



## **PUBLIC DISCLOSURE**

May 28, 2002

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

**PLEASANTON STATE BANK  
RSSD# 857950**

**P.O. BOX 247  
PLEASANTON, NEBRASKA 68866-0247**

**Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198**

**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.

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## GENERAL INFORMATION

*This institution is rated "Outstanding"*

An institution in this group has an outstanding record of helping meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The bank's performance was assessed under the following five core criteria for small banks:

- The bank's loan-to-deposit ratio compared to its local competitors, and to state and national peer groups;
- The bank's level of lending inside its designated assessment area;
- The bank's distribution of lending to borrowers of different income levels and businesses of different sizes;
- The geographic distribution of loans by tract income level; and,
- The bank's record of responding to complaints regarding its Community Reinvestment Act (CRA) performance.

Conclusions for each performance criteria were based on data compiled from a statistically derived sample of loan files reviewed for each of the bank's major product lines. An explanation of how each major product line was determined is provided later in this public disclosure.

The analysis indicates that the bank's loan-to-deposit ratio is reasonable when compared to local, state and national peer groups. In addition, the bank originated a majority of its loans within its assessment area. The distribution of loans in the bank's assessment area is excellent based on the dispersion to individuals of different income levels to businesses and farms of different sizes. Moreover, the bank's dispersion of loans among block numbering areas (BNAs) of different income levels is also excellent. The bank's response to complaints was not rated since the bank has not received any complaints regarding its performance under the CRA.

## DESCRIPTION OF INSTITUTION

Pleasanton State Bank has one full-service facility located in the city of Pleasanton, Nebraska. The bank also has a loan production office (LPO) located in nearby Kearney, Nebraska. The full-service facility in Pleasanton offers drive-through services and a cash dispensing automated teller machine (ATM) that is located in the bank foyer. Pleasanton State Bank became a member of the Federal Reserve System on May 24, 2000 after it was purchased by Platte Valley Cattle Company. Platte Valley Cattle Company, located

in Grand Island, Nebraska, is a two-bank holding company that also owns The Ravenna Bank in Ravenna, Nebraska and has a majority ownership interest in the Ravenna Insurance Agency. Although the banks operate independently, they share a common president. According to the March 31, 2002 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$16,277M. The bank is primarily an agricultural lender; however, it offers a variety of credit products to meet the needs of its assessment area, as illustrated in Table 1.

| <b>Table 1<br/>PLEASANTON STATE BANK'S LOAN PORTFOLIO<br/>(As of March 31, 2002)</b> |                       |                         |
|--|-----------------------|-------------------------|
| <b>Loan Type</b>   | <b>Amount (\$000)</b> | <b>Percent of Total</b> |
| Agricultural   | 5,260                 | 62.4                    |
| Consumer   | 1,354                 | 16.1                    |
| Commercial   | 1,065                 | 12.6                    |
| Residential Real Estate  | 756                   | 8.9                     |
| <b>TOTAL</b>   | <b>8,435</b>          | <b>100.0</b>            |

The bank's performance was last assessed by the Federal Deposit Insurance Corporation (FDIC) on May 27, 1997, when a "Outstanding" CRA rating was assigned.

### **DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

Pleasanton State Bank's assessment area is in south central Nebraska with its southern border located along Interstate 80, approximately 200 miles west of Omaha and 375 miles east of Denver. The area consists of both Buffalo and Sherman Counties in their entireties, and is comprised of 10 BNAs, none of which are part of a Metropolitan Statistical Area (MSA). The bank's only moderate-income BNA (9701.00) is located in Sherman County and comprises the entire county. The full-service banking facility is located in a middle-income BNA in the village of Pleasanton in north central Buffalo County and is approximately 20 miles from the city of Kearney.

Information obtained from community contacts, 1990 and 2000 census data, 2001 Dun & Bradstreet Business Geodemographic Data, and employment and economic information data was used to develop a performance context for this analysis. Members of the community were contacted to discuss credit needs and assessment area economic and housing conditions. Representatives from the community included an elected city official and a local business owner. The performance context was used to determine the reasonableness of the bank's lending levels and loan distribution within the assessment area.

