. Treasury and Agency Securities account for 74.4% of investments, while municipal securities represent 18.0%. Interest-bearing bank balances and federal funds sold represent 3.4% and 4.2% respectively.

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

DESCRIPTION OF ASSESSMENT AREA IN NON-METROPOLITAN AREA IN NORTHWESTERN OHIO

Hamler has one assessment area in Ohio that consists of portions of Henry and Putnam Counties. Both counties are located in a non-metropolitan statistical area. The assessment area consists mainly of townships and villages. Marion Township encompasses the village of Hamler and is located in the southern central section of Henry County. It is approximately six miles from the border of Putnam County. The bank's assessment area is entirely rural and is comprised of five contiguous census tracts; four middle-income and one upper-income census tracts. Hamler's main office is located in a middle-income census tract.

Henry County is a heavily agricultural area located in upper northwestern Ohio, approximately 40 miles southwest of Toledo, Ohio. Napoleon City is the largest city and county seat. The county had a population of 28,045 according to the 2010 U.S. Census. The village of Hamler is located within Henry County and encompasses approximately 36 square miles. In Henry County, Hamler has included in its assessment area three middle-income census tracts out of eight census tracts (seven middle- and one upper-income tracts).

Putnam County is located south of Henry County and is also a heavily agricultural area. Ottawa Village is the largest village and county seat. The county had a population of 34,198, according to the 2010 U.S. Census. In Putnam County, Hamler has included in its assessment area two census tracts (one middle-income and one upper-income census tract) out of seven census tracts (two middle- and five upper-income tracts).

According to the FDIC Deposit Market Share Report as of June 30, 2013,¹ Hamler ranked seventh out of 22 institutions in Henry County with one office and a market share of 4.8%. The following top three institutions by deposit share are larger national and regional financial institutions: The Union Bank Company (17.7%) with five branch offices, The Huntington National Bank (16.6%) with six branch offices, and The Henry County Bank (15.5%) with six branch offices. The following table illustrates deposit market share by financial institutions in the assessment area.

¹ FDIC Summary of Deposits: www.fdic.gov

#	Financial Institution	Deposit Market Share
1	The Union Bank Company	17.7%
2	The Huntington National Bank	16.6%
3	The Henry County Bank	15.5%
4	First Federal Bank of the Midwest	15.1%
5	The Fort Jennings State Bank	11.1%
6	The First National Bank of Pandora	5.1%
7	The Hamler State Bank	4.8%
8	The Ottoville Bank Company	4.6%
9	The Corn City State Bank	3.8%
10	The Farmers & Merchants State Bank	2.8%

A community contact interview was conducted to provide additional information regarding the credit needs of the local community and context to the demographic and economic characteristics discussed below. The community contact is involved with community planning and development, with a focus on advancing, encouraging and promoting the industrial, economic, commercial, and research development of the community and county. According to the contact, economic conditions have been mainly stable the last few years. Although the area is heavily agricultural, there is one large employer in the area that employs 1,200-1,600 employees at any given time. Per the contact, there are not many professional employment opportunities for younger professionals due to the heavily agricultural area, so it appears the population is headed towards a slightly older demographic classification. In addition, the contact stated that there is a good relationship between the local banks and the consumers and that credit needs of the community are being met. Smaller community banks appear to be more flexible than the larger banks in accommodating a consumer when their credit or loan request is less than satisfactory or unique in nature. The contact also stated that Henry County is doing well in regards to the price for farmland in relation to other areas, so it is supporting the community all around.

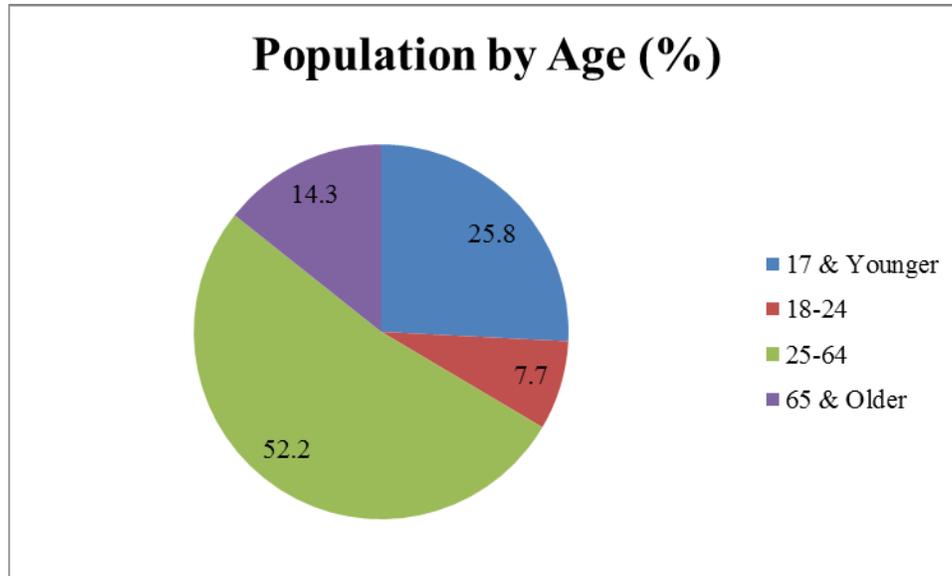
Population

According to the 2010 U.S. Census, the total population in the assessment area is 21,345. The following table depicts the 2010 and estimated 2012 populations of the two counties within the bank's assessment area, as well as the estimated population change.²

County	2010 Population	2012 Population	Population Percent Change
Henry	28,215	28,045	-0.6%
Putnam	34,499	34,198	-0.9%
Total	62,714	62,243	

² American Fact Finder, <http://factfinder2.census.gov>

Approximately 25.8% of the population is under 18, while 59.9% of the population is between the ages of 18 years and 64, which is the legal age to enter into a contract and more likely to have credit needs. The following chart illustrates the population by age within the assessment area.



