

## 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 the 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 CRA performance of Peoples State Bank of Plainview, Plainview, Minnesota, prepared by the Federal Reserve Bank of Minneapolis, the institution’s supervisory agency, as of June 1, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION’S CRA RATING:** This institution is rated “Satisfactory.”

The bank’s satisfactory rating is based on several factors. First, the bank actively lends to borrowers of different income levels and to businesses of different sizes. Second, the bank’s net loan-to-deposit ratio reflects a reasonable level of lending. Third, the bank’s loans are adequately distributed throughout its assessment area. Finally, a majority of the bank’s loans were made within the assessment area.

## DESCRIPTION OF INSTITUTION

Based on its size and financial condition, the bank is capable of meeting the credit needs of its assessment area effectively. The bank received a satisfactory rating at its last CRA performance evaluation, conducted September 3, 1996. The bank relocated its main office to its new facility at 100 Fourth Avenue SE, Plainview, Minnesota, on May 4, 1998. In addition to its main office in Plainview, the bank operates a full-service branch in Elgin, Minnesota, and a limited-service office in Millville, Minnesota. The bank has two proprietary automated teller machines ("ATM"): a deposit-taking ATM located in the bank's drive-up area and a cash-dispensing ATM located in the Cenex station at 415 North Wabasha, Plainview. The bank's main office in Plainview is open from 8:00 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday. The main office drive-up and walk-up facilities are open from 7:30 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday. The Elgin branch lobby is open 8:00 a.m. to 12:00 p.m. and 1:00 p.m. to 3:00 p.m. Monday through Friday; that office's drive-up and walk-up facilities are open 7:30 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday. The limited-service office in Millville is open 9:00 a.m. to 3:00 p.m. Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday. In addition, the drive-up and walk-up facilities at the Millville office are open 9:00 a.m. to 3:00 p.m. Monday through Thursday, 9:00 a.m. to 6:00 p.m. Friday, and 9:00 a.m. to 12:00 p.m. Saturday.

The bank's continued growth supports its ability to meet the credit needs of the community. According to the March 31, 1998, Report of Condition ("ROC"), its total assets are approximately \$70.5 million. The bank's asset size has increased by approximately \$5.1 million, or 8%, since June 30, 1996. The bank attributes this growth to a strong economy and the marketing efforts for its credit products. Net loans have increased by approximately \$6.7 million since June 1996. According to the March 31, 1998, ROC data, the loan portfolio is composed of approximately 44% agriculture, 27% commercial, 19% residential real estate, and 10% consumer loans. The bank's loan mix reflects the level of demand for specific types of loans by people, farms, and businesses within the assessment area.

The bank offers a variety of loan products to serve the credit needs of individuals, businesses, and farms within its assessment area. It extends open-end and closed-end consumer, residential real estate, agriculture, and commercial loans. The agricultural loan products are for operating, machinery, and farm real estate. Commercial customers may obtain conventional loans for equipment, short-term financing, business start-up funds, account receivable and inventory financing, and commercial real estate purposes. The bank's residential real estate loan portfolio includes purchase money, refinance, and home improvement loans. As part of its conventional residential real estate loan program, the bank offers construction loans; fixed-rate loans; and one-, three-, and five-year adjustable rate mortgages. The bank also offers a variety of closed-end and open-end consumer loans. Its open-end products include overdraft checking and home equity lines of credit. Finally, although the bank does not extend credit card loans, it makes applications available for VISA credit cards from United Bankers' Bank VISA, Bloomington, Minnesota.

In addition to its conventional loan products, the bank offers a wide array of government-guaranteed and -insured loan products. It offers Rural Finance Authority ("RFA") guaranteed loans, Small Business Administration ("SBA") loans, Minnesota Housing Finance Agency ("MHFA") Energy and Home Improvement loans, and government-guaranteed student loans. Furthermore, the bank actively sells loans in the secondary market through the Federal Home Loan Mortgage Corporation. The bank's loan products appear appropriate for its community's credit needs.