Over the past decade, the area's population increased while the statewide rural area's decreased. However, the increase was noted in Buffalo County, which increased by 10.7 percent from 37,447 in 1990 to 45,577 in 2000, with 63.1 percent of the county's growth in the city of Kearney. In contrast, Sherman County's population decreased during the same period by 10.8 percent from 3,718 in 1990 to 3,318 in 2000. (Source: Census Bureau DP-1 Tables)

According to 1990 census data, the population by age reflects that 7,303 or 17.7 percent of the assessment area contained citizens between the ages of 18 and 24 years, compared to statewide rural areas and the state of Nebraska at 7.8 and 9.7 percent, respectively. The higher percentage of 18 to 24 year olds in Buffalo County may be attributed to the student population attending University of Nebraska - Kearney that numbers between 10,000 and 12,000.

The area's concentration of senior citizens over 64 years old was lower in 1990 at 13.0 percent compared to the state of Nebraska at 14.1 percent, and has decreased slightly over the past decade. In 2000, 12.4 percent of the total area population was over 64 years old. These figures may be misleading since Buffalo County contains a large population of university students. When Sherman County is analyzed separately, its elderly population over 65 years old is 23.1 percent, and for individuals aged 62 years or older it increased to 26.6 percent. In comparison, for the year 2000, Buffalo County's senior population 62 years and older was only 13.2 percent, and the state of Nebraska's senior population aged 62 and older was 15.8 percent. In 2000, Pleasanton also had a higher percentage of senior citizens with 19.7 percent of the population aged 62 years or older. Furthermore, area senior citizens primarily lived independent of nursing homes. In 2000, only 1.8 percent of the area population lived in group quarters, compared to 1.5 percent for the entire state. (Source: Census Bureau DP-1 Tables)

The area economy was highly reliant on nonfarm business industries, however most of the nonfarm businesses are located in Buffalo County. Sherman County is much more reliant on farming and agriculture-related industries with 38.7 percent of businesses dedicated to farming. Area farms were nearly evenly split between livestock operations and row crops. According to the community contacts, area crop production is largely composed of corn, beans, alfalfa, and tomato products. Major employers in Pleasanton include a fabrication/tool manufacturing company and the local school district. Major employers in Kearney include Eaton Corporation, Baldwin Filters, Good Samaritan Health Systems, and the University of Nebraska - Kearney. (Source: U.S. Department of Agriculture, 1997 Census of Agriculture (USDA); D&B; FDIC Regional Economic Data (FDIC RECON))

Increasing population and employment growth showed an expanding economy in Buffalo County. Buffalo County's employment growth was 1.9 percent from 1999 to 2000 and nearly twice that (3.5 percent) from 2000 to 2001. However, Sherman County experienced negative employment growth of -3.6 percent from 1999 to 2000, compared

to -0.5 percent from 2000 to 2001. Statewide employment growth was 1.2 percent from 1999 to 2000 and 0.3 percent from 2000 to 2001.

Unemployment statistics for the state of Nebraska reveal that the nonseasonally adjusted unemployment rate was 2.9 percent in 1999 and 3.0 percent for the years 2000 and 2001. The nonseasonally adjusted unemployment rate for Buffalo County was slightly higher at 3.2 percent in years 1999 and 2000, then declined to 2.8 percent in 2001. For Sherman County, the respective rate was 3.0 percent in 1999, increasing to 3.5 percent in 2000, and decreasing to 2.7 percent in 2001. (Source: Bureau of Labor Statistics, Household Survey (Haver Analytics)). Community contacts in Pleasanton also noted that area unemployment in recent years has appeared stable.

The assessment area did not contain larger concentrations of low- and moderate-income families than in statewide rural areas. In 1990 the area's median-family income was \$31,604, or 112.5 percent that of statewide rural areas. However, in 1999 Sherman County had a per capita personal income (PCPI) of \$17,131, which ranked 81<sup>st</sup> of 93 counties in Nebraska, and was 63 percent of the state average of \$27,047. In contrast, Buffalo County had a PCPI of \$23,897 and ranked 27<sup>th</sup> in the state at 88 percent of the state average. Table 2 below illustrates the number and percentage of families within the assessment area that are designated as low-, moderate-, middle-, and upper-income.

