



## **PUBLIC DISCLOSURE**

June 22, 2015

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

First National Bank Minnesota  
Charter Number 1794

226 West Nassau Street  
St. Peter, MN 56082

Office of the Comptroller of the Currency

222 South 9th Street, 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 Outstanding.**

The major factors supporting this rating include:

- The bank originates a substantial majority of its loans within its assessment area.
- The bank's loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and credit needs of the assessment area.
- The distribution of loans reflects excellent penetration among borrowers of different income levels, and reasonable penetration among businesses and farms of different sizes.
- Geographic distribution of loans reflects excellent dispersion throughout the bank's assessment area.
- Community development activities benefit the bank's assessment area and contribute to the overall rating.

**SCOPE OF EXAMINATION**

We evaluated First National Bank Minnesota's (FNBMN) Community Reinvestment Act (CRA) performance using small bank examination procedures. The evaluation focused on the bank's lending performance in meeting the credit needs of the assessment areas (AA). Specifically, we analyzed primary loan products to determine the amount of lending in the AA, the distribution of lending among businesses and farms of different sizes and borrowers of different income levels, and the distribution of lending throughout the AA.

The evaluation period covered the period from February 18, 2009 through June 22, 2015. We determined the bank's primary loan products based on loan originations and purchases for the period of January 1, 2013 to December 31, 2014.

In 2013, FNBMN served the Mankato Metropolitan Statistical Area (MSA) consisting of Blue Earth and Nicollet Counties, as well as, Non-MSA counties including Brown, Faribault, Martin, McLeod, Renville, Rice, Waseca, Watonwan, Sibley, and LeSueur. Between 2013 and 2014, Sibley County moved to the Minneapolis MSA; subsequently, the bank's Gaylord branch became part of the Minneapolis MSA. Therefore, in 2014, FNBMN served the Mankato MSA and the Minneapolis MSA, including Carver, Scott, Sibley, and Le Sueur Counties. For the purpose of this evaluation, the primary loan types for the Mankato MSA AA are commercial loans and consumer loans. Commercial loans account for 54 percent of the dollar volume of loans originated and represent 26 percent of the number of all originations. Consumer loans account for 10 percent of the dollar volume of loans originated, and represent 61 percent of the number of all originations. The following chart depicts loan originations in the Mankato MSA AA.

<b>Loan Originations and Purchases in 2013 and 2014 in Mankato MSA AA</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Commercial	26%	54%
Consumer	61%	10%
Agriculture	8%	25%
Residential Real Estate	5%	11%

*Source: Bank loan origination report for 2013 and 2014*

The primary loan types for the Non-MSA AA in 2013 are agriculture loans and consumer loans. Agriculture loans account for 64 percent of the dollar volume of loans originated and represent 31 percent of the number of all originations. Consumer loans account for 13 percent of the dollar volume of loans originated, and represent 54 percent of the number of all originations. The following chart depicts loan originations in the Non-MSA AA in 2013.

<b>Loan Originations and Purchases in 2013 in Non-MSA AA</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Agriculture	31%	64%
Consumer	54%	13%
Commercial	11%	15%
Residential Real Estate	4%	8%

*Source: Bank loan origination report for 2013*

The primary loan types for the Minneapolis MSA AA in 2014 are consumer loans and agriculture loans. Consumer loans account for 22 percent of the dollar volume of loans originated and represent 64 percent of the number of all originations. Agriculture loans account for 42 percent of the dollar volume of loans originated and represent 19 percent of the number of all originations. The following chart depicts loan originations in the Minneapolis MSA AA in 2014.

<b>Loan Originations and Purchases in 2014 in Minneapolis MSA AA</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Consumer	64%	22%
Agriculture	19%	42%
Commercial	11%	14%
Residential Real Estate	6%	22%

*Source: Bank loan origination report for 2014*

To conduct our analysis, we selected a sample of loans from each primary product type and expanded our samples as necessary.