## DESCRIPTION OF PEOPLES STATE BANK OF PLAINVIEW'S ASSESSMENT AREA

The bank has defined its assessment area as portions of Olmsted, Wabasha, and Winona counties located in southeastern Minnesota. This area is more specifically defined as census tracts ("CT") 7, 16, 17, 19, and 20 in the Rochester, Minnesota, metropolitan statistical area ("MSA") in Olmsted County, block numbering areas ("BNA") 9901, 9902, 9904, 9905, and 9906 in Wabasha County; and BNA 9701 in Winona County. CT 20 is designated a moderate-income area, and BNA 9906 is designated an upper-income area. The remaining BNAs and CTs are considered middle-income areas.

Plainview is located in BNA 9906 in south-central Wabasha County, approximately 25 miles northeast of Rochester and 75 miles southeast of the Minneapolis-St. Paul, Minnesota, metropolitan area. Both branch offices are in BNA 9905, in the small neighboring communities of Elgin and Millville, Minnesota. According to the 1990 U.S. Census data, the bank's assessment area has a population of 54,825. Plainview has a population of approximately 3,000. Elgin, population 300, is 5 miles southwest of Plainview. Millville, located 12 miles northwest of the main office, has a population of 250 and is primarily a residential community.

CRA divides income levels into four categories: low, moderate, middle, and upper. The categorization of a borrower or geography's income level is determined relative to the MSA median family income for MSA areas and the statewide nonmetropolitan median family income for non-MSA areas. Low-income individuals have incomes of less than 50% of the MSA or statewide nonmetropolitan median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of the appropriate area's median family income. The regulation defines middle-income individuals as people with incomes of at least 80% but less than 120% of the MSA or statewide nonmetropolitan median family income. Individuals with incomes of 120% or more of the MSA or statewide nonmetropolitan median family income are considered upper income. Within the combined assessment area, the 1990 median family income is \$38,779 and the median household income is \$33,870. Both figures are higher than the median family and household incomes for the state, which are \$36,916 and \$30,909, respectively.

For purposes of classifying borrowers' incomes, this evaluation used the U.S. Department of Housing and Urban Development ("HUD") estimated 1997 median family income for the relevant area. For borrowers in the MSA assessment area, this figure is \$57,100. For borrowers in the nonmetropolitan assessment areas, this figure is \$38,400. For purposes of classifying CT or BNA income levels, this evaluation used the median family income for the relevant area from the 1990 census data. For the MSA, the 1990 median family income was \$43,197. For the nonmetropolitan areas of Minnesota, the figure is \$28,933. The assessment area has approximately 14,949 families, approximately 5% of which have incomes below the poverty level. Approximately 8% of the assessment area's households have incomes below the poverty level. The following table identifies the distribution of assessment area families and households by income level.

<b>ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL</b>				
	Low Income	Moderate Income	Middle Income	Upper Income
Families Compared to Median Family Income	14%	18%	27%	41%
Households Compared to Median Household Income	18%	15%	22%	45%

According to the 1990 U.S. Census data, there are no low-income CTs or BNAs in the assessment area. The income distribution of the assessment area's CTs and BNAs is 9% moderate income, 82% middle income, and 9% upper income. According to 1990 census data, the population in moderate-income CT 20 is 5,783. This tract is located east of Rochester and south of the bank in a rural portion of Olmsted

County. The population of this CT accounts for approximately 11% of the assessment area's total population. Approximately 1,572, or 10%, of the owner-occupied housing units in the assessment area are located in this moderate-income CT. The data show that 78% of these units are owner occupied, 19% are rental units, and 3% are vacant. Median family income in this tract was \$33,511 as of the 1990 census. While this income level is moderate based on the MSA median family income of \$43,197, it is 116% of the 1990 non-MSA median family income.

Nine of the assessment area's CTs and BNAs are classified as middle income. These tracts surround the upper-income BNA in which the bank is located. The majority of assessment area residents live in middle-income tracts. Specifically, 46,163, or 84% of the assessment area population, live in middle-income CTs or BNAs. Approximately 48% of these residents live in the metropolitan CTs near Rochester, while 24% live in the BNAs surrounding Plainview. Census data for 1990 show that approximately 17,849, or 85%, of the assessment area's housing units are located in the middle-income CTs and BNAs. In these tracts, 74% of the housing units are owner occupied, 20% are rental units, and 6% are vacant. These geographies contain 85% of the assessment area's owner-occupied housing. Median family incomes in these geographies range from \$30,917 to \$49,661. All but one of the middle-income BNAs that are outside the MSA have median family incomes below that of the moderate-income tract. Likewise, all of the MSA middle-income geographies have incomes above that of the upper-income geography.

