

## Annual Disclosure Statement

ANNUAL DISCLOSURE STATEMENTS ARE AVAILABLE BY WRITING TO THE

FIRST STATE BANK

88 NORTH PARK AVE.

LE CENTER, MN 56057

Or by phone: 507-357-2225

Under the Federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The FDIC also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the FDIC; and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the FDIC publishes a nation wide list of the banks that are scheduled for CRA examination in that quarter. This list is available from the FDIC Regional Director, Division of Depositor and Consumer Protection, FDIC, 1100 Walnut St. Suite 2100, Kansas City, Missouri 64104. You may send written comments about our performance in helping to meet community credit needs to Community Reinvestment Officer, PO Box 130, Le Center, MN 56057 and the FDIC Regional Director. Your letter, together with any response by us, will be considered by the FDIC in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our application covered by the CRA filed with the FDIC. We are an affiliate of The First State Agency of Le Center, Inc., a bank holding company. You may request from the Vice President of Supervisors, Federal Reserve Bank of Minneapolis, 90 Hennepin Ave., Minneapolis, MN 55401 an announcement of applications covered by the CRA filed by bank holding companies.

1-2024

## FIRST STATE BANK OF LE CENTER

### Locations and Hours

**Main Office:** First State Bank of Le Center  
88 North Park Ave.  
Le Center, MN 56057

Phone: 507-357-2225

Web: [fsblecenter.com](http://fsblecenter.com)

Hours Of Operation: Monday-Thursday 8:30 am to 4:00 pm  
Friday 8:30 am to 5:00 pm  
Saturday 9:00 am to 12:00 pm

**Branch Office:** First State Bank of Le Center  
(Henderson Office)  
239 Main Street  
Henderson, MN 56044

Phone: 507-248-3740

Web: [fsblecenter.com](http://fsblecenter.com)

Hours of Operation: Monday – Thursday 8:30 am to 4:30 pm  
Friday 8:30 am to 5:00 pm  
Saturday 9:00 am to 12:00 pm

# First State Bank of Le Center

## Deposit Products

Checking Accounts  
Savings Account  
Certificates of Deposit  
Health Savings Accounts  
Individual Retirement Accounts

## Loan Products

Home Equity Line of Credit  
First Mortgage Financing  
Second Mortgage Financing  
Construction and Land Development  
Home Improvement Loans  
Agricultural Loans  
Commercial Loans  
Commercial Lines of Credit  
Small Business Administration Financing  
Commercial Real Estate  
Consumer Lines of Credit  
Consumer Installment Loans  
Overdraft Lines of Credit

## Other Services Available

On-Line Banking  
Mobile Banking  
Remote Deposit  
ATM/Debit Cards  
Safe Deposit Boxes

# CHECKING OPTIONS

Whether you prefer a basic account or a complete package of services, the right checking account is here for you!  
And, remember... a great checking account is just the beginning. Check out our additional deposit services on the back of this brochure.

	Free Checking	Horizons Checking	Varsity Checking	Regular Checking	Super Now Checking	Now Checking	Advantage Club
Minimum Initial Deposit	\$100	\$100	\$50	\$200	\$2,500	\$900	\$100
Minimum Balance to Avoid Fees	\$0	\$0	\$0	\$200	\$2,500	\$900	\$0
Monthly Service Fees if Below Minimum Balance	\$0	Free for Customers Age 62 or Better	Free For Full-Time Students Until Age 23	\$5 plus 15¢ per debit item	\$10	\$10	\$7
Debit Card Available	✓ <small>*Debit Card Fee Applies</small>	✓	✓	✓	✓	✓	✓
Free E-Statements	✓ <small>*Paper Statement Fees Applies</small>	✓	✓	✓	✓	✓	✓
Free Mobile & Online Banking	✓	✓	✓	✓	✓	✓	✓
Overdraft Protection Available <small>*Subject to Application Approval</small>	✓	✓	✓	✓	✓	✓	✓
Electronic Check Storage	✓	✓	✓	✓	✓	✓	✓
Free Bill Pay	✓	✓	✓	✓	✓	✓	✓
Interest Bearing					✓	✓	
Additional Free Benefits◇							✓

◇Additional free benefits include: free personalized checks, free notary service, no fee for money orders, free copy services (10/month)



# ADDITIONAL SERVICES

## ***BILL PAY***

Don't let paying bills be a hassle! Pay all of your bills directly via our online banking or mobile banking app!

## ***DEBIT CARDS***

Access your money at ATMs and pay at merchants around the world. You can pay for goods and services 24 hours a day within the Shazam & MoneyPass Networks (over 30,000 ATM Locations FREE of charge).

