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PUBLIC DISCLOSURE

January 9, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Buffalo
RSSD #825940

2441 Greensburg Road
Buffalo, Kentucky 42716

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this bank 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 COMMUNITY REINVESTMENT ACT RATING

Bank of Buffalo (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans and other lending-related activities are originated inside the AA.
- The borrower's profile analysis reveals reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI).
- The geographic distribution of loans reflects an excellent dispersion throughout the AA.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics and credit needs. Lending performance was assessed within the bank's AA.

Consumer motor vehicle and 1–4 family residential real estate loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Due to the greater dollar amount of lending of 1–4 family residential real estate lending, this product type carried greater weight when determining the overall conclusions. The following table includes the corresponding time period for each performance category.

Performance Criterion	Time Period
LTD Ratio	December 31, 2018 – September 30, 2022
Assessment Area Concentration	January 1, 2021 – December 31, 2021
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	October 29, 2018 – January 8, 2023

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2015 American Community Survey (ACS) data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an AA. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $114.0 million to $228.5 million as of September 30, 2022.

To augment this evaluation, one community contact interview with a member of the local community was utilized to ascertain specific credit needs, opportunities, and local market conditions within the bank's AA. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from the community contact interview are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Bank of Buffalo is an intrastate community bank headquartered in Buffalo, Kentucky. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Buffalo Bancshares, Inc., Buffalo, Kentucky.

- The bank has total assets of $88.5 million as of September 30, 2022. That represents an increase of 20.8 percent since the last evaluation.

- In addition to its main office in Buffalo, the bank has an additional office located in Hodgenville.

- Bank of Buffalo has one full-service ATM located at its Hodgenville branch.

- As shown in the following table, the bank's primary business focus is 1–4 family residential real estate. Although the dollar amount appears to be less significant than other loan types, by number of loans originated, loans to individuals (such as consumer motor vehicle) are an important category in the bank's lending portfolio.

Composition of Loan Portfolio as of September 30, 2022		
Loan Type	**Amount $ (000s)**	**Percentage of Total Loans**
1–4 Family Residential	$26,062	48.4%
Farmland	$9,524	17.7%
Commercial Real Estate	$8,608	16.0%
Loans to Individuals	$5,913	11.0%
Construction and Development	$1,284	2.4%
Commercial and Industrial	$949	1.8%
Multifamily Residential	$762	1.4%
Farm Loans	$709	1.3%
Total Other Loans	$32	0.1%
TOTAL LOANS	**$53,843**	**100%**
Note: Percentages may not total 100.0% due to rounding.		

The bank was rated Satisfactory under the CRA at its October 29, 2018 performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank's LaRue County AA consists of the entirety of LaRue County, Kentucky (see Appendix A for an AA map), which is one of the two counties that comprise the Elizabethtown-Fort Knox, Kentucky metropolitan statistical area (Elizabethtown MSA).

- This delineation has not changed since the previous evaluation.
- The bank has a deposit market share of 14.6 percent, which ranks third among the three institutions operating in LaRue County (source: Federal Deposit Insurance Corporation (FDIC), Deposit Market Share Report, June 30, 2022).
- The three largest industries in the AA, determined by number of employees, are government (20.3 percent), manufacturing (19.9 percent), and healthcare and social assistance (11.5 percent). No major new employers have entered or left the AA in the recent past (source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Third Quarter 2021).
- One community contact interview was conducted for this evaluation. This individual specializes in economic development in the AA.

AA Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Census Tracts	0	1	3	0	0	**4**
	0.0%	25.0%	75.0%	0.0%	0.0%	**100%**
Family Population	0	1,532	2,212	0	0	**3,744**
	0.0%	40.9%	59.1%	0.0%	0.0%	**100%**

- Since the previous evaluation, one middle-income census tract in the AA changed to a moderate-income census tract. At the previous evaluation, the AA was comprised solely of middle-income geographies.

- The moderate-income census tract includes the town of Hodgenville, which was described as the hub of commerce in the area by the community contact.