There are no low- or moderate-income census tracts in the assessment area, therefore, of the population in the assessment area, 72.7% live in middle-income tracts and 27.3% live in an upper-income census tract.

Income Characteristics

According to the 2010 U.S. Census, the median family income for the assessment area was \$61,071, which is higher than Ohio’s median family income of \$59,680. Based on 2013 HUD data, the median family income decreased to \$53,000.³

**Borrower Income Levels
Ohio State Non-Metro**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2012	\$53,600	0 - \$26,799	\$26,800 - \$42,879	\$42,880 - \$64,319	\$64,320 - & above
2013	\$53,000	0 - \$26,499	\$26,500 - \$42,399	\$42,400 - \$63,599	\$63,600 - & above

³ Department of Housing and Urban Development, www.huduser.org/portal/datasets/il.html

The assessment area contains 7,893 households, of which 5,820 (73.7%) are designated as families. Low- and moderate-income families represent 12.5% and 16.4% of all families in this assessment area, respectively, with 7.1% of families below the poverty level, compared to Ohio’s rate of 10.3%.

According to the 2012 data from the Economic Research Service of the United States Department of Agriculture (USDA), household poverty rates for Henry and Putnam Counties were as follows:

County	1999 Poverty Rate	2012 Poverty Rate	Change
Henry	7.0%	12.5%	78.6%
Putnam	5.6%	7.5%	33.9%
Ohio	10.6%	15.4%	45.3%
United States	12.4%	15.1%	21.8%

Of the population, 12.5% of Henry County’s population was in poverty, which was higher than the poverty rate in 1999 of 7.0%.⁴ This relatively high poverty rate could indicate that individuals, especially those that are low-income or moderate-income, may have difficulty in having enough financial resources to obtain loans. Based on this data, poverty rates for both Henry and Putnam Counties have increased at a higher rate than the country and significantly higher for Henry County than Ohio.

Labor, Employment and Economic Characteristics

According to the Ohio Office of Policy, Research and Strategic Planning, the largest industries by average employment are manufacturing; trade, transportation and utilities; and local government. In Henry County, the highest weekly wages by industry are manufacturing (\$947), construction (\$883) and federal government (\$862). The following table identifies the employment sectors and major employers in the bank’s assessment area, but is not limited to the following:⁵

County	Primary Employment Sectors	Major Employers
Henry	Manufacturing; Trade, Transportation and Utilities; Local Government; Education and Health Services; Leisure and Hospitality; Construction; Other Services; Financial Services; Professional and Business Services; Natural Resources and Mining	Alex Products; Campbell Soup Co; Carson Industries; Filling Memorial Home of Mercy; Henry County Hospital; Liberty Center Schools; Lutheran Home of Napoleon; Napoleon Area City Schools; Silgan Holdings Inc.; Tenneco Inc.; Wal-Mart Stores Inc.
Putnam	Manufacturing; Local Government; Trade, Transportation and Utilities; Education and Health Services; Professional and Business Services; Leisure and Hospitality; Construction; Other Services; Financial Services; Natural Resources and Mining	Kalida Manufacturing Inc.; Midway Products/Progressive Stamping; Ottawa-Giandorf Local Schools; Procter & Gamble/Iams Co; Protec Coating Co Inc.; Putnam County Government; Schnipke Engraving Co Inc.; Silgan Plastics Corp; Unverferth Manufacturing Co Inc.; Wal-Mart Stores Inc.; Whirlpool Corp

4 U.S. Department of Agriculture, www.ers.usda.gov/data/povertyrates

5 Ohio County Profiles, Ohio Office of Policy, Research and Strategic Planning
https://development.ohio.gov/reports/reports_county_trends_map.htm

The following table shows the 2012 and 2013 average annual unemployment rate for Henry and Putnam Counties and the State of Ohio.

Unemployment Rates
Assessment Area: Hamler State Bank

Area	Years - Annualized	
	2012	2013
Henry Co.	7.8 (E)	6.9 (P)
Putnam Co.	6.0 (E)	5.9 (P)
Ohio	7.2 (D)	6.6 (P)

Not Seasonally Adjusted

D : Reflects revised population controls and model reestimation.

E : Reflects revised inputs, reestimation, and controlling to new statewide totals.

P: Preliminary as of December 2013

The unemployment rate for Henry County was higher than Ohio's for both years. Both Ohio and Henry County experienced declines in unemployment between the two years, with the rate in Henry County declining by less than that of Ohio.