## ***OVERDRAFT PROTECTION***

Add overdraft protection to your checking account to avoid overdraft fees and save any inconvenience or embarrassment from having your card declined or a check returned.

## ***MOBILE WALLET***

Make fast, touchless payments in stores, and easily pay on mobile apps and websites. Avoid searching through wallet or purse.

## ***ONLINE & MOBILE BANKING***

View account information in real-time. View Statements, e-Alerts and Messages. Transfer between accounts, pay bills and mobile deposit checks.

## ***BUSINESS BANKING SERVICES***

Enjoy all the personal banking services plus: Remote Capture, Online Banking Admin., & Download direct to Quicken/QuickBooks.



**FIRST STATE BANK**

88 No. Park Ave.  
LeCenter, MN 56057  
507-357-2225

239 Main St.  
Henderson, MN 56044  
507-248-3740

[www.fsblecenter.com](http://www.fsblecenter.com)  
[customerservice@fsblecenter.com](mailto:customerservice@fsblecenter.com)



# CHECKING ACCOUNTS



**FIRST STATE BANK**

LeCenter, MN • Henderson, MN

# SAVINGS OPTIONS

	PASSBOOK SAVINGS	MONEY MARKET ACCOUNT	INVESTOR SAVINGS
Interest Bearing		✓ Higher variable rate than Passbook	✓ Higher variable rate than Passbook
Interest Paid	Quarterly	Monthly	Monthly
Minimum Initial Deposit	\$0	\$100	\$0
Minimum Balance to Avoid Fees	\$0	\$2500	\$10000
Monthly Service Fees if Below Minimum Balance	\$0	\$10	\$0 Changes to Passbook
Free E-Statements	✓	✓	✓
Free Mobile & Online Banking	✓	✓	
Overdraft Protection Available	✓	✓	

## Certificates of Deposits (CD):

Earn Competitive Interest Rate for the term of your Certificate of Deposit. The First State Bank offers a variety of cd terms from 3 month to 4 years.

## Individual Retirement Account (IRA):

Individual retirement accounts (IRAs) are personal retirement savings accounts that offer tax benefits and a range of investment options. Many investors use IRAs as their common source of saving for retirement.

1-2025

# LIMITS & FEES

	FEE
ACCOUNT BALANCING ASSISTANCE	\$25.00 PER HOUR
ACCOUNT RESEARCH	\$25.00 PER HOUR
COPY OF STATEMENT	\$2.00 PER PAGE
BANK MONEY ORDER	\$3.00
PERSONAL MONEY ORDER \$0—\$999.99	\$2.00
PHOTO COPIES	\$.25 PER PAGE
REPLACEMENT OR LOST DEBIT CARD	\$15.00
STOP PAYMENT: CHECK / ACH	\$20.00
WIRE TRANSFER: OUTGOING—DOMESTIC	\$25.00
WIRE TRANSFER: OUTGOING—FOREIGN	\$60.00
RESERVE CHECKING ACCESS FEE—ANNUAL	\$25.00
CONTINUOUS OVERDRAFT FEE CHARGED EVERY 7TH CONSECUTIVE BUSINESS DAY OF CONTINUOUS OVERDRAFT. CAN BE CHARGED EVEN IF OVERDRAFT WAS CAUSED BY A FSB -LC FEE.	\$25.00
CHECK PRINTING FEE DEPENDS ON STYLE OF CHECK ORDERED	VARIOUS
CHECK RETRIEVAL PER PAGE OF 10	\$3.00
GARNISHMENT PROCESSING FEE	\$25.00
NONSUFFICIENT FUNDS EACH RETURNED ITEM	\$25.00
OVERDRAFT EACH OVERDRAFT PAID	\$25.00
INACTIVE ACCOUNT FEE AN ACCOUNT IS DEEEMED INACTIVE WHEN THERE HAS BEEN NO ACTIVITY FOR 24 CONSECUTIVE MONTHS	\$2.00 MONTHLY
SEND FAX	\$3.00 + \$1.00 EACH PAGE
NOTARY SERVICES	\$5.00
BILL PAY: OVERNIGHT DELIVERY	\$14.95
BILL PAY: SAME-DAY ACH	\$9.95

