



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

January 24 , 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Oakley National Bank of Buffalo
Charter Number 14311**

**15 Division Street
P.O. Box 40
Buffalo, Minnesota 55313**

Office of the Comptroller of the Currency

**Minneapolis Duty Station
920 Second Ave. South, 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 Oakley National Bank of Buffalo prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 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 bank has a reasonable record of lending to individuals of different income levels and business of different sizes. The bank's loan-to-deposit ratio is reasonable, with a substantial majority of loans originated within the bank's assessment area.

The following table indicates the performance level of **The Oakley National Bank of Buffalo** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Oakley National Bank of Buffalo</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 have been received		

DESCRIPTION OF INSTITUTION

The Oakley National Bank of Buffalo is an \$89 million bank which operates a main office and a branch in Buffalo, Minnesota. The bank also serves its customers with one ATM at the branch location and two ATMs in local convenience stores. The bank is owned by Klein Bancorporation, Inc., an eight-bank holding company. The bank offers traditional banking services and lending products, with a concentration in residential and commercial real estate loans. The bank's loan portfolio mix is as follows: residential real estate 38 percent; commercial real estate 26 percent; commercial 18 percent; agriculture 3 percent; and loans to individuals 15 percent.

There are no financial or legal impediments limiting the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF THE OAKLEY NATIONAL BANK OF BUFFALO'S ASSESSMENT AREA

The bank's assessment area is located in the far western portion of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The assessment area includes Wright County in its entirety. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 Census data, the population of the assessment area is approximately 68,710. The assessment area contains 14 census tracts of which six are designated as moderate-income, the remaining are middle-income. The Department of Housing and Urban Development's 1995 MSA Median Family Income for the Minneapolis/St. Paul MSA is \$54,600.

Common credit needs throughout the assessment area consist of loans to small businesses and instalment and residential loans to consumers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's quarterly loan-to-deposit ratio since our December 31, 1993 CRA examination averaged approximately 74 percent. The bank is in the 68th percentile in net loans to deposits when compared to their nation wide peers. Average loan-to-deposit ratios for banks located in Wright County ranged from 56 percent to 84 percent on September 30, 1996.

Lending in Assessment Area

The bank originates a substantial majority of its loans to borrowers located inside of its assessment area. Home Mortgage Disclosure Act (HMDA) data from 1994, 1995 and the first nine months of 1996 shows that the bank originated 320 residential real estate loans. Approximately 96 percent of these loans were extended to borrowers located inside the bank's assessment area.

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

The bank has a reasonable record of lending to individuals of different income levels and businesses of different sizes. HMDA data shows that approximately 34 percent of residential real estate loans originated in 1994, 1995, and the first nine months of 1996 were made to individuals with low or moderate income. This compares to 44.7 percent of the assessment area's populations that is low or moderate income. The following chart depicts the percent of these loans, by income categories of the borrowers, compared to the income level of families located in the bank's assessment area:

Income Category	Percent of Families Within Each Category	Residential Loan Originations by Category
Low	20.1%	11.3%
Moderate	24.6%	22.5%
Middle	30.8%	28.1%
Upper	24.5%	38.1%

The bank has a reasonable distribution of loans to businesses of different revenue size. We sampled 50 commercial borrowers comprising 44 percent of the commercial loan portfolio by number. As shown in the table below, the sample shows that 68 percent of commercial loans (by number) were to borrowers with annual revenues of less than \$1 million.

Annual Revenues	Commercial Borrowers
Less than \$250,000	34%
\$250,000-\$1,00,000	34%
Greater than \$1,000,000	32%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and in moderate-income census tracts. Home Mortgage Disclosure Act data from 1994, 1995, and the first nine months of 1996 shows that the bank originated 320 real estate loans. Approximately 46 percent of these loans (by number) were made to individuals who lived in moderate income census tracts in the assessment area. This compares to 43 percent of the assessment area’s census tracts that are moderate income. In addition, the bank originated loans in all census tracts located in the assessment area.

Record of Compliance with Antidiscrimination Laws

The bank complies with all applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.