



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 13, 2001**

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

**Platte Valley National Bank  
Charter Number 23124**

**1212 Circle Drive  
Scottsbluff, NE 69361**

**Comptroller of the Currency  
Denver Field Office  
1099 18th Street Suite 2650  
Denver, CO 80202**

**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.**

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

Platte Valley National Bank, N.A. (PVNB) has done an outstanding job of meeting credit needs within its assessment area. This rating is supported by the following:

- The bank's average loan-to-deposit ratio is excellent and reflects a strong level of response to lending needs in the community.
- The bank's level of lending within its assessment area is excellent.
- The distribution of loans to borrowers of different incomes and businesses of different sizes is very good. Community development loans are particularly strong.
- The geographic distribution of residential real estate loans and commercial loans is good despite strong area competition.
- The bank's investments enhance the bank's overall CRA performance.

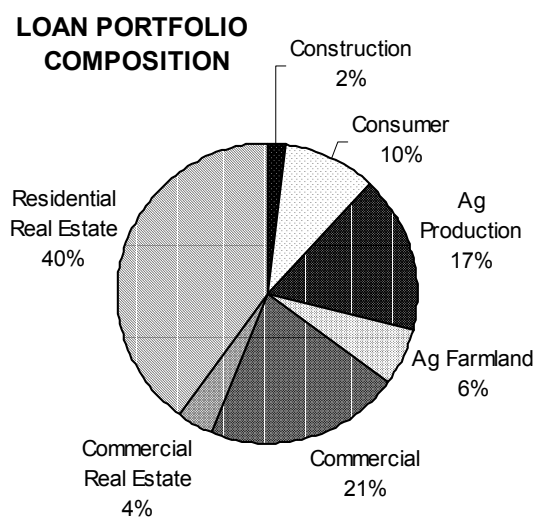
## DESCRIPTION OF INSTITUTION

PVNB is a commercial bank with total assets of \$221 million as of March 31, 2001. PVNB is wholly owned by Platte Valley Financial Service Companies, Inc. with consolidated assets of \$325 million as of March 31, 2001. Platte Valley Financial Service Companies, Inc. is headquartered in Scottsbluff, Nebraska. Related organizations under the holding company umbrella include an agricultural lending company, insurance agency, an investment company, and a national bank in Torrington, Wyoming (PVNB-Torrington).

PVNB has one wholly owned operating subsidiary, Platte Valley National Mortgage Co. This company provides a full range of residential mortgage loans, including construction, refinance, purchase and equity loans. A portion of these loans (about 20%) are sold on the secondary market.

PVNB operates its main office in Scottsbluff, Nebraska. The bank has six locations. This includes the main bank and two branches in Scottsbluff and one each in the towns of Morrill, Minatare, and Lyman, Nebraska. The Lyman branch is depositary only, and does not extend loans at the location. Automated teller machines (ATMs) are located at the main bank, Plaza branch, Morrill and Minatare branches, and the Ag Credit Company office in Gering. PVNB also provides a cash dispensing ATM at a convenience store in Scottsbluff.

The bank offers a wide range of loan products, including real estate, agriculture, business, consumer and construction loans. PVNB's primary focus is residential real estate, business, and agriculture lending. The bank also offers guaranteed and subsidized loan programs through the following government agencies: Federal Home Loan Bank (FHLB) Affordable Housing Program, FHLB Rural First Time Home Buyers Program, Nebraska Investment Finance Authority, Small Business Administration 504 Loan Program, and the Farm Service Agency.



The chart to the left reflects the distribution of the loan portfolio by loan type as a percentage of total loan dollars. The loan products we reviewed were determined by this distribution, with residential real estate and business loans comprising the larger dollar percentages of the portfolio at 40 percent and 21 percent respectively. As of March 31, 2001, the bank's ratio of net loans to total assets is 77 percent.

The last CRA examination was performed August 5, 1997, with the bank receiving a "Satisfactory" rating. PVNB has no legal or financial impediment that precludes it from fulfilling its obligation under the CRA.

## **DESCRIPTION OF THE SCOTTS BLUFF, MORRILL, BANNER, SIOUX, AND GOSHEN COUNTY ASSESSMENT AREA**

PVNB has designated its assessment area (AA) as the counties of Scotts Bluff, Morrill, Banner, and Sioux in Nebraska and Goshen County in Wyoming. The counties in the AA are contiguous and situated in the northwestern area of the state of Nebraska and the eastern edge of Wyoming. The Nebraska counties comprise part of the designated Nebraska Panhandle. The counties are largely rural and not located in a metropolitan statistical area. U.S. Census Bureau statistics for 2000 reflect that the total population for the five counties is 57,268 residents. Sixty-five percent of the population resides in Scotts Bluff County. Towns in the bank's AA include Scottsbluff, Gering, Morrill, Mitchell, Lyman, Bayard, Bridgeport, Minatare, and Harrison in the Nebraska counties. The towns of Torrington, Lingle, and Yoder are in Goshen County, Wyoming.