# FIRST STATE BANK OF LE CENTER

## 2010 Loan to Deposit Ratio

12/31/2010	75.54%
09/30/2010	82.94%
06/30/2010	83.38%
03/31/2010	84.95%

## 2013 Loan to Deposit Ratio

12/31/2013	68.11%
09/30/2013	71.50%
06/30/2013	71.97%
03/31/2013	64.51%

## 2011 Loan to Deposit Ratio

12/31/2011	71.71%
09/30/2011	73.59%
06/30/2011	76.95%
03/31/2011	77.23%

## 2014 Loan to Deposit Ratio

12/31/2014	66.60%
09/30/2014	71.04%
06/30/2014	69.33%
03/31/2014	69.58%

## 2012 Loan to Deposit Ratio

12/31/2012	64.53%
09/30/2012	72.02%
06/30/2012	77.92%
03/31/2012	74.50%

## 2015 Loan to Deposit Ratio

12/31/2015	68.99%
09/30/2015	78.26%
06/30/2015	76.58%
03/31/2015	69.74%

## 2016 Loan to Deposit Ratio

12/31/2016	74.15%
09/30/2016	76.66%
06/30/2016	79.05%
03/31/2016	74.04%



FIRST STATE BANK OF LE CENTER

2017 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2017 74.27%  
 09/30/2017 76.60%  
 06/30/2017 78.02%  
 03/31/2017 77.39%

2018 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2018 78.60%  
 09/30/2018 75.76%  
 06/30/2018 78.78%  
 03/31/2018 73.92%

2019 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2019 77.82%  
 09/30/2019 79.20%  
 06/30/2019 81.58%  
 03/31/2019 83.00%

2020 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2020 65.59%  
 09/30/2020 74.11%  
 06/30/2020 75.85%  
 03/31/2020 80.71%

2021 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2021 58.4%  
 09/30/2021 60.09%  
 06/30/2021 63.5%  
 03/31/2021 63.4%

2022 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2022 59.56%  
 09/30/2022 59.76%  
 06/30/2022 60.78%  
 03/31/2022 57.77%

2023 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2023 66.75%  
 09/30/2023 68.44%  
 06/30/2023 66.68%  
 03/31/2023 62.77%

2024 LOAN TO DEPOSIT RATIO

*KG*  
 12/31/2024 75.67%  
 09/30/2024 76.61%  
 06/30/2024 72.68%  
 03/31/2024 69.65%

### **Home Mortgage Disclosure Act Notice**

The HMDA data about our residential mortgage lending are available online for review. The data show geographic distribution of loans and applications; ethnicity, race, sex, age, and income of applicants and borrowers; and information about loan approvals and denials. These data are available online at the Consumer Financial Protection Bureau's Web site ([www.consumerfinance.gov/hmda](http://www.consumerfinance.gov/hmda)). HMDA data for many other financial institutions are also available at this Web site.

# **PUBLIC DISCLOSURE**

May 20, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank of Le Center  
Certificate Number: 9330

88 North Park Avenue  
Le Center, Minnesota 56057

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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.

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	3
Description of Assessment Area .....	4
Conclusions on Performance Criteria .....	7
Discriminatory or Other Illegal Credit Practices Review .....	10
Glossary .....	11

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

First State Bank of Le Center's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test criteria supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize First State Bank of Le Center's performance.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs in the assessment area.
- The bank made a majority of its small farm, small business, and home mortgage loans in its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution by borrowers reflects reasonable penetration of loans among farms and businesses of different revenue sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the previous evaluation dated July 8, 2013, to the current evaluation dated May 20, 2019. Examiners used the Interagency Small Institution Examination Procedures to evaluate First State Bank of Le Center's CRA performance.

The evaluation considered the institution's Lending Test performance based on the following criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

This evaluation does not include any lending activity performed by affiliates.

### Loan Products Reviewed

Examiners determined that the bank's major product lines are farm, commercial, and home mortgage loans. This conclusion considered the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the Consolidated Reports of Condition and Income (Reports of Condition). Small farm lending received more weight in deriving overall conclusions, which is consistent with the primary lending focus of the institution according to bank management and the loan portfolio composition.

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. Examiners reviewed all small farm and small business loans originated or extended in 2018. This period of time was considered representative of performance during the entire evaluation period. D&B data for 2018 provided a standard of comparison for small farm and small business lending performance. Additionally, examiners reviewed home mortgage loans reported on the bank's Loan Application Register pursuant to the Home Mortgage Disclosure Act (HMDA) for 2017 and 2018. Since examiners did not identify any trends between the institution's 2017 and 2018 lending data that materially affected conclusions, this performance evaluation only presents and discusses information for 2017, the most recent year for which aggregate data was available. The 2015 American Community Survey (ACS) data and 2017 aggregate data provided a standard of comparison for home mortgage lending performance.