Housing Characteristics

There were 8,577 housing units in this assessment area, based on the 2010 U.S. Census. Within this assessment area, 77.6% of the units were owner-occupied, 14.4% were rental units and 8.0% were vacant. From an income perspective, the owner-occupancy rate in moderate- and upper-income tracts was 77.8% and 76.9%. The counties' owner-occupancy rate is higher than Ohio's rate of 61.7%. Of the housing units, 87.5% were single-family dwellings, 6.0% were multi-family dwellings, and 6.4% were mobile homes. Of the total housing units, 74.0% are located in middle-income census tracts, while 26.0% are located in the upper-income census tract.

The median age of the housing stock is 55 years, according to the 2010 U.S. Census. This was slightly higher than the median age of housing for Ohio overall at 44 years. The median age of housing was 60 years in middle-income tracts and 40 years in the upper-income census tract. The age of the housing stock is notably older than statewide and indicates an opportunity for home improvement-type lending.

The median housing value in the assessment area is \$107,370, with an affordability ratio of 46.6%. The higher the affordability ratio, the more affordable a home is considered. The housing affordability ratio is calculated by dividing median household income by median housing value. The housing stock in the assessment area is slightly more affordable than Ohio at 34.7%. Further, based on the 2013 median family income for non-metropolitan Ohio (\$53,000), approximately 39.2% of the homes valued up to \$97,137 in the assessment area would be considered affordable for low-income individuals and 68.7% of the homes valued up to \$155,420 would be considered affordable to 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 Sperling's Best Places,⁶ the median home cost in Henry County was \$88,600, which represents an appreciation of 0.15% since the prior year. Compared to the rest of the county, Hamler's cost of living is 14.0% and is lower than the U.S. average. In Putnam County, the median home cost is \$79,100 and appreciated .15% since the previous year.

According to RealtyTrac information⁷, one in every 1,471 properties in Henry County was in foreclosure in January 2014, while one in every 7,187 homes was in foreclosure in Putnam County. This was lower than Ohio's ratio of one in every 1,058 properties.

The median gross rent in the assessment area was \$630, with 21.0% of the rents under \$500 a month, according to the 2010 U.S. Census. The median gross rent in the assessment area was slightly lower than the State of Ohio (\$678).

The following table illustrates the demographics of Hamler's assessment area.

6 Sperling's Best Places, <http://bestplaces.net>

7 RealtyTrac: <http://www.realtytrac.com>

Combined Demographics Report

Assessment Area(s): Hamler State Bank AA 2013

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	730	12.5	
Moderate-income	0	0.0	0	0.0	0	0.0	955	16.4	
Middle-income	4	80.0	4,223	72.6	361	8.5	1,291	22.2	
Upper-income	1	20.0	1,597	27.4	54	3.4	2,844	48.9	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	5	100.0	5,820	100.0	415	7.1	5,820	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	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	6,349	4,941	74.2	77.8	942	14.8	466	7.3	
Upper-income	2,228	1,714	25.8	76.9	296	13.3	218	9.8	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	8,577	6,655	100.0	77.6	1,238	14.4	684	8.0	
	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	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	546	72.0	461	71.8	49	76.6	36	69.2	
Upper-income	212	28.0	181	28.2	15	23.4	16	30.8	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	758	100.0	642	100.0	64	100.0	52	100.0	
Percentage of Total Businesses:				84.7		8.4		6.9	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	196	63.8	195	63.7	1	100.0	0	0.0	
Upper-income	111	36.2	111	36.3	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	307	100.0	306	100.0	1	100.0	0	.0	
Percentage of Total Farms:				99.7		.3		.0	

Based on 2013 D&B information according to 2010 ACSBoundaries.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Hamler’s performance under the lending test is considered reasonable. The loan-to-deposit ratio is reasonable, while the bank made a majority of loans in its assessment area. Although both geographic and borrower distributions were evaluated in order to determine the bank’s overall CRA performance, only Hamler’s borrower distribution is discussed in this analysis based on the bank’s homogeneous geographic assessment area.

Loan-to-Deposit Ratio

A financial institution’s loan-to-deposit ratio 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 number of quarters. The following table shows Hamler’s quarterly loan-to-deposit (LTD) ratios for the seventeen quarters since the previous evaluation, along with the average LTD ratios for the same period.

Hamler State Bank Loan-to-Deposit Ratios					
As of Date	HAMLER STATE BANK	AGGREGATE RATIO	OTTOVILLE BK CO	CORN CITY ST BK	CUSTOM PEER
December 31, 2013	59.37	61.45	57.15	56.72	56.94
September 30, 2013	59.10	62.64	54.27	53.90	54.09
June 30, 2013	58.45	61.20	52.15	54.05	53.10
March 31, 2013	57.27	58.73	51.11	51.11	51.11
December 31, 2012	62.26	61.18	51.36	54.61	52.99
September 30, 2012	59.17	63.02	49.90	58.14	54.02
June 30, 2012	52.55	62.23	51.78	58.19	54.99
March 31, 2012	52.75	60.36	51.51	55.97	53.74
December 31, 2011	56.32	62.50	53.67	58.41	56.04
September 30, 2011	58.06	63.71	56.33	62.19	59.26
June 30, 2011	58.96	63.77	55.70	61.45	58.58
March 31, 2011	56.82	62.51	55.46	60.23	57.85
December 31, 2010	62.98	66.03	54.73	62.41	58.57
September 30, 2010	60.08	68.92	53.75	60.74	57.25
June 30, 2010	64.51	69.49	56.68	65.80	61.24
March 31, 2010	61.83	68.52	55.50	65.25	60.38
December 31, 2009	67.43	69.28	48.98	65.82	57.40
Quarterly Loan-to-Deposit Ratio Average Since the Previous Evaluation	59.29	63.86	53.53	59.12	56.32

Hamler has averaged 59.29% over the past 17 quarters of operation, which is below the aggregate average ratio of 63.86%. Hamler’s LTD ratio has decreased from a high of 67.43% as of December 31, 2009 to a low of 52.55% as of June 30, 2012. When discussing the bank’s LTD ratio with bank management, one reason provided for the decline is due to local farmers being more profitable, providing larger deposits, but having less demand for loans. Another contributing factor is that the bank has recently become involved with participation loans, which are mainly made outside of the bank’s assessment area.