Population Change			
Area	**2010 Population**	**2015 Population**	**Percent Change**
LaRue County AA	14,193	14,149	-0.3%
Elizabethtown MSA	148,338	150,776	1.6%
Kentucky	4,339,367	4,397,353	1.3%
Source: 2010 U.S. Census Bureau: Decennial Census 2011–2015 U.S. Census Bureau: American Community Survey			

- The community contact indicated that, despite the decrease in population between 2010 and 2015 in the AA, it is likely there will be population growth soon due to increased economic activity in adjacent communities.

Median Family Income Change			
Area	**2010 Median Family Income**	**2015 Median Family Income**	**Percent Change**
LaRue County AA	$52,250	$47,527	-9.0%
Elizabethtown MSA	$58,165	$59,273	1.9%
Kentucky	$56,676	$55,367	-2.3%
Source: 2006–2010 U.S. Census Bureau: American Community Survey 2011–2015 U.S. Census Bureau: American Community Survey Note: Median family incomes have been inflation-adjusted and are expressed in 2015 dollars.			

- The median family income in the AA has decreased considerably between 2010 and 2015, and continues to trail the median family income figures for the MSA and the state of Kentucky. The magnitude of the change compares unfavorably with the MSA, which realized a slight increase in its median family income, and the state, which experienced a much more modest decrease in its median family income. In addition, the FFIEC estimated 2021 median family income for the Elizabethtown MSA and the state of Kentucky to be $64,700 and $52,600, respectively. Therefore, the AA, generally, is less affluent than the state and the MSA.

Unemployment Rates					
Area	**2017**	**2018**	**2019**	**2020**	**2021**
LaRue County AA	4.6%	4.3%	4.3%	7.0%	4.9%
Elizabethtown MSA	4.6%	4.1%	4.0%	6.9%	4.9%
Kentucky	4.8%	4.2%	4.1%	6.4%	4.7%
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics					

- The AA unemployment rate has remained relatively steady over the previous five years, notwithstanding the spike in 2020 that occurred nationwide as a result of the COVID-19 pandemic. Since 2018, the unemployment levels in the AA have consistently been above the levels seen in the MSA and the state of Kentucky.

- The community contact indicated that although there are currently job openings in the county, these are much more likely to be for lower-paying jobs, with the area lacking in high-paying job opportunities.

Housing Cost Burden						
Area	**Cost Burden – Renters**			**Cost Burden – Owners**		
	Low-Income	**Moderate-Income**	**All Renters**	**Low-Income**	**Moderate-Income**	**All Owners**
LaRue County AA	58%	25%	40%	54%	29%	19%
Elizabethtown MSA	72%	42%	35%	60%	33%	17%
Kentucky	69%	35%	38%	57%	29%	17%
Cost burden is housing cost that equals 30% or more of household income. *Source: 2014–2018 U.S. Department of Housing and Urban Development (HUD): Comprehensive Housing Affordability Strategy*						

- As illustrated in the table above, the housing cost burden for LMI renters and owners in the AA is less than both the MSA and the state of Kentucky. This is impacted by the median home values and median rents in the AA, which are considerably lower than the MSA and the state of Kentucky. In the AA, the median home value is $110,043, and the median gross rent is $657 per month. In comparison, the median home values in the MSA and the state are $137,630 and $123,200, respectively, and the median gross rents are $752 and $675, respectively.

- The community contact stated that the area has experienced an increase in the level of evictions in nearby counties and this trend is a concern for LaRue County in the near term.

- Additionally, the community contact stated that there is a need for new housing stock in the area, as the current supply of housing is generally older and requires a greater level of upkeep, which may be a challenge for LMI residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall performance under the Lending Test is Satisfactory.

Loan-to-Deposit (LTD) Ratio

This performance criterion evaluates the bank's average LTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, market share, and location.

Comparative LTD Ratios December 31, 2018 – September 30, 2022			
Institution	**Location**	**Asset Size $ (000s)**	**LTD Ratio (%) 16-Quarter Average**
Bank of Buffalo	Buffalo, Kentucky	$88,526	65.5%
Similarly Situated Institutions			
Regional Banks	Lebanon, Kentucky	$113,971	72.7%
	Lebanon, Kentucky	$152,569	33.5%
	Campbellsville, Kentucky	$228,539	76.5%

The bank's LTD ratio is reasonable. The bank's LTD increased from 56.6 percent on March 30, 2021, to 70.0 percent on September 30, 2022. The bank's 16-quarter average LTD ratio is comparable to the bank's previous evaluation when the average LTD ratio was 66.4 percent.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA.

