

PUBLIC DISCLOSURE

October 3, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kanabec State Bank
730 Forest Avenue East
Mora, Minnesota 55051
RSSD 705958

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

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 the 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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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Kanabec State Bank's CRA performance was evaluated using the Interagency Small Bank CRA Examination Procedures. Relative to its asset size and financial condition, the bank effectively meets the credit needs of the residents, small farms, and small businesses in its assessment area. Several factors support the bank's satisfactory rating:

- The bank's lending to borrowers of different income levels and to farms and businesses of different sizes is very good.
- The bank originated the majority of its consumer, small business, and small farm loans within its assessment area.
- The bank's net loan-to-deposit ratio is reasonable and reflects an active level of lending.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, with no unexplained gaps in lending.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources as well as economic and demographic characteristics of the assessment area, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance.

The scope of this evaluation includes small farm, small business, and consumer loans. These loan types represent the bank's major loan products. Table 1 shows the bank's loan originations by number and dollar amount for different loan types from January 1, 2011, to June 30, 2011.

<i>Loan types</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Construction/Land Development	0	0.0	\$ 0	0.0
Consumer	353	73.7	1,954,990	22.8
Residential Real Estate	12	2.5	1,148,233	13.4
Small Business (Revenue ≤ \$1 million)	64	13.4	3,709,657	43.2
Commercial (Revenue > \$1 million)	0	0.0	0	0.0
Small Farm (Revenue ≤ \$500,000)	50	10.4	1,777,419	20.7
Agriculture (Revenue > \$500,000)	0	0.0	0	0.0
Total	479	100.0	\$8,590,299	100.0

The analysis that follows is based on a statistical sample of 129 consumer, 49 small business, and 58 small farm loans. The sample period for small farm loans is July 1, 2010, to June 30, 2011. The sample period for small business loans and consumer loans is January 1, 2011, to June 30, 2011. Examiners assigned equal weight to the three loan types.

The following criteria were reviewed to determine the bank's CRA rating:

- Lending to borrowers of different income levels and to farms and businesses of different sizes.
- Lending inside the assessment area.

¹Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

- Net loan-to-deposit ratio.
- Geographic distribution of loans.
- Record of responding to complaints about the bank's CRA performance.

In assigning the rating, examiners placed the greatest weight on the bank's lending to borrowers of different income levels and to farms of different sizes.

DESCRIPTION OF INSTITUTION

Offices. Kanabec State Bank is a full-service bank with a single office in Mora, Minnesota. The bank currently operates one cash-dispensing-only automated teller machine at its attached drive-up facility. The bank has not opened or closed any offices since the previous evaluation. The bank's drive-up facility is open from 7:30 a.m. to 5:00 p.m. Monday through Thursday and 7:30 a.m. to 6:00 p.m. on Friday. On Saturday, the drive-up facility is open from 8:00 a.m. to noon. The bank's lobby is open from 9:00 a.m. to 4:00 p.m. Monday through Thursday and 9:00 a.m. to 5:00 p.m. on Friday.

Loan portfolio. According to the September 30, 2011, Report of Condition, the bank's assets totaled \$137.5 million. The bank's portfolio consists of approximately 45.7% commercial, 30.3% residential real estate, 15.1% agricultural, 7.2% consumer, and 1.6% other loans. Commercial loans continue to be the largest segment of the loan portfolio. Since the previous evaluation, the bank's loan portfolio has decreased by 13.2%. The bank attributes the decline to the depressed economic conditions in Kanabec County, low loan demand, and troubled loans resulting from declining real estate values. This evaluation did not identify any financial constraints on the bank's ability to lend within its assessment area.

Credit products. The bank offers a variety of loan products designed to serve the credit needs of residents, small farms, and small businesses in the assessment area. Its products include agricultural, commercial, and consumer loans, including government guaranteed loans offered by the Farm Service Agency and the Small Business Administration (SBA).

Community contacts. In addition to having discussions with bank management, examiners contacted various members of the community familiar with economic issues and demographic characteristics of the assessment area. The bank's CRA performance was evaluated using information from these sources.