The Goshen County, Wyoming portion of the bank's AA was determined when the Morrill branch was under a separate bank charter. In 2000, Morrill became a branch of PVNB in Scottsbluff and the charter was subsequently transferred to PVNB in Torrington, Wyoming. This county is largely rural, and when the Morrill branch was a bank, it extended agricultural loans in this area. When the charter changed, the business was taken to the Torrington bank. At our examination date, management had not transferred the Goshen County portion of the AA to the Torrington bank. The affiliated bank's AA overlaps this bank's AA.

The AA is divided into 20 block numbering areas (BNAs). Seven are moderate-income, twelve are middle-income, and one is upper-income. The bank's AA does not have any low-income BNAs. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The 2001 HUD estimated median family income for the AA is \$45,000. Based on 1990 U.S. Census data, there are 15,742 families in the AA of which 23 percent are low income, 21 percent moderate income, 23 percent middle income, and 33 percent upper income. Fifteen percent of the AA households are below the poverty level. The median housing value for the AA is \$41,000. According to 2000 U.S. Census Bureau data, sixty-two percent of the total housing units are owner-occupied.

The local economy for the AA is stable and continues to show improvement. With the exception of the farming sector, which is still experiencing depressed grain and commodity prices, the area economy is becoming more diversified toward services and retail trade. Agriculture and livestock production continues to provide a significant amount of jobs and related manufacturing services. But new businesses to the area have provided additional job opportunities. Major employers in the area include Regional West Medical Center, Aurora Loan Services, and Sykes Enterprises. The medical center is the largest employer, with over 1,000 employees. It has attracted numerous specialists and support personnel to the area. The U.S. Bureau of Labor Statistics shows average unemployment ranging from 1 percent to 5 percent in the AA counties.

PVNB has strong competition from 15 banks and savings institutions in the AA. Two banks are of similar asset size. The remaining institutions are state banks, savings banks, and branches of regional banks.

We contacted a city government economic development organization to discuss community

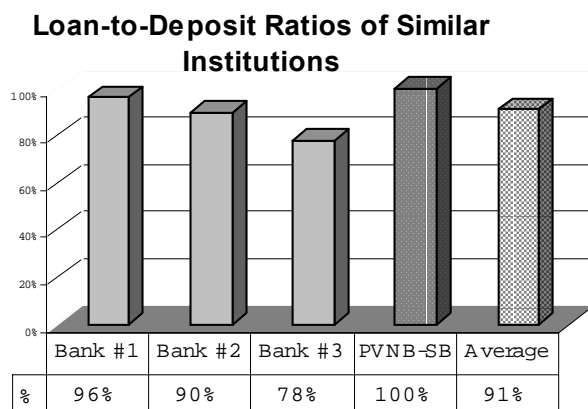
credit needs and opportunities. They identified the potential need for expansion funding for small businesses and the need for additional residential rental properties. Overall, they expressed that area financial institutions and local agencies that specialize in addressing housing for low- and moderate-income families are largely meeting housing needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

PVNB does an outstanding job of meeting the credit needs of its AA, including low- and moderate-income individuals and areas.

### Loan-to-Deposit Ratio

- The bank’s loan-to-deposit ratio reflects an excellent level of response to the area’s credit needs.



The bank’s average loan-to-deposit ratio for the last 16 quarters is 100 percent. Three other area financial institutions of similar size and characteristics are also depicted in the graph. These institutions are state banks. They are suitable comparisons due to their similar size and business focus. Other area institutions, such as regional bank branches with larger asset size or dissimilar product mix are not suitable for comparison.

### Lending Inside the Assessment Area

- The bank’s level of lending within its assessment area is excellent.

PVNB’s level of lending is excellent given the bank’s strong competition, and AA needs. Our analysis of lending in the assessment area was determined from a review of two of the bank’s primary loan products, residential real estate loans and commercial loans. We reviewed the bank’s residential real estate portfolio originated and purchased since the previous compliance examination. We also identified a random sample of commercial loans originated and outstanding since the last CRA examination to determine the level of business lending inside of the bank’s AA.

A substantial majority of the residential real estate loans are located within the bank’s AA by both number and dollar amount. The bank also originated a significant majority of its commercial loans in the assessment area by number and dollar volume. The following table demonstrates the distribution of residential real estate and commercial loans originated inside PVNB's AA.

