



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

January 25, 2013

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

Eagle Valley Bank, National Association  
Charter Number 11526

2206 Glacier Drive  
St. Croix Falls, WI 54024

Office of the Comptroller of the Currency

920 Second Ave 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.**

Eagle Valley National Bank (bank) does a satisfactory job of meeting the credit needs of its assessment areas (AA's). Factors that support the overall rating include:

- A majority of the bank's loans by number (85 percent) and dollar volume (84 percent) are located within the AA.
- The loan to deposit ratio of 77 percent is reasonable given the bank's size, financial condition, and AA credit needs.
- The borrower distribution reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of commercial loans throughout the Minneapolis/St. Paul multistate AA is reasonable.

**Scope of Examination**

We assessed the bank's record of meeting the credit needs of the local community in accordance with the Community Reinvestment Act (CRA) for the period beginning July 25, 2006, and ending December 31, 2012. In order to determine the bank's lending performance, we selected primary products for each of the bank's two AA's based on the number and dollar amount of loan originations from January 1, 2010, through December 31, 2011. The primary product for the Minneapolis/St. Paul MSA is commercial loans. This product represented 69% of originations by number and 73% by dollar. The primary products for the Polk AA are home refinance and consumer loans. Home refinances represent 11% of originations by number and 28% by dollar. Consumer loans represent 74% by number of originations and 22% by dollar. A random sample of 20 loans for each of the primary products was used to evaluate lending performance within the AA with additional loans sampled for analysis purposes, as necessary. We placed more weight on the lending performance of the Minneapolis/St. Paul MSA in the overall bank rating as this area contains a majority of the bank's locations and loan originations. The bank is Home Mortgage Disclosure Act (HMDA) reportable. We completed a data integrity exam in August 2012 and concluded information was reliable and usable in the lending test analysis. All 2010-2011 loans were used to analyze home refinance lending in the Polk county AA.

**Description of Institution**

The bank is a \$139 million interstate community bank with locations in northwest Wisconsin and along the Minnesota/Wisconsin state border. The bank is no longer owned by a one bank holding company as it is now 100% individually owned as of 2012.

The bank has five locations. Three branch locations are located in the Minneapolis/St Paul MSA. These locations include: Stillwater, and Apple Valley in MN, and Hudson, WI. The bank sold the Burnsville branch located in this AA in 2007. The main office and one branch are

located in St. Croix Falls, WI, in the Polk County AA. The bank has five cash-out ATMs, with one located at each branch location.

The bank is full service offering a variety of loan and deposit products. The primary focus is residential real estate and commercial loans. As of December 31, 2011, the composition of bank’s outstanding loans was as follows:

<b>Loan Portfolio Composition</b>	<b>\$000</b>	<b>%</b>
Commercial Loans	\$14,867	55%
Agriculture Loans	\$648	2%
Residential Real Estate	\$10,227	38%
Consumer Loans	\$1,384	5%
<b>Total</b>	<b>\$27,127</b>	<b>100%</b>

There are no financial, legal, or other factors that impede the bank’s ability to meet its CRA obligations. The bank was rated “Satisfactory” at the last CRA examination dated July 24, 2006.

## **Conclusions with Respect to Performance Criteria**

The bank’s CRA performance is rated based on five factors: loan to deposit ratio, lending within the AAs, borrower income distribution, geographical distribution, and responses to CRA related complaints. The assessment period for the loan activity is from January 1, 2010, through December 31, 2011.

### **Loan-to-Deposit Ratio**

The average loan-to-deposit (LTD) ratio is reasonable. The average quarterly LTD ratio for the period June 30, 2006, through September 30, 2012, was 77%. The quarterly ratio ranged from a low of 64% to a high of 97% during this time.

The LTD ratio is comparable to similarly situated banks. The bank’s performance ranked ninth out of 12 banks for this period. The average quarterly LTD ratio for 11 similarly situated banks was 82%. Similarly situated banks are defined as those banks with between \$122 million and \$160 million in total assets as of June 30, 2012, with at least one office located in the bank’s AA. Individually, the similarly situated bank’s average quarterly LTD ratios ranged from 61% to 102%.

## Lending in Assessment Area

A majority of loans are originated in the bank’s AA. The bank originated 85% by number and 84% by dollar amount of loans within the AA. The bank’s ratio of lending within its AA was calculated from its primary loan products originated from January 1, 2010, through December 31, 2011. Commercial loans were selected as the bank’s primary product for the Minneapolis/St. Paul MSA. Home refinances and consumer loans were selected as the bank’s primary products for the Polk County AA. The table below shows the results of the in/out lending analysis.

<b>Lending in Minneapolis/St. Paul MSA and Polk County AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90%	2	10%	20	\$4,417	99%	\$66	1%	\$4,483
Home Refinance	224	83%	46	17%	270	\$27,629	82%	\$6,145	18%	\$33,774
Consumer	20	100%	0	0%	20	\$270	100%	\$0	0%	\$270
<b>Totals</b>	262	85%	48	15%	310	\$32,316	84%	\$6,211	16%	\$38,527

*\*Home Refinance information is based off the 2010-2011 HMDA data and includes both AAs.*

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices. Pursuant to 12 C.F.R. 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography whose loans are considered as part of the bank’s lending performance.

## Responses to Complaints

The OCC and the bank did not receive any CRA related complaints since the last CRA examination.

## **Multistate Metropolitan Area Rating**

### **Minneapolis/St. Paul Multistate Metropolitan Area**

#### **CRA Rating for Minneapolis/St. Paul MSA: Satisfactory**

The distribution of small business loans is reasonable. The geographic distribution of loans is reasonable.

