

PUBLIC DISCLOSURE

November 1, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Blencoe State Bank
RSSD# 886044

401 Main Street
Blencoe, Iowa 51523

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. 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 bank.

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BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING:

The bank is rated satisfactory.

Blencoe State Bank is meeting the needs of its community based upon an analysis of lending activities and economic conditions, which is supported by information from community representatives. The loan-to-deposit ratio reflects a reasonable willingness to extend credit given the credit needs and competition within the assessment area. A substantial majority of loans and other lending-related activities are originated in the assessment area. There is reasonable penetration among individuals of different income levels and farms of different sizes. The geographic distribution of lending within the assessment area reflects a reasonable penetration of loans throughout the assessment area, including the moderate-income geography. Additionally, there were no CRA-related complaints received by the institution or this Reserve Bank since the prior evaluation.

SCOPE OF EXAMINATION

Blencoe State Bank's CRA Performance was evaluated in the context of information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. The evaluation included all small farm loans and residential real estate loans originated between July 1, 2009 and June 30, 2010. Blencoe State Bank was evaluated using the *Small Bank Examination Procedures* based on the following performance criteria:

- *Loan-to-Deposit (LTD) Ratio* – Analyzed the bank's average loan-to-deposit ratio calculated from quarterly report data since the prior evaluation, and compared it to the ratios calculated for its national peer group and local competitors.
- *Lending in the Assessment Area* – Analyzed all small farms and residential real estate loans to determine the percentage of loans originated in the assessment area.
- *Lending to Borrowers of Different Incomes and to Farms of Different Sizes* – Analyzed all small farm and residential real estate loans to assess the loan distribution among borrowers of different income levels and to farms with different revenue levels.
- *Geographic Distribution of Lending in the Assessment Area* – Analyzed all small farm and residential real estate loans originated within the assessment area to determine the extent to which the bank is making loans in geographies of different income levels.
- *Complaints* – Neither Blencoe State Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition to the preceding criteria, information obtained through discussions with two community representatives was considered in the overall evaluation.

DESCRIPTION OF BANK

Blencoe State Bank is a subsidiary of Monona Bancorporation, a one-bank holding company located in Blencoe, Iowa. The main office is in Blencoe, which is approximately 54 miles north of Omaha, Nebraska, and 44 miles south of Sioux City, Iowa, and includes a drive-up facility and full service ATM. The bank also has a branch in Onawa, Iowa, that includes a drive-up facility but does not have an ATM. A cash-only ATM is located at Fiesta Foods in Onawa.

Blencoe State Bank offers non-complex loan and deposit products. According to the Uniform Bank Performance Report (UBPR), the bank had \$30.3 million in total assets of June 30, 2010. As presented in Table #1, agricultural loans comprise a majority of the portfolio, followed by residential real estate loans.

Table #1		
Blencoe State Bank, Loan Portfolio Mix		
(June 30, 2010)		
Product	\$ (000)	%
1-4 Family Residential Real Estate	4,519	26.6
Farmland	1,142	6.7
Agricultural	7,446	43.8
Non-Farm Non-Residential	962	5.7
Commercial and Industrial	1,069	6.3
Individuals	1,689	9.9
Construction & Development	0	0.0
Multifamily	161	1.0
Totals	16,988	100.0

The bank's peer group includes all commercial banks with assets less than \$50 million, with two or more banking offices, and located in a non-metropolitan area. Local competitors for loans and deposits include Moorhead State Bank, Moorhead, Iowa; Sloan State Bank, Sloan, Iowa; First State Bank of Mapleton, Mapleton, Iowa; branch offices of Valley Bank, Mapleton, Iowa; Midstates Bank N.A., Council Bluffs, Iowa; Iowa-Nebraska State Bank, South Sioux City, Nebraska; Great Southern Bank, Springfield, Missouri; First State Bank, Ida Grove, Iowa; and US Bank, Minneapolis, Minnesota. Blencoe State Bank also considers State Farm Bank and Farm Bureau Financial Services, both located in Onawa, Iowa, to be competitors.