The entire universe of loans was analyzed for Assessment Area Concentration, and all of these loans within the assessment area were analyzed for Geographic Distribution. A sample from within the assessment area was reviewed for the Borrower Profile analysis for small farm and small business loans. The Borrower Profile analysis for home mortgage lending includes all of the loans within the assessment area. The following table provides details:

Loan Products Reviewed				
Loan Category	Universe		Sample	
	#	\$(000s)	#	\$(000s)
Small Farm	71	7,887	36	3,855
Small Business	61	3,300	36	1,679
Home Mortgage 2017	49	4,271	42	3,800
Home Mortgage 2018	45	4,293	33	2,710

*Source: 2017 and 2018 HMDA Data; Bank records*

Examiners considered the number and dollar volume of small farm, small business, and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals, businesses, and farms served.

## DESCRIPTION OF INSTITUTION

### **Background**

First State Bank of Le Center is headquartered in Le Center, which is in southern Minnesota. The bank is wholly owned by First State Agency of Le Center, Inc., a one-bank holding company also in Le Center. First State Bank of Le Center received a “Satisfactory” rating at its July 8, 2013 FDIC Performance Evaluation, based on Interagency Small Institution Examination Procedures.

### **Operations**

First State Bank of Le Center operates the main office in Le Center and a full-service branch in Henderson, Minnesota. The bank has not opened or closed any offices or had any merger or acquisition activities since the prior evaluation.

First State Bank of Le Center offers loan products including home mortgage, commercial, agricultural, and consumer loans, primarily focusing on agricultural lending. The bank provides a variety of deposit services including checking, savings, individual retirement accounts, and certificates of deposit. In addition, customers have access to internet banking, mobile banking, and mobile deposit capture.

### **Ability and Capacity**

Assets totaled \$84,197,000 as of March 31, 2019, representing a 23.3 percent increase since the March 31, 2013, Reports of Condition. Total deposits equaled \$72,547,000, demonstrating a 20.7 percent increase, and total loans equaled \$60,811,000, representing a 42.9 percent increase during the same period. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of March 31, 2019		
Loan Category	\$(000s)	%
Construction and Land Development	1,728	2.8
Secured by Farmland	6,667	10.9
Secured by 1-4 Family Residential Properties	15,366	25.3
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	3,812	6.3
<b>Total Real Estate Loans</b>	<b>27,573</b>	<b>45.3</b>
Commercial and Industrial Loans	10,938	18.0
Agricultural Loans	15,366	25.3
Consumer Loans	6,184	10.2
Other Loans	750	1.2
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>60,811</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

Examiners did not identify any legal, financial, or other impediments that affect First State Bank of Le Center's ability to meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which examiners will evaluate CRA performance. First State Bank of Le Center has designated one assessment area in Minnesota that includes all of Le Sueur and Sibley counties and one census tract (0813) in Scott County. All three counties are part of the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area.

The following sections discuss demographic and economic information, as well as credit needs and opportunities, for the assessment area.

### **Economic and Demographic Data**

According to the 2015 ACS, the assessment area includes seven moderate-income census tracts and four middle-income census tracts. The assessment area does not include any low- or upper-income census tracts. Since the previous CRA Evaluation, (based on the 2010 U.S. Census), census tracts 1702, 1703, and 1704 of Sibley County have changed from middle income to moderate income. Census tracts 9501 and 9502 of Le Sueur County have changed from upper to moderate income and census tracts 9503 and 9504 have changed from middle income to moderate income. The following table illustrates demographic characteristics of the assessment area.



Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	63.6	36.4	0.0	0.0
Population by Geography	51,377	0.0	53.8	46.2	0.0	0.0
Housing Units by Geography	22,201	0.0	57.7	42.3	0.0	0.0
Owner-Occupied Units by Geography	16,047	0.0	53.3	46.7	0.0	0.0
Occupied Rental Units by Geography	3,645	0.0	71.2	28.8	0.0	0.0
Vacant Units by Geography	2,509	0.0	65.8	34.2	0.0	0.0
Businesses by Geography	3,221	0.0	51.6	48.4	0.0	0.0
Farms by Geography	636	0.0	53.9	46.1	0.0	0.0
Family Distribution by Income Level	13,963	22.2	23.7	26.8	27.3	0.0
Household Distribution by Income Level	19,692	25.5	18.7	22.2	33.7	0.0
Median Family Income – Minneapolis-St. Paul-Bloomington MSA		\$85,636	Median Housing Value			\$167,582
			Median Gross Rent			\$700
			Families Below Poverty Level			5.9%

*Source: 2015 ACS Census and 2018 D&B Data  
Due to rounding, totals may not equal 100.0.  
(\* ) The NA category consists of geographies that have not been assigned an income classification.*

According to 2018 D&B data, service industries represent the largest portion of businesses at 33.3 percent; followed by agriculture, forestry, and fishing (16.5 percent); construction (10.9 percent); retail trade (10.6 percent); and non-classifiable establishments (7.6 percent). In addition, 74.6 percent of area businesses have 4 or fewer employees, and 91.3 percent operate from a single location.

