



PUBLIC DISCLOSURE

February 03, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Bank SB
Charter Number 704255

59 W Washington St
Martinsville, IN 46151-1425

Office of the Comptroller of the Currency

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

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

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The major factors that support this rating include:

- Home Bank SB's (Home Bank) loan-to-deposit (LTD) ratio is more than reasonable.
- A majority of Home Bank's primary loan products (home purchase and home mortgage refinance loans) are originated inside the bank's assessment area (AA).
- The distribution of primary loan products to borrowers of different income levels reflects reasonable penetration.
- Home Bank's record of lending in moderate-income areas is excellent.
- Home Bank is responsive to the community development (CD) needs of its AA.

SCOPE OF EXAMINATION

Examiners utilized the Small Bank examination procedures to evaluate the bank's record of meeting the credit needs of its community. Small Bank procedures include an evaluation of:

- The bank's LTD ratio;
- The percentage of loans within the bank's AA;
- The bank's record of lending to borrowers of different income levels;
- The geographic distribution of the bank's loans; and
- The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its AA.

The evaluation period for this review is from January 24, 2009 to February 3, 2015. To evaluate the bank's lending performance, we reviewed Home Bank's loan originations from January 1, 2013 through December 31, 2014. The Lending Test focused on the bank's primary lending products, which we determined to be home purchase and home mortgage refinance loans reported under the Home Mortgage Disclosure Act (HMDA). Home mortgage refinance loans were given more weight in the analysis, due to the larger volume, by number and dollar, of loans. Two separate analyses were performed, one for 2013 loan originations and one for 2014 originations, due to the metropolitan statistical area (MSA) changes made in 2014. We tested HMDA data to verify the accuracy of the data and determined it to be reliable. Demographic data is from the 2010 Census unless otherwise noted.

DESCRIPTION OF INSTITUTION

Home Bank is a federally chartered mutual savings bank. Home Bank is an intrastate bank headquartered in Martinsville, IN. The bank has three branches, in addition to the main office, and four deposit taking automated teller machines (ATMs) in their assessment area, detailed below. As of December 31, 2014, Home Bank had \$241.7 million in total assets. The bank offers a variety of credit and deposit products to its community. Lending products focus on

residential purpose loans in keeping with traditional savings bank principles, to take deposits and originate home mortgages in their community. Other consumer- and commercial-purpose lending is limited. Other services offered by the bank include, savings and checking accounts, safe deposit boxes, certificates of deposit, individual retirement accounts, debit cards, and Visa cards. Home Bank ranks second, out of nine institutions, in deposit market share in Morgan County. The have 23.11 percent of deposits in this area.

As of December 31, 2014, the bank reported \$158.7 million in outstanding loans, reflecting loans and leases to total assets of 65.96 percent. The table below shows a summary of Home Bank’s loan portfolio, as of December 31, 2014.

Home Bank’s Investment in Loans			
Loan Category	Amount (\$000’s)	Percent of Total Loans	Percent of Total Assets
Real Estate	\$148,762	93.73%	61.82%
Commercial Loans	7,448	4.70%	3.10%
Consumer and Other Loans	2,499	1.57%	1.04%
Total	\$158,709	100%	65.96%

Source: December 31, 2014 Uniform Bank Performance Report

The bank’s ability to meet the credit needs of its AAs is not impaired by its financial condition or other impediments. Home Bank was assigned a rating of “Outstanding” in its prior CRA performance evaluation, dated January 23, 2009.

DESCRIPTION OF ASSESSMENT AREA

Home Bank has one AA, located within the Indianapolis-Carmel IN MSA. The AA will receive a full-scope review. The Indianapolis-Carmel IN MSA consists of ten counties, including Morgan and Johnson County. Until August of 2014, the AA included only Morgan County, IN. Due to the addition of a branch, the AA changed in 2014 to include 14 census tracts in Johnson County, IN.

Indianapolis IN-Carmel, MSA AA (Morgan County Only)

The bank has three full service branches, with deposit taking ATMs at each branch, and a stand-alone ATM, non-deposit taking, in the AA. The main office is located in a moderate-income census tract; the other two branches are in middle-income census tracts. There are no low-income census tracts, two moderate-income, 11 middle-income, and no upper-income census tracts in the AA. The FFIEC estimated median family income for 2013 was \$65,100. The unemployment rate, in Morgan County, has declined significantly during the review period. The unemployment rate reached a high of 12.1 percent, in February 2010, and a low of 4.5 percent, in September 2014. The annual unemployment rate in Morgan County, for 2013, was 7.1 percent, slightly lower than Indiana’s statewide average of 7.5 percent.

