



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 17, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Platte Valley National Bank
Charter Number: 23124

1212 Circle Drive
Scottsbluff, NE 69361

Office of the Comptroller of the Currency
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated “Outstanding”.

The Lending Test is rated: “Satisfactory”.

The Community Development Test is rated: “Outstanding”.

The following are the major factors supporting the rating for Platte Valley National Bank:

- Platte Valley National Bank’s average loan-to-deposit ratio is more than reasonable. It reflects a strong level of response to the lending needs in the bank’s community.
- The bank’s level of lending within its assessment area is excellent; a substantial majority of the bank’s loans are in its AA.
- The overall distribution of loans to borrowers of different incomes and businesses of different sizes is good. Platte Valley National Bank made a strong effort to participate with local affordable housing organizations to provide flexible affordable mortgage loans to low- and moderate-income individuals.
- The overall distribution of loans in low- and moderate-income census tracts is good.
- Platte Valley National Bank’s responsiveness to the community development needs of its AA is excellent.

SCOPE OF EXAMINATION

We performed a full-scope review of the bank’s single assessment area (AA). The bank’s AA includes the Nebraska counties of Banner, Morrill, Scotts Bluff, and Sioux.

Platte Valley National Bank’s primary loan products are loans to businesses and home mortgage loans. Together they accounted for 70 percent of all loan originations by dollar volume. We sampled 40 home mortgage loans and 39 commercial loans originated from January 1, 2005, through December 31, 2006. We also reviewed community development loans, investments, and services which Platte Valley National Bank provided from August 14, 2001, to September 17, 2007.

DESCRIPTION OF INSTITUTION

Platte Valley National Bank (PVNB) is a full-service financial institution headquartered in Scottsbluff, Nebraska. As of June 30, 2007, PVNB had total assets of \$310 million and Tier One Capital of \$27.8 million.

PVNB is a subsidiary of Platte Valley Financial Service Companies, Inc. (PVFSC), which is also headquartered in Scottsbluff, Nebraska. As of December 31, 2006, PVFSC had total assets of \$552 million. Related organizations under the holding company umbrella include an agricultural lending company, an insurance agency, an investment company, and three other banks—Platte Valley National Bank - Torrington, Tri-County National Bank, and Mountain Valley Bank.

PVNB has one wholly owned operating subsidiary, Platte Valley National Mortgage Company. This company provides a full range of residential mortgage loans, including construction, purchase, refinance, and equity loans. A portion of these loans (about 21 percent) are sold on the secondary market.

PVNB operates as an intrastate bank in Nebraska with three offices in Scottsbluff and one office in each of the following towns: Bridgeport, Minatare, and Morrill. The bank also operates eight full service ATMs and three cash-dispensing ATMs. The full-service ATMs are located at each of the bank's six branches and in Gering and Lyman. All three cash-dispensing ATMs are located in Scottsbluff—one at a college, one at a medical center, and one at an Express Mart. During the review period, the bank closed one branch and opened another in its AA.

PVNB offers a full range of credit products within its AA including commercial, commercial real estate, residential real estate, agricultural, and consumer loans. The bank's primary business focus is almost equally divided between commercial and residential real-estate (home mortgage) loans. By dollar amount, PVNB's loan portfolio consists of the following types of credit: 37 percent commercial; 33 percent residential real estate; 25 percent agricultural, 4 percent consumer and 1 percent all others.

There are no known legal, financial, or other impediments that would hamper PVNB's ability to help meet the credit and community development needs of its assessment area. At the previous CRA examination, the bank received a rating of "Outstanding" under the small bank CRA examination procedures performed as of August 13, 2001.

DESCRIPTION OF ASSESSMENT AREA

PVNB has designated its assessment area (AA) as four contiguous counties in the western Nebraska Panhandle area; they are Banner, Morrill, Scotts Bluff and Sioux. These four counties are largely rural and are not located in a metropolitan statistical area (MSA). U.S. Census Bureau statistics for 2000 identify the total population for the four counties at 44,685. Eighty-two percent of this population resides in Scotts Bluff County. Cities and towns in the bank's AA include Scottsbluff, Gering, Morrill, Mitchell, Lyman, Bayard, Bridgeport, Minatare, and Harrison. Scottsbluff is the largest city in the AA with a population of 14,732.