DESCRIPTION OF ASSESSMENT AREA

The bank has defined one assessment area for CRA purposes. The assessment area includes Kanabec County; census tracts 1301, 1302, and 1303 in Isanti County; census tracts 9701 and 9703 in Mille Lacs County; and census tracts 9505, 9507, and 9508 in Pine County. The assessment area consists of 12 middle-income census tracts. The assessment area does not include any low- or moderate-income census tracts. Mora is the county seat of Kanabec County and is the largest community in the assessment area.

Currently, none of the census tracts in the assessment area is classified as distressed or underserved; however, the census tracts in Kanabec County were classified as distressed in 2009, 2008, and 2007. The census tracts in Mille Lacs County were classified as distressed in 2009 and 2008. The census tracts in Pine County were classified as distressed in 2008. All of the census tracts were classified because of high unemployment rates. The bank's assessment area includes a portion of the Mille Lacs Indian Reservation (Reservation), home of the Mille Lacs Band of Ojibwe (Band). The Reservation headquarters is in Onamia, Minnesota. Mille Lacs County census tracts 9701 and 9703 include portions of the Reservation. The Band also owns land in census tracts 9508 and 9505 in Pine County.

According to the June 30, 2011, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank had total deposits of approximately \$111.5 million, representing 57.0% of the total deposits in Kanabec County. The bank ranks first out of two FDIC-insured financial institutions with offices in the county.

Table 2 shows demographic information about the bank's assessment area based on 2000 U.S. Census data and 2010 Dun & Bradstreet data.

TABLE 2								
Assessment Area Demographics								
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	2,528	20.1
Moderate Income	0	0.0	0	0.0	0	0.0	2,647	21.0
Middle Income	12	100.0	12,599	100.0	766	6.1	3,483	27.6
Upper Income	0	0.0	0	0.0	0	0.0	3,941	31.3
Total Assessment Area	12	100.0	12,599	100.0	766	6.1	12,599	100.0
Income Categories	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	21,384	14,505	100.0	67.8	3,269	15.3	3,610	16.9
Upper Income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	21,384	14,505	100.0	67.8	3,269	15.3	3,610	16.9
Income Categories	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			≤ \$1 Million		> \$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
Middle Income	2,825	100.0	2,598	100.0	116	100.0	111	100.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,825	100.0	2,598	100.0	116	100.0	111	100.0
Percentage of Total Businesses:				92.0		4.1		3.9
Income Categories	Total Farms by Tract		Farms by Tract and Revenue Size					
			≤ \$1 Million		> \$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	277	100.0	274	100.0	3	100.0	0	0.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	277	100.0	274	100.0	3	100.0	0	0.0
Percentage of Total Farms:				98.9		1.1		0.0

Population. According to 2000 U.S. Census data, the population of the bank's assessment area was 46,191. According to the 2010 U.S. Census, the population for Kanabec County is 16,239, up 8.3% from 14,996 in 2000.

Income. For purposes of classifying borrowers by income levels, this evaluation uses the Department of Housing and Urban Development estimated median family income. For borrowers in the nonmetropolitan areas of Minnesota, this figure is \$58,700 for 2010 and \$59,200 for 2011. Refer to the glossary in Appendix A for definitions of CRA terms.

Economy. Since the previous evaluation, economic conditions in the assessment area, and particularly Mora, have declined. Community contacts described Kanabec County's economy as depressed. The contacts base this assessment on high unemployment, limited job openings, and minimal economic development. Since the downturn in the housing market, Kanabec County has experienced minimal new residential construction. A community contact provided a map of housing foreclosures in the state of Minnesota by county prepared by the Minnesota Home Ownership Center (MHOC). In 2010, Kanabec County experienced 153 home foreclosures, which exceeded 2.0% of the total residential parcels in the county. MHOC rates Kanabec County as one of the hardest hit foreclosure counties in Minnesota.

