

PUBLIC DISCLOSURE

May 17, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Saint Peter
Charter Number 1794
226 West Nassau
Saint Peter, Minnesota 56082-2093**

**Office of the Comptroller of the Currency
Minneapolis Field Office
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **The First National Bank of Saint Peter (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 17, 1999**. This evaluation is based on information from the last CRA examination dated April 25, 1996 to the current examination dated May 17, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

- C The average loan-to-deposit ratio for the eleven quarters ending December 31, 1998 equals 75.23%.
- C A majority (83%) of FNB's loan originations are located within the bank's assessment area.
- C The bank's distribution of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- C FNB's record of lending to small farms and small businesses within its assessment area is good.

DESCRIPTION OF INSTITUTION

The First National Bank of Saint Peter is a \$101 million bank in Saint Peter, Minnesota, located approximately fifty miles southwest of the twin cities metropolitan area. Its main office is in downtown Saint Peter with a branch in nearby Gaylord. Drive-up facilities are available at each location. FNB's four Automated Teller Machines (ATMs) are located in middle-income areas.

FNB is wholly owned by the \$177 million holding company, Bancommunity Service Corporation. The holding company owns another bank holding company and an affiliated state-chartered bank located in Mankato. The bank offers a wide variety of lending products. Their primary business focus is residential real estate, agricultural, and commercial lending. The loan portfolio mix is as follows: residential real estate 30%, agricultural 29%, commercial 28%, and instalment 13%. Net loans to assets is 61.26% as of December 31, 1998.

No financial conditions, legal constraints, or other factors hinder the bank's ability to help meet the credit needs of its assessment area (AA). An "Outstanding" rating was received during the April 25, 1996, CRA examination.

DESCRIPTION OF ASSESSMENT AREAS:

The bank's assessment area consists of all Block Numbering Areas (BNAs) in Nicollet County, four BNAs in Sibley County, and two BNAs in Le Sueur County. Eight (67%) of the BNAs in the AA are designated as middle-income and four (33%) as upper-income. There are no low- or moderate-income BNAs in the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The location of the BNAs by income level is as follows:

- Ⓒ Middle-income: 9502 in Le Sueur County
9801, 9804, and 9806 in Nicollet County
9701.98, 9702, 9703 and 9704 in Sibley County
- Ⓒ Upper-income: 9506 in Le Sueur County
9802, 9803 and 9805 in Nicollet County

According to 1990 census data, the total population of the bank's AA is 50,111. The 1998 non-Metropolitan Statistical Area (MSA) statewide median family income for Minnesota is \$40,500. Potential borrowers earning less than 50% of the non-MSA statewide median family income are designated as low-income, while those earning 50% - 80%, 80% - 120%, and more than 120% are designated as moderate-, middle-, and upper-income, respectively. Within the AA, 12% of the families are low-income, 15% are moderate-income, 25% are middle-income, and 48% are upper-income. The unemployment rate for the AA is low at 2%.

There are 18,840 total housing units in the AA, of which 72% are owner-occupied, 22% are rentals, and 6% are vacant. The median age of homes in the AA is 42 years, while the median housing price is \$58,001.

Economic conditions in the AA are stable. The local economy includes manufacturing and agricultural industries. Principal employers are Saint Peter Regional Treatment Center (state mental health facility); Gustavus Adolphus (small private college); Saint Peter school district, and the Community Hospital. The major employers in Gaylord are M.G. Walbaum Co., Unidor Corp., and Wolverine Manufacturing Co.

Ninety percent of the businesses in the AA have gross income of less than \$1 million, and 10% greater than \$1 million. Eighty of the 83 (96%) farms have revenues less than \$1 million with the other three farms' revenue unknown.

The large number of banks and thrift institutions provide a high level of competition in the financial services market. Nicollet County Bank and Farm Credit Services provide the primary loan competition. Rural American Bank in North Mankato and The Nicollet County Bank of Saint Peter were identified as similarly situated institutions within the AA based on asset size and/or business focus.

A community contact was made with an area leader during the examination. The contact identified residential mortgage and business loans as the community's most pressing credit needs. The contact also indicated the local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The average loan-to-deposit ratio for the eleven quarters ending December 31, 1998 equals 75.23% compared to 66.54% for local similarly situated banks.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank's lending within and outside the AA by dollar volume and number of loan originations in the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$33,387,034	\$4,728,939	666	84
	88%	12%	89%	11%
Business	\$43,215,295	\$16,929,737	442	90
	72%	28%	83%	17%
Agricultural	\$30,814,652	\$2,145,939	468	37
	93%	7%	93%	7%
Consumer Instalment	\$14,627,245	\$3,551,311	2,127	543
	80%	20%	80%	20%
TOTAL	\$122,044,226	\$27,355,926	3,703	754
	82%	18%	83%	17%

Source: Bank Records (6/30/96 to 5/6/99)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of residential real estate loans reflects adequate penetration among individuals of different income levels, including low- and moderate-income individuals, and meets the standard for satisfactory performance. A sample of 15% of the residential real estate loans originated within the AA was reviewed. Seven percent were originated to low-income borrowers and 16% originated to moderate-income borrowers.

FNB accommodates low- and moderate-income individuals by granting small dollar personal and real estate loans. Thirty-six percent of the real estate loans originated for less than \$25,000, 21% originated for \$25,000 to \$49,999, 30% originated for \$50,000 to \$99,999, and 13% originated for \$100,000 or more.

The following tables summarize the bank’s distribution of loan originations among borrowers of different income levels:

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	12%	\$175,712	4%	7	7%
Moderate-income	15%	\$551,468	11%	16	16%
Middle-income	25%	\$1,715,147	34%	33	33%
Upper-income	48%	\$2,558,700	51%	44	44%
TOTAL	100%	\$5,001,027	100%	100	100%

Source: Bank Records (6/30/96 to 5/6/99)

FNB's lending levels for small business and small farm loans reflect good responsiveness to community credit needs and exceeds the standard for satisfactory performance. Eighty-six percent of the small business and 99% of the small farm loans were made to companies and farms with annual revenues less than \$1 million. This performance is reflective of the market in which 96% of the farms and 90% of the businesses in the bank's assessment have revenues less than \$1 million.

As detailed in the following table, a substantial portion of the loans originated during the evaluation period to small businesses and farms originated for less than \$50,000.

**DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	204	46%	191	41%
\$25,000 - 49,999	74	17%	100	21%
\$50,000 - \$99,999	59	13%	92	20%
\$100,000 - \$249,999	69	16%	58	12%
\$250,000 - \$999,999	29	7%	27	6%
>\$1,000,000	7	1%	0	0%
TOTAL	442	100%	468	100%

Source: Bank Records.

GEOGRAPHIC DISTRIBUTION OF LOANS

We did not analyze the geographic distribution of loans since none of the BNAs making up the bank's assessment area are designated as low- or moderate-income areas.

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under the CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

Our Fair Lending review consisted of a review of the rates and terms of mortgage loans extended to all applicants. No violations of the substantive provisions of the anti-discrimination laws and regulations were discovered during our examination.