<b>LENDING WITHIN THE ASSESSMENT AREA</b>		
<b>Loan Type</b>	<b>Loans in the AA based on Number of Loans in Sample</b>	<b>Loans in AA based on Dollar Amount of Loans in Sample</b>
Residential Real Estate Loans	96%	96%
Commercial Loans	92%	94%

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

- The distribution of loans to borrowers of different incomes and businesses of different sizes is very good.

We used two of the bank’s primary product lines, residential real estate loans and commercial loans, to determine the level of lending to borrowers of different incomes and businesses of different sizes.

Residential real estate loans originated since the last CRA examination strongly demonstrate the bank is extending loans to consumers of all income levels. Overall performance is excellent given the competitive environment, slow area growth, and aging population.

The following table shows the distribution of residential real estate loans to borrowers of different income levels.

<b>DISTRIBUTION OF REAL ESTATE LOANS BY INCOME LEVEL</b>				
	<b>Borrower Income</b>			
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
Distribution of Families in MSA by Income Level	23%	21%	23%	33%
Loans in AA by Number	7	6	2	10
Percent of Loans Made by Number	28%	24%	8%	40%
Percent of Loans Made by Dollar	17%	14%	6%	63%

The distribution of real estate loans by income level demonstrates that loan penetration exceeds area demographics for both low- and moderate-income borrowers. Loans to low-income families is particularly good when factoring in demographic data that indicates 15 percent of the low-income families in the AA are below the poverty level. This can make it more difficult to qualify to purchase these products.

The bank has demonstrated exemplary performance in extending loans that have community development as their primary purpose. PVNB actively participates with several government agencies that have special lending programs available for low- and moderate-income homebuyers. This includes the Nebraska Investment Finance Authority, the Federal Home Loan Bank, and the Department of Agriculture. Total dollar volume of loans extended through these programs is \$1 million since our last CRA examination. In conjunction with a non-profit housing partnership and the Housing Authority of Scotts Bluff County, the bank has also generated \$370 thousand in loans to construct 16 low-income housing units in the AA. Additionally, they extended \$242,000 in loans to finance the rehabilitation of low- and moderate-income housing through the Scottsbluff area Community Development Coalition. Bank President, Hod Kosman, took a leadership role in the formation of the Community Development Coalition. This organization is an example of the innovative approach taken by area leaders to provide financing for small businesses and affordable housing opportunities for low- and moderate-income individuals.

PVNB generated \$2.5 million in loans in 2000 to assist 51 rural low- and moderate-income families with housing loans in conjunction with the Rural Development Housing Program (RDHP). Of the top five lenders in the program for 2000, PVNB was first in total loans. As of August 1, 2001, the bank has extended an additional \$1.3 million in this type of loan through the RDHP. There are 123 state approved lenders under the RDHP program in Nebraska, and PVNB's seven-month loan totals for 2001 reflects that the bank is sixth in number of loans extended. These figures indicate the bank's proactive pursuit of programs that are designed to make homeownership available for low- and moderate-income borrowers. Given the relatively small population of the bank's AA, their performance is further underscored when providing opportunities for purchase and rehabilitation financing specially designed to meet the needs of low- and moderate-income borrowers

The bank's distribution of loans to small businesses is good, but below area demographics. Businesses with gross annual revenues of \$1 million and below are designated "small business." The bank originated 76 percent of the loans in our sample to small businesses. Business demographic data reflects that 93 percent of the businesses in the AA are designated small business. Although the bank's loan penetration by revenue size is below area demographics, 60 percent of the loans were to businesses with revenues under \$500,000 (i.e., very small businesses).



The following table reflects the distribution of loans by business revenue size and dollar amount of loans.

<b>DISTRIBUTION OF COMMERCIAL LOANS BY ANNUAL REVENUE AND LOAN SIZE</b>				
<b>Revenue Size</b>	<b>Number of Loans</b>	<b>Percent of Loans Based on Number in Sample</b>	<b>Percent of Loans Based on Dollars in Sample</b>	<b>Reported Non-Farm Businesses in AA by Revenue Size</b>
Less than \$1 Million	19	76%	44%	93%
Greater than \$1 Million	6	24%	56%	7%
Total	25	100%	100%	100%

In conjunction with a non-profit economic development corporation, PVNB also played a leadership role in attracting a national corporation to the area that provides 400 jobs. In 1999, PVNB received recognition from the Small Business Administration (SBA) as a “Top SBA Ranked Small-Business-Friendly Microlender.” The SBA definition of “microlender” is a bank that extends loans under \$100 thousand to businesses and is thought to be more accessible to small businesses. In 1999, the bank made \$27 million in this type of loan and in 2000 it extended \$36 million in small loans to businesses. The bank also originated \$2.4 million in SBA guaranteed loans since our last examination which were not included in our sample. Despite strong competition from other area institutions, PVNB has originated a significant number of small loans to businesses.

