



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**January 03, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Plainview  
Charter Number 6293**

**138 West Broadway  
Plainview, MN 55964**

**Comptroller of the Currency  
Minneapolis South  
1310 West Clairemont Avenue Suite 100  
Eau Claire, WI 54702**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING**

This institution is rated Satisfactory.

- The bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans by number and dollar within its assessment area.
- The bank has a reasonable distribution of credit among residential real estate borrowers of different income levels and agricultural borrowers of different revenue sizes.
- The geographic distribution of residential real estate loans is good. The geographic distribution of agricultural loans reflects an adequate dispersion throughout the assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Plainview (FNB) was a \$127 million institution as of September 30, 2004. The bank's main office is a full-service facility located in downtown Plainview, a city of approximately 3,265 persons. The bank has one deposit-taking automated teller machine (ATM) located at the main office. FNB offers telephone and Internet banking to its customers. These services provide customers with 24-hour access to deposit and loan account information, including making loan and bill payments.

FNB offers traditional loan and deposit products to meet the community's needs. As of September 30, 2004, the bank's \$107 million loan portfolio consisted of 38% residential real estate loans, 30% agricultural loans, 21% commercial loans, and 11% consumer loans. Net loans made up 84% of total assets. The bank's primary credit products are residential real estate and agricultural lending based on the number of originations and origination amounts from 2003 and 2004. The bank does not offer any secondary market financing, but does offer low closing costs and flexible loan products.

FNB is 100% owned by Plainview Bankshares, Inc. (PBI), a one-bank holding company headquartered in Plainview, MN. As of September 30, 2004, PBI had assets of \$127 million. PBI owns 100% of FNB's affiliate, Southeast Minnesota Agricultural Credit Corporation (SEMACC). SEMACC assists FNB in financing agricultural related loans to borrowers.

There are no financial, legal, or other factors that impede FNB's ability to meet its CRA obligations. FNB received a "Satisfactory" rating at its last CRA examination dated June 24, 1999.

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) includes all census tracts (CT) in Wabasha County (#9901-9906), two CTs in Olmsted County (#19-20), and one CT in northern Winona County (#9701). In 2003, FNB had two CTs located in a Metropolitan Statistical Area (MSA) and seven CTs not in an MSA. Olmsted County was located in the Rochester, Minnesota, MSA. The bank is near the Olmsted County line so the two bordering census tracts were included as part of the assessment area. The assessment area did not substantially extend into the MSA. In 2004, the Office of Management and Budget (OMB) revised the boundaries of the MSA, which added Wabasha County to the Rochester MSA. FNB now has eight CTs in the Rochester MSA and one non-metro CT located in Winona County. The AA meets all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. The population of the bank's assessment area is 41,048 people, according to the 2000 Census Data.

The U.S. Department of Housing and Urban Development's 2003 updated median family income (MFI) estimate for the Rochester MSA is \$69,200 and the non-metro portion of Minnesota is \$51,700. The 2004-updated MFI for the Rochester MSA is \$68,300 and the non-metro portion of Minnesota is \$53,000. All of these income figures were used in determining the borrower income level for the borrower distribution analysis. According to 2000 U.S. Census Data, approximately 4% of families in the AA have income below the poverty level (less than 30% of MFI). The following table summarizes the income levels of individual census tracts and families located within the bank's AA.

<b>Income Distribution of Geographies and Families</b>								
<b>Assessment Area</b>	<b>Number of Census Tracts</b>				<b>Percentage of Families</b>			
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
Plainview AA (2003)	0	0	9	0	15%	18%	26%	41%
Plainview AA (2004)	0	1	8	0	18%	21%	28%	33%

Source: U.S. Census Data (2000)

According to the 2000 U.S. Census Data, the average median housing value for the AA was \$110,107. Approximately 79% of the units are owner occupied and 15% are rental units. The average monthly gross rent for the AA is \$442. Examiners made one community contact with a local realtor during this CRA examination. The contact indicated that the high cost of building new homes is driving up the value of existing home prices. The contact commented that the community's financial needs are adequately being met with the exception of customers with credit issues. These customers are often referred to the Rochester market for financing. The community contact noted lending opportunities in single-family homes and apartments geared towards low- to middle-income families.

Unemployment levels in the AA are lower than the State of Minnesota and the national average. According to the Minnesota Department of Employment and Economic Development, the unemployment rate for the State of Minnesota was 4.2% and the national unemployment rate was 5.1%. The unemployment rate for the AA was 1.7%. Major employers in the AA include Federal Mogul, Hearth Technologies, Lake City Medical Center, St. Elizabeth Hospital, Uni Patch Inc., Lakeside Foods Inc., and local school districts.

