STATE OF INDIANA **DEPARTMENT OF FINANCIAL INSTITUTIONS**

30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204-2759
Telephone: (317) 232-3955
Facsimile: (317) 232-7655
Web Site: http://www.in.gov/dfi

January 30, 2014

Board of Directors
c/o Chief Executive Officer

The Department of Financial Institutions is implementing revisions to the Corporate Fiduciary Rating System applicable to non-depository trust companies. The rating revisions will more closely align with trust department ratings and provide improved assessments to trust company directors and management.

Account investments and investment practices have expanded and grown more complex since the rating system was first adopted in 1997. Updating the ratings provides more comprehensive guidance and emphasis on the management of customer assets for the Asset Management area, previously covered under Administration. Conflicts of Interest, as well as the account portion of Administration, will be addressed under the new Compliance component. One brief statement was added to the qualitative factors for Management to specifically include corporate governance. Moreover, the qualitative factors for Capital were changed to allow for the new Asset Management and Compliance components.

Finally, the changes will allow for more effective communication of examination findings and provide for consistent fiduciary standards across all supervised institutions. Existing and proposed rating components are below. These changes will be implemented and applied during the next full scope examination of your trust company.

Current Trust Company Rating System:	Proposed New Trust Company Rating System:	
Management	Management	***- changed to add corporate governance***
Capital	Capital	***- only changed for components below***
Funds Management	Funds Management	- unchanged
Administration	***Asset Management***	***- new***
Conflicts of Interest	***Compliance***	***- new***
Earnings	Earnings	- unchanged

Bank and Trust Division Supervisor,

Randall L. Rowe

COMPOSITE RATING DESCRIPTIONS FOR CORPORATE FIDUCIARIES

Composite "1"- Corporate Fiduciaries in this group are superior in almost every respect: any adverse findings or comments are of a minor nature and can be handled in a routine manner. Such companies are in the hands of an experienced and competent staff which has the demonstrated ability to administer existing accounts and anticipated future business in strict conformity with applicable laws and regulations and in accordance with sound fiduciary principles. Companies assigned this rating are resistant to external economic and financial disturbances and are more capable of withstanding the changes in business conditions than companies with lower ratings. As a result, such institutions give no cause for supervisory concern.

Composite "2"- Corporate Fiduciaries in this group are fundamentally sound, but may reflect modest weaknesses correctable in the normal course of business. The nature and severity of deficiencies, however, are not considered material and, therefore, such institutions are stable and able to withstand business fluctuations quite well. Criticized features may include isolated instances of noncompliance with laws, regulations, or management-prescribed policies or procedures. Policies and procedures governing phases of operations or fiduciary administration may be nonexistent or inadequate. However, corrective action without loss to the fiduciary is assured. The supervisory response is limited to the extent that minor adjustments are resolved in the normal course of business and operations continue to be satisfactory.

Composite "3"- Corporate Fiduciaries in this category exhibit financial, administrative, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory. When weaknesses relate to financial condition, such companies may be vulnerable to the onset of adverse business conditions and could easily deteriorate if concerted action is not effective in correcting the areas of weakness. When weaknesses relate to fiduciary administration, policies and procedures governing important phases of operations or fiduciary administration may be nonexistent or inadequate, or there may be an accumulation of unsatisfactory features of lesser importance. Problems exist that may be centered in the failure to adhere to sound administrative policies, laws, regulations or practices that could cause the company to incur liability in the future. Generally, these companies give cause for supervisory concern and require more than normal supervision to address deficiencies. Overall strength and financial capacity, however, are still such as to make failure only a remote possibility,

Composite "4"- Corporate Fiduciaries in this group have an immoderate volume of serious weaknesses or a combination of other conditions that are unsatisfactory. Major and serious problems or unsafe and unsound conditions may exist which are not being satisfactorily addressed or resolved. One or more problems exist which are centered in inexperienced or inattentive management, failure to adhere to sound administrative policies, weak or dangerous practices, or noncompliance with applicable laws and regulations. These conditions may constitute a threat to the interests of beneficiaries. Unless effective action is taken, deficiencies noted could ultimately undermine the future viability of the company. A higher potential for failure is present but is not yet imminent or pronounced. Institutions in this category require close supervisory attention, surveillance and a definitive plan for corrective action.