According to the June 30, 2009 FDIC Deposit Market Share Report, Blencoe State Bank held 5.0 percent of the deposits in Monona and Harrison Counties, ranking 10th of the 16 financial institutions located in these counties.

There are no apparent factors relating to the bank's financial condition, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent it from meeting the credit needs of the community.

The institution was rated **satisfactory** under the CRA at its previous evaluation conducted on October 10, 2006.

DESCRIPTION OF ASSESSMENT AREAS

An institution's assessment area will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by census tracts which are statistical subdivisions of a county. 2000 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.

Blencoe State Bank contains a nonmetropolitan assessment area and a Metropolitan Statistical Area (MSA) assessment area. The combined assessment area consists of Monona County in its entirety and the northern two-thirds of Harrison County. Monona County is located in the nonmetropolitan assessment area, and Harrison County is located in the Omaha, NE - Council Bluffs, IA MSA. Census tracts in the Monona County assessment area consist of four middle-income geographies (9601, 9602, 9603, 9604) and one unknown geography (9401). The unknown geography is comprised of an Indian reservation. Census tracts in the Harrison County MSA assessment area consist of one moderate-income (9901) and one middle-income geography (9902). None of the bank's offices or ATMs are located within Harrison County. The assessment areas have not changed since the previous evaluation. Refer to Appendix A for a map of the assessment area.

Selected demographic information for the combined assessment area is provided in Table #2 below.

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	1,000	21.9
Moderate-income	1	14.3	786	17.2	67	8.5	1,002	22.0
Middle-income	5	71.4	3,778	82.8	241	6.4	1,254	27.5
Upper-income	0	0.0	0	0.0	0	0.0	1,308	28.7
Unknown-income	1	14.3	0	0.0	0	0.0	0	0.0
Total Assessment Area	7	100.0	4,564	100.0	308	6.7	4,564	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,315	904	17.4	68.7	272	20.7	139	10.6
Middle-income	6,196	4,292	82.6	69.3	1,336	21.6	568	9.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	7,511	5,196	100.0	69.2	1,608	21.4	707	9.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	175	17.5	159	17.4	6	17.6	10	19.2
Middle-income	824	82.5	754	82.6	28	82.4	42	89.8
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	999	100.0	913	100.0	49	100.0	52	100.0
Percentage of Total Businesses:			91.4		3.4		5.2	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	65	16.0	65	16.0	0	0.0	0	0.0
Middle-income	340	84.0	340	84.0	0	0.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	405	100.0	405	100.0	0	0.0	0	0.0
Page 5 of 19	Percentage of Total Farms:			100.0		0.0		0.0

Population Change

According to the 2000 U.S. Census, the total population of the combined assessment area was 16,581, while the population for the State of Iowa was 2,926,324. In comparison, the 2009 U.S. Census population estimates, as shown in Table #3, reveal that each county located in the assessment area decreased while the State of Iowa increased in population since 2000. The population loss in Monona County is attributed to a lack of job opportunities due to the limited number of businesses located in the area.

Table #3			
Population Changes			
2000 Census vs. July 1, 2009			
Area	2000 U.S. Census Population	July 1, 2009 U.S. Census Population Estimates	Percentage Change
Monona County	10,020	8,882	-11.4
Harrison County	15,666	15,328	-2.2
Omaha-Council Bluffs MSA	767,041	849,517	10.8
State of Iowa	2,926,324	3,007,856	2.8

Source: U.S. Census Bureau

Income Characteristics

Table #4 compares median family income in the bank's assessment area to the Omaha-Council Bluffs MSA, the State of Iowa, and to each county located in the assessment area based on 2000 U.S. Census Bureau data and 2010 HUD-adjusted median family income levels. Median family income levels have increased since 2000 in Harrison and Monona Counties, the Omaha-Council Bluffs MSA, and the State of Iowa.