The four counties in the bank's AA do not contain any low-income census tracts. The AA includes two moderate-income census tracts, one in Scotts Bluff County and one in Sioux County (the only census tract in this county). The bank's AA also includes eleven middle-income census tracts and one upper income census tract in the city of Scottsbluff. The sole census tract in Morrill County is designated as an underserved non-metropolitan middle-income geography. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Demographic Information for Banner, Morrill, Scotts Bluff, and Sioux Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/)	14	0.00	14.29	78.57	7.14	0.00
Population by Geography	44,685	0.00	13.04	80.31	6.65	0.00
Owner-Occupied Housing by Geography	11,987	0.00	10.04	82.46	7.50	0.00
Business by Geography	4,107	0.00	12.05	77.57	10.37	0.00
Farms by Geography	594	0.00	13.47	83.16	3.37	0.00
Family Distribution by Income Level	12,438	22.25	20.03	22.21	35.51	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	5,258	0.00	16.72	79.38	3.90	0.00
Median Family Income		\$41,596	Median Housing Value (2000 US Census)		\$67,221	
HUD Adjusted Median Family Income for 2007		\$50,400	Unemployment Rate (2000 US Census)		2.76%	
Households Below Poverty Level		13%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2007 HUD updated MFI

Primary sources of employment are services, agriculture, and retail trade. Primary agricultural products are alfalfa, barley, corn, beans, oats, sugar beets, cattle and hogs. While manufacturing and retail trade related to agriculture and livestock production continue to provide a significant source of employment, the percentage of employment in the service industry continues to increase. Historically, the service industry has returned lower wages than retail trade and manufacturing.

Economic conditions in the four counties that comprise the AA vary. With a population of 819, Banner County is one of the least populous counties in Nebraska and continues to lose population at about 2 percent per year. As of 2005, the estimated population loss in Banner County since the 2000 census was 10.5 percent. However, Banner County has one of the lowest unemployment rates in Nebraska at 2.2 percent as of July 2007. Employment growth in Morrill County remains poor with a decrease in employment and population in 2005 and 2006. The unemployment rate in Morrill County as of July 2007 was 3.1 percent. Employment growth in Scotts Bluff County has improved slightly showing a 0.5 percent increase in employment in 2006. The unemployment rate for Scotts Bluff County as of July 2007 was 3.5 percent. Available data suggests the population of Sioux County is also declining. The unemployment rate for Sioux County as of July 2007 was 3 percent.

Based on the 2000 U.S. census, the percentages of low- and moderate-income families with cost burdened housing, or housing expenses equaling over 30 percent of family income for each of the counties in the bank's AA was as follows: Banner 29.2 percent, Morrill 34.9 percent, Scotts Bluff 43.3 percent, and Sioux 39.9 percent. The census also identified an extremely low 2 percent rental vacancy rate in Sioux County which may indicate a shortage of affordable housing rental units. The most recent information available (2004) indicates the median sales price for a single family residence in Banner County was \$72,000, in Morrill County it was \$88,417; in Scotts Bluff County it was \$147,859; and in Sioux County it was \$38,500.

PVNB has the largest deposit market share in its four county AA at 28 percent. The next highest is First State Bank in Scottsbluff at 18 percent. PVNB has significant competition from ten financial institutions including a small national bank, state banks, a savings bank and branches of large national banks.