## **DESCRIPTION OF INSTITUTION**

FNBMN is a \$195 million intrastate financial institution headquartered in St. Peter, located in Nicollet County in southern Minnesota. The bank has a branch office located in Mankato, MN in Blue Earth County and another branch located in Gaylord, MN in Sibley County. FNBMN has not had any branch openings or closures in the past five years. The bank operates cash dispensing, non-deposit taking automatic teller machines (ATMs) at the main bank office, at each branch, and at Gustavus Adolphus College in St. Peter, MN. The bank is owned by Banccommunity Service Corporation, a one-bank holding company located in St. Peter, MN. There have been no acquisitions or mergers since the previous CRA examination.

As of March 31, 2015, the bank's loan portfolio totaled \$121 million or 62 percent of total assets. The bank offers a variety of loan products for consumers, agricultural businesses and farms, and other small businesses to meet the credit needs of its communities. According to the March 31, 2015, Call Report, the bank's outstanding loans are as follows: Commercial (51%), Agricultural (22%), Residential Real Estate (20%), and Consumer/Other (7%).

The bank's primary products in the Mankato MSA AA are commercial loans and consumer loans. Commercial loans include working capital, equipment, and commercial real estate including construction. Consumer loans include automobiles, recreational vehicle, lines of credit, and other personal loans. The bank's primary products in the Non-MSA AA and Minneapolis MSA AA are consumer and agriculture loans. Agriculture loans include real estate and operating lines.

There are no legal, financial, or other factors impeding FNBMN's ability to help meet the credit needs in its AA. FNBMN received an "Outstanding" CRA rating at its prior CRA examination dated February 17, 2009.

## **DESCRIPTION OF ASSESSMENT AREAS**

FNBMN had three AA including the Mankato MSA AA, the Minneapolis MSA AA, and the Non-MSA AA during the CRA evaluation period.

### ***Mankato MSA AA***

The Mankato MSA AA consists of Blue Earth and Nicollet Counties and includes the St. Peter main office and the Mankato branch. Larger cities in the AA include Mankato, North Mankato, and St. Peter. The Mankato MSA AA includes two moderate-income census tracts (CT), eighteen middle-income CT, and three upper-income CT. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or

moderate-income CT. The following table shows demographic and economic information for the Mankato MSA AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Mankato MSA AA</b>	
Population	
Number of Families	21,920
Number of Households	36,039
% of Low-Income Families	17.29
% of Moderate-Income Families	18.93
% of Middle-Income Families	25.62
% of Upper-Income Families	38.16
Geographies	
Number of Census Tracts	23
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	8.70
% Middle-Income Census Tracts	78.26
% Upper-Income Census Tracts	13.04
Median Family Income (MFI)	
2010 MFI for AA	\$66,302
2014 HUD-Adjusted MFI	\$66,038
Economic Indicators	
2014 Unemployment Rate	3.30%
2010 Median Housing Value	\$166,561
% of Households Below Poverty Level	14.47

*Source: 2010 U.S. Census data with updated information when available*

Economic conditions in the Mankato MSA AA are satisfactory. According to the U.S. Bureau of Labor Statistics, the Mankato MSA unemployment rate was 3.3 percent in 2014, compared to 4.1 percent statewide. Nicollet and Blue Earth Counties are largely urban, with an identified need for business lending. Major employers in the AA include Taylor Corporation Companies, Mayo Clinic Health System, Minnesota State University Mankato, Mankato Area Public Schools, MRCI WorkSource, and St. Peter Regional Treatment.

Competition among financial institutions within the AA is strong. Based upon the June 30, 2014, FDIC Deposit Market Share report, there are 22 deposit taking financial institutions in the AA. FNBMN ranks fourth in deposit market share, with \$150 million in deposits within the AA, which equates to 7.6 percent market share. FNBMN's larger competitors in the AA include Wells Fargo, U.S. Bank, and Community Bank Mankato, collectively the deposit share for these institutions is 42 percent. FNBMN also competes with a host of smaller banks.

