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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

February 17, 1998

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Blue Earth  
306 South Main Street  
Blue Earth, MN 56013

Charter # 5393

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 Blue Earth, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 17, 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: “Satisfactory”**

The bank has a reasonable distribution of lending to businesses and farms of different sizes given the demographics of the assessment area. The bank has a reasonable loan-to-deposit ratio and originates a substantial majority of their loans inside their assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Blue Earth is a \$96 million institution located in Blue Earth, Minnesota, a city of approximately 3,700 people located in the extreme south central portion of the state. The bank has a main office and three ATMs located in Blue Earth. The bank is wholly owned by FNB Bancshares, Inc., a one bank holding company. In June of 1995, First National Bank of Blue Earth purchased the building and deposits of the Blue Earth branch of Metropolitan Federal Bank, fsb. The acquisition increased total deposits of the bank by approximately \$16.5 million. The Metropolitan Federal Bank building was operated as a branch until June 1997 when the location was sold. The branch, which was located one block from the bank's main office in a middle-income area, was closed in anticipation of expansion of the main bank's location.

The bank's primary focus is commercial and agricultural lending. As of December 31, 1997, the bank's loan mix consists of 41% commercial and commercial real estate, 41% agricultural and agricultural real estate, 9% residential real estate and 9% consumer. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

## **DESCRIPTION OF THE ASSESSMENT AREAS**

The First National Bank of Blue Earth's assessment area is Faribault County in its entirety. The county is divided into six block numbering areas (BNAs) which are all designated middle-income. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Based on 1990 Census data, the population of the assessment area is approximately 17,000 which is down from 23,685 at the 1960 census. The updated 1997 median family income for the assessment area is \$38,400. A breakdown of family incomes in the assessment area shows 17% are low-income, 22% are moderate-income, 27% are middle-income, and 34% are upper-income.

The economy of the assessment area is dependent on agriculture and agricultural related services. Corn and soybeans are the primary agricultural products with livestock production gaining in prominence.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

***Lending to Businesses and Farms of Different Sizes:***

Our samples and rating conclusions are centered on the bank's commercial and agricultural lending in correspondence to the significant dollar volume of originations. The following table illustrates the origination activity since our last CRA examination in September 1994.

Commercial and agricultural originations accounted for 84% of all the bank's originations by dollar amount and 53% of the number of all originations.

<b>Loan Origination Activity September 1994 thru January 1998</b>				
<b>Type of Loan</b>	<b>Number of Loans</b>	<b>% of Total</b>	<b>Dollar Amount of Loans (000s)</b>	<b>% of Total</b>
<b>Commercial loans</b>	1395	28%	\$55,162	46%
<b>Agricultural loans</b>	1258	25%	\$45,825	38%
<b>Residential Real Estate loans</b>	381	7%	\$8,976	7%
<b>Consumer loans</b>	1968	40%	\$10,897	9%
<b>Totals</b>	5002	100%	\$120,860	100%

The bank has a reasonable distribution of lending to different sizes of businesses and farms in relation to the demographics of the assessment area. We sampled 230 commercial and agricultural loans totaling \$10.6 million that were originated during 1997. The sample represented 29% of all commercial and agricultural originations in 1997 by number and 35% by dollar volume. The results of our review, illustrated in the table below, show that the bank extended 71% of their commercial and agricultural loans to borrowers with annual revenues less than \$500 thousand. This compares to 73% of businesses in the assessment area having annual revenues of less than \$500 thousand, per updated 1995 census data.

<b>Lending Distribution Based on Revenue Size of Businesses and Farms 1997 Business and Agricultural Loan Originations</b>			
<b>Revenue Size of Businesses and Farms Sampled \$(000's)</b>	<b>FNB Lending Distribution by Number of Loans</b>	<b>Percentage of Businesses and Farms in each Revenue Category (census information)</b>	<b>FNB Lending Distribution by Dollar of Loans</b>
\$0 - \$50	11%	73%	4%
\$50 - \$100	6%		3%
\$100 - \$250	40%		24%
\$250 - \$500	14%		14%
\$500 - \$1,000	14%		5%
> \$1,000	15%	7%	37%
Revenue not reported		15%	
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### ***Loan to Deposit Analysis***

The bank's average loan-to-deposit ratio from September 1994 to December 1997 is 74% percent. This ratio is reasonable given the bank's size, financial condition and lending opportunities within its assessment area. FNB of Blue Earth had the fourth highest average loan-to-deposit ratio of ten similarly situated banks in their assessment area. Ten banks of similar size, operating in the bank's assessment area had average loan-to-deposit ratios ranging from 39% to 79% over the same time period. The average loan-to-deposit ratio of these ten banks was 67%.

### ***Lending Inside the Assessment Areas***

FNB of Blue Earth originates a substantial majority of their loans inside of their assessment area. Bank management records the location of all loans. We reviewed an analysis prepared by the bank which shows the distribution of all loan types outstanding on January 13, 1998. The following table illustrates the level of lending inside the bank's assessment area:

<b>All Loans Outstanding on January 13, 1998 Penetration of Lending Inside the Assessment Area</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
All Loans	85%	67%

### ***Geographic Distribution of Loans:***

We did not evaluate the geographic distribution of lending throughout the bank's assessment area. The number and income distribution of geographies in the assessment area are not sufficient for a meaningful analysis of the geographic distribution of the bank's loans. All of the BNAs in the assessment are middle-income.

### ***Response to CRA Related Complaints***

The bank has not received any CRA related complaints since the previous evaluation.

### ***Compliance with Antidiscrimination Laws***

FNB of Blue Earth is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.