#### **Description of Assessment Area**

The Minneapolis/St. Paul MSA is a multi-state MSA. The bank's AA consists of only a portion of the multi-state MSA. Counties in the bank's AA include Hennepin, Ramsey, Washington, Dakota, Scott, and Chisago counties in MN, and St. Croix County in WI. Based on the 2000 census data, there are 47 (8%) low-income tracts, 135 (22%) moderate-income tracts, 263 (43%) middle-income tracts, and 160 (26%) upper-income tracts, and four (1%) tracts that did not report any data. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts.

The economy in the MSA is stable. As of the 2000 census, the MSA has a total population of 2,378,023 and total housing units of 954,064. The median family income for the MSA was \$84,000 in 2010 and \$82,700 in 2011. Information from the Bureau of Labor Statistics indicates the unemployment rate for December 2012, was 5.1% for the MSA. The rate is lower than the unemployment rate for the state of Minnesota at 5.4% and the national unemployment rate at 7.8%. The MSA contains 19 Fortune 500 companies. These companies include healthcare, retail, financial, food and grocery, and chemicals. The MSA is also the location of the University of Minnesota and several other public and private universities.

The community contact reaffirmed the stable local economy. Local credit needs remain centered in construction and consumer loans. Projects ongoing in the area include the Community Symposium project. This initiative focuses on creating community development projects that support home-grown economic renewal opportunities created by community economic committees.

Competition in the AA is high. There are 127 deposit taking financial institutions in the AA and numerous lenders in addition to the deposit taking financial institutions. The bank ranks 90 out of the 127 deposit taking institutions. The bank's market share as of June 30, 2012, is 0.02% based on the FDIC Market Share report.

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

The penetration of loans to small businesses is reasonable. The bank originated 65% of loans by number to businesses with revenues less than \$1 million. This level is comparable to the demographic of 68%.

<b>Borrower Distribution of Loans to Businesses in Minneapolis/St. Paul MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68%	4%	29%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	84%	16%	0%	100%

Source: Loan sample; 2011 Dun and Bradstreet data.

**Geographic Distribution of Loans**

The geographic distribution of loans in the Minneapolis/St. Paul MSA AA is reasonable. The bank’s performance met the demographic comparator for moderate-income census tracts. Lending activity in the low-income tracts was below demographics but is reasonable given the location of these tracts relative to the bank locations. All the low-income tracts are located in either Hennepin or Ramsey counties where the bank does not have a branch. There are numerous competing financial institutions in closer proximity to these census tracts already servicing these areas.

<b>Geographic Distribution of Loans to Businesses in Minneapolis/St. Paul MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/ Number of Loans	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	4%	0%	15%	15%	48%	65%	32%	20%

Source: Loan sample and 2000 U.S. Census data.

## State Rating

### State of Wisconsin

#### CRA Rating for Wisconsin: Satisfactory

The borrower distribution of home refinance and consumer loans is reasonable. The geographic distribution of home refinance and consumer loans was not analyzed as there are no low- to moderate-income census tracts in the AA.

#### Description of Assessment Area

The Polk County AA consists entirely of Polk County, Wisconsin. The AA has nine middle-income census tracts (90%) and one-upper income census tract (10%). There are no low- or moderate-income census tracts. However, according to the 2000 Census, 15.18% of the AA's 11,429 families are low-income, 19.34% are moderate-income, 24.88% are middle-income, and 40.60% are upper income. The Housing and Urban Development (HUD) Estimated Wisconsin non-MSA Median Family Income was \$58,600 for 2010 and \$59,100 for 2011.

According to the Wisconsin Department of Administration, Polk County's population has grown considerably (by 11.7% or 4,852 residents) from 2000 to 2010. This growth can be attributed to the AA's proximity to the Minneapolis/St. Paul AA with comparatively lower land and housing prices. The 2000 Census data shows a median housing value of \$101,622 for the Polk County AA compared to \$147,242 for the Minneapolis/St. Paul AA.

Education and health surpassed manufacturing as the primary industry for employment from 2005 to 2010. According to the Wisconsin Department of Workforce Development, the AA's top five employers for 2010 were the County of Polk County, Polaris Industries Manufacturing, LLC, St. Croix Regional Medical Center, Inc., Amery Regional Medical Center, Inc., and Osceola Public School.

Polk County's unemployment rate is higher than Wisconsin's overall unemployment rate. Information from the Bureau of Labor Statistics indicates that the unemployment rate was 7.8% for Polk County in December, 2012. This is significantly higher than the Wisconsin unemployment rate of 6.5%, but comparable to the national unemployment rate of 7.8%.

Competition is significant. The June 30, 2012 FDIC Deposit Market Share Report shows eight other financial institutions in Polk County, with Bremer Bank and Central Bank holding more than 60% of total AA deposits. The bank is ranked third of nine banks with 11.63% of total AA deposits.

### Lending to Borrowers of Different Incomes

The penetration of home refinance loans is excellent. The percentage of home refinance loans to low-income borrowers meets the percentage of low-income families in the AA. The percentage of home refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

Borrower Distribution of Residential Real Estate Loans in Polk County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Refinance	15%	15%	19%	26%	25%	25%	41%	33%

Source: 2000 U.S. Census Data; 2010-2011 HMDA Data.

The penetration of consumer loans is reasonable. Based on a sample of 60 loans, the percentage of consumer loans to low-income borrowers exceeds the percentage of low-income families in the AA. The percentage of consumer loans to moderate-income borrowers meets the percentage of moderate-income families in the AA.

Borrower Distribution of Consumer Loans in Polk County AA								
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	20%	22%	17%	17%	21%	37%	42%	25%

Source: 2000 U.S. Census Data; Loan Sample.

### Geographic Distribution of Loans

The geographic distribution of home refinance and consumer loans does not provide for a meaningful analysis as none of the census tracts in this AA are designated as low- or moderate-income.