Many people who live in the Mora area commute about 70 miles to the Minneapolis/St. Paul area for work because they can earn a higher income. While retail jobs continue to be available in Mora, these jobs offer lower pay and fewer benefits. Unemployment in the assessment area continues to be higher than in much of Minnesota. The largest employers in the area are FirstLight Health System, the school district, the city of Mora, and county government. The largest private employers in Mora are Engineered Polymers Corporation; OlymPak Printing and Packaging; Coborns, Inc.; and Lakes and Pines Community Action Council, Inc. The bank's assessment area also includes Grand Casino Hinckley, which is a large employer. Information from the Minnesota Department of Employment and Economic Development shows unemployment of 9.7% in August 2011 for Kanabec County compared to the statewide unemployment rate of 6.7%. Kanabec County's unemployment rate has fluctuated from a low of 9.2% in October 2010 to a high of 14.6% in February 2011.

Kanabec County has limited farming operations. According to bank management, dairy farming is the primary agricultural activity in the county. According to community contacts, the assessment area needs new business development. To reduce the high unemployment level, various organizations have attempted to entice new and existing businesses to the Mora area with limited success, according to community contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment area is satisfactory. The bank's lending to borrowers of different income levels and to businesses and farms of different sizes is very good. Given the assessment area's credit needs, the bank's net loan-to-deposit ratio is reasonable. The bank originated a majority of sampled loans within its assessment area, and the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The bank's lending to borrowers of different income levels and to farms and businesses of different sizes is very good.

Consumer lending. The bank's consumer lending to borrowers of different income levels is very good. Table 3 shows the percentage of consumer loans for each income category within the assessment area. The bank originated 40.0% of its consumer loans to low-income borrowers, which exceeds the percentage of low-income households in the assessment area, 23.7%. In addition, the bank originated 24.2% of its

consumer loans to moderate-income borrowers in the assessment area. Again, this exceeds the percentage of moderate-income households in the assessment area, which is 18.5%.

<i>Loan Type</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Income Unknown</i>	
	#	\$	#	\$	#	\$	#	\$	#	\$
Consumer	40.0%	22.7%	24.2%	26.4%	21.7%	37.0%	10.8%	13.8%	3.3%	0.2%
Percentage of Households by Income Levels**	23.7%		18.5%		21.9%		36.0%		NA	
*Income level is based on the 2011 median family income of \$59,200 for nonmetropolitan areas of Minnesota.										
**Based on 2000 census data.										

The bank attributed the consumer loan distribution to current weak economic conditions in the assessment area. In addition, a few of the consumer loans in the sample are “Fresh Start” loans. Fresh Start loans are overdrafts from individual deposit accounts that are converted to installment loans. A Fresh Start loan allows the borrower to reestablish credit by repaying the loan on a specified term basis. The bank does not charge interest on Fresh Start loans. The bank’s performance among low- and moderate-income borrowers is very good.

Small farm and small business lending. The bank’s lending to farms and businesses with gross annual revenues of \$1 million or less is reasonable. Table 4 shows the percentage of loans made to farms and businesses of different sizes.

<i>Small Farm and Small Business Originations</i>	<i>≤ \$100,000</i>	<i>> \$100,000 to ≤ \$250,000</i>	<i>> \$250,000 to ≤ \$500,000 (Farm) ≤ \$1,000,000 (Business)</i>	<i>Total Originations</i>
Percentage of Small Farm Loans	94.3%	5.7%	0.0%	100.0%
Percentage of Loans to Farms with Revenues of \$1 Million or Less	94.3%	5.7%	0.0%	100.0%
Percentage of Small Business Loans	84.4%	11.1%	4.4%	100.0%
Percentage of Loans to Small Businesses with Revenues of \$1 Million or Less	86.0%	9.3%	4.7%	95.6%

The bank originated 100.0% of its small farm loans to farms with gross annual revenues of \$1 million or less. This level is consistent with the percentage of small farms in the assessment area. Dun & Bradstreet data for 2010 indicates that 98.9% of the farms in the assessment area have gross annual revenues of \$1 million or less. In addition, the bank originated 94.3% of its small farm loans for amounts of \$100,000 or less. As mentioned, the bank continues to offer Farm Service Agency guaranteed loan programs for area farmers.

The bank originated 95.6% of its small business loans to businesses with gross annual revenues of \$1 million or less. This level is above the percentage of small businesses in the assessment area. According to 2010 Dun & Bradstreet data, 92.0% of the businesses in the assessment area have gross annual revenues of \$1 million or less. In addition, the bank originated 84.4% of small business loans for amounts of \$100,000 or less. The bank facilitates its small business lending through participation in SBA guaranteed loan programs.