Hamler's LTD ratio was compared to the following local peer banks: Ottoville Banking Company (Ottoville) in Ottoville, Ohio and Corn City State Bank (Corn City) in Deshler, Ohio. Ottoville has one office with a market share of 4.6%, while Corn City has one office and a market share of 3.8%.

Considering the bank's lending-related activity, size, financial condition and assessment area credit needs, Hamler's LTD ratio is considered reasonable.

Lending in the Assessment Area

The bank's small farm, small business, residential mortgage, and consumer loans were analyzed to determine the volume of lending inside and outside the bank's assessment area. Of the total loans, 78.0% by volume and 57.3% by dollar amount were made within inside the bank's assessment area.

The following table shows the distribution of loans made inside and outside the bank's assessment area.

Lending Inside and Outside the Assessment Area										
Loan Type - Description	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
MV - Motor Vehicle	70	73.7	532	67.7	25	26.3	255	32.3	95	787
RL - Residential Loans	38	74.5	3,274	72.3	13	25.5	1,254	27.7	51	4,528
XX - Consumer Loans	142	85.5	945	89.3	24	14.5	114	10.7	166	1,059
Total Consumer-related	250	80.1	4,751	74.5	62	19.9	1,622	25.4	312	6,374
SB - Small Business	49	56.3	2,829	37.3	38	43.7	4,749	62.7	87	7,579
Total Small Bus.-related	49	56.3	2,829	37.3	38	43.7	4,749	62.7	87	7,579
SF - Small Farm	161	84.3	10,271	59.7	30	15.7	6,935	40.3	191	17,206
Total Small Farm related	161	84.3	10,271	59.7	30	15.7	6,935	40.3	191	17,206
TOTAL LOANS	460	78	17,852	57.3	130	22	13,306	42.7	590	31,158

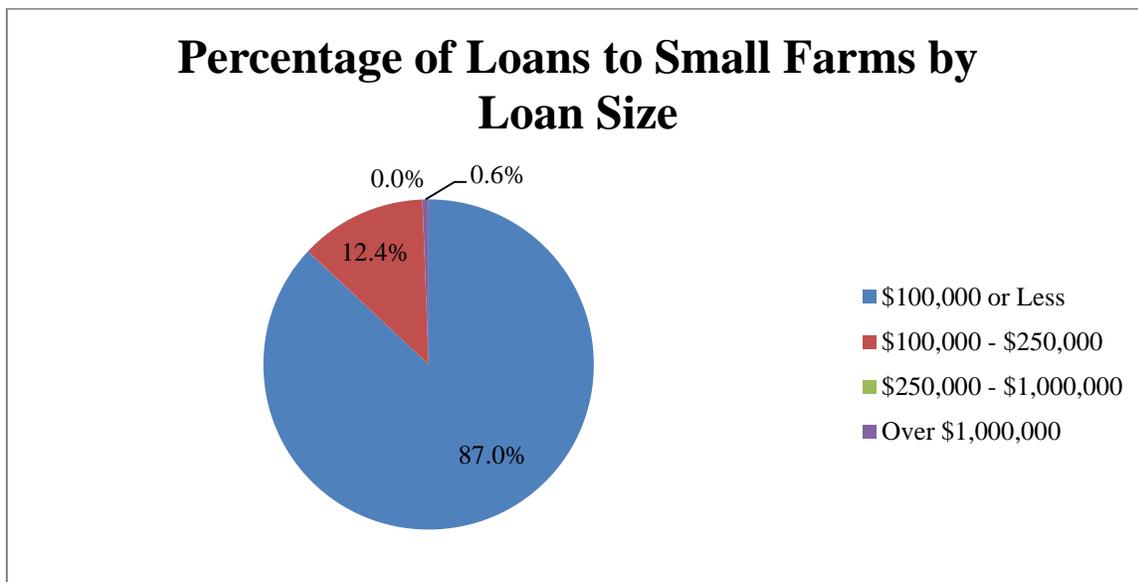
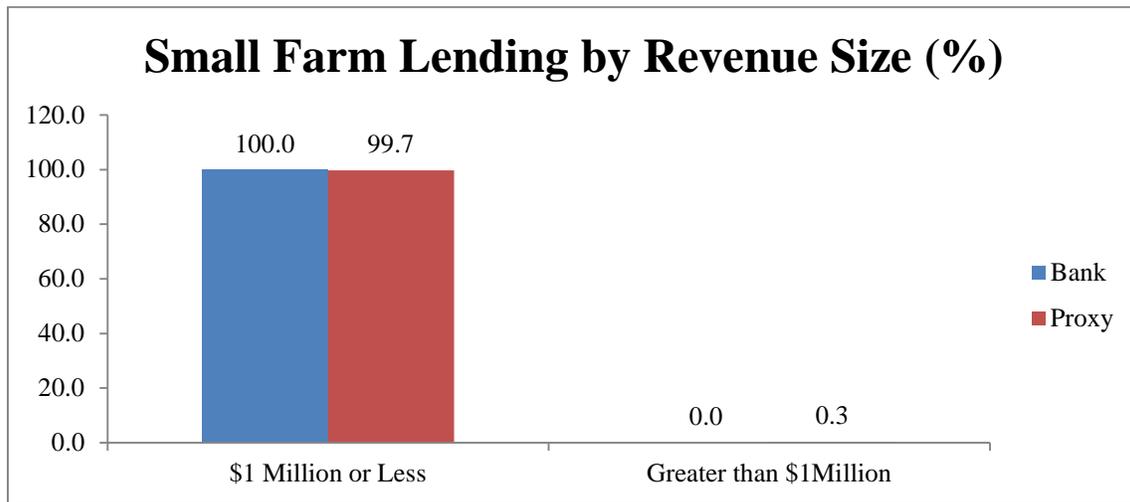
Of the loans made to small farms, 84.3% by volume and 59.7% by dollar amount were made within the bank's assessment area. Additionally, 74.5% by volume and 73.3% by dollar amount were made within the bank's assessment area for residential mortgage loans, followed by small business lending of 56.3% by volume and 37.3% by dollar amount, consumer lending of 85.5% by volume and 89.3% by dollar amount, and motor vehicle of 73.7% by volume and 67.7% by dollar amount. Therefore, a majority of the bank's loans by both volume and dollar amount were made inside the bank's designated assessment area.

