



PUBLIC DISCLOSURE

10/1/2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Gilbert
Charter Number 9262

Bank Address
2 North Broadway
Gilbert, MN 55741

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street
Suite 800
Minneapolis, MN 55402-3393

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, and should not 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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Overall CRA Rating

The Lending Test is rated: Satisfactory

The primary factors supporting The First National Bank of Gilbert's (FNB Gilbert) rating include:

- FNB Gilbert's net loan-to-deposit (LTD) ratio is reasonable based on the institution's size, financial condition, assessment area (AA), and credit needs;
- FNB Gilbert originated a substantial majority of its loans inside its designated AA;
- The bank's overall distribution of loans reflects reasonable penetration among borrowers of different income levels; and
- The bank's overall distribution of loans reflects reasonable dispersion throughout AA geographies of different income levels.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

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, which 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).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

FNB Gilbert is an independently owned, \$36 million full-service, single-state bank located in Gilbert, Minnesota. The community of Gilbert is located in central St. Louis County, in northeastern Minnesota. The bank owns one non-deposit taking automated teller machine (ATM) that is located on the bank's premises. The bank did not open or close any branches since the prior CRA examination in July 2013. However, the bank is currently in the process of opening a branch in Hoyt Lakes, Minnesota. Given that the Hoyt Lakes branch was not open at the time of this examination, we will not consider it in this performance evaluation. No merger or acquisition activities affected the bank during the evaluation period. The bank has no affiliates or subsidiaries.

FNB Gilbert is a rural bank that offers traditional banking products and services. Its primary business focus is home mortgage and consumer lending. As of June 30, 2018, FNB Gilbert's gross loans and leases totaled \$24.6 million or 67.5 percent of the bank's total assets. The loan portfolio was comprised of the following: \$18.5 million home mortgage loans (75 percent), \$3.9 million commercial loans (16 percent), \$2 million consumer loans (eight percent), and \$69 thousand agricultural loans (one percent).

The bank has one AA that includes 23 census tracts within St. Louis County in northern Minnesota. This area is often referred to as the Iron Range. The bank's AA is within the Duluth MN-WI multistate metropolitan statistical area (MSA). The bank's AA reasonably excludes Duluth and the Wisconsin portions of the MSA. The bank does not have a presence in these areas, and the areas would otherwise be too large for the bank to reasonably serve.

Competition within the bank's AA is strong. There are 21 financial institutions with offices in St. Louis County. The June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share report indicated that FNB Gilbert ranks 16th with \$33 million deposits or 0.93 percent of the total deposit market share within the county. Large national banks control most of the market and operate several branches in the county. Wells Fargo has 11 branches with \$1 billion or 30.11 percent of the market share. U.S. Bank has ten branches with \$693 million or 19.56 percent of the market share. According to community contacts in the area, competition is significant given the large number of banks in the Iron Range and county. The Iron Range banks tend to lend locally, primarily within their own specific towns.

There are no financial, legal, or other factors impeding the bank's ability to help meet the credit needs in its AA. FNB Gilbert was previously rated Satisfactory at the last CRA examination dated July 22, 2013.

Scope of the Evaluation

Evaluation Period/Products Evaluated

FNB Gilbert's CRA performance was evaluated using the small bank examination procedures, which includes the lending test only. The lending test evaluated the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for the LTD deposit and complaint portions of the lending test covered performance from April 1, 2013 to June 30, 2018. The evaluation period for the remaining portions of the lending test covered performance from January 1, 2015 to December 31, 2017. However, we analyzed 2015-2016 separately from 2017 since the 2015-2016 sample results are compared to 2010 U.S. Census data and 2017 sample results are compared to the 2015 American Community Survey (ACS) results.

The lending test focused on the bank's primary loan products, which were determined based on the number and dollar amount of loans originated from 2015 to 2017. During that timeframe, the bank originated 447 loans, totaling \$18.6 million. We determined home mortgage loans and consumer loans to be the bank's primary loan products. Home mortgage loans represented 21 percent of loan originations by number and 64 percent by dollar. Consumer loans represented 67 percent of loan originations by number and 17 percent by dollar. Business loans and farm loans were excluded from this evaluation as neither were considered primary loan products.

