



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 25, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Le Center
Charter Number 6921

10 West Minnesota Street
Le Center, MN 56057

Office of the Comptroller of the Currency
Minneapolis Field Office
222 9th Street South, Suite 800
Minneapolis, MN 55402

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 major factors supporting this rating include:

- The bank's net loan-to-deposit (LTD) ratio is reasonable given the bank's size and the credit needs of the assessment area.
- A majority of loans are originated within the assessment area.
- The distribution of loans reflects reasonable penetration among farms of different sizes.
- The distribution of loans reflects excellent penetration among borrowers of different income levels.

SCOPE OF EXAMINATION

We evaluated The First National Bank (FNB) of Le Center's Community Reinvestment Act (CRA) performance using small bank procedures. We assessed the bank's performance by selecting primary products based on the number and dollar volume of loans originated between January 1, 2010 and December 31, 2011. Based on this analysis, we determined that consumer and agricultural loans are the bank's primary products. We selected a random sample of 20 loans from each primary product in order to evaluate lending activities within the assessment area.

We used call report data to determine the bank's quarterly LTD ratio and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to find similarly situated banks. The most recent deposit information is as of June 30, 2012.

DESCRIPTION OF INSTITUTION

FNB of Le Center is an \$86 million, full-service bank headquartered in Le Center, MN. The community of Le Center is located in Le Sueur County. The bank has one branch located in Kilkenny, MN. The bank is owned by Traxshares, Inc., a one-bank holding company. The bank operates four Automated Teller Machines (ATM) within the city of Le Center. None of the four ATM's accepts deposits. No branches were opened or closed during the evaluation period.

FNB of Le Center is a rural bank that offers traditional banking products and services. Its primary business focus is agricultural lending. As of December 31, 2012, the bank's loan portfolio totaled \$53 million or 62 percent of total assets. The loan portfolio is comprised of agricultural loans (51 percent), residential real estate loans (24 percent), commercial loans (19 percent), and consumer loans (6 percent).

There are no financial, legal, or other factors that impede the bank's ability to meet its CRA obligations. FNB of Le Center was rated Satisfactory at the last CRA examination dated November 26, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area includes six census tracts located in Le Sueur County and three census tracts located in Rice County. All of the census tracts are designated as either middle- or upper-income levels. The assessment area meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income tracts.

Economic conditions in the area are considered stable. Large employers in the Le Center area include Winco, Inc. and Dianne's Fine Desserts. Other employment sources in the area include agriculture/farming and manufacturing firms located in the surrounding cities. The following table shows the demographics of the assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE LE CENTER ASSESSMENT AREA	
Population	
Number of Families	10,798
Number of Households	14,402
% of Low-Income Families	11.51
% of Moderate-Income Families	13.12
% of Middle-Income Families	23.75
% of Upper-Income Families	51.62
Geographies	
Number of Census Tracts	9
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	0.00
% Middle-Income Census Tracts	33.33
% Upper-Income Census Tracts	66.67
<i>Median Family Income (MFI)</i>	
2000 Median Family Income (MFI)	\$56,888
2011 HUD-Adjusted MFI	\$59,200
Economic Indicators	
2011 Unemployment Rate	8.2% Le Sueur County 6.9% Rice County
2000 Median Housing Value	\$125,249
% of Households Below Poverty Level	6.72

Source: 2000 US Census information with updated information when available.

FNB of Le Center faces a considerable amount of competition from multiple banks within the assessment area. There are nine financial institutions operating within the bank’s assessment area. FNB of Le Center ranks 3rd in deposit market share with 11.82 percent of deposit holdings.

During our examination, we contacted a local organization to better understand the credit needs of the assessment area and any potential lending opportunities. The contact indicated that the local needs of the community are agricultural, residential real estate, and consumer loans. The contact indicated that financial institutions are meeting the credit needs of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB of Le Center’s net LTD ratio is reasonable given the bank’s size and the credit needs of its assessment area. The bank’s quarterly LTD ratio ranged from 67.84 percent to 87.50 percent and averaged 75.66 percent since the last CRA examination. When compared to similarly situated banks with a presence in the assessment area, FNB of Le Center ranks fifth out of six institutions. The following table shows LTD details and rankings:

Average Loan-to-Deposit Ratio (12/31/07 - 12/31/12)	County	Total Assets (\$000)	Average LTD Ratio (%)
Lake Country Community Bank	Rice	30,035	87.00
Cornerstone State Bank	Le Sueur	122,950	82.52
First Farmers & Merchants National Bank	Le Sueur	116,282	81.05
First State Bank of Le Center	Le Sueur	71,834	79.81
First National Bank of Le Center	Le Sueur	85,587	75.66
Elysian State Bank	Le Sueur	43,504	56.95

Source: Call Report Data

Lending in Assessment Area

FNB of Le Center originates a majority of its loans to borrowers located inside its assessment area. Loans originated to individuals and farms within the bank’s assessment area totaled 77.50 percent by number and 66.01 percent by dollar volume. The following table shows lending inside and outside of the assessment area:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$000
	#	%	#	%		\$000	%	\$000	%	
Agriculture	14	70.00	6	30.00	20	1,945	64.40	1,075	35.60	3,020
Consumer	17	85.00	3	15.00	20	240	82.86	50	17.24	290
Totals	31	77.50	9	22.50	40	2,185	66.01	1,125	33.99	3,310

Source: OCC Loan Sample

Lending to Borrowers of Different Incomes and Farms of Different Sizes

Agricultural Loans

The distribution of agricultural loans reflects reasonable penetration among farms of different sizes. FNB of Le Center’s lending to small farms is near the demographic comparative. The community contact stated that the number of small farms is declining as the size of farm operations are expanding. Large agricultural banks continue to be a major participant in agricultural lending. The following table shows the distribution of loans among farms of different sizes:

Borrower Distribution of Loans to Farms in Assessment Area				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.78	0.61	0.61	100.00
% of Bank Loans in AA by #	85.00	15.00	0.00	100.00
% of Bank Loans in AA by \$	91.11	8.89	0.00	100.00

Source: OCC Loan sample & 2011 Business Geodemographic Data

Consumer Loans

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. Lending to low- and moderate- income borrowers significantly exceeds the demographic comparative. The following table shows the distribution of consumer loans among borrowers of different income levels:

Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	14.83	25.00	12.55	30.00	17.66	10.00	54.96	35.00

Source: OCC Loan Sample & 2000 U.S. Census Data

Geographic Distribution of Loans

The geographic distribution of loans does not provide a meaningful analysis as the assessment area does not contain any low- or moderate-income level census tracts.

Responses to Complaints

FNB of Le Center has not received any CRA related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.