The Federal Financial Institutions Examination Council’s updated median family income levels were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories used to analyze the assessment area are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2017 (\$89,800)	<\$44,900	\$44,900 to <\$71,840	\$71,840 to <\$107,760	≥\$107,760
2018 (\$93,600)	<\$46,800	\$46,800 to <\$74,880	\$74,880 to <\$112,320	≥\$112,320

*Source: Federal Financial Institutions Examination Council*

The following table shows that unemployment rates have generally declined from 2013 to 2018, both locally and nationally, which indicates economic improvement. The annual unemployment

rates for Scott County are lower than the statewide and national rates during the review period. The annual unemployment rates for Le Sueur and Sibley Counties are higher than the statewide rates and generally lower than the national rates.

Unemployment Rates						
Area	2013	2014	2015	2016	2017	2018
	%	%	%	%	%	%
Le Sueur County	6.1	5.4	4.8	4.9	4.6	4.1
Scott County	4.4	3.6	3.1	3.2	2.9	2.5
Sibley County	5.5	4.6	4.1	4.3	4.5	3.2
State of Minnesota	5.0	4.2	3.7	3.9	3.4	2.9
National Average	7.4	6.2	5.3	4.9	4.4	3.9

*Source: Minnesota Department of Employment and Economic Development.*

**Competition**

First State Bank of Le Center operates in a competitive market for credit products and financial services. According to the 2018 Reports of Condition data filed by financial institutions, there are 16 financial institutions operating 23 locations within the assessment area. These institutions range from small community banks to larger financial institutions. First State Bank of Le Center is ranked 5<sup>th</sup> with 8.2 percent of the deposit market share.

First State Bank of Le Center faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2017, 226 HMDA-reporting institutions originated or purchased 2,615 home mortgage loans in the assessment area. First State Bank of Le Center ranked 35<sup>th</sup> with a 1.6 percent market share, by number.

The bank is not required to collect or report its small farm and small business loan data, and has not elected to do so. Therefore, the analyses of small farm and small business loans do not include comparisons against aggregate data. However, aggregate data indicates the level of demand for small farm and small business loans in the assessment area. Specifically, 2017 aggregate data indicates 15 lenders reported the origination or purchase of 292 small farm loans in the assessment area, indicating a moderate degree of competition for small farm lending. Additionally, 2017 aggregate data indicates 71 lenders reported the origination or purchase of 3,373 small business loans in the assessment area, indicating a high degree of competition for small business lending.

**Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. Examiners utilized a previously-conducted community contact interview with an individual from an economic development agency located in the assessment area. The contact stated that rural communities are facing higher unemployment rates than the metropolitan areas. Additionally, there is a shortage of skilled labor in the area for some trades and there are numerous vacant storefronts in the area. The contact indicated that the smaller businesses are struggling and there

is a need for working capital loans; however, the businesses do not have sufficient collateral or have minimal loan history. The contact stated many small business owners are using personal credit to finance business needs. The housing market is strong; however, there is a need for affordable housing. The contact indicated that there is adequate competition among local financial institutions and the area could benefit from special financing programs for the area's immigrant population.

Considering information from the community contact and demographic and economic data, examiners determined that home mortgage and small business loans represent the primary credit needs within the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

First State Bank of Le Center demonstrated satisfactory performance under the Lending Test. The bank's reasonable performance under the Lending Test criteria supports this conclusion.

### Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 73.8 percent over the past 22 calendar quarters from September 30, 2013, to December 31, 2018. The ratio ranged from a low of 66.5 percent as of December 31, 2014, to a high of 79.0 percent as of June 30, 2016. As shown in the following table, the bank's ratio is reasonable in relation to the ratios of similar lenders, which examiners selected based on asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2018 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Arlington State Bank Arlington, Minnesota	54,171	44.0
<b>First State Bank of Le Center Le Center, Minnesota</b>	<b>84,432</b>	<b>73.8</b>
The First National Bank of Le Center Le Center, Minnesota	109,906	88.9
ProGrowth Bank Nicollet, Minnesota	142,406	62.7
<i>Source: Reports of Condition and Income 9/30/2013 through 12/31/2018</i>		

**Assessment Area Concentration**

First State Bank of Le Center originated a majority of small farm, small business, and home mortgage loans within its assessment area, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	65	91.5	6	8.5	71	7,099	90.0	788	10.0	7,887
Small Business	55	90.2	6	9.8	61	3,109	94.2	191	5.8	3,300
Home Mortgage	42	85.7	7	14.3	49	3,800	89.0	471	11.0	4,271

*Source: 2017 HMDA Data; 2018 Bank Records*

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is based on the bank’s excellent dispersion of small farm lending and reasonable dispersion of small business and home mortgage lending in the moderate-income census tracts.