| <b>TABLE 2<br/>FAMILY INCOME CLASSIFICATION<br/>(Based on 1990 Census Data)</b> |                        |                |                              |                |
|---|------------------------|----------------|------------------------------|----------------|
| <b>Income Level</b>   | <b>Assessment Area</b> |                | <b>Statewide Rural Areas</b> |                |
|   | <b>Number</b>          | <b>Percent</b> | <b>Number</b>                | <b>Percent</b> |
| Low   | 1,589                  | 15.8           | 36,170                       | 16.8           |
| Moderate  | 1,694                  | 16.8           | 42,386                       | 19.7           |
| Middle  | 2,503                  | 24.9           | 55,130                       | 25.6           |
| Upper   | 4,276                  | 42.5           | 81,438                       | 37.9           |
| Percent of Families Living in Poverty   | 893                    | 8.9            | 19,632                       | 9.1            |

In 1990, 68.7 percent of area housing stock consisted of single-family units and 58.3 percent of the area stock was owner-occupied. In statewide rural areas, 79.1 percent of housing stock was single-family units and 62.1 percent was owner-occupied. In the state of Nebraska, 72.4 percent of housing stock was single-family dwellings and 60.6 percent of housing stock was owner-occupied.

In 1990, the area contained a smaller than expected volume of older housing stock, indicating a low need for housing rehabilitation. The concentration of housing units built before 1950 in the area was 39.1 percent, compared to 46.8 percent in statewide rural areas. However, the percentage of housing units built before 1950 in Sherman County (62.7 percent) is not reflective of the percentage for the entire assessment area.

Therefore, residential credit needs in Sherman County may be different than the rest of the assessment area.

Housing affordability varied by county within the assessment area. Affordability rates are calculated using median-household income/median-housing value. As a rule, the higher the rate, the more affordable the housing stock. The housing affordability ratio for Buffalo County and Sherman County was 49.3 percent and 1.04 percent, respectively, indicating that area housing stock was more affordable, particularly in Sherman County in 1990. In statewide rural areas, the housing affordability rate was 58.9.

The age and value of area housing stock may have changed significantly over the past decade as housing stock increased. From 1990 to 2000, the area's number of housing units increased by 13.8 percent. The increase is attributed to the robust home construction in Kearney in which more than 1,700 housing units were added during a seven-year period ending in 2000. Community contacts in Pleasanton indicated that the area's current housing availability is limited, with no vacant homes and minimal, if any, rental or buying opportunities. However, housing opportunities are available outside of Pleasanton, with the cost of homes in Kearney becoming relatively expensive.

## **CONCLUSIONS**

Various criteria were considered in determining the bank's overall CRA performance rating. A review of the bank's level of lending in relation to similarly-situated financial institutions in the area; the concentration of loan originations within the bank's assessment area; the bank's level of lending to borrowers of different income levels and to businesses and farms of different revenue sizes; and the distribution of loan originations within the bank's assessment area by income level of BNA. The bank has not received any complaints relative to its performance under the CRA; therefore, an evaluation of the bank's response to CRA complaints was not included in the analysis. As previously noted, community members were contacted to obtain additional information about the assessment area's credit needs and to confirm that the products and services offered by the local banks adequately met those needs. The bank's performance under the CRA is considered outstanding based on the following assessment criteria analysis.

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

Since the previous CRA examination, conducted by the FDIC on May 27, 1997, Pleasanton State Bank's loan-to-deposit (LTD) ratio averaged 71.7 percent. The LTD ratio reached a high of 81.3 percent in September 1997 and a low of 63.9 percent in March 1999. The bank's average loan-to-deposit ratio, calculated using the previous eight quarterly Call Reports from June 2000 to March 2002, equaled 68.9 percent. This figure was derived by dividing the bank's loan portfolio by total deposits. The ratio was compared to five similarly-situated banks located in Pleasanton State Bank's assessment

area. The five area banks' average LTD ratio for the same period ranged from 70.8 percent to 104.9 percent. Pleasanton State Bank's LTD ratio has gradually decreased since December 2000, when it was 70.9 percent. No adjustment was made to public funds on deposit for Pleasanton State Bank, since the five comparable banks would also need to be adjusted to reflect their public deposits. The bank's average LTD ratio falls below that of the five comparable banks, but is within the range of its state and national peers at 77.9 and 65.1 percent, respectively. The state and national peer averages were taken from the quarterly periods from June 2000 to March 2002.

The bank's loan-to-deposit ratio is considered reasonable. Senior management acknowledged the bank's declining loan-to-deposit ratio trend. Management expressed its commitment to improvement by establishing a loan production office in Kearney in order to expand its services and increase its lending opportunities.