Table #4			
Median Family Income Changes			
2000 Census vs. 2010 HUD			
Area	2000 Census	2010 Estimates	Percentage Change
Assessment Area	41,428	N/A	N/A
Harrison County	44,586	70,300	57.7
Monona County	41,172	53,500	29.9
Omaha-Council Bluffs MSA	53,955	70,300	30.3
State of Iowa	48,005	62,400	30.0

Source: U.S. Department of Housing and Urban Development

According to the Administrative office of the U.S. Courts, bankruptcy rates in both Monona (3.72%) and Harrison (3.77%) Counties exceed the State of Iowa's (3.24%) bankruptcy rate.

Table #5 illustrates housing costs in the assessment area compared to the Omaha-Council Bluffs MSA, the State of Iowa, and to each county located in the assessment area. Fair market rents are

determined by the U.S. Department of Housing and Urban Development for MSAs and non-metropolitan counties. The following table presents fair market rents for a two-bedroom apartment. The fair market rent in Harrison and Monona County is considered to be affordable rent.

Affordability ratios are developed by dividing the median household income by the median household value for a given area or groups of geographies, and are helpful in comparing costs for different areas. An area with a high ratio generally has more affordable housing than an area with a low ratio. The affordability ratios indicate that housing is generally more affordable in the assessment area, particularly Monona County, when compared to the Omaha-Council Bluffs MSA and the State of Iowa.

Table #5				
Housing Costs				
Location	Median Housing Value	Median Gross Rent	Fair Market Rent *	Affordability Ratio
Assessment Area	59,999	386	N/A	56
Harrison County	78,700	418	757	48
Monona County	55,100	384	540	60
Omaha-Council Bluffs MSA	99,409	544	757	44
State of Iowa	82,100	470	N/A	48
<i>2000 United States Census Data;</i>				
<i>*Department of Housing and Urban Development</i>				

According to the Table #6 below, the assessment area’s largest business sectors include education and health services; however, agriculture is the primary business sector in the area. Agricultural-related activities include grain and cattle farming, grain elevators, and seed corn plants.

Table #6		
Largest Employers in the Assessment Area		
Company	# Employed	Industry
Maple Valley Community School	345	Elementary & Secondary Schools
Burgess Health Corporation	215	Hospital Management
Burgess Health Center	183	General Medical & Surgical Hospital
Prairie Estates Independent Living	140	Residential Care
West Monona Community School District	115	Elementary & Secondary Schools
Whiting Commercial Development Corporation	115	Skilled Nursing Care Facilities
County of Harrison	104	Executive
Berne Cooperative Association Inc.	100	Skilled Nursing Care Facilities
County of Monona	100	Executive
Apotheca Inc.	100	Dietary Supplements
<i>Source: Hoovers.com</i>		

Unemployment rates increased over the past year in Harrison and Monona Counties as well as in the Omaha-Council Bluffs MSA and the State of Iowa. The unemployment rate for the United States decreased slightly during the past year. Bank management and community representatives attributed the increases in unemployment to general economic conditions in the state, as no major closures or layoffs were identified. Table #7 lists the unemployment rates for 2009 and 2010 for each of the counties located in the assessment area as well as for the United States, the Omaha-Council Bluffs MSA, and the State of Iowa.