Bank competition in FNB's AA is strong. Including FNB, there are thirteen financial institutions with a presence in the AA. Asset sizes range from \$3 million to \$257 million. Based on 2002 deposit data obtained from the Federal Deposit Insurance Corporation, FNB is ranked 2<sup>nd</sup> with 18% of the deposit market share.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to deposit ratio averaged 100.53% over the 22 quarters from June 30, 1999, through September 30, 2004. FNB's net loan-to-deposit ratio trend is increasing and totaled 117% at September 30, 2004.

FNB's ratio compares favorably with other community banks of similar size (total assets \$42 million to \$257 million). FNB ranks 2<sup>nd</sup> among a total of 11 similarly-situated banks with a presence in the AA. The ten other banks had average net loan-to-deposit ratios averaging 72% and ranging from 38% to 101% over the 22 quarters from June 30, 1999 through September 30, 2004.

### Lending in Assessment Area

Based on a sample of 20 residential real estate and 20 agricultural loans, FNB originates a majority of its loans to borrowers by number and dollar located within its defined AA. The sample determined that of loans originated from January 2003 through December 2004, 85% by number and 83% by dollar were made to residential real estate and agricultural borrowers located within the bank's AA. The following table shows loans originated inside and outside their AA by number and dollar volume:

<b>Lending in Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
Residential RE	16	80	4	20	20	1,691,430	81	396,703	19	2,088,133
Agricultural	18	90	2	10	20	1,127,174	87	174,000	13	1,301,174
Totals	34	85%	6	15%	40	2,818,604	83%	570,703	17%	3,389,307

## Lending to Residential Real Estate Borrowers of Different Income Levels and Agricultural Borrowers of Different Revenue Sizes

Residential real estate lending activity in the assessment area is reasonable and approaches community demographics. FNB originated 308 residential real estate loans totaling \$37.4 million between January 1, 2003 and December 31, 2004. Since the demographic data for 2004 was impacted by the OMB boundary changes, each year will be analyzed separately. Examiners sampled 20 loans to residential real estate borrowers originated in the assessment area during 2003 and 20 loans originated in 2004. The following tables compare the bank's residential real estate lending activity by borrower income level to community demographics:

<b>2003 Borrower Distribution of Residential Real Estate Loans by Income Level</b>			
<b>Borrower Income Level (per 2003 HUD Estimated Median Family Income for Rochester MA and non- metro portion of MN)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent of Number</b>	<b>Percent of Families in Each Income Category (per 2000 U.S. Census Data)</b>
Low	1	5%	15%
Moderate	4	20%	18%
Middle	7	35%	26%
Upper	8	40%	41%
Totals	20	100%	100%

<b>2004 Borrower Distribution of Residential Real Estate Loans by Income Level</b>			
<b>Borrower Income Level (per 2004 HUD Estimated Median Family Income for Rochester MA and non- metro portion of MN)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent of Number</b>	<b>Percent of Families in Each Income Category (per 2000 U.S. Census Data)</b>
Low	3	15%	18%
Moderate	5	25%	21%
Middle	5	25%	28%
Upper	7	35%	33%
Totals	20	100%	100%

FNB has a reasonable distribution of credit among agricultural borrowers of different revenue sizes. FNB originated 690 agricultural loans totaling \$34.1 million between January 1, 2003 and December 31, 2004. Examiners sampled 20 loans to agricultural and agricultural real estate borrowers originated in the assessment area from 2003 to 2004. The following table compares the bank's agricultural lending activity by revenue size to assessment area demographics:

<b>Borrower Distribution of Agricultural Loans by Revenue Size</b>			
<b>Annual Gross Revenue</b>	<b>Number</b>	<b>% of Number</b>	<b>Agricultural Demographics</b>
< \$1 million	18	90%	96%
> \$1 million	0	0%	2%
Revenue not reported	2	10%	2%
<b>Totals</b>	20	100%	100%

Source: 2004 Dunn & Bradstreet

## **Geographic Distribution of Loans**

The geographic distribution of residential real estate loans originated in 2004 reflects a good dispersion through the AA. The geographic distribution of agricultural loans reflects an adequate dispersion throughout the assessment area. FNB's main branch is located in a middle-income census tract. However, a random sample of files selected indicates that FNB is lending to borrowers in the moderate-income census tract within their AA. The following table reflects the demographics of the area to the bank's actual lending, based on a random sample of 20 residential real estate loans and 20 agricultural loans.

<b>Geographic Distribution of Loans</b>				
<b>Census Tract Income Level</b>	<b>FNB Residential RE Loans</b>	<b>Percent of Owner Occupied Housing by Income Level of Tract</b>	<b>FNB Agricultural Loans</b>	<b>Percent of Farms in Income Tract Category</b>
Low	0%	0%	0%	0%
Moderate	5%	7%	0%	4%
Middle	95%	93%	100%	96%
Upper	0%	0%	0%	0%

The geographic distribution of loans originated in 2003 does not provide a meaningful analysis in the AA as all of the CTs in that AA are defined as middle income.

## **Responses to Complaints**

FNB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.