The population in the assessment area's upper-income BNA is 2,879, or approximately 5% of the total population. As stated previously, this tract primarily comprises Plainview. Census data for 1990 show that approximately 804, or 5% of the assessment area's owner-occupied housing units are located in the middle-income BNA. In this tract, 74% of the housing units are owner occupied, 20% are rental units, and 6% are vacant. The median family income in this BNA is \$36,746.

As indicated above, the level of owner-occupied housing throughout the assessment area is relatively high. According to the 1990 census data, the average owner-occupancy rate in the assessment area is 74%. The median housing value in the assessment area was \$67,606 as of the 1990 census. The affordability ratio of .50 is the same as the statewide nonmetropolitan areas of Minnesota. Gross rent as of 1990 was \$431, above that of the MSA and statewide nonmetropolitan areas.

Examiners made community contacts with local government officials who are familiar with the economic characteristics and credit needs of the assessment area. Information obtained from these individuals and bank management was used in evaluating the bank's CRA performance. According to the community contacts and bank management, new housing starts continue to be strong in Plainview as well as throughout the assessment area. The rapid population growth in cities such as Rochester has dramatized the need for housing. This rapid growth has caused a shortage of affordable housing in Rochester and increased the demand for housing in the communities bordering the Rochester area. Plainview, like many of the cities surrounding Rochester, has addressed this issue by constructing several housing developments. According to the community contacts and bank management, however, one of the real estate developments in Plainview is full while a second development has only a few lots left to develop.

Although the economy in the assessment area is driven by the employment opportunities in Rochester, Plainview continues to offer a growing number of employment opportunities. Plainview's major employers include two food processing plants, a creamery, a seed company, and the local school system. In addition, agriculture remains a dominant economic activity in the assessment area, although the market is dwindling. Farmland continues to increase in value, as the trend for farm units is to decrease in total numbers, creating larger farms and fewer farm families. Dairy and cash crops continue to be the primary revenue-makers.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in serving the credit needs of its assessment area is satisfactory. Much of the analysis on the following pages is based on a statistical sample of 143 consumer loans, 140 small farm/small business loans, and 62 residential real estate loans originated in the six months preceding the evaluation. These samples were derived from 461 small farm, 90 real estate, and 495 consumer loans originated during this time period. These loan categories represent the bank's major product lines based on number and dollar amount of loans originated. As discussed previously in the Description of Institution section, according to the bank's March 31, 1998, ROC, the bank's loan portfolio consisted of approximately 10% consumer loans, 19% residential real estate loans, and 71% small farm/small business loans. The bank's loan mix has not changed materially since the last CRA evaluation. The criteria discussed below were reviewed in determining the rating. In assigning an overall rating, the greatest weight was placed on the assessment of lending to borrowers of different income levels and businesses and farms of different sizes and the net loan-to-deposit ratio. These factors most closely measure the bank's efforts to meet the credit needs of its community. Because of the unique nature of the bank's assessment area, the distribution of lending between geographies of differing income levels is not given significant weight in this analysis.

### LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio meets the standards for satisfactory performance. Since the previous evaluation, the bank's quarterly average net loan-to-deposit ratio is 70%. According to the March 31, 1998, ROC, the bank's net loan-to-deposit ratio is 78%, which is 10 percentage points higher than the June 30, 1996, net loan-to-deposit ratio of 68%. The following table, based on quarterly ROC data, shows the steady increase of the bank's net loan-to-deposit ratio since the previous evaluation.