Lending Inside and Outside the Assessment Area								
Loan Type	**Inside**				**Outside**			
	#	**# %**	**$ (000s)**	**$ %**	**#**	**# %**	**$ (000s)**	**$ %**
1–4 Family Residential Real Estate	19	44.2%	$2,151	36.2%	24	55.8%	$3,788	63.8%
Consumer Motor Vehicle	25	56.8%	$392	52.0%	19	43.2%	$363	48.0%
TOTAL LOANS	44	50.6%	$2,543	38.0%	43	49.4%	$4,150	62.0%
Note: Percentages may not total 100.0% due to rounding.								

A majority of the bank's loans, by number, are originated inside the AA. As referenced in the *Description of the Assessment Area* section, the median home value in the AA is significantly lower than in the MSA, as well as in the state of Kentucky. This is likely to have impacted the dollar amount of 1–4 family residential real estate lending inside the AA.

Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels. The bank's lending has a reasonable distribution among individuals of different income levels.

Residential Real Estate Lending

The bank's 1–4 family residential real estate loan distribution is reasonable to both low- and moderate-income individuals, and therefore is reasonable overall. The bank's performance lending to low-income borrowers (10.5 percent) exceeds aggregate but trails the demographic comparator. Similarly, the bank's performance lending to moderate-income borrowers (21.1 percent) exceeds aggregate and trails demographics.

Distribution of 2021 1–4 Family Residential Real Estate Lending by Borrower Income Level LaRue County AA							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	$ (000s)	$ %	$ %	
Low	2	10.5%	7.7%	121	5.6%	4.2%	27.8%
Moderate	4	21.1%	17.1%	247	11.5%	12.0%	22.4%
Middle	4	21.1%	23.2%	579	26.9%	22.1%	21.1%
Upper	9	47.4%	33.5%	1,205	56.0%	42.4%	28.7%
Unknown	0	0.0%	18.5%	0	0.0%	19.3%	0.0%
TOTAL	**19**	**100.0%**	**100.0%**	**2,151**	**100.0%**	**100.0%**	**100.0%**

Source: 2017 FFIEC Census Data
2006–2010 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding. Multifamily loans are not included in the borrower distribution analysis.

Consumer Motor Vehicle

The borrower distribution of consumer motor vehicle lending is excellent. The bank's lending to low-income borrowers (60.0 percent) is considerably higher than the percentage of low-income households in the AA (29.7 percent). Similarly, the bank's lending to moderate-income borrowers (24.0 percent) also exceeds the household comparator (21.4 percent).

Distribution of 2021 Consumer Motor Vehicle Lending by Borrower Income Level LaRue County AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	# %	$ (000s)	$ %	
Low	15	60.0%	$221	56.4%	29.7%
Moderate	6	24.0%	$85	21.7%	21.4%
Middle	1	4.0%	$9	2.3%	18.8%
Upper	3	12.0%	$77	19.6%	30.1%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**25**	**100.0%**	**$392**	**100.0%**	**100.0%**

Source: 2021 FFIEC Census Data
2011–2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank's geographic distribution of loans reflects excellent distribution among the different census tracts and dispersion throughout the AA.

Residential Real Estate Lending

The geographic distribution of 1–4 family residential real estate lending is excellent. The bank's performance lending to moderate-income census tracts (52.6 percent) exceeds both aggregate and demographic comparators. Additionally, the bank's dollar amount of lending in the moderate-income census tracts (61.1 percent) is significantly higher than the aggregate dollar lending amount (43.2 percent).

Distribution of 2021 1–4 Family Residential Real Estate Lending by Income Level of Geography LaRue County AA							
Geographic Income Level	Bank and Aggregate Loans						Owner-Occupied Units %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	$ (000s)	$ %	$ %	
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	10	52.6%	45.9%	1,314	61.1%	43.2%	39.8%
Middle	9	47.4%	54.1%	838	38.9%	56.8%	60.2%
Upper	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
TOTAL	**19**	**100.0%**	**100.0%**	**2,151**	**100.0%**	**100.0%**	**100.0%**

Source: 2021 FFIEC Census Data
2011–2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding.