Composite "5"- Corporate Fiduciaries assigned this rating are critically deficient in numerous respects arising from incompetent or neglectful administration, flagrant and/or repeated disregard of applicable laws and regulations or willful departure from sound fiduciary principles and practices. Such conditions evidence a flagrant disregard for the interests of trust beneficiaries and may pose a serious threat to the future viability of the company. This category may also designate companies with an extremely high immediate or near term probability of failure. The volume and severity of weaknesses or unsafe and unsound conditions may be so critical as to require urgent aid from stockholders or other sources of financial assistance. In the absence of urgent and decisive corrective measures, these situations will likely result in failure.

COMPONENT RATINGS FOR CORPORATE FIDUCIARIES

General Rating Guidelines

Rating "1" Indicates strong performance.

Rating "2" Reflects satisfactory performance; this includes performance that adequately provides for the safe and sound operation of the corporate fiduciary.

Rating "3" Represents performance that is flawed to some degree and as such is considered fair.

Rating "4" Refers to unsatisfactory performance. If left unchecked, such performance might evolve into weaknesses or conditions that could threaten the viability of the corporate fiduciary.

Rating "5" Considered performance that is critically deficient and in need of immediate remedial attention. Such performance, by itself or in combination with other weaknesses, threatens the viability of the corporate fiduciary.

Component Ratings

Corporate Fiduciaries will be assigned six component ratings as follows: Management; Capital; Funds Management; Asset Management; Compliance; and, Earnings.

Rating Management

Qualitative Factors

1. Management must be evaluated against virtually all factors considered necessary to operate the company within acceptable industry practices and in a safe and sound manner.
2. Thus, management is rated in relation to technical competence; leadership and administrative ability; compliance with laws, regulations and standards; corporate governance; ability to plan and respond to changing circumstances; adequacy of and compliance with internal policies; and depth and succession.

3. The assessment of management also takes into account the quality of internal controls, operating procedures and all policies; the involvement of directors and shareholders and compliance with the Statement of Principles of Trust Department Management; effectiveness of management information systems; responsiveness to recommendations from auditors and supervisory authorities; tendencies toward self-dealing; and demonstrated willingness to serve the trust needs of the community.
4. In addition, consideration is given to the extent that management is affected by or susceptible to dominant influence or concentration of authority.
5. Also evaluated are the trust company's strategic plan and budgeting process and adequacy of fidelity insurance coverage.

Guidelines

A rating of "1" indicates strong performance by management and the board of directors and strong risk management practices relative to the size, complexity, and risk profile of the institution's fiduciary activities. All significant risks are consistently and effectively identified, measured, monitored, and controlled. Management and the board are proactive, and have demonstrated the ability to promptly and successfully address existing and potential problems and risks.

A rating of "2" indicates satisfactory management and board performance and risk management practices relative to the size, complexity, and risk profile of the institution's fiduciary activities. Moderate weaknesses may exist, but are not material to the sound administration of fiduciary activities, and are being addressed. In general, significant risks and problems are effectively identified, measured, monitored, and controlled.

A rating of "3" indicates management and board performance that needs improvement or risk management practices that are less than satisfactory given the nature of the institution's fiduciary activities. The capabilities of management or the board of directors may be insufficient for the size, complexity, and risk profile of the institution's fiduciary activities. Problems and significant risks may be inadequately identified, measured, monitored, or controlled.

A rating of "4" indicates deficient management and board performance or risk management practices that are inadequate considering the size, complexity, and risk profile of the institution's fiduciary activities. The level of problems and risk exposure is excessive. Problems and significant risks are inadequately identified, measured, monitored, or controlled and require immediate action by the board and management to protect the assets of account beneficiaries and to prevent erosion of public confidence in the institution. Replacing or strengthening management or the board may be necessary.

A rating of "5" indicates critically deficient management and board performance or risk management practices. Management and the board of directors have not demonstrated the ability to correct problems and implement appropriate risk management practices. Problems and significant risks are inadequately identified, measured, monitored, or controlled and now threaten the continued viability of the institution or its administration of fiduciary activities, and pose a threat to the safety of the assets of account beneficiaries. Replacing or strengthening management or the board of directors is necessary.