<b>DATE</b>	<b>DEPOSITS (In thousands)</b>	<b>NET LOANS (In thousands)</b>	<b>NET LOAN-TO- DEPOSIT RATIO</b>
March 31, 1998	\$57,939	\$45,104	78%
December 31, 1997	\$60,664	\$44,869	74%
September 30, 1997	\$58,560	\$44,304	76%
June 30, 1997	\$60,983	\$41,657	68%
March 31, 1997	\$59,169	\$39,376	67%
December 31, 1996	\$60,089	\$38,609	64%
September 30, 1996	\$58,468	\$39,129	67%
June 30, 1996	\$56,432	\$38,358	68%

The steady growth in loans reflects the excellent business and agricultural economy of southeastern Minnesota. According to the bank's portfolio, approximately 44% of loans are agricultural. An agricultural loan portfolio usually will vary quarterly based on the cyclical nature of the agricultural based economy. However, as shown in the table above, the fluctuations are less prevalent as the farm industry declines in influence. Management indicated that overall, employment trends in the assessment area mirror the employment trends throughout the nonmetropolitan areas of the state. As stated previously, farm employment is declining, while government services, nonfarm, construction, and manufacturing employment is increasing. According to the updated census data, the only exception to these trends in the assessment area is the slight decline of manufacturing in the metropolitan portion of the assessment area.

The bank's net loan-to-deposit ratio does not reflect residential real estate loans sold on the secondary market; the bank actively sells a majority of the loans in this category on the secondary market. As discussed under the Description of Institution section, the bank offers a wide variety of mortgage loan products that benefit residents in the bank's assessment area. Community contacts identified the bank as a strong lender in the community and commended the bank's commitment to the community through the building of the new bank.

In sharp contrast to the increasing loan portfolio, the table above shows fluctuations in the deposit volume since June 30, 1996. The bank's deposits have grown approximately 3% since June 1996, whereas loans have increased by approximately 18%. Management indicated that competition for core deposits is extremely strong. As stated in the Description of Assessment Area section, many residents commute to Rochester for employment. Individuals residing in the bank's assessment area who work in Rochester often obtain credit from or have deposits in financial institutions located in Rochester. Rochester has five banks, five credit unions, three large regional bank branches, and two savings and loan institutions. In addition to competition from area financial institutions, the bank competes for core deposit funds with an active stock market.

According to the March 31, 1998, Uniform Bank Performance Report, the bank's 77.9% net loan-to-deposit ratio is higher than its national peer group average of 71.9%. The bank's ratio places it in the 67th percentile compared with its national peers. At the last evaluation, the bank's net loan-to-deposit ratio ranked in the 44th percentile compared with its national peers. Although the bank's national peer ranking has improved dramatically, management indicated that competition among area financial institutions is strong. The following chart shows the asset size and average net loan-to-deposit ratio for the bank and its local competitors.

<b>Bank</b>	<b>TOTAL ASSETS (as of March 30, 1998) (In thousands)</b>	<b>QUARTERLY AVERAGE NET LOAN-TO- DEPOSIT RATIO</b>
Peoples State Bank of Plainview Plainview, Minnesota	\$70,542	70%
First National Bank Plainview, Minnesota	\$84,067	81%
Rochester Bank Rochester, Minnesota	\$36,286	41%
First State Bank of Wabasha Wabasha, Minnesota	\$65,475	59%
Eastwood Bank St. Charles, Minnesota	\$150,369	81%
Sterling State Bank Austin, Minnesota	\$151,563	77%
The Merchants National Bank of Winona Winona, Minnesota	\$272,256	85%

As shown above, the bank's quarterly average net loan-to-deposit ratio is lower than the ratios of four of its competitors and significantly higher than the ratios of two competitors. Information received from the community contacts did not identify any unmet credit needs. Although the bank's quarterly net loan-to-deposit ratio is lower than several competitors, community contacts indicated the bank is responsive to the credit needs of the community. In addition, the bank has made a significant number of MHFA home improvement loans and a few SBA loans since the last evaluation. Finally, the level of lending is increasing and is above national peers.

Based on the reasonable net loan-to-deposit ratio, the level of competition in the assessment area, the comparison to national and local peers, and secondary-market residential real estate lending activity, the bank's performance in this category meets the standards for satisfactory performance.

**COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA**

The bank's lending activity in the assessment area meets the standards for satisfactory performance. A review of the statistical sample of loans originated by the bank during the past six months reveals that the bank extended a majority of its loans inside the assessment area. The following table shows the percentage of loans within the assessment area based on the total number and loan amount in each major loan category.