Consumer Motor Vehicle

The geographic distribution of consumer motor vehicle lending is reasonable. The bank's overall distribution of consumer motor vehicle loans to moderate-income census tracts (32.0 percent) is significant and nearing the demographic comparator in moderate-income (44.2 percent) census tracts. The following information further supports the bank's reasonable rating:

- The community contact mentioned there is a healthy level of banking competition in the AA.

Distribution of 2021 Consumer Motor Vehicle Lending by Income Level of Geography LaRue County AA					
Geographic Income Level	**Bank Loans**				**Households %**
	#	**# %**	**$ (000s)**	**$ %**	
Low	0	0.0%	$0	0.0%	0.0%
Moderate	8	32.0%	$134	34.2%	44.2%
Middle	17	68.0%	$258	65.8%	55.8%
Upper	0	0.0%	$0	0.0%	0.0%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**25**	**100.0%**	**$392**	**100.0%**	**100.0%**
Source: 2021 FFIEC Census Data 2011–2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.					

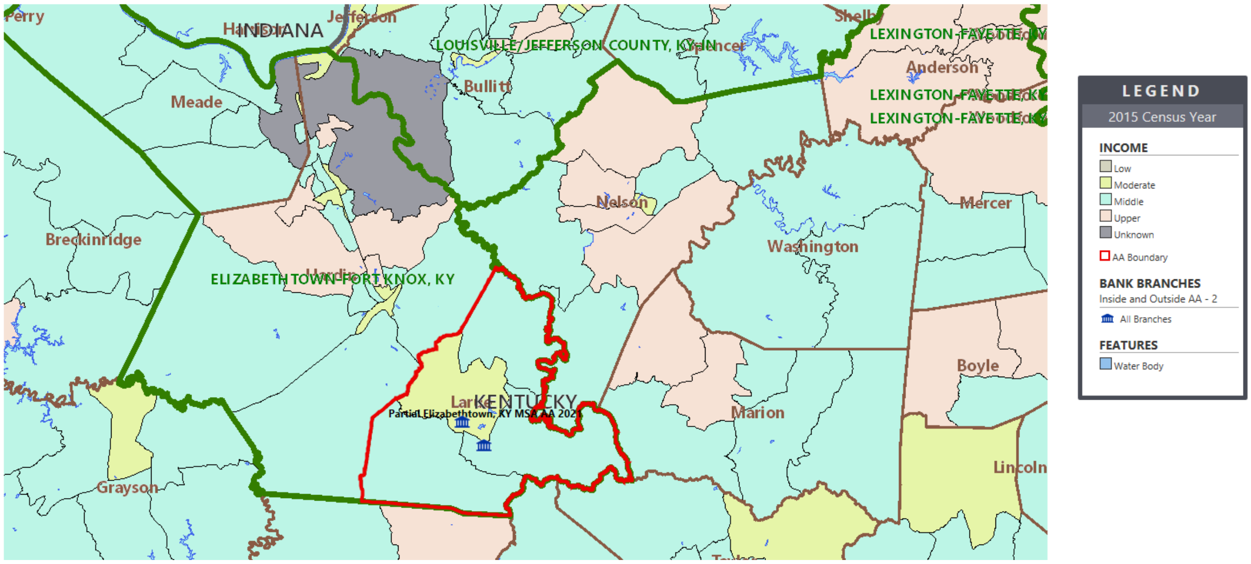
Lastly, Bank of Buffalo originated loans in all the census tracts in its AA; therefore, there were no conspicuous lending gaps noted during the review period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of this CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA

LaRue County AA



APPENDIX B – GLOSSARY

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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and nonmetropolitan 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 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 contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> 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; (4) activities that <u>revitalize or stabilize</u> low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 under the Lending, Investment, and Service Tests 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., 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 who 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 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 refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., 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.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an 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.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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 businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports 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 secured by either 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): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports 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.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.