



PUBLIC DISCLOSURE

October 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Le Center
Charter Number 6921**

**10 West Minnesota Street
Le Center, Minnesota 56057**

**Office of the Comptroller of the Currency
Minneapolis Field Office
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

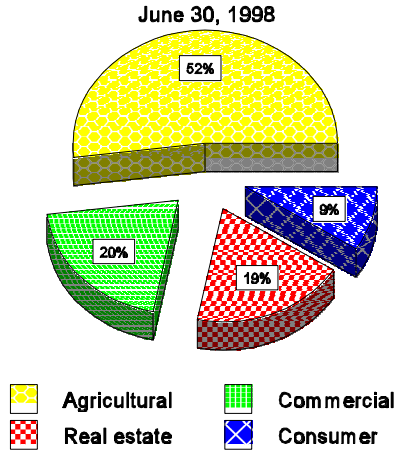
*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Le Center** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 26, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- The bank has a satisfactory level of meeting the credit needs of its assessment area.
- A significant portion of the bank's loan portfolio is advanced to small agricultural customers.
- The bank makes a majority of its loans within its assessment area.
- The bank has a good lending record to borrowers of different income levels.
- The loan to deposit ratio is reasonable based on its competitive environment. In the previous eight quarters, the bank's average loan-to-deposit ratio was 71%.

DESCRIPTION OF INSTITUTION

Loan Portfolio Composition



The First National Bank of Le Center is a \$46 million bank located in Le Center, Minnesota with a branch in Kilkenny. Both cities are in Le Sueur County. The main bank maintains a drive-up facility and also services the automated teller machine owned by a local convenience store. Traxshares, Inc, a one-bank holding company, owns 100% of the bank. The bank offers a full range of traditional commercial and personal banking services. As of June 30, 1998, the bank's loan portfolio had the following composition: 52% agriculture and agricultural real estate, 20% commercial and commercial real estate, 19% residential real estate, and 9% consumer. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

The First National Bank of Le Center was rated a "Satisfactory" at its last CRA examination in August 1995.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Le Sueur County. The assessment area contains six block numbering areas; 9501, 9502, 9503, 9504, 9505, and 9506. Two of the block numbering areas, 9501 and 9506, are upper-income areas, the other four are middle-income areas. There are no low- or moderate-income block numbering areas in the assessment area. The assessment area does not arbitrarily exclude any low- or moderate-income block numbering areas.

Le Sueur County has a population of 23,000 based on 1990 census information. Le Center is the county seat and has a population of 2,000. Le Center is located 25 miles northeast of Mankato, Minnesota and the Kilkenny branch is 10 miles southeast of Le Center.

The U.S. Department of Housing and Urban Development updated median family income for the assessment area is \$40,500. Family incomes in the area are 14% low-income, 15% moderate-income, 25% middle-income, 46% upper-income, with 11% below the poverty level. Fifteen percent of the population is over 65 years old. The housing stock in the area has a median age of 38 years and a median value of \$57,300. Owner occupied housing is 71%. The majority of all businesses have annual gross revenues less than \$500,000. Unemployment remains low at 2.7%.

The bank's trade area is primarily agricultural as hogs and grain dominate the local economy. Besides agriculture, major employers include Winco Inc, Royal American Foods, Robb Container, local school districts, and city and county government. The local economy and population remain stable.

Ten other financial institutions in the area provide competition for the bank. One of the financial institutions, The First State Bank of Le Center, is headquartered in the city. Bank management considers The First State Bank its primary competitor.

Two local community contacts stated the credit needs of the community are primarily for agricultural, small business, and residential loans. The contacts provided favorable comments on how the bank was meeting community banking and credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is reasonable based on its competitive environment. In the previous eight quarters, the bank's average loan-to-deposit ratio was 71%. The bank's loan-to-deposit ratio has been stable with seasonal variations. The loan-to-deposit ratio for the other similarly-situated Minnesota banks headquartered in the assessment area is similar at 72%.

Comparison of Credit Extended Inside and Outside of the Assessment Area

Management's origination of real estate, consumer, and commercial loans inside the assessment area is good. We reviewed a sample of 94 consumer and residential real estate loans to determine the location and the pattern of loans originated in the assessment area. Our total loan sample showed 89% by number and 84% by dollar volume of loan originations are located within the assessment area. For residential real estate loans, we reviewed 25 home purchase and refinance loans made during 1998 totaling \$1,036,000. For consumer loans, we reviewed a sample of 69 consumer loans originated during 1998 totaling \$333,000.

Lending in the Assessment Area		
Loan Sample	% by Number	% by Dollar
Real Estate	89%	83%
Consumer	90%	87%
Total	89%	84%
Sample of 94 loans for \$1.4 million		

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers and to small businesses and farms. Examiners performed an income analysis on our sample of 94 loans. The following tables illustrate the bank's loan penetration to borrowers of different income levels and businesses of different sizes.

1990 Census data	Consumer Loan Distribution			
Income	% of Families	Number of Loans	% by Number	% by Dollar
Low	14%	30	43%	28%
Moderate	15%	22	23%	37%
Middle	25%	13	19%	29%
Upper	46%	4	6%	6%

Our analysis of consumer loans shows the bank is lending to all income categories consistent with the area's demographics. The bank's loan penetration to low-income borrowers (43% by number of loans in our sample) exceeds the low-income family composition of 14%. The loan penetration to moderate-income borrowers (23% of number of loans in our sample) also exceeds the moderate-income family composition of 15%.

1990 Census data	Real Estate Loan Distribution			
Income	% of Families	Number of Loans	% by Number	% by Dollar
Low	14%	4	16%	16%
Moderate	15%	5	20%	20%
Middle	25%	9	36%	36%
Upper	46%	7	28%	28%

The bank is also making real estate loans consistent with the area's demographic composition. The bank's loan penetration to low-income borrowers (16% by number of loans in our sample) exceeds the low-income family composition of 14%. The loan penetration to moderate-income borrowers (20% of number of loans in our sample) also exceeds the moderate-income family composition of 15%.

Commercial and Farm Loans	
Gross Revenues	% by number
\$0 to \$100,000	12%
\$100,001-\$300,000	42%
\$300,001-\$500,000	25%
\$500,001	21%

The bank has a good record of lending to businesses and farms of different sizes. Management considers a small farm or business to have gross revenues of less than \$500,000. We reviewed a sample of 24 commercial and farm loans made during 1997 and 1998. As the table shows, the bank has made a significant number of loans to small businesses and farms. Our total sample showed 79% by number of loans were made to small businesses and farms.

Geographic Distribution of Loans

The geographic distribution of the bank’s credit extensions is not meaningful because the assessment area does not have any low-or moderate-income block numbering areas.

Consumer Complaints

The bank has not had any complaints regarding its CRA performance since the last examination.

Compliance with Anti-discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of anti-discrimination laws and regulations. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.