***Small Farm Loans***

The geographic distribution of small farm loans reflects excellent dispersion throughout the assessment area. The following table shows that the institution’s lending performance in moderate-income census tracts exceeds demographic data.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	53.9	46	70.8	5,010	70.6
Middle	46.1	19	29.2	2,089	29.4
<b>Total</b>	<b>100.0</b>	<b>65</b>	<b>100.0</b>	<b>7,099</b>	<b>100.0</b>

*Source: 2018 D&B Data; 2018 Bank Data.*

***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that the institution’s lending performance in moderate-income census tracts slightly exceeds demographic data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	51.6	32	58.2	2,120	68.2
Middle	48.4	23	41.8	989	31.8
<b>Total</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>3,109</b>	<b>100.0</b>

*Source: 2018 D&B Data; 2018 Bank Data.*

**Home Mortgage Loans**

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that the institution’s lending performance in moderate-income census tracts slightly exceeds aggregate data and is similar to demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	53.3	46.9	21	50.0	2,000	52.6
Middle	46.7	53.1	21	50.0	1,800	47.4
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>3,800</b>	<b>100.0</b>

*Source: 2015 ACS Census; 2017 HMDA Data*

**Borrower Profile**

The bank’s lending performance reflects reasonable penetration to farms and businesses of different revenue sizes and individuals of different income levels. First State Bank of Le Center’s reasonable performance in small farm, small business, and home mortgage lending supports this conclusion. Examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less and the percentage of home mortgage loans to low-and moderate-income borrowers.

**Small Farm Loans**

The distribution of small farm loans reflects reasonable lending penetration to farms with gross annual revenues of \$1 million or less. The following table shows that the institution’s lending performance lags demographic data. However, according to the 2017 Census of Agriculture, over half of the farms in the three counties comprising the assessment area reported no interest expense, indicating a reduced demand for credit from the farming sector. Additionally, the community contact did not identify any unmet credit needs in the area. Considering these factors, the bank’s performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000	97.2	29	80.6	2,532	65.7
> \$1,000,000	1.4	7	19.4	1,323	34.3
Revenue Not Available	1.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>3,855</b>	<b>100.0</b>

*Source: 2018 D&B Data, 2018 Bank Data.*

**Small Business Loans**

The distribution of small business loans reflects reasonable lending penetration to businesses with gross annual revenues of \$1 million or less. The following table shows that the institution’s lending performance is similar to demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	83.8	30	83.3	1,404	83.6
> \$1,000,000	5.4	6	16.7	275	16.4
Revenue Not Available	10.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>1,679</b>	<b>100.0</b>

*Source: 2018 D&B Data, 2018 Bank Data.*

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. The institution's lending percentage to low-income borrowers is similar to aggregate data and slightly lower than demographic data. Lending to moderate-income borrowers greatly exceeds both aggregate and demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.2	15.9	7	16.7	380	10.0
Moderate	23.7	28.1	16	38.1	1,266	33.3
Middle	26.8	21.6	12	28.6	976	25.7
Upper	27.3	17.9	7	16.7	1,178	31.0
Not Available	0.0	16.4	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>3,800</b>	<b>100.0</b>

*Source: 2015 ACS Census; 2017 HMDA Data  
Due to rounding, totals may not equal 100.0*

### **Response to Complaints**

First State Bank of Le Center did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect First State Bank of Le Center's overall CRA rating.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).