Borrower Distribution of Lending

Hamler's lending to borrowers of different income levels and lending to small farms and businesses of different revenue sizes is considered reasonable. The borrower distribution of consumer lending is excellent, while residential lending is good. Lending to small farms and small businesses with revenues equal to or under \$1 million is considered excellent.

Small Farm Lending

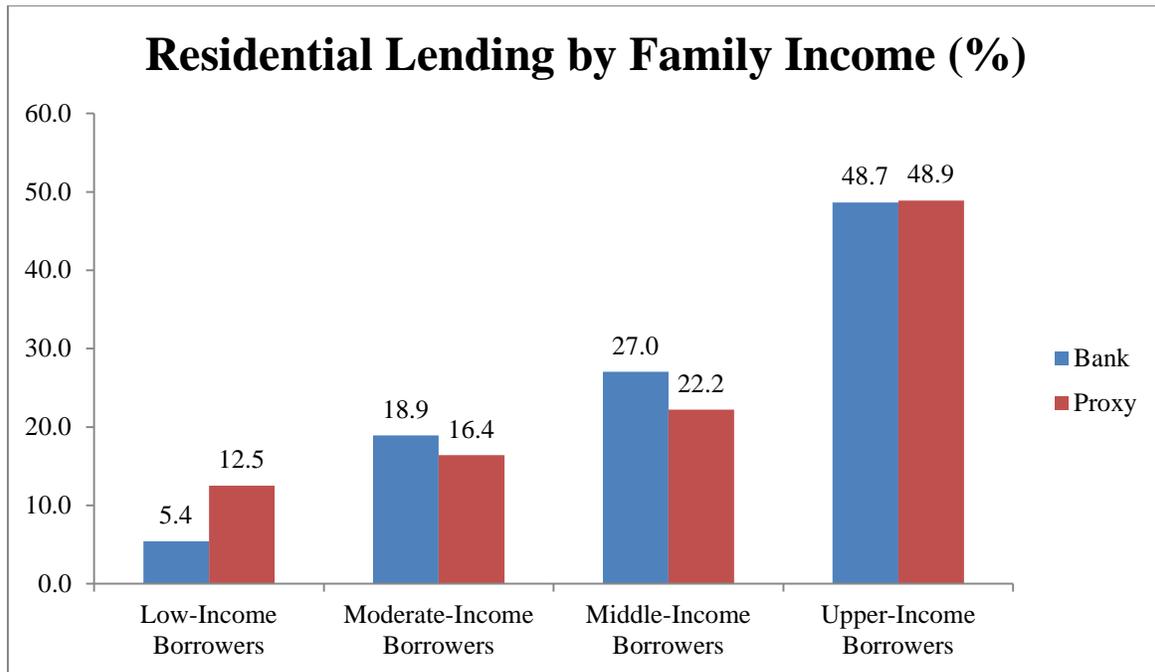
Hamler made 161 loans to small farms during the evaluation period. In the chart below, small farm lending numbers were adjusted to exclude loans with unknown revenue. The resulting figures show that all (100.0%) of the bank’s loans to small farms totaling \$6.6 million during the evaluation period were to businesses with revenues of \$1 million or less compared to the proxy of 99.7%. Hamler’s borrower distribution performance to small farms is considered excellent.



According to lending data, 87.0% of the bank’s small farm loans were extended in amounts of \$100,000 or less, demonstrating that the bank is willing to extend loans in amounts less than or equal to \$100,000 to small farms who often have a greater need for small dollar amount loans. Hamler’s small farm lending activity demonstrates that the bank is effectively meeting the credit needs of its local farmers.