We contacted a community development organization in the AA to gain a better understanding of the local economy, area credit needs, and involvement of local

financial institutions. The representative indicated that the job market is expanding rapidly due large employers, including Walmart and FedEx, expanding within the area. The representative also stated that small business lending is in high demand in the community.

### **Non-MSA AA – 2013**

The Non-MSA AA in 2013 consisted of Brown, Faribault, Martin, McLeod, Renville, Rice, Waseca, Watonwan, Sibley, and Le Sueur Counties and included the Gaylord branch. Larger cities in the AA include Faribault, Northfield, New Ulm, Hutchinson, and Fairmont. The Non-MSA AA has four moderate-income CT, 47 middle-income CT, and 13 upper-income CT. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CT. The following table shows demographic and economic information for the bank's Non-MSA AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Non-MSA AA</b>	
<b>Population</b>	
Number of Families	66,599
Number of Households	97,901
% of Low-Income Families	15.32
% of Moderate-Income Families	16.74
% of Middle-Income Families	23.94
% of Upper-Income Families	44.00
<b>Geographies</b>	
Number of Census Tracts	64
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	6.25
% Middle-Income Census Tracts	73.44
% Upper-Income Census Tracts	20.31
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$63,363
2013 HUD-Adjusted MFI	\$61,700
<b>Economic Indicators</b>	
2014 Unemployment Rate	4.74%
2010 Median Housing Value	\$154,664
% of Households Below Poverty Level	9.79

*Source: 2010 U.S. Census data with updated information when available*

Economic conditions in the AA are satisfactory. According to the U.S. Bureau of Labor Statistics, the average unemployment rate of the counties within the Non-MSA AA is 4.7 percent in 2014, slightly higher than the statewide unemployment rate of 4.1 percent. The Non-MSA AA has an agricultural base and there are a number of manufacturing companies in the area. Large employers include LeSueur Inc., WINCO Inc., United

Steel Products, Unidor Corporation, Seneca Foods Corporation, Jennie O Turkey, and MOM Brands.

Competition among financial institutions within the AA is strong. Based upon the June 30, 2014, FDIC Deposit Market Share report, there are 69 deposit taking financial institutions with offices in the AA. FNBMN ranks 61 in deposit market share, with \$19 million in deposits within the AA, which equates to 0.4 percent market share. Wells Fargo is the largest competitor in the AA with 8.2 percent market share. The majority of competitors are smaller local banks that have less than 2 percent market share.

We reviewed previously documented discussions with several community organizations located in the AA to gain a better understanding of the local economy, area credit needs, and involvement of local financial institutions. Representatives indicated that the local economy has improved since the recession and is now stable with relatively low poverty. Representatives also indicated that local banks are meeting the credit needs of the community.

#### ***Minneapolis MSA AA – 2014***

The Minneapolis MSA AA in 2014 consisted of Carver, Scott, Sibley, and Le Sueur Counties and included the Gaylord branch. Larger cities in the AA include Shakopee, Savage, Prior Lake, Chaska, and Chanhassen. The Minneapolis MSA AA has three moderate-income CT, 26 middle-income CT, and 21 upper-income CT. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CT. The following table shows demographic and economic information for the bank's Minneapolis MSA AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Minneapolis MSA AA</b>	
Population	
Number of Families	69,644
Number of Households	92,891
% of Low-Income Families	13.81
% of Moderate-Income Families	16.38
% of Middle-Income Families	25.49
% of Upper-Income Families	44.32
Geographies	
Number of Census Tracts	50
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	14.00
% Middle-Income Census Tracts	46.00
% Upper-Income Census Tracts	40.00
Median Family Income (MFI)	
2010 MFI for AA	\$89,620
2014 HUD-Adjusted MFI	\$79,301
Economic Indicators	
2014 Unemployment Rate	4.20%
2010 Median Housing Value	\$266,234
% of Households Below Poverty Level	5.05