**Lending Inside the Assessment Area**

Based on a sample of loans reviewed during the examination, an overwhelming majority of the bank's lending occurs within its assessment area. Three loan products, consumer motor vehicle loans, business loans and farm loans, were reviewed in the analysis. Based on 109 loans reviewed, 98 of the loans, or 90 percent were to borrowers inside the assessment area. The percentage and number of loans within the assessment area varies by product type and is summarized in Table 3. The percentage of loans within the bank's assessment area is considered strong.

| Table 3<br>LOANS WITHIN THE BANK'S ASSESSMENT AREA |                              |                                    |
|--|------------------------------|------------------------------------|
| Loan Type Sampled                                  | Percentage of Loans Reviewed | Number of Loans In Assessment Area |
| Consumer (Motor Vehicle)                           | 84                           | 26                                 |
| Small Business                                     | 100                          | 28                                 |
| Small Farm   | 90                           | 44                                 |
| <b>TOTALS</b>                                      | 90                           | 98                                 |

**Distribution of Lending Among Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes**

Consumer Motor Vehicle Loans

Table 4 indicates the sample of consumer motor vehicle loans by income level of the borrower. A considerable portion of the loans sampled were to low- or moderate-income borrowers. The distribution of the bank's lending by borrower income level is excellent.



| <b>Table 4</b><br><b>Percentage Distribution of Consumer Motor Vehicle Loans Reviewed</b><br><b>Within the Bank's Assessment Area</b><br><b>By Income Level of Borrower</b> |                                 |                                     |   |
|---|---------------------------------|-------------------------------------|---|
| <b>Area Median Family Income *</b>  |                                 |                                     | \$31,064  |
| <b>Income Level Of Borrower</b>   | <b>Number of Loans Reviewed</b> | <b>Percentage of Loans Reviewed</b> | <b>Percentage of Families within Assessment Area **</b> |
| <i>Low (Less Than 50 Percent of Median Income)</i>  | 10                              | 38                                  | 16  |
| <i>Moderate (50 To 80 Percent Of Median Income)</i>   | 8                               | 31                                  | 17  |
| <i>Middle (80 To 120 Percent Of Median Income)</i>  | 7                               | 27                                  | 25  |
| <i>Upper (Greater Than 120 Percent Of Median Income)</i>  | 1                               | 4                                   | 42  |
| * Area Median Family Income is based on the 1990 U.S. Census Data (STF3).<br>** Percentage of Families in Assessment Area is based on 1990 US Census Data.                  |                                 |                                     |   |

Small Business Loans

All of the 28 loans sampled that were originated within the bank's assessment area were to businesses with annual gross revenues of \$1 million or less, which are considered to be small businesses. According to 2001 Dun & Bradstreet Business Geodemographic Data, the percentage of businesses within the bank's assessment area with annual gross revenues of less than \$1 million was 88 percent. In addition, 27 of the 28 loans (96 percent) were in amounts of \$100M or less, which are amounts typically needed by smaller businesses. The bank's distribution of loans by size of business revenue is excellent.

Small Farm Loans

All of the 44 loans sampled were to businesses with annual gross revenues of \$1 million or less. According to 2001 Dun & Bradstreet Business Geodemographic Data, the percent of farms within the bank's assessment area with annual gross revenues of less than \$1 million was 95 percent. In addition, 35 of the 44 loans (80 percent) were in amounts of \$100M or less, which are amounts typically needed by smaller farms. The bank's distribution of loans by size of farm revenue is excellent.

**Distribution of Lending Among Geographies of Different Income Levels**

**Consumer Motor Vehicle Loans**

Based on the sample reviewed, the distribution of consumer lending is considered reasonable. As described in Table 5, the bank’s lending percentage in the moderate-income BNA was similar to the percentage of families residing in said tract, according to 1990 Census Data.

| <b>Table 5<br/>                     Distribution of Consumer Loans Reviewed<br/>                     Within the Bank’s Assessment Area<br/>                     By Income Level of Geography</b> |  |  |   |
|--|--|--|---|
| <b>Area Median Family Income *</b>   |  |  | \$31,064  |
| <b>Income Level<br/>of BNA</b>   | <b>Number of<br/>Consumer Loans<br/>Reviewed</b> | <b>Percentage<br/>of Consumer<br/>Loans Reviewed</b> | <b>Percentage of Families<br/>within Assessment Area<br/>Tracts(s) **</b> |
| <i>Moderate (50 to 80 percent<br/>of median income)</i>  | 3  | 12   | 10  |
| <i>Middle (80 to 120 percent<br/>Of median income)</i>   | 23   | 88   | 69  |
| <i>Upper (Greater than 120<br/>percent of median income)</i>   | 0  | 0  | 21  |

\* Area Median Family Income is based on the 1990 US Census Data (STF3).