**Geographic Distribution of Loans**

- Geographic penetration of residential real estate and commercial loans in the assessment area is satisfactory.

We reviewed a sample of residential real estate loans that were originated and purchased since the previous examination. Loan penetration is satisfactory, but slightly below demographics when compared to the percentage of owner-occupied housing in the moderate-income tracts. It should be noted that 60 percent of the BNAs are middle income and are concentrated around the main bank and branches. The majority of moderate-income BNAs are located in Goshen County, Wyoming, where the PVNB-Torrington bank is located, and this bank’s AA overlaps. PVNB-Scottsbluff’s distribution of real estate loans is above demographics in moderate-income areas in Nebraska. Excluding Goshen County, the percent of owner-occupied housing areas is 19 percent.

The following table reflects penetration of the residential real estate loans in the bank’s AA compared to the percent of owner-occupied housing.

<b>REAL ESTATE LOANS EXTENDED BY GEOGRAPHIC LOCATION IN THE ASSESSMENT AREA</b>			
<b>Income Tract Levels</b>	<b>CTs in AA by Income Tract Level</b>	<b>Percent of Owner-occupied Housing by Income Tract</b>	<b>Distribution of Real Estate Loans by % of Sample</b>
Moderate Income	7	27%	20%
Middle Income	12	68%	80%
Upper Income	1	5%	0%
Total	20	100%	100%

We reviewed a sample of 25 commercial loans that were originated since the last examination to determine their location in the banks AA. Our review found that a majority of commercial loans are extended to businesses in middle-income BNAs. There are no low-income BNAs in the bank’s AA. The majority of middle-income BNAs are located around the bank, where the population is concentrated. Loan penetration in moderate-income BNAs is below demographics both in number and dollar volume of loans, but is satisfactory given mitigating factors. The majority of moderate-income BNAs are located in Goshen County, Wyoming. Goshen County is the farthest county from the bank and the bank has no branch in the county. It is also the site of PVNB-Scottsbluff’s affiliated bank, PVNB-Torrington. PVNB-Torrington serves the needs of this area. If the AA excluded Goshen County, PVNB’s performance in moderate-income areas is closer to demographics of 15 percent. Another factor impacting lending in moderate-income areas is that small communities located in the Nebraska portion of the bank’s AA, including Lyman, Bayard, Bridgeport, and smaller towns, are becoming bedroom communities of the Scottsbluff area. Overall, they are experiencing little business growth.

The following table reflects penetration of the bank’s commercial loans in the assessment area by number and dollar.

<b>COMMERCIAL LOANS EXTENDED BY GEOGRAPHIC LOCATION IN THE ASSESSMENT AREA</b>				
<b>Income Tract Levels</b>	<b>Number of CTs in AA by Income Tract Level</b>	<b>Percent of Business/Non-Farm Distribution in CTs</b>	<b>Percent of Loans Made by Number</b>	<b>Percent of Loans Made by Dollar Volume</b>
Moderate Income	7	27%	12%	18%
Middle Income	12	66%	80%	70%
Upper Income	1	7%	8%	12%
Total	20	100%	100%	100%

**Qualified Investments**

Our review of the bank’s investments identified a noteworthy community development investment the bank has utilized to financially assist low- and moderate-income individuals and small business owners through revitalization of specially designated areas. PVNB currently has a \$1.2 million investment in Tax Increment Revenue Bonds through the Scottsbluff Community Development Authority. This investment bond is for redevelopment projects in Scottsbluff that are in designated blighted areas. Two of the projects are for rehabilitation and construction of low- and moderate-income housing, one is to a small business owner, and four projects provide additional jobs in the community.

**Qualified Services**

PVNB participates in the Interest on Lawyers Trust Account (IOLTA) Program. It is administered by the Nebraska Lawyers Trust Account Foundation. Its purpose is to provide legal services to Nebraska’s low-income citizens. In 1999 and 2000, the bank received letters of appreciation from IOLTA regarding its participation in the program.

**Responses to Complaints**

PVNB did not receive any CRA-related complaints during this evaluation period.

## **Fair Lending Review**

We analyzed 1997-2001 residential real estate and commercial lending data, public comments, and consumer complaint information, according to the OCC's risk-based fair lending approach. Our analysis revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The previous fair lending examination was performed in conjunction with our Consumer Compliance examination dated September 5, 2000.