*Source: 2010 U.S. Census data with updated information when available*

Economic conditions in the AA are satisfactory. According to the U.S. Bureau of Labor Statistics, the Minneapolis MSA unemployment rate was 3.9 percent in 2014, compared to 4.1 percent statewide. The average unemployment rate of the counties within the 2014 Minneapolis MSA AA is 4.2 percent for 2014, which is similar to the statewide unemployment rate of 4.1 percent. Sibley and Le Sueur Counties have an agricultural base and there are a number of manufacturing companies in the area. Large employers include LeSueur Inc., WINCO Inc., United Steel Products, and Seneca Foods Corporation. Carver and Scott Counties have a strong commercial and industrial base and a number of entertainment attractions. Large employers include Shutterfly, Seagate Technologies, Fabcon, Entegris, Rosemount, Supervalu, and General Mills.

Competition among financial institutions within the AA is strong. Based upon the June 30, 2014, FDIC Deposit Market Share report, there are 41 deposit taking financial institutions with offices in the AA. FNBMN ranks 34 in deposit market share, with \$19 million in deposits within the AA, which equates to 0.5 percent market share. KleinBank, Wells Fargo, and U.S. Bank are the largest competitors in the AA with a combined market share of 46 percent. The majority of competitors are smaller local banks that have less than 2 percent market share.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank's lending performance is outstanding. The loan-to-deposit ratio is reasonable, and a substantial majority of loans are originated within the bank's AA. Geographic distribution of loans reflects excellent dispersion throughout the bank's geographies. Distribution of loans reflects excellent penetration among borrowers of different income levels, and reasonable penetration among businesses and farms of different sizes.

### Loan-to-Deposit Ratio

FNBMN's LTD ratio is reasonable given the bank's size, financial condition, AA credit needs, and local economic conditions. FNBMN's quarterly average LTD ratio is 70 percent for the 25 quarters since the previous CRA evaluation. The ratio ranged from a high of 83 percent in second quarter of 2009 to a low of 56 percent in the fourth quarter of 2012.

FNBMN's average LTD ratio ranks fourth among similarly situated banks. Similarly situated banks are defined as banks located within FNBMN's AA with similar asset size. The following table depicts the average LTD ratios of similarly situated banks.

<b>Loan-to-deposit Ratio Institution (Headquarters)</b>	<b>Assets as of 3/31/15 (\$000s)</b>	<b>Average LTD Ratio (%)</b>
Community Bank Corporation (Chaska, MN)	\$197,176	85%
First Bank Blue Earth (Blue Earth, MN)	\$189,974	80%
First Security Bank (Sleepy Eye, MN)	\$198,751	73%
<b>First National Bank Minnesota (St. Peter, MN)</b>	<b>\$195,464</b>	<b>70%</b>
Citizens Bank and Trust Co. (Hutchinson, MN)	\$205,980	70%
The State Bank of Faribault (Faribault, MN)	\$179,879	57%

*Source: Call Report data as of March 31, 2015*

### Lending in Assessment Area

FNBMN originates a substantial majority of loans inside its AA based on the number and dollar amount of loans originated. FNBMN originated 89 percent by number and 95 percent by dollar volume of loans within the AA. The table below shows the volume of loans originated inside and outside of the AA during the evaluation period.

<b>Lending in MSA and Non-MSA AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	37	97	1	3	38	6,853	98	120	2	6,973
Consumer	54	90	6	10	60	525	89	66	11	591
Commercial	14	70	6	30	20	1,434	83	287	17	1,721
<b>Totals</b>	<b>105</b>	<b>89</b>	<b>13</b>	<b>11</b>	<b>118</b>	<b>8,812</b>	<b>95</b>	<b>473</b>	<b>5</b>	<b>9,285</b>

Source: Agriculture, consumer, and commercial loan samples from 2013-2014.