\*\* Percentages derived from 1990 US Census Data.

**Business Loans**

The distribution of small business loans in the assessment area is considered excellent. Data described in Table 6 indicate that the bank’s lending to small businesses compares favorably to the percentage of total businesses by BNA distribution in its assessment area, according to Dun & Bradstreet.

| <b>Table 6</b><br><b>Distribution of Small Business Loans Reviewed</b><br><b>Within the Bank's Assessment Area</b><br><b>By Income Level of Geography</b> |                                   |   |  |
|---|-----------------------------------|---|--|
| Income Level of BNA   | Number of Business Loans Reviewed | Percentage of Small Business Loans Reviewed | Percentage of Businesses in Assessment Area ** |
| <i>Moderate (50 to 80 percent of median income)</i>   | 7                                 | 25  | 7  |
| <i>Middle (80 to 120 percent Of median income)</i>  | 20                                | 71  | 71   |
| <i>Upper (Greater than 120 percent of median income)</i>  | 1                                 | 4   | 22   |

\* Area Median Family Income is based on the 1990 US Census Data (STF3).

\*\* 2001 Dun & Bradstreet Business Geodemographic Data.

Farm Loans

The distribution of small farm loans in the assessment area is also considered excellent. Table 7 indicates that the bank's lending to small farms in the moderate-income BNA exceeds the percentage of total farms by BNA distribution in its assessment area, as compiled by Dun & Bradstreet.

| <b>Table 7</b><br><b>Distribution of Small Farm Loans Reviewed</b><br><b>Within the Bank's Assessment Area</b><br><b>By Income Level of Geography</b> |                               |   |   |
|---|-------------------------------|---|---|
| Income Level of BNA   | Number of Farm Loans Reviewed | Percentage of Small Farm Loans Reviewed | Percentage of Farms in Assessment Area ** |
| <i>Moderate (50 to 80 percent of median income)</i>   | 14                            | 32                                      | 17  |
| <i>Middle (80 to 120 percent Of median income)</i>  | 30                            | 68                                      | 73  |
| <i>Upper (Greater than 120 percent of median income)</i>  | 0                             | 0                                       | 10  |

\* Area Median Family Income is based on the 1990 US Census Data (STF3).

\*\* 2001 Dun & Bradstreet Business Geodemographic Data.

### **Product Innovation/Flexible Lending**

The bank recently agreed to provide a pool of funds to borrowers below the current market rate as part of the Buffalo County Housing Rehabilitation Program. The bank will lend qualified borrowers the 10 percent cash match required by the program, with a payback period of up to five years. The program's goal is to improve dilapidated housing in Buffalo County.

### **Services**

The bank's community development services were also evaluated during the CRA evaluation in support of its rating. One of the bank's officers serves on a housing rehabilitation committee which successfully received a grant through Mid-Nebraska Community Action to rehabilitate the homes of low- and moderate-income families. The program has 22 home targeted for rehabilitation under the program.

### **Compliance with Antidiscrimination Laws and Regulations**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies, credit applications, and loans revealed no prohibited practices designed to discourage loan applicants.

## GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

**Assessment Area** – The geographic area(s) delineated by the bank and used in evaluating the bank’s record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Block Numbering Areas (BNAs)** – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

**Census Tracts** – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

**Community Development** – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Development Loan** – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

**Community Development Service** – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank’s retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area and has not been claimed by other affiliated institutions.

**Consumer Loans** – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

**Dun & Bradstreet Data** – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

**Geography** – A census tract or a block numbering area.

**Income Level** – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

**Low-Income** – Less than 50 percent of the area median income

**Moderate-Income** – At least 50 percent and less than 80 percent of the area median income

**Middle-Income** – At least 80 percent and less than 120 percent of the area median income

**Upper-Income** – At least 120 percent or more of the area median income

**Metropolitan Statistical Area (MSA)** - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

**Qualified Investment** – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Small Business** – A business with gross annual revenues of \$1 million or less.

**Small Business Loan** – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

**Small Farm** – A farm with gross annual revenues of \$1 million or less.

**Small Farm Loan** – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”