Demographic Information for Full Scope Area: 2013 Morgan County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0.00	15.38	84.62	0.00	0.00
Population by Geography	68,894	0.00	10.88	89.12	0.00	0.00
Owner-Occupied Housing by Geography	19,969	0.00	8.69	91.31	0.00	0.00
Business by Geography	4,902	0.00	12.59	87.41	0.00	0.00
Farms by Geography	339	0.00	2.95	97.05	0.00	0.00
Family Distribution by Income Level	19,111	20.33	19.29	24.61	35.76	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,572	0.00	17.68	82.32	0.00	0.00
Median Family Income FFIEC estimated Median Family Income for 2013 Households Below Poverty Level		66,347 65,100 10%	Median Housing Value Unemployment Rate (2013 BLS)	140,410 7.10%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census; 2013 FFIEC estimated MFI and Bureau of Labor Statics (BLS)

The community contact noted a need for more charitable giving in Morgan County. He stated that local residents need more assistance with basic needs. However, local nonprofit organizations (NPO) established to help individuals in need have had a hard time raising funds due to the proximity to Indianapolis and the number and size of NPOs in that area receiving the majority of donations and grants.

Indianapolis IN-Carmel, MSA AA (Morgan and Johnson County)

After the addition of the branch in Johnson County, the bank has four full-service branches, with deposit taking ATMs at each branch, and a stand-alone non-deposit taking ATM in the AA. This AA consists of Morgan County and 14 census tracts in Johnson County. Due to the location of the branch in Johnson County, the bank cannot reasonably serve all census tracts in Johnson County. No low- or moderate-income tracts were arbitrarily excluded. The main office is located in a moderate-income census tract, two branches are in middle-income census tracts, and one branch is in an upper-income census tract. There are no low-income census tracts, five moderate-income, 17 middle-income, and five upper-income census tracts in the AA. The FFIEC estimated median family income for 2014 was \$67,900 for the combined counties. The annual unemployment rate in Morgan and Johnson County combined, for 2013, was 6.65 percent, lower than Indiana’s statewide average of 7.50 percent.

Demographic Information for Full Scope Area: 2014 Johnson-Morgan County MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	27	0.00	18.52	62.96	18.52	0.00
Population by Geography	166,492	0.00	12.74	65.32	21.94	0.00
Owner-Occupied Housing by Geography	47,786	0.00	10.79	65.41	23.81	0.00
Business by Geography	10,591	0.00	17.23	58.97	23.80	0.00
Farms by Geography	569	0.00	6.33	77.33	16.34	0.00
Family Distribution by Income Level	45,281	16.03	17.74	23.46	42.76	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	15,293	0.00	20.17	68.65	11.19	0.00
Median Family Income FFIEC estimated Median Family Income for 2014 Households Below Poverty Level		64,663 67,900 7.90%	Median Housing Value Unemployment Rate (2013 BLS)	148,512 6.65%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census; 2014 FFIEC estimated MFI and Bureau of Labor Statics (BLS)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Home Bank’s performance in helping meet the needs of its AA through lending, and with consideration for qualified CD investments and services, is outstanding.

Loan-to-Deposit Ratio

Home Bank's average LTD ratio is considered more than reasonable. The bank's average quarterly LTD ratio since the last evaluation is 102.65 percent. This represents 25 quarters from October 1, 2009 through December 31, 2014. During the review period, the LTD ratio ranged from a high of 137.01 percent to a low of 80.62 percent. Home Bank’s LTD ratio ranks second when compared to similarly situated institutions. Other similarly situated institutions have LTD ratios ranging from 107.19 percent to 51.84 percent.

Lending in Assessment Area

A majority of the bank's loans are made inside their AA. For the evaluation period, the bank made 73.90 percent of loans in their AA by number and 72.83 percent by dollar.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Refinance	145	77.54	42	22.46	187	20,550	75.82	6,553	24.18	27,103
Home Purchase	124	70.06	53	29.94	177	17,853	69.67	7,771	30.33	25,624
Totals	269	73.90	95	26.10	364	38,403	72.83	14,324	27.17	52,727

Source: Data reported under 2013-2014 HMDA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The overall distribution of Home Bank’s home purchase and home mortgage refinance loans to low- and moderate-income borrowers reflects reasonable penetration.

Indianapolis-Carmel IN MSA AA (2013 analysis)

The bank’s overall distribution to borrowers of low- and moderate-income in 2013 is reasonable. The bank's percentage of home purchase loans to low-income borrowers is significantly below that of other AA lenders. However, the bank’s percentage of home mortgage refinance loans to low-income borrowers is similar to that of other lenders in the AA. Home purchase and home mortgage refinance loans to moderate-income borrowers exceed the percentage made by other AA lenders and exceed the percent of moderate-income families in the AA.