### Lending to Borrowers of Different Incomes and to Businesses/Farms of Different Sizes

Overall, FNBMN’s distribution of loans reflects excellent penetration among borrowers of different incomes and reasonable penetration among business and farms of different sizes in the AA.

#### Mankato MSA AA

##### Consumer Loans

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. FNBMN’s lending to low- and moderate-income individuals significantly exceeds the AA demographics of 23 percent and 16 percent of low- and moderate-income households, respectively. The following table shows the distribution of consumer loans among borrowers of various income levels in the AA.

<b>Borrower Distribution of Consumer Loans in Mankato MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	22.86	40.00	16.25	40.00	20.10	20.00	40.79	0.00

Source: Consumer loan sample from 2013-2014, 2010 US Census Data

##### Business/Farm Loans

The distribution of commercial loans reflects reasonable penetration among businesses of different sizes. FNBMN’s lending to businesses with gross revenues of \$1 million or less by number exceeds the demographic of 72 percent, however lending by dollar volume is lower than the demographic of businesses in the AA with revenues of \$1 million or less. This can be attributed to the four largest loans in the sample being made to businesses with gross revenues greater than \$1 million. The demographic data used

contains a high level of businesses of unknown size, as they chose not to report this information. Although the unknown 22.5 percent could potentially be additional small businesses, we have no reason to believe that the non-reporters are a disproportionate amount of small businesses. The following table shows the distribution of commercial loans among businesses of different sizes in the AA.

<b>Borrower Distribution of Loans to Businesses in the Mankato MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.96	5.55	22.49	100
% of Bank Loans in AA by #	80.00	16.67	3.33	100
% of Bank Loans in AA by \$	47.93	50.68	1.39	100

*Source: Commercial loan sample from 2013-2014, Dunn & Bradstreet Data 2013*

### **Non-MSA AA- 2013**

#### **Consumer Loans**

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. FNBMN’s lending to low- and moderate-income individuals significantly exceeds the AA demographics of 20 percent and 15 percent of low- and moderate-income households, respectively. The following table shows the distribution of consumer loans among borrowers of various income levels in the AA.

<b>Borrower Distribution of Consumer Loans in 2013 Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	19.90	40.00	15.18	25.00	19.32	15.00	45.59	20.00

*Source: Consumer loan sample from 2013-2014, 2010 US Census Data*

#### **Business/Farm Loans**

The distribution of agriculture loans reflects reasonable penetration among farms of different sizes. FNBMN’s lending to farms with gross revenues of \$1 million or less by number and dollar is lower than the AA demographic of 99 percent of farms with gross revenues of \$1 million or less. Lending to small farms by dollar amount was significantly lower than the comparable demographic, however, we attribute this to a small sample size and two very large dollar loans made to farms with revenues over \$1 million in 2013. While a large dollar volume of agriculture loans were originated in the Non-MSA AA as a percentage of total loan originations in 2013, the volume by number of loan originations was low. As a result, we were unable to attain a full sample of 20 agricultural loans within the AA, which is customary to appropriately assess the bank’s

lending under the borrower distribution test. In addition, we found that the two largest loans in our sample were made to farms with gross revenues greater than \$1 million further skewing our analysis, as these two loans represent over 75 percent of the total loans originated by dollar in 2013. The following table shows the distribution of loans among farms of different sizes in the AA.

<b>Borrower Distribution of Loans to Farms in the 2013 Non-MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.03	0.70	0.27	100
% of Bank Loans in AA by #	50.00	43.75	6.25	100
% of Bank Loans in AA by \$	14.08	85.63	0.30	100

*Source: Agriculture loan sample from 2013-2014, 2010 US Census Data*

### **Minneapolis MSA AA- 2014**

#### Consumer Loans

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. FNBMN's lending to low- and moderate-income individuals significantly exceeds the AA demographics of 16 percent and 14 percent of low- and moderate-income households, respectively. The following table shows the distribution of consumer loans among borrowers of various income levels in the AA.