Rating Capital

Qualitative Factors

Capital adequacy is rated in relation to the following qualitative factors:

1. The quality, type, liquidity, and diversification of corporate assets held are necessary and vital factors in determining the adequacy of capital.
2. The company's current and historical earnings record is one of the key elements to consider when assessing capital adequacy. Analysis of future earnings prospects is also a key ingredient in evaluating a company's capital adequacy.
3. The volume and nature of contingent liabilities must be assessed in the measurement of capital adequacy. The possibility of surcharges to the corporate fiduciary must be appraised to determine if the level of capital is adequate.
4. The availability of a parent company with adequate resources to provide for future capital needs of the company must be appraised during the analysis of capital as well.
5. The ability, experience, depth, integrity, and record of management are of utmost importance in the assessment of capital adequacy. Also important is the supervision afforded to trust accounts and the level of group judgment afforded the administrative processes of the company.
6. A company's risk management policies, practices, and procedures governing management of customer assets in fiduciary accounts as well as their inherent risk profile are critical in the analysis of capital adequacy.
7. An evaluation of the company's administration of fiduciary accounts consistent with applicable laws, regulations, and standards, as well as exposure to conflict of interest situations and its ability to control potential liability arising from such situations is a vital part of analyzing capital adequacy of the company.
8. Fidelity insurance protection is appropriate for all corporate fiduciaries because it insures certain risks that contain the potential for significant losses. Maintenance of fidelity coverage in amounts which are regularly reviewed by the directorate and altered as the company's exposure changes must be assessed in determining capital adequacy.

Guidelines

Corporate fiduciaries with capital ratings of "1" or "2" are considered to presently have adequate capital and are expected to continue to maintain adequate capital in future periods. Although both have adequate capital, "1" rated companies will generally have capital levels that exceed levels in "2" rated companies and/or qualitative factors will be such that a lower level of capital is acceptable. Adequate fidelity insurance coverage is considered to be a prerequisite for the assignment of a "1" or "2" rating.

A "3" rating should be assigned when the relationship of the capital structure to the various qualitative factors is adverse, or is expected to become adverse in the relatively near future (12 to 24 months) even after giving weight to management as a mitigating factor.

Corporate fiduciaries rated "4" or "5" are clearly inadequately capitalized, the latter representing a situation of such gravity as to threaten viability and solvency.

Rating Funds Management

Qualitative Factors

1. Compliance with and adequacy of policies and procedures for managing corporate assets and liabilities should be assessed in evaluating the funds management area.
2. Effectiveness should be appraised considering management of and strategies for the corporation's assets and liabilities. Specific consideration should be given to quality, risk, and liquidity concerns.
3. Quality of corporate investments should be gauged consistent with statutory requirements.
4. Availability of assets readily convertible into cash to promptly meet the demand for payment of its obligations will be the primary measure of liquidity of a corporate fiduciary.
5. Availability of current earnings to meet current obligations is also an important measure of liquidity.

Guidelines

A funds management rating of "1" indicates a more than sufficient volume of high quality, liquid assets to meet current obligations. Effective management, policies and procedures, and quality controls are in place.

A "2" rating indicates a company operating with lower liquidity levels and/or developing a trend toward decreasing liquidity or asset quality, yet still within acceptable proportions.

A rating of "3" reflects either asset quality problems of a serious nature or liquidity concerns that are approaching unreasonable proportions.

A rating of "4" represents an increasingly serious liquidity position or decline in asset quality.

A rating of "5' reflects a company with deficient asset quality or a liquidity position so critical as to pose an imminent threat to continued viability of the company.

Rating Asset Management

Qualitative Factors

1. This area encompasses the trust company's policies, practices, and procedures relating to the management of customer assets held in fiduciary accounts, including cash.
2. Prudent portfolio management is based on an assessment of the needs and objectives of each account or portfolio.
3. An evaluation of asset management should consider the adequacy of processes related to the investment of all discretionary accounts and portfolios, including collective investment funds, proprietary mutual funds, and investment advisory arrangements.
4. The institution's asset management activities subject it to reputation, compliance, and strategic risks.

5. In addition, each individual account or portfolio managed by the institution is subject to financial risks such as market, credit, liquidity, and interest rate risk, as well as transaction and compliance risk.
6. The ability of management to identify, measure, monitor, and control these risks is reflected in this rating.

Guidelines

An Asset Management rating of "1" indicates strong asset management practices. Identified weaknesses are minor in nature. Risk exposure is modest in relation to management's abilities and the size and complexity of the assets managed.