Data Integrity

To evaluate the bank's performance, we selected a sample of the primary product loans. We randomly sampled 20 loans originated/purchased during the 2015-2016 evaluation period and 20 loans originated/purchased during the 2017 evaluation period for both home mortgage and consumer loans. We randomly sampled additional loans as needed to complete the lending tests.

Selection of Areas for Full-Scope Review

The bank has one AA, which is referred to as the Iron Range AA throughout this report. The Iron Range AA received a full-scope review. Refer to Appendix A for an outline of the examination scope and Appendix B for a full description of the AA and the community profile.

Ratings

FNB Gilbert's overall rating is based on the performance within the Iron Range AA. We evaluated the bank's lending performance on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes; geographic distribution of loans; and responses to CRA related complaints. We gave home mortgage and consumer loan products equal weight in the analysis. However, we put more weight on the 2015-2016 evaluation period given the higher number and dollar

volume of originations for both primary products compared to 2017. Specifically, during 2015 and 2016, the bank originated 53 home mortgage loans totaling \$6.8 million and 196 consumer loans totaling nearly \$2.1 million. During 2017, the bank originated 39 home mortgage loans totaling \$5.1 million and 102 consumer loans totaling \$1.1 million.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB Gilbert’s performance under the lending test is rated satisfactory. Overall, the bank’s lending activity reflects satisfactory responsiveness to AA credit needs for home mortgage loans and consumer loans when considering performance context.

Loan-to-Deposit Ratio

FNB Gilbert's net LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. The bank ranks third among five similarly-situated banks. Similarly-situated banks are defined as banks located in the AA with total assets between \$24 million and \$74 million as of June 30, 2018. The bank's LTD ratio averaged 55 percent over the 21 quarters since the last CRA examination. The bank's quarterly LTD ratio ranged from a low of 45 percent in the third quarter of 2013 to a high of 74 percent in the second quarter of 2018. Lack of loan demand contributed to the lower LTD ratio in 2013 and 2014. However, since then, the local loan demand has improved and the bank’s LTD ratio has consistently increased year over year. The following table shows FNB Gilbert’s average net LTD ratio since the last examination compared to similarly-situated banks:

Loan-to-Deposit Ratios for Similarly Situated Banks		
Bank	Total Assets (as of 6/30/18)	Average LTD (2Q13-2Q18)
The First National Bank of Buhl	\$24,619	84.99%
Northern State Bank of Virginia	\$65,020	78.20%
The First National Bank of Gilbert	\$36,438	54.84%
The Miners National Bank of Eveleth	\$65,228	38.12%
First National Bank (Chisholm)	\$73,606	20.39%

Source: Call Report Data.

Lending in Assessment Area

FNB Gilbert originates a substantial majority of its loans inside its AA. We analyzed a random sample of 40 consumer loans and 40 home mortgage loans originated between January 1, 2015 and December 31, 2017. FNB Gilbert originated 96 percent of its loans by number and 99 percent by dollar within its AA. The table on the following page shows the lending by product type inside and outside of the AA:

Lending In the Iron Range AA										
Loan Category	Number of Loans				Total	Dollar Amount of Loans (\$000s)				Total (\$000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$	%	\$	%	
Consumer										
2015-2016	18	90.00	2	10.00	20	205	90.66	21	9.34	226
2017	19	95.00	1	5.00	20	167	91.25	16	8.75	183
Residential										
2015-2016	20	100.00	0	0.00	20	2,314	100.00	0	0	2,314
2017	20	100.00	0	0.00	20	2,152	100.00	0	0	2,152
Totals	77	96.25	3	3.75	80	4,838	99.24	37	0.76	4,875

Source: OCC Loan Sample, 01/01/2015 - 12/31/2017. Due to rounding, totals may not equal 100.0

Lending to Borrowers of Different Incomes

FNB Gilbert's overall borrower distribution of loans by income level reflects reasonable penetration of different income levels when considering performance context.

