



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 3, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Saint Peter
Charter Number 1794**

**226 West Nassau Street
St. Peter, MN 56082**

**Comptroller of the Currency
ADC-Minneapolis West
920 Second Avenue South Suite 800
Minneapolis, MN 55402**

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

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The bank's average net loan-to-deposit ratio of 79 percent is reasonable and compares favorably with those of other similarly situated banks.
- A majority of the bank's loans by number (83 percent) and by dollar volume (89 percent) are located within the bank's defined assessment area.
- The bank actively lends to individuals of different income levels (including low- and moderate-income borrowers), and meets community demographics for lending to farms and businesses of different sizes.

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) of Saint Peter is a \$118 million bank in Saint Peter, Minnesota, located approximately fifty miles southwest of the Twin Cities metropolitan area. The bank's main office is located in downtown Saint Peter. The bank's only branch is located in nearby Gaylord, approximately 30 miles northwest of Saint Peter. The main office and branch are full-service facilities. The bank has five automated teller machines (ATMs). An ATM is located at both the main bank and the branch, with the remaining ATMs located at a convenience store, the college and a fast food restaurant in Saint Peter.

FNB's business focus is commercial, agricultural, and consumer lending. According to its Report of Condition and Income, FNB had the following outstanding loans by dollar volume on December 31, 2002: commercial (\$28,255,000 or 37%), agricultural (\$19,351,000 or 25%), residential real estate (\$14,381,000 or 19%) and consumer (\$11,416,000 or 15%). Net loans total 64 percent of total assets.

The bank is 100 percent owned by Bancommunity Service Corporation, a two-bank holding company with assets totaling \$225 million. Bancommunity Service Corporation is widely held with no one shareholder owning more than 16 percent of the outstanding shares.

FNB received a "Satisfactory" rating at its March 17, 1999, CRA examination. This Performance Evaluation assesses the bank's CRA activities from March 31, 1999 through December 31, 2002. There are no financial, legal, or other factors which impede the bank's ability to meet the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNB identifies its assessment area (AA) as all Block Numbering Areas (BNAs) in Nicollet County, four BNAs in Sibley County and two BNAs in LeSueur County. The total population of the AA is approximately 50,111 persons, according to 1990 U.S. Census Data.

The AA complies with regulatory requirements. It includes FNB’s main office, branch and ATM locations, along with a majority of the bank’s loans. The area does not arbitrarily exclude any low- to moderate-income BNAs.

The U.S. Department of Housing and Urban Development 2002 updated statewide non-MSA media family income (MFI) estimate for Minnesota is \$48,500. The following table summarizes the income levels of individual BNAs and families located within the bank’s assessment area:

INCOME DISTRIBUTION OF GEOGRAPHIES AND FAMILIES												
Assessment Area	Number and Percent of BNAs								Percentage of Families			
	Low		Moderate		Middle		Upper		Low	Moderate	Middle	Upper
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Percent	Percent	Percent	Percent
Nicollet, Sibley and LeSueur counties	0	0	0	0	8	67%	4	33%	12%	15%	25%	48%

Source: U.S. Census Data (1990)

Major employers in the assessment area include Saint Peter Regional Treatment Center (830 employees), Gustavus Adolphus College (628 employees), Saint Peter Public Schools (283 employees), Saint Peter Public Community Hospital (262 employees) and the County of Nicollet (250 employees). Major employers in the Gaylord area include M.G. Waldbaum (300 employees), Eastside Ford (144 employees) and the County of Sibley (115 employees). According to U.S. Department of Labor statistics, the December 2002 unemployment figure for Minnesota was 3.7 percent compared to the National average at 5.7 percent. In the bank’s assessment area, unemployment in Sibley and LeSueur Counties is high at 5.7 percent and 5.1 percent, respectively, while unemployment in Nicollet County is comparable at 3.1 percent when compared to the Minnesota average.

Competition from other financial institutions is moderate. Including FNB, there are 22 financial institutions chartered in Nicollet, Sibley and LeSueur counties and there are 14 chartered in the bank’s AA. The bank ranks first out of 14 banks with offices in the bank’s AA with deposit share of 18.65 percent. Based on asset size, FNB ranks first out of 6 banks in their AA.

The bank’s assessment area credit needs are typical of those in most small towns and surrounding rural communities and include small farm, small business, residential and consumer lending.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly net loan-to-deposit ratio averaged 78.64 percent over the 16 quarters from March 31, 1999 to December 31, 2002.

The bank's net loan-to-deposit ratio compares favorably with other community banks of similar size (total assets between \$79 million and \$123 million) in the AA. The average loan-to-deposit ratio for the 5 other similarly situated banks in the AA is 79.43 percent with a range from 61 percent to 99 percent over the last 16 quarters from March 31, 1999 to December 31, 2002.

Lending in Assessment Area

FNB originates a majority of its loans to borrowers located within its defined assessment area. Of loans originated in 1999 to 2002, 83 percent by number and 89 percent by dollar volume were made to businesses, farms and individuals located within the bank's assessment area. The following table shows loans originated inside the assessment area by number and dollar volume:

Lending in FNB Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000s	%	\$000s	%	
Commercial	18	90%	2	10%	20	1,165	98%	29	2%	1,194
Agricultural	17	85%	3	15%	20	1,115	84%	214	16%	1,329
Consumer	15	75%	5	25%	20	159	78%	44	22%	203
Total	50	83%	10	17%	60	2,439	89%	287	11%	2,726

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

Overall, the distribution of borrowers reflects a reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Lending to businesses and farms meets community demographics, while lending to low- and moderate-income individuals exceeds community demographics.

Commercial lending activity in the assessment area reasonably meets community demographics. FNB originated 365 commercial loans totaling \$71 million from 1999 to 2002. The number of loans in the assessment area originated to small businesses with less than \$100,000 in annual revenues (15 percent) is comparable to the number originated to businesses with revenues exceeding one million (15 percent).

Examiners sampled 20 commercial and commercial real estate loans representing 5 percent of commercial loans originated in the assessment area from 1999 through 2002. The following table compares the bank's commercial lending activity by revenue size to community demographics:

Borrower Distribution of Loans to Businesses in FNB Assessment Area		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93%	7%
% of Bank Loans in AA by #	85%	15%
% of Bank Loans in AA by \$	63%	37%

Source: Bank records (verified by examiner) and U.S. Census Business Demographic Data (2002).

Agricultural lending activity in the assessment area meets community demographics. The largest number of loans in the assessment area were originated to small farms with less than \$250,000 in annual revenues (75 percent). The following table compares the bank's agricultural lending activity by revenue size to community demographics:

Borrower Distribution of Loans to Farms in FNB Assessment Area		
Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	97%	3%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: Bank records (verified by examiner) and U.S. Census Business Demographic Data (2002).

Consumer lending activity in the assessment area exceeds the community demographics for both low- and moderate-income borrowers. The following table compares the bank's consumer lending activity by borrower income level to community demographics:

Borrower Distribution of Consumer Loans in FNB Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	17.64%	25%	13.31%	25%	18.84%	35%	50.21%	15%

Source: Bank records (verified by examiner) and US Census Data (1990).

Geographic Distribution of Loans

Analysis of lending by geographic distribution is not meaningful. The assessment area contains only middle- and upper-income BNAs.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.