**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

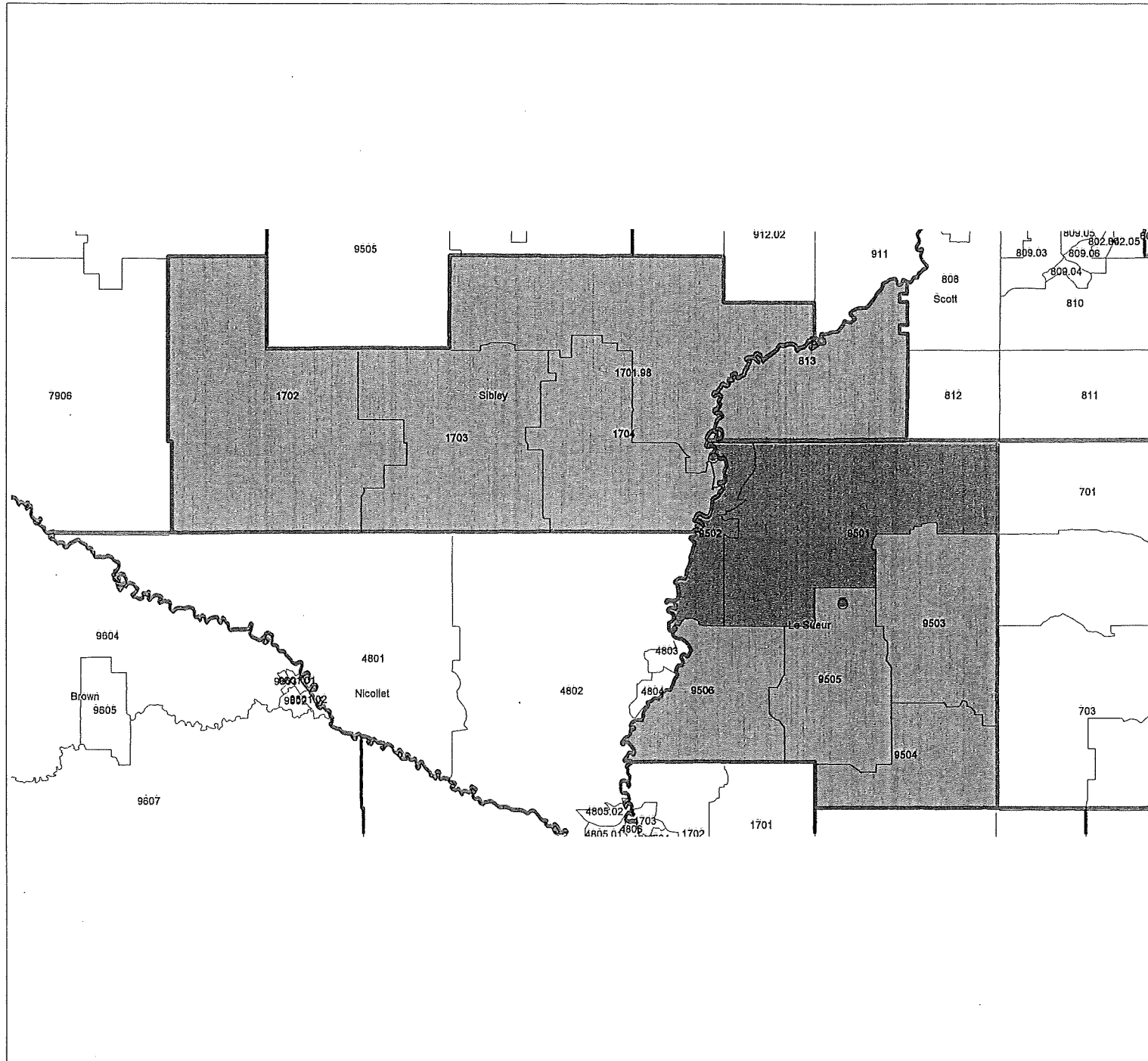
**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

State Bank of Le Center #9330 - Le Center, MN - MFI Map



- OutLine
- Tract 2010
- County10
- State

Branches  
 Color By Institution  
 First State Bank of Lecenter

Census Tract Income Level  
 as a % of MSA Median

	>=120%	(2)
	80%<120%	(9)
	50%<80%	(0)
	0.01%<50%	(0)

State	MSA	County	Census Tract	Minority Tract	Tract Income Catg	Percent Median
27	33460	79	9501	<10%	80%-120%	103.5335
27	33460	79	9502	10% - <20%	50%-80%	76.1304
27	33460	79	9503	<10%	50%-80%	78.003
27	33460	79	9504	<10%	50%-80%	78.6154
27	33460	79	9505	10% - <20%	50%-80%	77.2641
27	33460	79	9506	<10%	80%-120%	87.4262
27	33460	139	813	<10%	80%-120%	98.7516
27	99999	143	1701.98	<10%	80%-120%	113.7774
27	99999	143	1702	10% - <20%	80%-120%	104.6728
27	99999	143	1703	10% - <20%	80%-120%	101.759
27	99999	143	1704	10% - <20%	80%-120%	105.4342

First State Bank of Le Center, Le Center, MN: Cert# 9330-Map based on Minority Percent Data

