



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples National Bank of Mora
Charter Number 15161
45 North Union Street
Mora, Minnesota 55051**

**Office of the Comptroller of the Currency
Minneapolis Duty Station
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 **Peoples National Bank of Mora, Mora, Minnesota**, prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 5, 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.

- o The bank extended a majority of its loans within its assessment area.
- o The bank made a reasonable portion of its residential real estate and consumer loans to borrowers of different income levels.

The following table indicates the performance level of **Peoples National Bank of Mora, Mora, Minnesota**, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>PEOPLES NATIONAL BANK OF MORA</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	Analysis was not meaningful due to the limited number of BNAs with different income levels.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Peoples National Bank of Mora (PNB) is a \$122 million financial institution headquartered in Mora, Minnesota which is approximately 70 miles north of Minneapolis-St. Paul. PNB is a subsidiary of Peoples Bankshares, Inc., a one-bank holding company. In addition to the main office, the bank has three branches, one located in Mora and two others located in the cities of Aitkin and Crosby, approximately 70 miles northwest of Mora. The bank acquired all three branches in August 1995 from First Bank System of Minneapolis. The bank purchased only the deposits of these branches, which totaled approximately \$26 million, and has been slowly growing the loan portfolios attributed to the Aitkin and Crosby branches. Currently, approximately 90% of outstanding loan balances and 78% of deposits are attributed to the Mora offices.

The bank is a full-service institution offering a traditional array of commercial and consumer banking services. The bank provides residential loan applicants access to secondary market financing by taking applications and referring them to two mortgage loan companies in the Twin Cities. There are no financial or legal impediments which limit the bank's ability to assist with meeting the credit needs of its assessment area. Based on the September 30, 1996 Consolidated Report of Condition, the bank's loan mix showed 42% commercial and commercial real estate; 24% 1-4 family residential; 18% loans to individuals; 9% agricultural; 4% leases and 3% other.

Examiners rated the bank's CRA performance "Satisfactory Record of Meeting Community Credit Needs" during the previous CRA examination, November 4, 1993.

DESCRIPTION OF ASSESSMENT AREA

PNB's assessment area consists of 19 Block Numbering Areas (BNAs) in the following contiguous areas: the southern half of Aitkin County, BNAs 9904-9909; the eastern half of Crow Wing County, BNAs 9501, 9503, 9506, 9507, 9508, 9515 and 9516; all of Kanabec County, BNAs 9801-9804; and the southwest portion of Pine County, BNAs 9505 and 9508. According to the 1990 U.S. Census, 5 BNAs are designated moderate-income and 14 are middle-income. Four of the moderate-income BNAs are in Aitkin County and one in Crow Wing. There are no low- or upper- income BNAs in the assessment area.

The population of the assessment area is 42,075. By income level, there are 23% low-, 22% moderate-, 24% middle-, and 31% upper-income families within the assessment area. The 1996 nonMSA median family income for Minnesota per the Department of Housing and Urban Development (HUD) was \$36,200. In 1990, the median family income of the bank's assessment area was 13% lower than Minnesota's nonMSA median family income figure. Approximately 20% of the population is over 65 and 37% of the households receive social security benefits. These percentages are slightly higher in Aitkin and Crow Wing Counties. Housing stock within the city limits is limited in the cities where the bank has offices. The median age of housing is approximately 20 years with a median housing value of \$51,100. Unemployment is typically high in all counties within the assessment area. For November 1996, unemployment ranged from 7-9% based on the Minnesota Local Area Unemployment Statistics.

Mora is the county seat of Kanabec County and has a diversified economy with a mix of manufacturing, finance, county government, retail and natural resources. Sheller-Globe Engineered Polymers, Fingerhut and Mora Public Schools are the largest employers. Approximately 30% of Mora's residents commute daily to the Twin Cities for employment opportunities. Crosby and Aitkin economies are more dependent on the tourism industry due to the large number of lakes in close proximity. Aitkin also serves as the county seat for Aitkin County.

Primary credit needs of the area are small business, housing, including purchase and rehabilitation, and consumer loans. We made one community contact in Mora with a trade association, which verified these credit needs. A review of community contacts by other banking regulators also confirmed these credit needs.

A state-chartered bank and a credit union, as well as financial institutions in neighboring counties, provide significant competition for financial services in Mora. Also, other national and state-chartered banks and credit unions in or near Aitkin and Crosby provide strong competition.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. Based on an average of the prior twelve quarters since the last CRA examination, the average loan to deposit ratio was 44%. Though lower than similarly situated lenders in the area, the bank's ratio has been negatively impacted by the August 1995 acquisition of \$26 million deposits during the branch acquisitions, generally low loan demand, and strong competition. Excluding loans and deposits of the branches, the bank's loan to deposit ratio is similar to its state-chartered competitor in Mora as of September 30, 1996. Since September 1995, loan volumes have grown \$11 million while deposits have increased \$4 million.

Lending in Assessment Area

A majority of the bank's loans originated within its defined assessment area. The following table depicts the percentages, by number and dollar volume, of loans originated within the bank's assessment area in 1996. These percentages are based on a sample of loans the bank originated in 1996 from bank-generated reports. The table also shows what percentage these samples represent of total loans originated, by loan type.

Loan Type	Sample Size	% of Total Originated in 1996		% Within AA	
		#	\$	#	\$

Commercial	38	8%	23%	68%	54%
Residential Real Estate	31	22%	21%	84%	78%
Consumer	57	3%	4%	73%	78%

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

The distribution of credit to borrowers of different income levels represents a reasonable distribution based on the demographics of the assessment area. The following table shows the percentage of loans originated to borrowers of different income levels within the bank's assessment area. The sample previously described was also used for this analysis. However, only those loans within the assessment area with income information available were used. This included 31 consumer loans and 23 real estate loans. The stratification by income level is based on a percentage of the 1996 HUD nonMSA median family income for Minnesota.

Borrower Income Level	% Families	% Households	Consumer		Residential Real Estate	
			#	\$	#	\$
Low	23%	28%	26%	14%	22%	10%
Moderate	22%	17%	32%	30%	35%	34%
Middle	24%	20%	29%	33%	22%	20%
Upper	31%	35%	13%	13%	22%	36%

* 1996 HUD nonMSA median family income was \$36,200. Low-income=0-<50%; Moderate-income=50-<80%; Middle-income=80-<120%; and Upper-income=120% and above.

Based on the sample, the bank's origination of loans to borrowers of different income levels compares favorably to the demographics when looking at the number of consumer and residential loans originated, especially in the lower income categories. The percentage of dollars extended by borrower income category is lower; it is, however, considered reasonable because lower income individuals generally require smaller dollar loans.

Based on a sample of 25 commercial loans the bank originated within its assessment area during 1996, 76% by number and 42% by dollar volume were made to businesses with revenues of \$1 million or less. The bank has several borrowers within its assessment area which generate sales in excess of \$1 million and serve a wider trade area than the bank's assessment area. There were no statistics available on the number of small businesses by revenue size within the bank's assessment area.

Geographic Distribution of Loans

Analysis of the bank's lending in low-, moderate-, middle-, and upper-income geographies is not meaningful given the limited number of BNAs with different income levels. The bank's assessment area has only five BNAs which are not middle-income. These five BNAs are

designated moderate-income and are all located in Aitkin and Crow Wing Counties where only 3% by number and 14% by volume of the bank's loans originated in 1996 based on bank-generated loan reports.

Compliance with Antidiscrimination Laws and Regulations

The bank is in compliance with antidiscrimination laws and regulations. We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.