Residential Lending

During the evaluation period, Hamler’s residential mortgage lending performance was compared to the income levels of families in the assessment area (proxy). Hamler’s lending to low-income families was poor, although lending to moderate-income families was above the proxy, as indicated in the chart below.

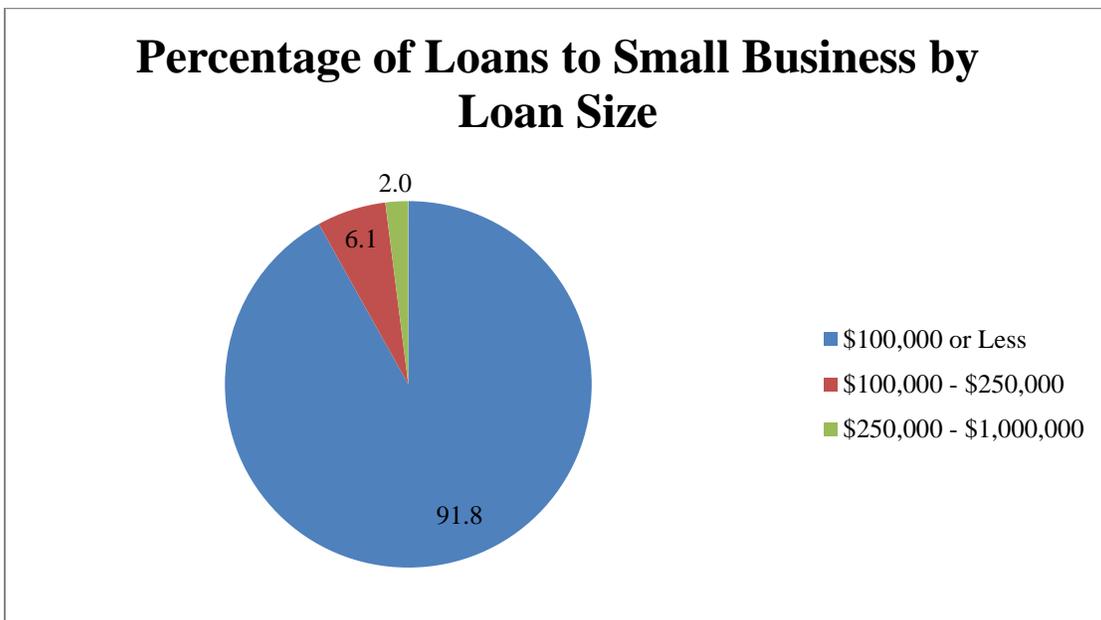
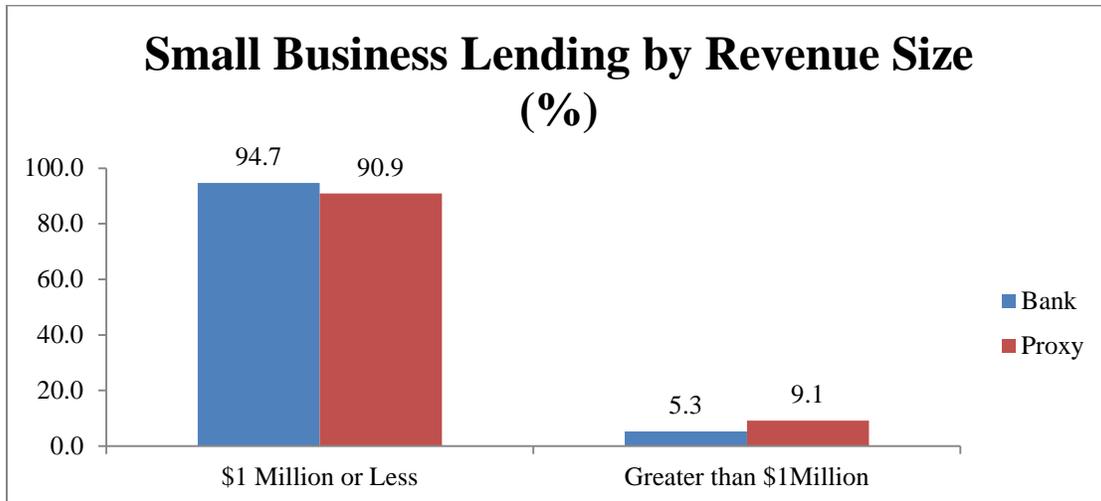


Although the bank’s percentage is below the proxy to low-income families for residential lending, significance of the area demographics must be taken into consideration. A number of factors limit the ability of creditors to originate residential loans to low-income borrowers. A limited number of homes would be marginally affordable for low-income (30.2%) families. The increased age of housing stock means that prospective homebuyers would need to budget for home improvement and upkeep costs, in addition to mortgage repayment costs. An unemployment rate in Henry County (6.9%) above the state average (6.6%) makes it difficult for low-income borrowers to qualify for residential loans.

The bank’s percentage of loans to moderate-, middle- and upper-income families exceeded or was similar to the proxy for these loan categories. Considering this and the relatively high percentage of families in poverty (12.5%), the borrower distribution of residential lending is good.