Home Mortgage Loans

FNB Gilbert's distribution of home mortgage loans among borrowers of different income levels reflects poor penetration. Based on a sample of 49 home mortgage loans made in 2015 and 2016 and 30 home mortgage loans made in 2017, the bank's proportion of loans was below the proportion of low- and moderate-income (LMI) families and the aggregate distribution of loans to those families. The tables below and on the following page illustrate the bank's distribution of home mortgage loans among borrowers of different income levels in comparison to the percentage of families in the AA and the percentage for aggregate HMDA data reporters in each income level:

Borrower Distribution of Home Mortgage Loans in Iron Range AA (2015-2016)					
Borrower Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	6.1	12.2	24.5	57.1	0.0
% of AA Families	22.8	20.8	22.8	33.7	0.0
% of Aggregate HMDA Data	10.3	20.2	23.5	30.1	16.0

Source: OCC Loan Sample, 01/01/2015 - 12/31/2016; 2010 U.S. Census Data; 2015 and 2016 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Borrower Distribution of Home Mortgage Loans in Iron Range AA (2017)					
Borrower Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	6.7	10.0	26.7	56.7	0.0
% of AA Families	22.2	19.8	23.0	35.0	0.0
% of Aggregate HMDA Data	12.2	20.4	24.4	26.5	16.6

Source: OCC Loan Sample, 01/01/2017 - 12/31/2017; 2015 ACS U.S. Census Data; 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Consumer Loans

The bank's distribution of consumer loans to borrowers of different income levels reflects reasonable penetration given performance context. Based on a sample of 60 consumer loans made in 2015 and 2016, the bank's proportion of loans was above the proportion of moderate-income households and reflects reasonable penetration. However, the bank's proportion of loans was below the proportion of low-income households. While the bank's performance is below the low-income comparator, this is reasonable given that the bank's lending opportunities were negatively impacted by poor economic conditions and the resulting high unemployment rates and elevated poverty levels. Refer to Appendix B for details. Based on a sample of 60 loans made in 2017, the bank's proportion of loans was above the proportion of low-income households and reflects reasonable penetration. However, the bank's proportion of loans was below the proportion of moderate-income households. Once again, this is reasonable given the high poverty and unemployment levels in the AA. Refer to Appendix B for details. The tables below and on the following page display the bank's performance lending to borrowers of different income levels compared to the percentage of households in each income level:

Borrower Distribution of Consumer Loans in Iron Range AA (2015-2016)					
Borrower Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	18.3	18.3	35.0	28.3	0.0
% of AA Households	28.3	16.1	18.3	37.2	0.0

Source: OCC Loan Sample, 01/01/2015 - 12/31/2016; 2010 U.S. Census Data. Due to rounding, totals may not equal 100.0.

Borrower Distribution of Consumer Loans in Iron Range AA (2017)					
Borrower Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	28.3	11.7	31.7	28.3	0.0
% of AA Households	27.9	15.8	17.9	38.3	0.0

Source: OCC Loan Sample, 01/01/2017 - 12/31/2017; 2015 ACS U.S. Census Data. Due to rounding, totals may not equal 100.0.

Geographic Distribution of Loans

FNB Gilbert’s overall geographic distribution of loans reflects reasonable dispersion in moderate-income geographies when considering performance context. There were no low-income census tracts in the AA during the evaluation period

Home Mortgage Loans

FNB Gilbert’s geographic distribution of home mortgage loan originations and purchases reflects reasonable dispersion given performance context. Based on a sample of 49 home mortgage loans made in 2015 and 2016, the distribution of the bank’s home mortgage loans in moderate-income geographies reflects excellent dispersion. The proportion of the bank’s loans in moderate-income geographies was above the proportion of owner-occupied housing units and the aggregate distribution of loans in moderate-income geographies. Based on a sample of 30 home mortgage loans made in 2017, the bank’s proportion of loans in moderate-income geographies was below the proportion of owner-occupied housing units and the aggregate distribution of loans in moderate-income geographies. However, the performance is reasonable given that FNB Gilbert’s lending opportunities in the moderate-income tracts was hindered by proximity, competition, and accessibility. The census tract where FNB Gilbert’s sole branch is located (CT 135) changed from a moderate-income tract in 2016 to a middle-income tract in 2017. In 2017, the moderate-income tracts were primarily located in and around the cities of Hibbing and Virginia. The city of Hibbing is 30 miles from FNB Gilbert and has five full-service banks and two credit unions available to meet the community’s banking needs. The city of Virginia is six miles from FNB Gilbert and has six banks and two credit unions available to meet the community’s banking needs. According to the community contacts, most bank customers in the Iron Range tend to bank at their local, in-town bank and do not travel for banking services. In addition, public transportation in this area is not readily accessible and hinders moderate-income households from traveling to FNB Gilbert to obtain credit. The tables on the following page show the bank’s performance in comparison to the percentage of owner-occupied housing and the percentage for aggregate HMDA data reporters for each income level geography:

Geographic Distribution of Home Mortgage Loans in Iron Range AA (2015-2016)					
Census Tract Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	0.0	24.0	76.0	0.0	0.0
% of AA Owner Occupied Housing	0.0	21.9	78.1	0.0	0.0
% of Aggregate HMDA Data	0.0	22.0	78.0	0.0	0.0

Source: OCC Loan Sample, 01/01/2015 - 12/31/2016; 2010 U.S. Census Data; 2015 and 2016 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Geographic Distribution of Home Mortgage Loans in Iron Range AA (2017)					
Census Tract Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	0.0	10.0	90.0	0.0	0.0
% of Owner Occupied Housing	0.0	25.8	74.2	0.0	0.0
% of Aggregate HMDA Data	0.0	27.3	72.7	0.0	0.0

Source: OCC Loan Sample, 01/01/2017 - 12/31/2017; 2015 ACS U.S. Census Data; 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Consumer Loans

FNB Gilbert's geographic distribution of consumer loan originations and purchases reflects reasonable dispersion given performance context. Based on a sample of 20 consumer loans made in 2015 and 2016, the proportion of the bank's loans in moderate-income geographies was above the proportion of households in moderate-income geographies and reflects reasonable dispersion. Based on a sample of 60 consumer loans made in 2017, the proportion of the bank's loans in moderate-income geographies was below the proportion of households in moderate-income geographies. However, as noted in the home mortgage loans section above, the 2017 performance is reasonable given that FNB Gilbert's lending opportunities in the moderate-income tracts was hindered by proximity, competition, and accessibility. The tables on the following page show the bank's performance in comparison to the percentage of households in each income level geography:

Geographic Distribution of Consumer Loans in Iron Range AA (2015-2016)					
Census Tract Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	0.0	35.0	65.0	0.0	0.0
% of AA Households	0.0	27.4	72.6	0.0	0.0

Source: OCC Loan Sample, 01/01/2015 - 12/31/2016; 2010 U.S. Census Data. Due to rounding, totals may not equal 100.0.

Geographic Distribution of Consumer Loans in Iron Range AA (2017)					
Census Tract Income Level	Low	Moderate	Middle	Upper	Not Available
% of Number of Bank Loans	0.0	13.3	86.7	0.0	0.0
% of AA Households	0.0	32.8	67.2	0.0	0.0

Source: OCC Loan Sample, 01/01/2017 - 12/31/2017; 2015 ACS U.S. Census Data. Due to rounding, totals may not equal 100.0.

Responses to Complaints

FNB Gilbert has not received any CRA related complaints since the prior CRA examination.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): <ul style="list-style-type: none"> • LTD and Complaints – 4/1/2013 to 6/30/2018 • Lending In the AA, Borrower Distribution, Geographic Distribution - 1/1/2015 to 12/31/2017 	
Financial Institution	Products Reviewed	
The First National Bank of Gilbert (FNB Gilbert) Gilbert, MN	Home mortgage loans and consumer loans.	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Iron Range AA	Full-Scope	The bank's AA is limited to 23 census tracts from the northern Minnesota portion of the Duluth MSA #20260.

Appendix B: Community Profiles for Full-Scope Areas

Iron Range AA

Demographic Information for Full-Scope Area: Iron Range AA (2015-2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	23	0.0	30.4	69.6	0.0	0.0
Population by Geography	65,058	0.0	26.3	73.7	0.0	0.0
Owner-Occupied Housing by Geography	23,666	0.0	21.9	78.1	0.0	0.0
Businesses by Geography	4,039	0.0	29.4	70.6	0.0	0.0
Farms by Geography	142	0.0	15.5	84.5	0.0	0.0
Family Distribution by Income Level	18,321	22.8	20.8	22.8	33.6	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,979	0.0	32.4	67.6	0.0	0.0
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	\$59,812 \$67,200 14.23%	Median Housing Value Unemployment Rate			\$103,005 5.28%	

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

Source: 2010 U.S. Census, 2016 HUD updated MFI, 2016 U.S. Bureau of Labor Statistics unemployment data.