Borrower Distribution of Residential Real Estate Loans in Indianapolis-Carmel IN MSA Assessment Area (2013)					
Borrower Income Level	% Total Home SB Loans		% of Loans by AA Lenders		% of AA Families by Income Level
	Purchase	Refinance	Purchase	Refinance	
Loan Type					
Low	1.96	10.34	13.47	11.14	20.33
Moderate	39.22	25.29	34.12	22.14	19.29
Middle	23.53	24.14	24.48	26.49	24.61
Upper	35.29	40.23	27.93	40.22	35.76

Source: Data reported under 2013 HMDA; 2013 Peer Mortgage Data

Indianapolis-Carmel IN MSA AA (2014 analysis)

The bank’s overall distribution to borrowers of low- and moderate-income in 2014 is reasonable. The bank's percentage of home purchase loans to low-income borrowers is significantly below that of other lenders in the AA. However, the bank’s percentage of home mortgage refinance loans to low-income borrowers is above that of other AA lenders. The bank’s percentage of home purchase and home mortgage refinance loans to moderate-income borrowers is similar to that of other lenders in the AA and exceeds the percentage of moderate-income families in the AA.

Borrower Distribution of Residential Real Estate Loans in Indianapolis-Carmel IN MSA Assessment Area (2014)					
Borrower Income Level	% Total Home SB Loans		% of Loans by AA Lenders		% of AA Families by Income Level
	Purchase	Refinance	Purchase	Refinance	
Loan Type	Purchase	Refinance	Purchase	Refinance	
Low	4.29	13.21	11.67	9.35	16.03
Moderate	24.29	18.87	28.05	19.77	17.74
Middle	30.00	26.42	25.89	25.99	23.46
Upper	41.43	41.51	34.39	44.88	42.76

Source: Data reported under 2014 HMDA; 2013 Peer Mortgage Data

Geographic Distribution of Loans

The overall geographic distribution of Home Bank’s home purchase and home mortgage refinance loans in moderate-income geographies reflects excellent dispersion. There are no low-income census tracts in the AA.

Indianapolis-Carmel IN MSA AA (2013 analysis)

The bank's dispersion of loans to moderate-income census tracts in 2013 is considered excellent. The bank's percentage of home purchase loans and home mortgage refinance loans in moderate-income census tracts is well above the percentage made by other lenders in the AA and is above the percentage of owner-occupied housing units in the AA. The bank made loans in all census tracts in this assessment area.

Geographic Distribution of Residential Real Estate Loans in Indianapolis-Carmel IN MSA Assessment Area (2013)					
Census Tract Income Level	% Total Home SB Loans		% of Loans by AA Lenders		% of AA Owner Occupied Housing Units
	Purchase	Refinance	Purchase	Refinance	
Loan Type	Purchase	Refinance	Purchase	Refinance	
Low	0	0	0	0	0
Moderate	11.76	11.24	4.97	5.18	8.69
Middle	88.24	88.76	95.03	94.82	91.31
Upper	0	0	0	0	0

Source: Data reported under 2013 HMDA; 2013 Peer Mortgage Data

Indianapolis-Carmel IN MSA AA (2014 analysis)

The bank's dispersion of loans to moderate-income census tracts in 2014 is considered excellent. The bank's percentage of home purchase loans in moderate-income census tracts is above the percentage made by other lenders in the AA and is above the percentage of owner-occupied housing units in the AA. The bank's percentage of home mortgage refinance loans is well above other lenders in the AA and above the percentage of owner-occupied housing units in the AA. The bank made loans in 21 of the 27 census tracts in this assessment area.

Geographic Distribution of Residential Real Estate Loans in Indianapolis-Carmel IN MSA Assessment Area (2014)					
Census Tract Income Level	% Total Home SB Loans		% of Loans by AA Lenders		% of AA Owner Occupied Housing Units
	Purchase	Refinance	Purchase	Refinance	
Loan Type	Purchase	Refinance	Purchase	Refinance	
Low	0	0	0	0	0
Moderate	10.96	14.81	9.70	7.68	10.79
Middle	80.82	81.48	64.84	65.25	65.41
Upper	8.22	3.70	25.46	27.07	23.81

Source: Data reported under 2014 HMDA; 2013 Peer Mortgage Data

Qualified Investments and CD Services

Home Bank is responsive to the community development needs of the AA. Management developed an innovative program to give back to the local community called the Home Bank Tithing Program. The program, started in 2012, donates 10 percent of the bank’s earnings each quarter to local organizations and charities. A 12-person committee, made up of bank employees, decides how to allocate the donations each quarter, based on community needs. Since the program began, the bank has donated \$157,000. Recipients of donations include, but are not limited to, Bridges Out of Poverty, Habitat for Humanity of Morgan County, Johnson County Food Pantry, and United Way. These services either benefited low- or moderate- income individuals or supported activities that revitalize or stabilize low- or moderate- income geographies. CD services included, sponsoring and developing the Bridges Out of Poverty initiative in Morgan County, serving on the board of IU Health Morgan Hospital, and volunteering at Desert Rose, a shelter and support center for abused women and children. The bank also made a CD loan to Habitat for Humanity, totaling \$75,000 during the review period.

Responses to Complaints

There were no consumer complaints relating to the bank’s CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.