We contacted two community development organizations. One of them is a small business development organization and the other is an organization which provides services to low- and moderate-income individuals (LMI). One of the organizations noted that the local economy has slowed down due to the drought conditions in the area. This is the seventh year of drought; and the local economy, which is highly dependent on agriculture, is struggling. One of the community groups indicated there is a need for small business loans, particularly micro-loans to borrowers who do not qualify for SBA loan programs. Banks can assist by sponsoring small business workshops and providing staff for the workshops. Neither of the community groups mentioned affordable housing as a need in the AA, since neither focuses on providing affordable housing for LMI. However, sources on the Internet indicate, as with other U.S. cities and towns, that affordable housing and flexible home mortgage loan products for low- and moderate-income individuals and families are a significant need in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overall, the bank's performance under the Lending Test is rated "Satisfactory". This is based on PVNB's good lending performance in the Banner, Morrill, Scotts Bluff, and Sioux Counties AA.

Loan-to-Deposit Ratio

PVNB's loan-to-deposit ratio is more than reasonable. As of June 30, 2007, the bank's 25 quarter average loan-to-deposit ratio, calculated since the last CRA examination, was 105 percent. This exceeds the loan-to-deposit ratios for similarly situated banks in PVNB's AA. The loan-to-deposit ratios for the same time period for five similarly situated banks range between 72 percent and 99 percent. Similarly situated banks are those banks of comparable asset size and operating in the same geographies.

Lending in Assessment Area

The portion of lending in the bank's AA, both by number and dollar volume of loans, is excellent. A substantial majority of the bank's loans are inside the bank's AA. Based on number, 98 percent of PVNB's home mortgage loans and 100 percent of the business loans were originated inside the bank's AA. The percentages based on dollar volume were 97 percent and 100 percent, respectively.

Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	39	98%	1	3%	40	\$5,278	97%	\$187	3%	\$5465
Commercial	39	100%	0	0%	39	\$6,233	100%	\$0	0%	\$6233
Totals	78	99%	1	1%	79	\$11,511	98%	\$187	2%	\$11698

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

Overall, the distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, particularly given the bank's strong efforts to meet the needs of low- and moderate-income borrowers by participating in programs which make affordable housing available to LMI families.

Home Mortgage Loans

The borrower distribution of home mortgage loans to low- and moderate-income borrowers (LMI) in the Banner, Morrill, Scotts Bluff, and Sioux Counties AA is good. The level of home mortgage lending to both low- and moderate-income borrowers is somewhat lower than the demographic comparator; but it is good considering that 13 percent of the low-income population is below the poverty level and would not likely be able to qualify for any type of home mortgage loan.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	23%	11%	20%	11%	21%	22%	36%	57%

Source: Data reported under HMDA; U.S. Census data

In addition, the numbers in the sample do not fully reflect the bank's efforts to provide home mortgage loans to LMI individuals in its AA through special mortgage loan programs that the bank participates in, which is noteworthy. The bank participates in a number of flexible home mortgage loan programs to facilitate the purchase of single family homes for LMI individuals. These include the following:

- the Nebraska Investment Finance Authority (NIFA) First Home Super which offers moderate-income individuals a lower interest rate to finance new single family homes or an existing home which has undergone a certain amount of rehabilitation;
- the U.S. Department of Agriculture and NIFA First Time Homebuyer Program which allows LMI borrowers to finance up to 100 percent of the appraised value of the home and eliminates the need for a down payment; and
- the Federal Home Loan Board Rural First Time Homebuyer Program that is a down payment assistance program for LMI home buyers in rural areas.

In the past five years, the bank has received recognition for its efforts to provide affordable housing loans to LMI individuals in conjunction with these programs. The bank has been one of the top five lenders for four years and one of the top ten lenders for one of these years. Under these programs, the bank provided 193 loans totaling almost \$11.5 million to LMI borrowers during the review period.

Business Loans

The distribution of loans to small businesses (businesses with gross annual revenues of \$1 million or less) in the Banner, Morrill, Scotts Bluff, and Sioux Counties AA is

adequate. Although the dollar volume of loans to small businesses is well below the demographic comparator, the number of loans to these businesses is somewhat closer to the demographic comparator. In addition, 45 percent of the loans were to very small businesses, those with gross annual revenues of \$250,000 or less.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Total
% of AA Businesses	79%	21%	100%
% of Bank Loans in AA by #	61%	39%	100%
% of Bank Loans in AA by \$	25%	75%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

Overall, the distribution of loans reflects a reasonable penetration of loans in moderate-income census tracts. There are no low-income census tracts in this AA.