<b>Borrower Distribution of Consumer Loans in 2014 Minneapolis MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA House holds	% of Number of Loans						
Consumer	15.93	45.00	14.36	30.00	20.70	15.00	49.01	10.00

*Source: Consumer loan sample from 2013-2014, 2010 US Census Data*

#### Business/Farm Loans

The distribution of agriculture loans reflects reasonable penetration among farms of different sizes. FNBMN's lending to farms with gross revenues of \$1 million or less by number and dollar is lower than the AA demographic of 99 percent of farms with gross revenues of \$1 million or less. Lending to small farms by dollar amount was significantly lower than the comparable demographic, however, we attribute this to a small sample size and three very large dollar loans made to farms with revenues over \$1 million in 2014. While a large dollar volume of agriculture loans were originated in the Minneapolis MSA AA as a percentage of total loan originations in 2014, the volume by number of loan originations was low. As a result, we were unable to attain a full sample of 20 agricultural loans within the AA, which is customary to appropriately assess the bank's lending under the borrower distribution test. In addition, we found

that the three largest loans in our sample were made to farms with gross revenues greater than \$1 million further skewing our analysis, as these three loans represent over 77 percent of the total loans originated by dollar in 2014. The following table shows the distribution of loans among farms of different sizes in the AA.

<b>Borrower Distribution of Loans to Farms in the 2014 Minneapolis MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.46	1.20	0.35	100
% of Bank Loans in AA by #	58.33	41.67	0.00	100
% of Bank Loans in AA by \$	19.99	80.01	0.00	100

*Source: Agriculture loan sample from 2013-2014, 2010 US Census Data*

### **Geographic Distribution of Loans**

FNBMN's geographic distribution of loans in the AA reflects excellent dispersion throughout CT of different income levels. There are no low-income CT in the AA. Therefore, our geographic distribution analysis focused on FNBMN's performance in the moderate-income CT. The overall geographic distribution of loans in the AA reflects excellent dispersion, despite our findings of poor dispersion to consumer borrowers in the Non-MSA AA in 2013. This is due to our findings of excellent dispersion to consumer borrowers in the Minneapolis MSA AA in 2014. The two geographic distribution tests both considered lending out of the Gaylord branch in Sibley County and assessed the same lending area. However, between 2013 and 2014, the CT in which the branch is located changed from a middle-income CT to a moderate-income CT and Sibley County moved from a Non-MSA AA to the Minneapolis MSA. Given these changes, findings from 2014 are given more weight when determining overall conclusions.

### ***Mankato MSA AA***

#### **Consumer Loans**

The geographic distribution of consumer loans reflects excellent dispersion throughout CT of different income levels. FNBMN's consumer lending performance significantly exceeds the AA demographic comparator of 9.5 percent of households located in the moderate-income CT. The following table shows the bank's performance as compared to the percentage of consumers in each census tract income level.

Geographic Distribution of Consumer Loans in Mankato MSA AA								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	0.00	0.00	9.46	15.00	80.60	85.00	9.93	0.00

Source: Consumer loan sample from 2013-2014, 2010 US Census Data

**Business/Farm Loans**

The geographic distribution of commercial loans reflects excellent dispersion throughout CT of different income levels. FNBMN’s commercial lending performance exceeded the AA demographic comparator of 9.7 percent of businesses located in the moderate-income CT. The following table shows the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Mankato MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	0.00	0.00	9.66	10.00	82.25	81.67	8.09	8.33

Source: Commercial loan sample from 2013-2014, 2010 US Census Data

**Non-MSA AA- 2013**

**Business/Farm Loans**

The geographic distribution of agriculture loans reflects reasonable dispersion throughout the AA. Although, the bank had no agriculture lending activity in moderate-income census tracts, the demographic comparator is very low with only 1.2 percent of farms in the AA located in moderate-income census tracts. The following table shows the bank’s performance as compared to the percentage of farms in each census tract income level.