A rating of "2" indicates satisfactory asset management practices. Moderate weaknesses are present and are well within management's ability and willingness to correct. Risk exposure is commensurate with management's abilities and the size and complexity of the assets managed. Supervisory response is limited.

A rating of "3" indicates that asset management practices are less than satisfactory in relation to the size and complexity of the assets managed. Weaknesses may range from moderate to severe; however, they are not of such significance as to generally pose a threat to the interests of account beneficiaries. Asset management and risk management practices generally need to be improved. An elevated level of supervision is normally required.

A rating of "4" indicates deficient asset management practices in relation to the size and complexity of the assets managed. The levels of risk are significant and inadequately controlled. The problems pose a threat to account beneficiaries generally, and if left unchecked, may subject the institution to losses that could undermine the reputation of the institution.

A rating of "5" represents critically deficient asset management practices and a flagrant disregard of fiduciary duties. These practices jeopardize the interests of account beneficiaries, subject the institution to losses, and may pose a threat to the soundness of the institution.

Rating Compliance

Qualitative Factors

1. This rating reflects an institution's overall compliance with applicable laws, regulations, accepted standards of fiduciary conduct, governing account instruments, duties associated with account administration, and internally established policies and procedures.
2. This component specifically incorporates an assessment of a fiduciary's duty of undivided loyalty and compliance with applicable laws, regulations, and accepted standards of fiduciary conduct related to self-dealing and other conflicts of interest.
3. The compliance component includes reviewing and evaluating the adequacy and soundness of adopted policies, procedures, and practices generally, and as they relate to specific transactions and accounts.
4. It also includes reviewing policies, procedures, and practices to evaluate the sensitivity of management and the board of directors to refrain from self-dealing, minimizes potential

conflicts of interest, and resolve actual conflict situations in favor of the fiduciary account beneficiaries.

5. Risks associated with account administration are potentially unlimited because each account is a separate contractual relationship that contains specific obligations.
6. Risks associated with account administration include: failure to comply with applicable laws, regulations, or terms of the governing instrument; inadequate account administration practices; and inexperienced management or inadequately trained staff.
7. Risks associated with a fiduciary's duty of undivided loyalty generally stem from engaging in self-dealing or other conflict of interest transactions.
8. An institution may be exposed to compliance, strategic, financial, and reputation risks related to account administration and conflicts of interest activities.
9. The ability of management to identify, measure, monitor, and control these risks is reflected in this rating.
10. Policies, procedures, and practices pertaining to account administration and conflicts of interest are evaluated in light of the size and character of an institution's fiduciary business.

Guidelines

A Compliance rating of "1" indicates strong compliance policies, procedures, and practices. Policies and procedures covering conflicts of interest and account administration are appropriate in relation to the size and complexity of the institution's fiduciary activities. Accounts are administered in accordance with governing instruments, applicable laws and regulations, sound fiduciary principles, and internal policies and procedures. Any violations are isolated, technical in nature, and easily correctable. All significant risks are consistently and effectively identified, measured, monitored, and controlled.

A rating of "2" indicates fundamentally sound compliance policies, procedures, and practices in relation to the size and complexity of the institution's fiduciary activities. Account administration may be flawed by moderate weaknesses in policies, procedures, or practices. Management's practices indicate a determination to minimize the instances of conflicts of interest. Fiduciary activities are conducted in substantial compliance with laws and regulations, and any violations are generally technical in nature. Management corrects violations in a timely manner and without loss to fiduciary accounts. Significant risks are effectively identified, measured, monitored, and controlled.

A rating of "3" indicates compliance practices that are less than satisfactory in relation to the size and complexity of the institution's fiduciary activities. Policies, procedures, and controls have not proven effective and require strengthening. Fiduciary activities may be in substantial noncompliance with laws, regulations, or governing instruments, but losses are no worse than minimal. While management may have the ability to achieve compliance, the number of violations that exist, or the failure to correct prior violations, are indications that management has not devoted sufficient time and attention to its compliance responsibilities. Risk management practices generally need improvement.