Table #7		
Unemployment Statistics*		
Location	September 2009	September 2010
United States	9.8	9.6
State of Iowa	6.4	6.8
Harrison County	4.3	5.2
Monona County	7.0	7.5
Omaha-Council Bluffs MSA	4.8	5.0
<i>*Source: United States Department of Labor – Bureau of Labor Statistics; Iowa Workforce Development; Nebraska Department of Labor</i>		

Community representatives contacted during the examination identified small business and home loan financing as credit needs within the assessment area. Financial institutions are pro-active in assisting businesses and home loan applicants with the loan application process; however, due to national economic conditions, financing for businesses and home loan applicants with minor credit weaknesses is difficult to obtain as underwriting standards have become more stringent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Relative to its peer group and a sample of competitors, the bank’s LTD ratio is reasonable. The 15-quarter average beginning December 31, 2006 is lower than the national peer and a substantial majority of its local competitors and has decreased since the previous evaluation (78.6%). The lower LTD ratio is due to a slowdown in the economy which has caused a decrease in loan demand. In addition, deposits have increased substantially over the past year as high grain prices have led to increased farm revenues which also affected the ratio. Table #8 shows the comparison for the 15 quarters since the previous evaluation.

Table #8		
LTD Ratios for Local Bank Competitors of Blencoe State Bank		
	Assets as of 06/30/10 (Millions)	Average LTD Ratio (%)
BLENCOE STATE BANK, Blencoe, Iowa	\$30.3	64.0
National Peer Group		72.5
Moorhead State Bank, Moorhead, Iowa	19.2	102.2
Sloan State Bank, Sloan, Iowa	44.4	51.2
First State Bank, Mapleton, Iowa	45.3	71.5
First State Bank, Ida Grove, Iowa	115.7	77.1
Iowa-Nebraska State Bank, South Sioux City, Nebraska	199.0	95.6
Midstates Bank, N.A., Council Bluffs, Iowa	303.1	95.1
Valley Bank & Trust, Mapleton, Iowa	60.0	72.5
Great Southern Bank, Springfield, Missouri	3,487.3	87.7
U.S. Bank, N.A., Minneapolis, MN	278,464.6	104.9

Lending in the Assessment Area

A substantial majority of loans and other lending-related activities are originated within the assessment area. The distribution of small farm and residential real estate loans is illustrated in Table #9.

Table #9			
Distribution of Loans in/out of Assessment Area (AA)			
Loan Type	Number of Loans		
	# in Sample	# in AA	% in AA
Small Farm	87	80	92.0
Residential Real Estate	55	54	98.2
Totals	142	134	94.4

Geographic Distribution of Loans

The geographic distribution of small farm and residential real estate loans reflects reasonable dispersion throughout the Monona and Harrison County assessment areas. Small farm and residential real estate lending in the Harrison County assessment area is limited primarily to the census tracts that are close to the branch office located on the border of the two counties.

Small Farm

The Monona County assessment area is comprised of four middle-income and one unknown census tract. The bank originated 70 small farm loans for \$7,241,583 in middle-income census tracts during the period under review. The loans were reasonably dispersed throughout the county.

As shown in Table #10, small farm lending in the two census tracts that comprise the Harrison County assessment area reflects reasonable penetration throughout the assessment area.

Table #10 Small Farm Lending, Geographic Distribution (000's) Harrison County						
Census Tract Income Level	Bank Loans				Census Tract Distribution	Farms by Census Tract Income Level
	#	%	\$	%	%	%
Low	n/a	n/a	n/a	n/a	n/a	n/a
Moderate	7	70.0	1,126	76.0	50.0	45.1
Middle	3	30.0	356	24.0	50.0	54.9
Upper	n/a	n/a	n/a	n/a	n/a	n/a
Unknown	n/a	n/a	n/a	n/a	n/a	n/a
Total	10	100.0	1,482	100.0	100.0	100.0

Residential Real Estate

The bank originated 50 residential real estate loans for \$1,772,464 in the Monona County assessment area during the period under review. Residential real estate loan originations included seven home purchases (\$425,600), 36 refinancings (\$1,281,459), and seven home equity loans (\$65,405). The loans were reasonably dispersed throughout the county.

As shown in Table #11, residential real estate lending reflects reasonable penetration throughout the Harrison County assessment area.