**% Minority**  
 (# of Tracts in Range)

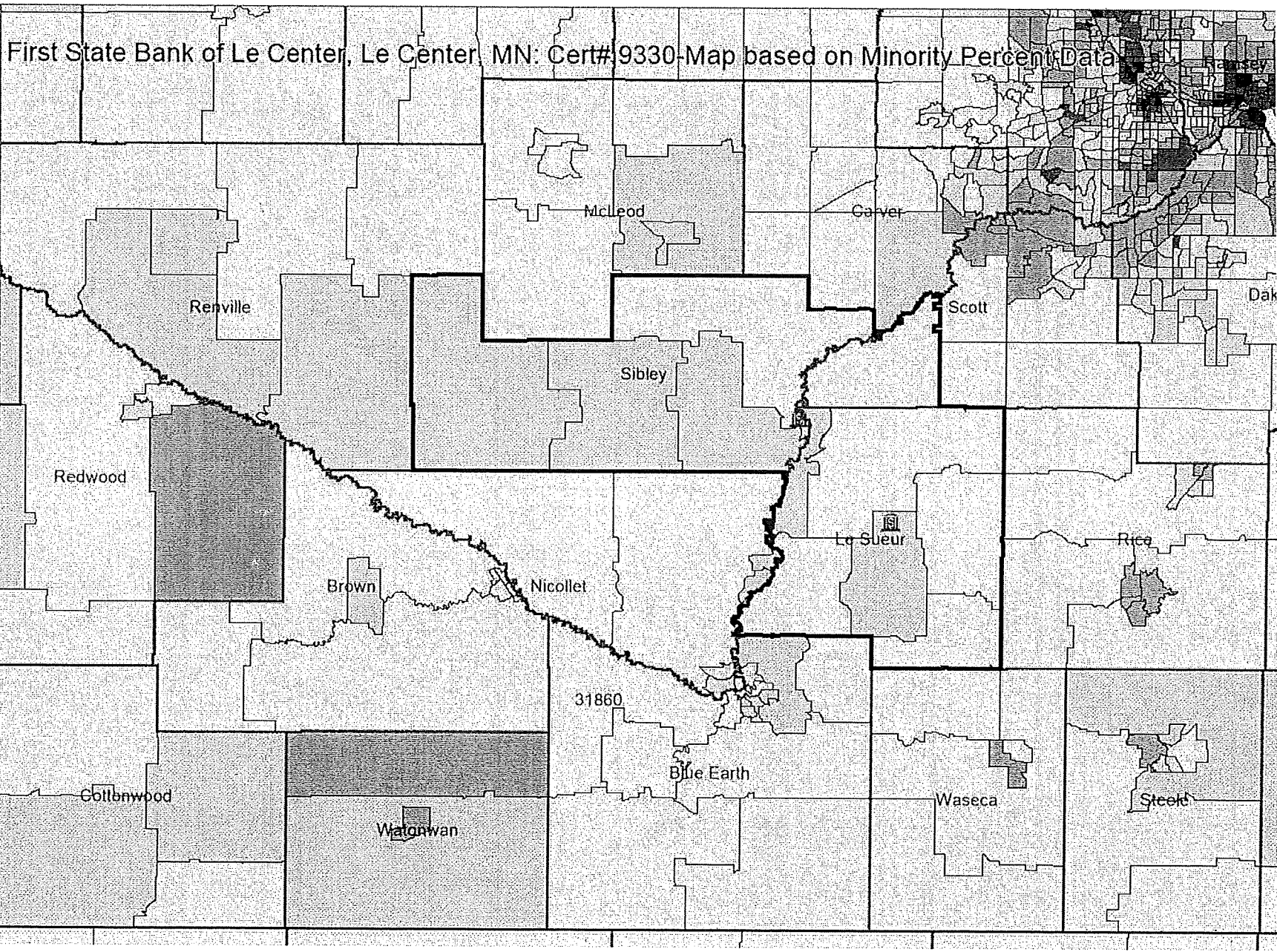
- 80% - 100% (21)
- 50% < 80% (88)
- 20% < 50% (321)
- 10% < 20% (321)
- < 10% (587)

**Outline**

- County 2016
- MSA 2019
- State

**Branch:**  
 Color by Inst

- FIRST STATE BANK



# FIRST STATE BANK OF LE CENTER

## BOARD MEMBERS AND OFFICERS AS OF

JANUARY – 2024

### BOARD MEMBERS

Kevin R. Engel      President/Chairman

Rodney Engel      Vice President

Christopher Engel      Secretary

Dennis Lang      Director

Emmett Krenik      Director

Andrew Oak      Director

Scott Holicky      Director

Travis Mons      Director

Travis Christensen      Director

### BANK MANAGEMENT

Kevin Engel – President

Rodney Engel -Branch President (Henderson Office)

Travis Christensen – Vice President

Travis Mons – Vice President

Christopher Engel – Vice President

Mike Winterfeldt – Cashier/Operations Officer

## **PUBLIC COMMENTS:**

We have not received any written comments from the public for the current year or each of the prior two calendar years.