Home Mortgage Loans

The geographic distribution of home mortgage loans in the Banner, Morrill, Scotts Bluff, and Sioux Counties AA is adequate. The portion of residential loans in moderate-income census tracts is somewhat below the demographics.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage	0.00%	0.00%	10.04%	5.00%	82.46%	69.00	7.50%	26.00

Source: Data reported under HMDA; U.S. Census data.

Business Loans

The geographic distribution of loans to businesses in the Banner, Morrill, Scotts Bluff, and Sioux Counties AA is excellent. The portion of business loans in moderate-income CTs is significantly above the demographic comparator.

Table 4A – Geographic Distribution of Loans to Businesses in the Banner, Morrill, Scotts Bluff, and Sioux Counties (Non-MSA)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0.00%	0.00%	12.05%	20.00%	77.57%	67.00	10.37%	13.00

Source: Loan sample; U.S. Census data.

Responses to Complaints

The bank has not received any CRA related complaints since the previous CRA examination.

COMMUNITY DEVELOPMENT TEST

PVNB’s performance under the community development (CD) test demonstrates excellent responsiveness to the community development needs of its AA, considering its performance context and the needs and opportunities within its AA.

Number and Amount of Community Development Loans

PVNB provided an excellent level of community development loans in its AA during this review period.

The bank provided ten CD loans totaling over \$2.5 million. The loans equal 9 percent of Tier One Capital and represent a high level of community development lending. A majority of the loans provided funding to support affordable multi-family housing for low- and moderate-income individuals and are very responsive to a significant need in the bank’s AA. Other loans helped provide needed services to LMI individuals or geographies.

Number and Amount of Qualified Investments

PVNB provided an excellent level of qualified investments in its AA during this review period.

The bank originated eight qualified investments totaling almost \$2.5 million in its AA. This equals almost 9 percent of Tier One Capital and represents a high level of qualified investments. Most of the investments helped finance projects which support essential community development needs in LMI areas or in an underserved middle-income geography. One investment provided funds to a CD organization which provides services to LMI individuals, while another investment helped revitalize/stabilize a moderate-income geography.

Extent to Which the Bank Provides Community Development Services

The level of qualified services PVNB provided in its AA is good. The bank provided qualified services to five CD organizations that provide services to LMI individuals. In addition, the bank has a branch and full-service ATM in an underserved middle-income geography.

- The CRA Officer taught one of the modules of a financial education program. This program seeks to provide financial education to “unbanked” adults, primarily low- and moderate-income, who may be unfamiliar with the benefits of having a relationship with an insured depository institution. The curriculum focuses on helping individuals understand banking services, how to handle a checking account, how to save for a home, how to develop a good credit history, what is required when borrowing, and the requirements/responsibilities of homeownership.
- The CRA Officer is the president of an organization that seeks to make affordable housing available to LMI individuals.
- The CEO and three other employees assisted in fundraising for an organization that provides financial assistance for non-medical expenses to low- and moderate-income cancer patients.
- One employee serves as a board member of an organization that provides services to LMI individuals.
- The bank maintains the deposits from law firm clients, which would not otherwise earn interest, and converts these into interest bearing accounts. The interest proceeds are then paid to the Interest on Lawyers Trust Account Foundation (IOLTA) and used to provide legal services to Nebraska’s low-income citizens.

Responsiveness to Community Development Needs

The bank’s CD loans, investments and services are very responsive to the community development needs in its assessment area. The bank has taken a proactive approach and responded to the need for loans and investments that support affordable housing by participating in affordable housing programs targeted to LMI individuals. The bank also responded to other community development needs in its AA by providing financial and managerial expertise to organizations that provide education and services to LMI individuals.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.