Table #11						
Residential Real Estate Lending, Geographic Distribution (000's) Harrison County						
Census Tract Income Level	Bank Loans				Owner- Occupied Housing	Families by Census Tract Income Level
	#	%	\$	%	%	%
Home Purchase Loans						
Low	n/a	n/a	n/a	n/a	n/a	n/a
Moderate	1	100.0	120	100.0	19.3	43.7
Middle	0	0.0	0	0.0	80.7	56.3
Upper	n/a	n/a	n/a	n/a	n/a	n/a
Unknown	n/a	n/a	n/a	n/a	n/a	n/a
Total	1	100.0	120	100.0	100.0	100.0
Refinanced Loans						
Low	n/a	n/a	n/a	n/a	n/a	
Moderate	3	100.0	19	100.0	19.3	
Middle	0	0.0	0	0.0	80.7	
Upper	n/a	n/a	n/a	n/a	n/a	
Unknown	n/a	n/a	n/a	n/a	n/a	
Total	3	100.0	19	100.0	100.0	
Home Equity Loans						
Low	n/a	n/a	n/a	n/a	n/a	
Moderate	0	0.0	0	0.0	19.3	
Middle	0	0.0	0	0.0	80.7	
Upper	n/a	n/a	n/a	n/a	n/a	
Unknown	n/a	n/a	n/a	n/a	n/a	
Total	0	100.0	0	0.0	0.0	
Total Residential Real Estate Loans						
Low	n/a	n/a	n/a	n/a	n/a	n/a
Moderate	4	100.0	139	100.0	19.3	43.7
Middle	0	0.0	0	0.0	80.7	56.3
Upper	n/a	n/a	n/a	n/a	n/a	n/a
Unknown	n/a	n/a	n/a	n/a	n/a	n/a
Total	4	100.0	139	100.0	100.0	100.0

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Borrower distribution among individuals of different income levels and farms of different sizes reflects reasonable penetration in both the Monona and Harrison County assessment areas. As mentioned, small farm and residential real estate lending in the Harrison County assessment area is limited primarily to the census tracts closest to its branch office located on the border of Monona and Harrison Counties.

Small Farm

The borrower distribution of small farm loans reflects a reasonable penetration among farms of different sizes in the Monona and Harrison County assessment areas. Small farm loans are defined as loans with original amounts of \$500,000 or less. Small farm loans represent 96.4 percent of the bank’s agricultural loan portfolio in Monona County. Loans to farms with revenues of \$1 million or less and in loan amounts of \$100,000 or less are considered most beneficial to small farms. Small farm loans originated to farms with revenues of \$1 million or less represents 94.3 percent of the bank’s agricultural loan portfolio and the majority of the loans (68.2%) were in original amounts of \$100,000 or less.

Table #12				
Small Farm Loan Distribution, By Revenue and Loan Size (000's) Monona County				
Category	Bank Loans			
	#	%	\$	%
By Revenue				
\$1 Million or Less	66	94.3	6,107	84.3
Over \$1 Million	4	5.7	1,135	15.7
Not Known	0	0.0	0	0
Total	70	100.0	7,242	100.0
By Loan Size				
\$100,000 or less	46	65.7	1,555	21.5
\$100,000 - \$250,000	16	22.9	2,602	35.9
\$250,000 - \$500,000	8	11.4	3,085	42.6
Total	70	100.0	7,242	100.0
By Loan Size and Revenue \$1 Million or Less				
\$100,000 or less	45	68.2	1,520	24.9
\$100,000 - \$250,000	15	22.7	2,451	40.1
\$250,000 - \$500,000	6	8.3	2,135	35.0
Total	66	100.0	6,106	100.0

Small farm loans represent 100.0 percent of the bank’s agricultural loan portfolio in Harrison County. The following table summarizes the bank’s performance in the Harrison County assessment area.

