



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Pine City
Charter Number 11581**

**560 East 3rd Avenue
Pine City, MN 55063**

Office of the Comptroller of the Currency

**920 Second Ave. S. Suite 800
Minneapolis, MN 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 Pine City** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 24, 1997. 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 First National Bank of Pine City has a reasonable loan-to-deposit ratio and extends a substantial majority of their loans in their assessment area. The distribution of borrowers represents reasonable penetration among individuals of different income levels. Commercial loans are made to businesses with a broad range of revenue volumes.

The following table indicates the performance level of *The First National Bank of Pine City* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF PINE CITY</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Pine City has one office located in Pine City, MN. A bank owned ATM is also located at a Holiday gas station in Pine City. The bank is owned by Pine Bancshares, Inc., a one bank holding company. Total assets were \$36 million as of December 31, 1996. The lending focus is in 1-4 family residential real estate loans, representing 61% of gross loans. Commercial loans comprise a small portion of the bank's lending at 8% of gross loans.

DESCRIPTION OF FIRST NATIONAL BANK'S ASSESSMENT AREA

The bank's assessment area consists of four middle income BNAs in the south-western half of Pine County and one moderate income census tract in the far northern part of Chisago County. Area population is approximately 16,000 individuals. Pine City has a diverse trade base including light industry, tourism and agriculture. Tourism, in the form of weekend visitors and summer lake residents, playing an increasingly influential role in the local economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Analysis

The bank's average loan-to-deposit ratio over the last ten quarters is 60%. This is reasonable given the bank's size, financial condition, and lending opportunities in the assessment area. Fourteen banks in Pine, Kanabec, and Chisago Counties have average loan-to-deposit ratios ranging from 43% to 88%.

Lending Inside the Assessment Area

The First National Bank of Pine City originates a substantial majority of its loans to borrowers located inside of its assessment area. A sample that included 100, or 82%, of the 1-4 family residential real estate loans made in 1996 revealed that 82% by number and 82% by dollar volume were originated to borrowers located within the bank's assessment area.

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

The bank has reasonable penetration among individuals with different incomes. The following table illustrates the income profiles of the bank's borrowers in comparison to the income profiles of the individuals in the bank's assessment area. Conclusions were reached by sampling 67, or 55%, of the 1-4 family residential loans originated in 1996 inside the bank's assessment area.

Income Category	Income Profile of Individuals in the Bank's Assessment Area	Income Profile of Bank Borrowers
Low Income	24%	2%
Moderate Income	22%	15%
Middle Income	25%	40%
High Income	29%	43%

The bank makes loans to businesses of different sizes with a broad range of revenue volumes. A sample of 17 loans, representing 8% of agriculture and commercial credits generated since January 1, 1995, showed the origination of loans to businesses with revenue streams ranging from \$11 thousand to \$7 million annually. As shown in the table below, the sample shows that 83 % of business loans by number of accounts were to customers with annual revenues of less than \$1 million.

Annual Revenues of the Bank's Commercial Loan Customers	Outstanding Loans by Number
Less than \$100,000	44%
\$100,001 - \$1,000,000	39%
Greater than \$1,000,000	17%

Geographic Distribution of Loans

The geographic distribution of loans represents a reasonable dispersion throughout the assessment area. The bank's assessment area consists of four middle income BNAs surrounding the bank. Also, one moderate income census tract is located in an outlying portion of the assessment area. A sample that included 82 loans, representing 67% of the 1-4 family residential real estate home purchase loans made in 1996, showed that 4% of loans by number and 6% by dollar volume were originated in the bank's moderate income census tract. The remainder of the loans sampled, 96% by number and 94% by dollar volume, were originated to borrowers located throughout the bank's middle income BNAs.

Record of Compliance with Antidiscrimination Laws

The First National Bank of Pine City is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.