A rating of "4" indicates an institution with deficient compliance practices in relation to the size and complexity of its fiduciary activities. Account administration is notably deficient. The institution makes little or no effort to minimize potential conflicts or refrain from self-dealing, and is confronted with a considerable number of potential or actual conflicts. Numerous substantive and technical violations of laws and regulations exist and many may remain

uncorrected from previous examinations. Management has not exerted sufficient effort to effect compliance and may lack the ability to effectively administer fiduciary activities. The level of compliance problems is significant and, if left unchecked, may subject the institution to monetary losses or reputation risk. Risks are inadequately identified, measured, monitored, and controlled.

A rating of "5" indicates critically deficient compliance practices. Account administration is critically deficient or incompetent and there is a flagrant disregard for the terms of the governing instruments and interests of account beneficiaries. The institution frequently engages in transactions that compromise its fundamental duty of undivided loyalty to account beneficiaries. There are flagrant or repeated violations of laws and regulations and significant departures from sound fiduciary principles. Management is unwilling or unable to operate within the scope of laws and regulations or within the terms of governing instruments and efforts to obtain voluntary compliance have been unsuccessful. The severity of noncompliance presents an imminent monetary threat to account beneficiaries and creates significant legal and financial exposure to the institution. Problems and significant risks are inadequately identified, measured, monitored, or controlled and now threaten the ability of management to continue engaging in fiduciary activities.

Rating Earnings

Qualitative Factors

1. This area encompasses an evaluation of the company's operating results and earning trends and the probable effect thereon of the volume and character of present and anticipated future business.
2. Earnings are rated with respect to the ability to cover losses/surcharges and provide for adequate capital, profitability trend, as well as the quality and composition of net income.
3. Consideration should also be given to the interrelationships between the dividend payout ratio, the rate of growth of retained earnings, and the adequacy of capital.
4. Factors specifically considered include: management's approach toward growth and new business development; dependency upon nonrecurring fees and concessions; unusual features regarding composition of business, fee schedules, and effects of charge-offs or compromise actions; and new business development efforts, including such factors as types of business solicited, market potential, advertising, competition, and relationships with local organizations.

Guidelines

A rating of "1" indicates strong earnings. The institution consistently earns a rate of return on its fiduciary activities that is commensurate with the risk of those activities. This rating would normally be supported by a history of consistent profitability over time and a judgment that future earnings prospects are favorable. In addition, management techniques for evaluating and monitoring earnings performance are fully adequate and there is appropriate oversight by the institution's board of directors or a committee thereof. Management makes effective use of budgets and cost analysis procedures. Methods used for reporting earnings information to the board of directors, or a committee thereof, are comprehensive.

A rating of "2" indicates satisfactory earnings. Although the earnings record may exhibit some weaknesses, earnings performance does not pose a risk to the overall institution nor to its ability to meet its fiduciary obligations. Generally, fiduciary earnings meet management targets and appear to be at least sustainable. Management processes for evaluating and monitoring earnings are generally sufficient in relationship to the size and risk of fiduciary activities that exist, and any deficiencies can be addressed in the normal course of business. A rating of "2" may also be assigned to institutions with a history of profitable operations if there are indications that management is engaging in activities with which it is not familiar, or where there may be inordinately high levels of risk present that have not been adequately evaluated. Alternatively, an institution with otherwise strong earnings performance may also be assigned a "2" rating if there are significant deficiencies in its methods used to monitor and evaluate earnings.

A rating of "3" indicates less than satisfactory earnings. Earnings are not commensurate with the risk associated with the fiduciary activities undertaken. Earnings may be erratic or exhibit downward trends; and future prospects are unfavorable. This rating may also be assigned if management processes for evaluating and monitoring earnings exhibit serious deficiencies, provided the deficiencies identified do not pose an immediate danger to either the overall financial condition of the institution or its ability to meet its fiduciary obligations.

A rating of "4" indicates earnings that are seriously deficient. Fiduciary activities have a significant adverse effect on the overall income of the institution and its ability to generate adequate capital to support the continued operation of its fiduciary activities. The institution is characterized by fiduciary earnings performance that is poor historically, or faces the prospect of significant losses in the future. Management processes for monitoring and evaluating earnings may be poor. The board of directors has not adopted appropriate measures to address significant deficiencies.

A rating of "5" indicates critically deficient earnings. In general, an institution with this rating is experiencing losses from fiduciary activities that have a significant negative impact on the overall institution, representing a distinct threat to its viability through the erosion of its capital. The board of directors has not implemented effective actions to address the situation.

Ratings revised January 24, 2014, and effective February 1, 2014.