Table #13				
Small Farm Loan Distribution, By Revenue and Loan Size (000's) Harrison County				
Category	Bank Loans			
	#	%	\$	%
By Revenue				
\$1 Million or Less	8	80.0	499	33.7
Over \$1 Million	2	20.0	983	66.3
Not Known	0	0.0	0	0
Total	10	100.0	1,482	100.0
By Loan Size				
\$100,000 or less	7	70.0	259	17.5
\$100,000 - \$250,000	1	10.0	240	16.2
\$250,000 - \$500,000	2	20.0	983	66.3
Total	10	100.0	1,482	100.0
By Loan Size and Revenue \$1 Million or Less				
\$100,000 or less	7	87.5	259	51.9
\$100,000 - \$250,000	1	12.5	240	48.1
\$250,000 - \$500,000	0	0.0	0	0.0
Total	8	100.0	499	100.0

Residential Real Estate

The borrower distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels in the Monona County assessment area. The percentage of residential real estate loans originated to low- and moderate-income borrowers in Monona County (46.0%) exceeds the percentage of low- and moderate-income families (38.6%) located in the assessment area.

Table #14					
Residential Real Estate Lending, Borrower Distribution (000's) Monona County					
Income Level of the Borrower	Bank Loans				Families by Income Level
	#	%	\$	%	%
Home Purchase Loans					
Low	2	28.6	176	41.3	18.6
Moderate	2	28.6	72	16.9	20.0
Middle	3	42.8	178	41.8	28.8
Upper	0	0.0	0	0.0	32.6
Unknown	0	0.0	0	0.0	0.0
Total	7	100.00	426	100.0	100.0
Refinanced Loans					
Low	8	22.2	111	8.7	
Moderate	7	19.5	196	15.3	
Middle	13	36.1	601	46.9	
Upper	8	22.2	374	29.1	
Unknown	0	0.0	0	0.0	
Total	36	100.0	1,282	100.0	
Home Equity Loans					
Low	0	0.0	0	0.0	
Moderate	4	57.1	40	60.6	
Middle	1	14.3	9	13.6	
Upper	2	28.6	17	25.8	
Unknown	0	0.0	0	0.0	
Total	7	100.0	66	100.0	
Total Residential Real Estate Loans					
Low	10	20.0	287	16.2	18.6
Moderate	13	26.0	308	17.4	20.0
Middle	17	34.0	788	44.4	28.8
Upper	10	20.0	391	22.0	32.6
Unknown	0	0.0	0	0.0	0.0
Total	50	100.0	1,774	100.0	100.0

The data in the following table summarizes the bank's residential real estate lending activity in the Harrison County assessment area during the review period.

Table #15					
Residential Real Estate Lending, Borrower Distribution (000's) Harrison County					
Income Level of the Borrower	Bank Loans				Families by Income Level
	#	%	\$	%	%
Home Purchase Loans					
Low	1	100.0	120	0.0	27.0
Moderate	0	0.0	0	0.0	24.9
Middle	0	0.0	0	0.0	25.4
Upper	0	0.0	0	0.0	22.7
Unknown	0	0.0	0	0.0	0.0
Total	1	100.0	120	100.0	100.0
Refinanced Loans					
Low	1	33.3	6	31.6	
Moderate	1	33.3	6	31.6	
Middle	1	33.4	7	36.8	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	3	100.0	19	100.0	
Home Equity Loans					
Low	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	
Middle	0	0.0	0	0.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	0	0.0	0	0.0	
Total Residential Real Estate Loans					
Low	2	50.0	126	90.7	22.8
Moderate	1	25.0	6	4.3	24.6
Middle	1	25.0	7	5.0	27.6
Upper	0	0.0	0	0.0	25.0
Unknown	0	0.0	0	0.0	0.0
Total	4	100.0	139	100.0	100.0