Small Business Lending

Small businesses are defined as those with gross revenues of less than or equal to \$1 million. Hamler originated 49 small business loans totaling \$2.8 million during the evaluation period. In the chart below, small business lending numbers were adjusted to exclude loans with unknown revenue. The vast majority (94.7%) of the remaining loans were originated to businesses with revenue of \$1 million or less compared to the proxy of 90.9%.

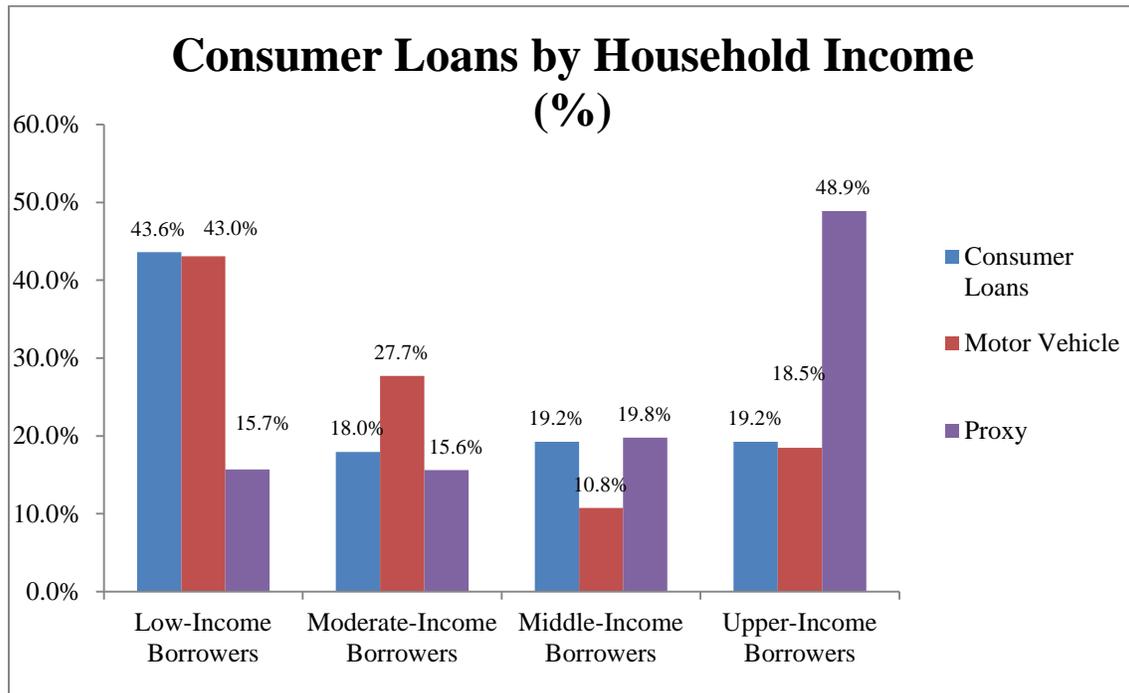


According to lending data, 91.8% of the bank’s small business loans were extended in an amount of \$100,000 or less. This is consistent, as smaller loans are generally commensurate with the borrowing needs of smaller businesses. Hamler’s small business lending activity is considered excellent and demonstrates that the bank is effectively meeting the credit needs of its local businesses.

Consumer Lending

As depicted in the following graph, the bank made a significantly higher percentage of consumer (43.6%) and motor vehicle (43.0%) loans to low-income borrowers compared to the percentage of low-income households (15.7%). Hamler also originated a substantially higher percentage of consumer (18.0%) and motor vehicle (27.7%) loans to moderate-income borrowers compared to the proxy (15.6%). Lending to middle-income borrowers was slightly below the proxy (19.8%) for consumer (19.2%) loans, while significantly below the proxy for motor vehicle (10.8%). The bank originated a substantially lower percentage of loans to upper-income borrowers for both

consumer (19.2%) and motor vehicle (18.5%) compared to the proxy (48.9%). Hamler's borrower distribution of consumer lending is considered excellent.