<b>LOANS ORIGINATED INSIDE THE ASSESSMENT AREA</b>		
<b>Loan Type</b>	<b>Total Number of Loans</b>	<b>Total Dollar Amount of Loans</b>
Consumer	88%	55%
Residential Real Estate	79%	74%
Small Farm/Small Business	91%	91%

Since the last evaluation, the bank's lending activity in the assessment area has remained relatively stable. The relative proportion of small farm/small business loans extended to borrowers in the assessment area has increased slightly since the last evaluation. However, the relative proportion of consumer loans that the bank extended to borrowers in the assessment area declined slightly. The last evaluation revealed that the bank extended 88% of its small farm/small business loans and 85% of its consumer loans in the assessment area. Residential real estate loan activity was not reviewed at the previous evaluation.

As illustrated above, the bank makes a majority of its loans to people, businesses, and farms in its assessment area. Based on the concentration of loans originated within the assessment area, the bank meets the standards for satisfactory performance in this category.

**LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES**

The bank's level of lending to individuals of different income levels and to businesses and farms of different sizes meets the standards for satisfactory performance. As previously mentioned, CRA groups income levels into four categories: low, moderate, middle, and upper. The following table shows the percentages of consumer and residential real estate loans made to borrowers of different income levels.

<b>DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL*</b>				
<b>Loan Type</b>	<b>Low-Income Borrowers</b>	<b>Moderate-Income Borrowers</b>	<b>Middle-Income Borrowers</b>	<b>Upper-Income Borrowers</b>
<u>Consumer</u>				
Total Number of Loans	42%	32%	14%	11%
Total Amount of Loans	35%	25%	16%	25%
<u>Residential Real Estate</u>				
Total Number of Loans	2%	22%	26%	50%
Total Amount of Loans	0%	14%	28%	57%
*Income level based on Minnesota's 1997 nonmetropolitan median family income of \$38,400 and 1997 MSA median family income of \$57,100.				

As described in the Description of Assessment Area section, low-income households and families

represent 18% and 14% of the assessment area's population, respectively. Moderate-income households and families represent 15% and 18% of the assessment area's population, respectively.

The data in the table indicate that the bank originated a significant percentage, 74%, of its consumer loans to low- and moderate-income borrowers. Although this figure exceeds the demographic distribution of low- and moderate-income households and families in the assessment area, income verification was not available for 23% of consumer loans in the sample. However, the information available does indicate the bank has a reasonable distribution among borrowers of different income levels. The bank's residential real estate lending to low- and moderate-income borrowers comprises 24% of the number and 14% of the dollar amount of its total real estate loans. Although the bank's residential real estate lending to low- and moderate-income borrowers is less than the demographic representation of low- and moderate-income households and families in the assessment area, such lending represents only 19% of the bank's loan portfolio. According to HUD's 1997 estimated median family income, borrowers in the MSA classified as low income had median family incomes of less than \$28,550. Borrowers in the nonmetropolitan portion of the assessment area had median family incomes of less than \$19,200. Community contacts indicated that affordable housing in Plainview is in short supply. As discussed, according to 1990 census data, the median housing value in the assessment area was \$67,606. Given the relatively low median family incomes of low-income residents in the assessment area in comparison to the relatively high median housing value, the low level of real estate lending to low-income borrowers is not unreasonable. As stated previously, no unmet credit needs were identified during the evaluation.

The bank has an excellent distribution of its small farm/small business loans to entities of different sizes. For the purposes of this evaluation, small farm loans are defined as loans with original principal amounts of \$500,000 or less, and small business loans are commercial loans with original principal amounts of \$1 million or less. The bank has an excellent record of providing small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less. The loan sampled reveals that the bank originated 92% of its small business/small farm loans to entities with gross annual revenues of \$1 million or less. Of these loans to these entities, the bank extended 92% for amounts of \$100,000 or less. The bank's lending patterns reflect the characteristics of the small business and small farm lending markets in southeastern Minnesota.