Response to Complaints

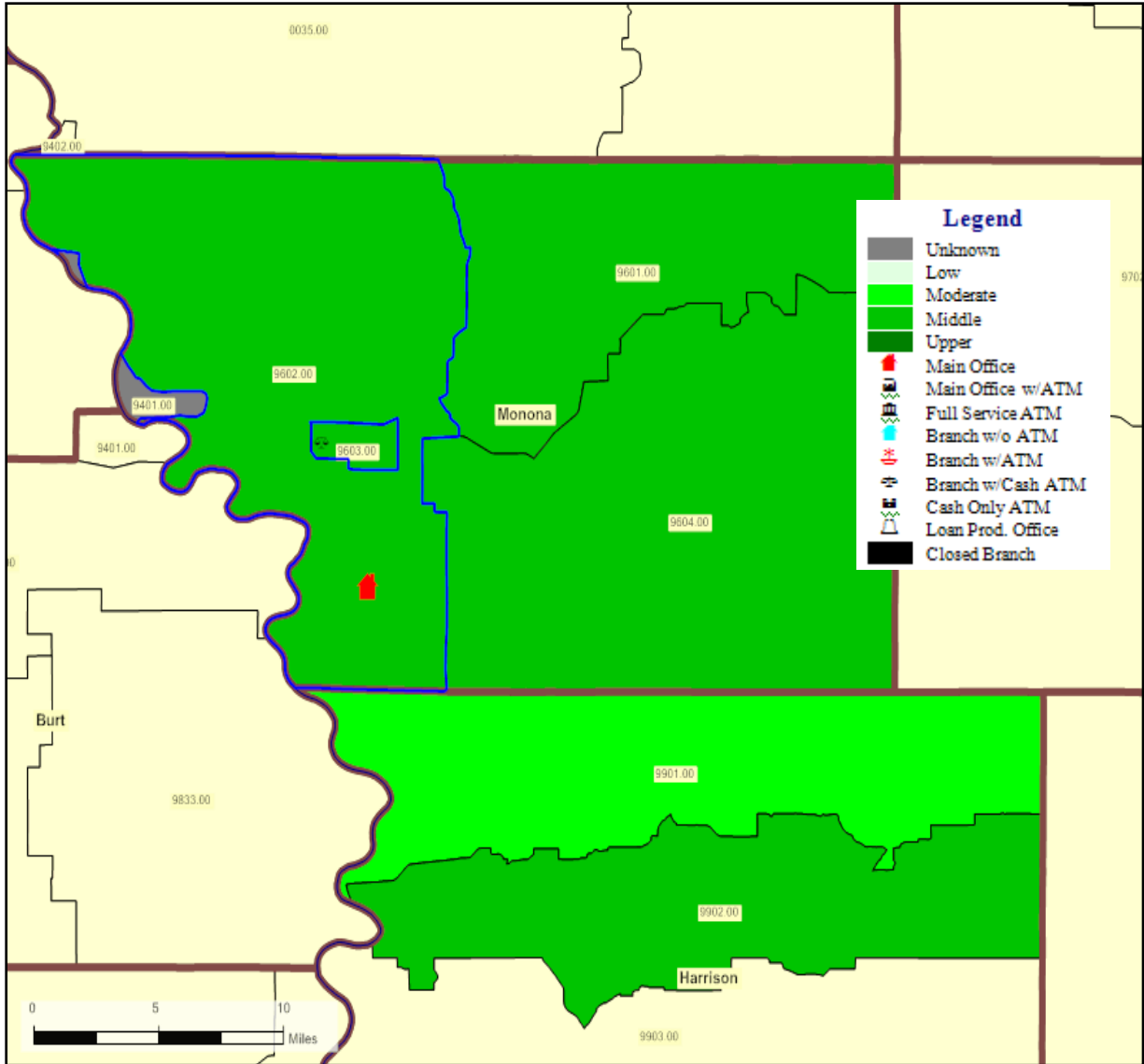
Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

Fair Lending and Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

CRA APPENDIX

Blencoe State Bank Assessment Area Map



GLOSSARY

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing

units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include 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: 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.

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 lenders in the MSA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

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.

Small loans 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 are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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