Demographic Information for Full-Scope Area: Iron Range AA (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	23	0.0	34.8	65.2	0.0	0.0
Population by Geography	64,580	0.0	32.4	67.6	0.0	0.0
Owner-Occupied Housing by Geography	22,062	0.0	25.8	74.2	0.0	0.0
Businesses by Geography	4,014	0.0	33.9	66.1	0.0	0.0
Farms by Geography	137	0.0	14.6	85.4	0.0	0.0
Family Distribution by Income Level	17,181	22.2	19.8	23.0	35.0	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,211	0.0	37.9	62.1	0.0	0.0

Median Family Income	\$64,345	Median Housing Value	\$106,631
FFIEC Adjusted Median Family Income for 2017	\$67,200	Unemployment Rate	4.55%
Households Below the Poverty Level	14.68%		

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

Source: 2015 ACS U.S. Census, 2017 HUD updated MFI, 2017 U.S. Bureau of Labor Statistics unemployment data.

FNB Gilbert is a \$36 million privately-owned national bank located in Gilbert, Minnesota. The bank has one full-service location that includes a branch, an ATM, and a drive-up. The bank offers traditional banking products and services to individuals and businesses. Retail lending, including home mortgage and consumer loans, continues to be the bank's primary focus.

FNB Gilbert's AA includes 23 contiguous census tracts (CT) within St. Louis County in northern Minnesota. The AA includes the CT where the bank's branch is located as well as the surrounding CTs. This region is often referred to as the Iron Range. In 2015 and 2016, the bank's AA included seven moderate-income CTs and 16 middle-income CTs. The bank's branch was located in a moderate-income CT. In 2017, the tracts changed to eight moderate-income CTs and 15 middle-income CTs as a result of the 2015 U.S. Census. The bank's branch location changed from a moderate-income CT to a middle-income CT. The bank's AA is within the Duluth MN-WI multistate MSA. Given the large size of the MSA, the bank's AA reasonably excludes Duluth and the Wisconsin portion of the MSA. The bank does not have a presence in these areas. The bank's stated AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies nor reflect illegal discrimination.

The local economy is largely dependent on the mining industry. During the evaluation period, lending opportunities to LMI families in the AA were negatively impacted by the poor mining economy and resulting high unemployment rates. We held discussions with contacts from two local economic development organizations during this examination. Both contacts confirmed the poor economic conditions and the lack of loan demand in the area during the evaluation period. They cited the poor mining economy as a contributing factor during 2015 and 2016. Slowdowns in the mining industry caused higher unemployment levels during that timeframe. In 2015 and 2016, the unemployment rate for the county was 4.9 percent and 5.7 percent, respectively. This was well above the state of Minnesota's unemployment rate of 3.7 and 3.9, respectively. In 2017, the mining economy began to improve and, as a result, loan demand increased and the unemployment rate for the county improved to 4.6 percent. While these were notable improvements, the unemployment rate for the county remained well above the state of Minnesota's rate of 3.5 percent.

The poor economic conditions and high unemployment rates also contributed to elevated poverty levels and a lack of affordable housing inventory. Demographic information shows that 14 and 15 percent of households in the AA were below the poverty level from 2015-2016 and in 2017, respectively. The information also shows that nine and 11 percent of families in the AA were below the poverty level from 2015-2016 and in 2017, respectively. Families designated low-income earned less than

\$31,750 in 2015; less than \$31,350 in 2016; and less than \$33,600 in 2017. Families designated moderate-income earned between \$31,750 and \$50,800 in 2015; between \$31,350 and \$50,160 in 2016; and between \$33,600 and \$53,760 in 2017. The median home value in the AA was \$103,005 from 2015-2016 and \$106,631 in 2017, which was not affordable given the aforementioned poverty levels and the median family income for the LMI families.

Competition within the bank's AA is strong. There are 21 financial institutions with offices in St. Louis County. The June 30, 2018 Federal Deposit Insurance Corporation (FDIC) deposit share report indicated that FNB Gilbert ranks 16th with \$33 million deposits or 0.93 percent of the total deposit share within the county. Large national banks control most of the market and operate several branches in the county. Wells Fargo has 11 branches with \$1 billion or 30.11 percent of the market share. U.S. Bank has ten branches with \$693 million or 19.56 percent of the market share. The community contacts noted that the Iron Range banks tend to lend locally, primarily within their own specific towns, given the significant competition.

In terms of responsiveness to community needs, one contact said there has been some opportunity for local banks to participate in their first time home buyer program. Both contacts indicated that FNB Gilbert and other local banks are meeting local credit needs and actively participate in the community.