Based on the bank's strong level of consumer lending, reasonable level of residential real estate lending to low- and moderate-income individuals, and level of small business/small farm lending, the bank meets this category's standards for satisfactory performance.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans throughout the assessment area is reasonable and meets this category's standards for satisfactory performance. As previously discussed, the assessment area includes one moderate-, nine middle-, and one upper-income CT and BNA. As a percentage of MSA median family income, the moderate-income CT median family income of \$33,511 is 77.6%; however, the income level is 116% of the statewide nonmetropolitan median family income. The middle-income CTs and BNAs' median family incomes range from \$30,917 to \$49,661, while the upper-income BNA median of \$36,746 is 127.0% of the nonmetropolitan median family income. As indicated, there are no low-income BNAs or CTs in the assessment area. The following table illustrates the distribution of loans by CT and BNA income level.

<b>DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY CT OR BNA INCOME LEVEL</b>			
<b>Loan Type</b>	<b>Moderate Income</b>	<b>Middle Income</b>	<b>Upper Income</b>
<u>Consumer</u>			
Total Number of Loans	6%	60%	34%
Total Amount of Loans	8%	49%	43%
<u>Residential Real Estate</u>			
Total Number of Loans	8%	61%	31%
Total Amount of Loans	4%	69%	27%
<u>Small Farm/Small Business</u>			
Total Number of Loans	11%	50%	39%
Total Amount of Loans	14%	47%	39%

A tract-by-tract analysis reveals that the bank's loans are reasonably distributed throughout the moderate-, middle-, and upper-income tracts, and no conspicuous gaps are apparent. The percentage of the bank's consumer and residential real estate loans in the moderate-income tract is slightly lower than the percentage of assessment area residents and owner-occupied housing in these tracts. The bank's percentage of small farm/small business lending equals the population percentage in the tract. While 11% of the population lives in the moderate-income tract, the bank made 6% of its consumer loans and 8% of its residential real estate loans in this area. Nonetheless, the level of the bank's consumer loans and residential real estate loans in this tract is reasonable for at least two reasons. First, regarding real estate loans, only 10% of the owner-occupied housing units are in this tract. Accordingly, the opportunity and demand to make real estate loans in this tract are limited. Second, regarding consumer loans, the moderate-income tract is located in the southern portion of the assessment area, closer to Rochester, where residents have a variety of financial institutions through which to purchase credit products.

The percentage of consumer, residential real estate, and small farm/small business loans originated in the nine middle-income tracts is also lower than the population of these tracts. While 84% of the population lives in the middle-income tracts, the bank made 60% of its consumer loans, 61% of its residential real estate loans, and 50% of its small farm/small business loans in these tracts. Although the level of the bank's lending is lower than the percentage of population in the middle-income area, the level of lending in these geographies is reasonable given the financial competition and the relatively large area covered by middle-income CTs and BNAs.

The relatively high percentage of consumer, residential real estate, and small farm/small business loans originated in the upper-income tract is reasonable given that the bank is located in this BNA. Although only 5% of the population lives in the upper-income tract, the bank made 34% of its consumer, 31% of its residential real estate, and 39% of its small farm/small business loans in this tract.

The concentration of lending in the bank's middle- and upper-income BNAs and CTs is reasonable. As stated previously, the bank is located in the upper-income BNA. The local demographic characteristics, demand for residential real estate loans, competition among financial institutions, and the bank's status as an active agricultural and small business lender account for the bank's lending activity to borrowers in the assessment area. Finally, as discussed in detail under the description of Assessment Area section, the moderate-income tract has a median family income that exceeds that of four of the middle-income geographies. Likewise, four of the middle-income geographies have median incomes that exceed that of the upper-income geography. The proximity of Rochester to bank is responsible for this situation. Consumer and residential real estate loans comprise only 29% of the bank's loan portfolio. Based on the tract-by-tract analysis of the bank's loans in the CRA sample as well as the bank's opportunity to extend

loans in the moderate-income tract, the bank's geographic distribution of such loans appears reasonable and the bank meets the standards for satisfactory performance in this category.

GENERAL

The evaluation did not reveal any violations of the substantive or technical provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA-related complaints since the previous evaluation.

## **PUBLIC DISCLOSURE**

June 1, 1998  
Date of Evaluation

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Peoples State Bank of Plainview  
Name of Depository Institution

092748900000  
Identification Number of Institution

Plainview, Minnesota  
Address of Institution

Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue  
Minneapolis, Minnesota 55401-1804

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.