



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 17, 2009

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

Minneapolis North Field Office
222 South Ninth 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 the institution's rating include:

- A reasonable volume of lending, as highlighted by a quarterly average loan-to-deposit ratio of 79%.
- A substantial majority of loans originated within the assessment area (AA), 88% by number and 69% by dollar volume.
- Significant levels of lending to borrowers of different income levels and businesses of different sizes at or exceeding the demographics of the AA.

SCOPE OF EXAMINATION

This examination entailed a full scope review of the bank's performance under the Community Reinvestment Act (CRA). We focused our assessment upon the bank's loans to small businesses and consumer loans as they are the two primary loan products. Commercial loans represent by far the largest dollar volume of the bank's loan originations while consumer loans represent by far the largest volume of loans originated. We randomly sampled a total of 22 loans to businesses and 40 consumer loans. The evaluation period was January 1, 2007 through January 15, 2009. We compared loan data against the 2000 census data.

DESCRIPTION OF INSTITUTION

The First National Bank Minnesota (FNB) is a \$204 million bank with its headquarters approximately 50 miles southwest of the twin cities metropolitan area in St. Peter, MN. The bank has three full service locations with the main office in St. Peter, MN and two branch offices located in Mankato, MN and Gaylord, MN. The bank maintains seven automatic teller machines (ATMs), one at each branch office as well as four ATMs located at Econo Foods and Gustavus Adolphus College in St. Peter, and at the Alltel Wireless Civic Center and American Legion Post 11 in Mankato, MN.

The bank is 100% owned by Bancommunity Service Corporation, a one-bank holding company. Bancommunity Service Corporation is not engaged in any activities that materially impact the bank's CRA performance.

FNB is a full service bank that offers a wide range of commercial and personal banking services. FNB's business focus is commercial and consumer lending. As of December 31, 2008 FNB's net loans and leases totaled \$135 million and represented 66% of total assets. The loan portfolio is comprised of commercial loans (55%), agricultural loans (9%), home loans (15%), and consumer loans (21%).

There are no financial, legal, or other factors which impede the bank's ability to meet the credit needs in its assessment area.

The bank's most recent CRA performance evaluation was dated November 3, 2003 and a rating of "Satisfactory" was assigned.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of 77 census tracts in fourteen counties, all of which are middle (57) or upper (20) income. The AA expanded significantly with the October 2005 merger of FNB St. Peter, MN and Security State Bank, Mankato, MN. The current AA consists of Blue Earth, LeSueur, Nicollet, Sibley, Waseca and Wantonwon counties, as well as portions of Brown, Carver Faribault, McLeod, Martin, Renville, Rice and Scott counties.

Carver and Scott counties (at the northeastern edge of the bank's AA) are within the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area (MSA). The remaining twelve counties are non-MSA. The AA includes the bank's main office, branches and all ATM's. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Mankato, MN is the largest urban area with the AA. The major employers include Taylor Corporation Companies, Immanuel St. Josephs (Mayo Health System), Minnesota Sate University, Mankato Rehabilitation Center, Mankato Area Public Schools, Hy-Vee food stores, Mankato Clinic, Midwest Wireless, River Center Mall and Wal-Mart.

The Minnesota unemployment rate at 6.8% is in line with the national unemployment rate of 7.1%. Although these rates are increasing, the local economy has remained stable and below the state and national averages at 5.1% unemployment in the AA. The 2000 U.S. Census data shows the total AA population at 307,009. The Department of Housing and Urban Development (HUD) estimates the 2007 median household income for the AA at \$45,918.

Competition for loans and deposits is strong. The Federal Deposit Insurance Corporation lists 110 financial institutions in the AA. Competing banks include small community banks headquartered in the area as well as branch locations of large regional and national banks. Competition also includes non-bank institutions such as credit unions, finance companies, and mortgage companies.

We made one community contact as part of our review. Information collected from this contact provided performance context data regarding the assessment area, credit needs, and the perceived performance of local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio of 79% is reasonable. This average includes quarter-end ratios from December 31, 2002 to December 31, 2008. FNB ranked sixth, out of eight state and national banks with offices in the fourteen counties within the bank's AA with total assets of approximately \$150 million to \$250 million, as of December 30, 2008. See the following table for further details.

Peer Group for Loan-to-Deposit Analysis		
Financial Institution	Total Assets (as of 12/31/08)	Quarterly Average Loan-to-Deposit Ratio
Roundbank	\$227 million	95%
Community Bank Corporation	\$178 million	91%
Community Resource Bank	\$234 million	90%
Prior Lake State Bank	\$173 million	82%
First Security Bank - Sleepy Eye	\$177 million	81%
First National Bank Minnesota	\$204 million	79%
Citizens Bank and Trust Company	\$186 million	66%
Valley Bank	\$217 million	65%

Lending in Assessment Area

The level of lending within the AA is more than reasonable. By individual primary product the majority of the bank's originations are from within the AA. In aggregate, a total of 88% by number and 69% by dollar volume were originated in 2007, 2008 and through January 15, 2009 within the AA for the loan types noted in the table below.

Lending in Assessment Area by Number and Dollar Amount								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
					(000)		(000)	
Loans to Businesses	18	90%	2	20	\$1,588	52%	\$1,496	48%
Consumer Loans	17	85%	3	15%	\$1,872	99%	\$26	1%
Totals	35	88%	5	12%	\$3,460	69%	\$1,522	31%

Source: Loan sample.

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

The bank's lending to businesses of different sizes and to borrowers of different incomes is satisfactory.

Lending to businesses with revenues of less than \$1 million is good and exceeds the demographics of the AA. However, the high volume (37 percent) of businesses in the AA that did not report revenue levels reduces certainty of this comparison. Regardless of the actual income level of those unreported business, lending to businesses with revenues of less than \$1 million clearly meets the AA demographic.

Consumer lending levels to borrowers with low and moderate incomes is excellent and significantly exceeds the demographics of the AA.

Please see the following tables for further details.

Borrower Distribution of Loans to Businesses in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	59%	4%	37%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	92%	8%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Borrower Distribution of Consumer Loans in 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	18%	35%	16%	30%	21%	30%	45%	5%

Source: Loan sample; 2000 U.S. Census data.

Geographic Distribution of Loans

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

Responses to Complaints

The bank has not been subject to any CRA complaints since the last examination.

Fair Lending or Other Illegal Credit Practices Review

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