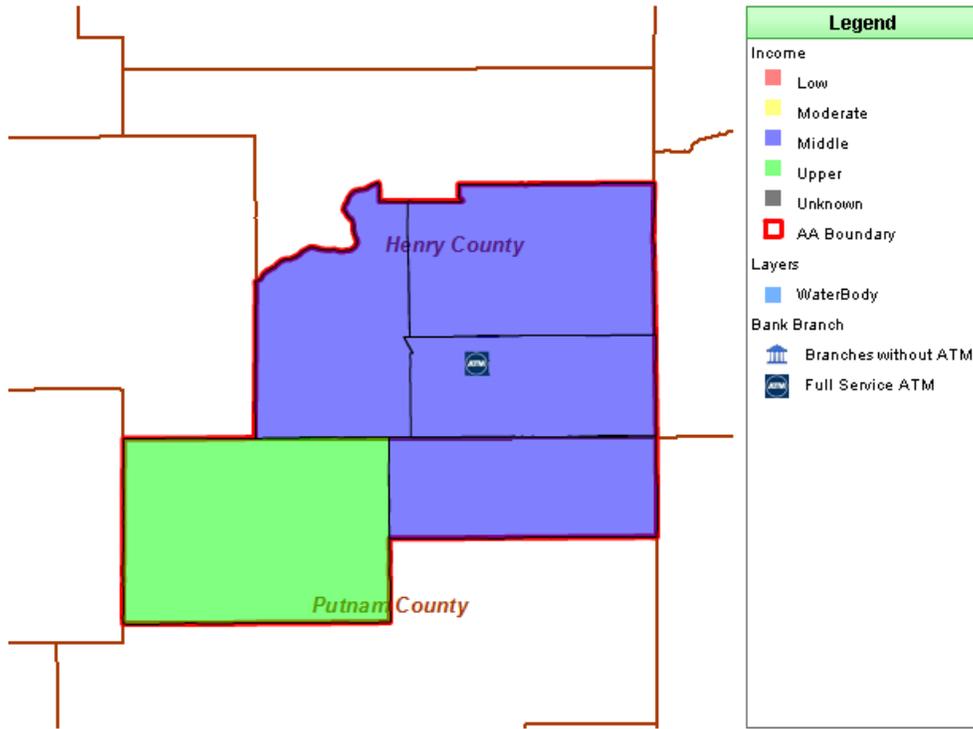
Response to Consumer Complaints

No CRA-related complaints were filed against Hamler during the 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 during this evaluation period.

APPENDIX A
ASSESSMENT AREA MAP



APPENDIX B

LENDING TABLES

CRA Loan Distribution Table

Exam: Hamler State Bank

Assessment Area/Group: All Assessment Areas

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
By Tract Income								
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	49	100.0%	2,829	100.0%	160	99.4%	10,146	98.8%
Upper	0	0.0%	0	0.0%	1	0.6%	125	1.2%
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	49	100.0%	2,829	100.0%	161	100.0%	10,271	100.0%
By Revenue								
Total \$1 Million or Less	36	73.5%	1,450	51.2%	90	55.9%	6,607	64.3%
Over \$1 Million	2	4.1%	1,250	44.2%	0	0.0%	0	0.0%
Not Known	11	22.4%	130	4.6%	71	44.1%	3,664	35.7%
Total	49	100.0%	2,829	100.0%	161	100.0%	10,271	100.0%
By Loan Size								
\$100,000 or less	45	91.8%	1,214	42.9%	140	87.0%	6,097	59.4%
\$100,001 - \$250,000	3	6.1%	615	21.7%	20	12.4%	3,585	34.9%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	1	2.0%	1,000	35.3%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	1	0.6%	590	5.7%
Total	49	100.0%	2,829	100.0%	161	100.0%	10,271	100.0%
By Loan Size and Revenue \$1 Million or Less								
\$100,000 or less	34	94.4%	1,085	74.8%	75	83.3%	3,412	51.6%
\$100,001 - \$250,000	2	5.6%	365	25.2%	14	15.6%	2,605	39.4%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	1	1.1%	590	8.9%
Total	36	100.0%	1,450	100.0%	90	100.0%	6,607	100.0%

*Information based on 2010 ACS data

Consumer Loan Distribution Table

Exam: Hamler State Bank

Assessment Area/Group :All Assessment Areas

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Consumer Loans							
Low	0	0.0%	0	0.0%	34	23.9%	74	7.9%
Moderate	0	0.0%	0	0.0%	14	9.9%	46	4.9%
Low/Moderate Total	0	0.0%	0	0.0%	48	33.8%	121	12.8%
Middle	137	96.5%	937	99.2%	15	10.6%	44	4.6%
Upper	5	3.5%	8	0.8%	15	10.6%	64	6.8%
Unknown	0	0.0%	0	0.0%	64	45.1%	717	75.9%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	142	100.0%	945	100.0%	142	100.0%	945	100.0%
	Motor Vehicle							
Low	0	0.0%	0	0.0%	28	40.0%	116	21.7%
Moderate	0	0.0%	0	0.0%	18	25.7%	110	20.6%
Low/Moderate Total	0	0.0%	0	0.0%	46	65.7%	225	42.3%
Middle	69	98.6%	527	99.0%	7	10.0%	67	12.6%
Upper	1	1.4%	6	1.0%	12	17.1%	211	39.6%
Unknown	0	0.0%	0	0.0%	5	7.1%	29	5.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	70	100.0%	532	100.0%	70	100.0%	532	100.1%
	Residential Loans							
Low	0	0.0%	0	0.0%	2	5.3%	63	1.9%
Moderate	0	0.0%	0	0.0%	7	18.4%	462	14.1%
Low/Moderate Total	0	0.0%	0	0.0%	9	23.7%	525	16.0%
Middle	38	100.0%	3,274	100.0%	10	26.3%	678	20.7%
Upper	0	0.0%	0	0.0%	18	47.4%	2,044	62.4%
Unknown	0	0.0%	0	0.0%	1	2.6%	27	0.8%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	38	100.0%	3,274	100.0%	38	100.0%	3,274	100.0%
	Consumer Loan Totals							
Low	0	0.0%	0	0.0%	64	25.6%	253	5.3%
Moderate	0	0.0%	0	0.0%	39	15.6%	618	13.0%
Low/Moderate Total	0	0.0%	0	0.0%	103	41.2%	870	18.3%
Middle	244	97.6%	4,738	99.7%	32	12.8%	789	16.6%
Upper	6	2.4%	13	0.3%	45	18.0%	2,319	48.8%
Unknown	0	0.0%	0	0.0%	70	28.0%	773	16.3%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	250	100.0%	4,751	100.0%	250	100.0%	4,751	100.0%

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; 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.