Geographic Distribution of Loans to Farms in 2013 Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans
Farms	0.00	0.00	1.24	0.00	78.05	100.00	20.72	0.00

Source: Agriculture loan sample from 2013-2014, 2010 US Census Data

**Consumer Loans**

The geographic distribution of consumer loans reflects poor dispersion throughout CTs of different income levels. The bank’s AA has four moderate-income census tracts, which are located further away from the Gaylord branch in Sibley County. While lending barriers were considered, the bank’s performance was below the AA demographic comparator of 7.1 percent of area households located in the moderate-income census tract. The following table shows the bank’s performance as compared to the percentage of consumers in each census tract income level.

<b>Geographic Distribution of Consumer Loans in 2013 Non-MSA AA</b>								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	0.00	0.00	7.14	0.00	68.28	100.00	24.58	0.00

*Source: Consumer loan sample from 2013-2014, 2010 US Census Data*

**Minneapolis MSA AA- 2014**

**Business/Farm Loans**

The geographic distribution of agriculture loans reflects excellent dispersion throughout CT of different income levels. FNBMN’s agriculture lending performance exceeded the AA demographic comparator of 19.2 percent of farms located in the moderate-income CT. The following table shows the bank’s performance as compared to the percentage of consumers in each census tract income level.

<b>Geographic Distribution of Loans to Farms in 2014 Minneapolis MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans
Farms	0.00%	0.00	19.18	100.00	58.55	0.00	22.27	0.00

*Source: Agriculture loan sample from 2013-2014, 2010 US Census Data*

**Consumer Loans**

The geographic distribution of consumer loans reflects excellent dispersion throughout CT of different income levels. FNBMN’s consumer lending performance significantly exceeded the AA demographic comparator of 12.8 percent of households located in the moderate-income CT.

The 2014 Minneapolis MSA AA geographic distribution test also considered lending performance from the Gaylord branch in Sibley County. The difference in results from

2013 can be attributed to changes in census tract income levels. The CT in which the Gaylord branch is located changed from a middle-income CT in 2013 to a moderate-income census tract in 2014. The majority of lending from the Gaylord branch is in Sibley County. The following table shows the bank’s performance as compared to the percentage of consumers in each census tract income level.

Geographic Distribution of Consumer Loans in 2014 Minneapolis MSA AA								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	0.00	0.00	12.82	75.00	49.06	25.00	38.12	0.00

*Source: Consumer loan sample from 2013-2014, 2010 US Census Data*

### Responses to Complaints

FNBMN received no CRA related complaints during the evaluation period.

### Community Development Test

FNBMN’s community development (CD) activities enhance the availability of credit in the AA and contribute to the overall outstanding rating. FNBMN has demonstrated adequate responsiveness to the CD needs of its AA, considering its capacity and the needs and opportunities within these areas.

#### *Volunteer work*

Employees of FNBMN serve as board members, committee members, and volunteers for several non-profit organizations such as Greater Mankato Growth, the local Chamber of Commerce (St. Peter, Mankato and Gaylord), St. Peter Development Corporation, and the Regional Center for Entrepreneurial Facilitation. In these roles, bank employees provide their banking expertise and resources to organizations with the focus of economic development or helping low- to moderate-income individuals, families, or geographies. Total volunteer hours were 2,483 in 2014, and volunteer hours to qualifying organizations totaled 493.

#### *Donations*

FNBMN actively donates to several organizations within the community. Total donations and sponsorships totaled \$30.3 thousand in 2013 and \$34.2 thousand in 2014. While a significant portion of donations and sponsorships are provided to economic development organizations, our analysis determined that approximately \$3.2 thousand went to organizations that provide direct benefits to low- and moderate-income individuals, families, or geographies.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R.25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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