Overall, the bank’s lending to borrowers of different income levels and to farms and businesses of different sizes is very good. The bank’s consumer lending to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income individuals in the assessment area. In addition, 100% of the small farm loans and 95.6% of the small business loans originated in the assessment area were to entities that had gross annual revenues of \$1 million or less.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank’s lending inside the assessment area is excellent. Table 5 shows that the bank actively lends within its assessment area.

<i>Loan Type</i>	<i>Inside</i>				<i>Outside</i>				<i>Total</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Consumer	120	93.0	704	93.2	9	7.0	52	6.9	129	100.0	755	100.0
Small Business	45	91.8	2,194	66.6	4	8.2	1,100	33.4	49	100.0	3,294	100.0
Small Farm	53	91.4	1,623	91.9	5	8.6	144	8.1	58	100.0	1,767	100.0
Total	218	92.4	4,521	77.7	18	7.6	1,296	22.3	236	100.0	5,817	100.0

The bank originated a substantial majority of consumer, small business, and small farm loans within its assessment area. According to community contacts, the bank is one of the leading financial institutions in the assessment area.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank’s net loan-to-deposit ratio is reasonable given its asset size, financial condition, and credit needs of the assessment area. Table 6 shows the 18-quarter net loan-to-deposit ratios for the bank and a local competitor in the assessment area.

<i>Bank</i>	<i>Total Assets as of September 30, 2011 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Kanabec State Bank, Mora, Minnesota	\$137,487	60.4%
Woodlands National Bank, Hinckley, Minnesota	\$141,726	88.4%

According to the September 30, 2011, Uniform Bank Performance Report (UBPR), the bank’s net loan-to-deposit ratio is 47.9%. Since the previous evaluation, the bank’s quarterly net loan-to-deposit ratio has ranged from 47.9% to 76.6%. The September 30, 2011, ratio is the low point since the previous evaluation.

As mentioned, the bank’s loan portfolio and the corresponding loan-to-deposit ratio have declined since the previous CRA evaluation. The bank attributes the decline to depressed economic conditions in its assessment area. Community contacts confirmed the depressed economic conditions. The contacts indicated the depressed conditions primarily result from high unemployment, low wages, and declining

real estate values, which contribute to low loan demand. While loan demand has been low, deposits have been increasing which also contributes to the decline in the net loan-to-deposit ratio.

At the previous evaluation, the bank's quarterly net loan-to-deposit ratio was 74.0%. According to the September 30, 2011, UBPR, the net loan-to-deposit ratio for the bank's peer group is 64.0%. The bank's national peer group includes all insured commercial banks having assets between \$100 million and \$300 million, with two or fewer full-service banking offices and not located in a metropolitan statistical area.

Although the bank's loan-to-deposit ratio is 47.9% as of September 30, 2011, the average since the previous evaluation is 60.4%. The bank attributes the decline to the prevailing economic conditions in its assessment area, resulting in reduced loan demand. Community contacts confirmed the weak economic conditions in the bank's assessment area. Accordingly, the bank's loan-to-deposit ratio is reasonable.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area contains only middle-income geographies. The distribution of the bank's loans in the assessment area is reasonable and does not reveal any unexplained gaps in lending patterns. In addition, the assessment area includes a portion of the Reservation. Although the Reservation is about 40 miles from Mora, the bank originated loans in Mille Lacs County census tracts 9701 and 9703. According to community contacts, the majority of Band members conduct their banking business with Woodlands National Bank, Hinckley, Minnesota (Woodlands). The Band owns Woodlands' parent company. Bank management and community contacts did not identify any significant concentrations of low- or moderate-income families in the assessment area. Therefore, further analysis is not meaningful. The geographic distribution of the bank's loans is reasonable.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

Appendix A

Glossary of Common CRA 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 statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. 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 on 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: 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 C.F.R. 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 Federal Deposit Insurance Corporation (the Agencies) 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 Agencies 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 meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It 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 nonrelatives 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 is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., 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 is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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 statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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 to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

Small loan to farm: 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 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 geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)