



Public Disclosure

January 3, 2000

Community Reinvestment Act Performance Evaluation

Community First National Bank - Minnesota
Charter Number: 2030

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Fergus Falls, Minnesota 56537

Office of the Comptroller of the Currency

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NOTE: 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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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 **Community First National Bank - Minnesota** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 3, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

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.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area 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 do 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, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Limited-Scope 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, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution’s CRA Rating: This institution is rated “**Satisfactory.**”

The following table indicates the performance level of **Community First National Bank - Minnesota (CFNB)** with respect to the Lending, Investment and Service Tests:

Performance Levels	Community First National Bank - Minnesota Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

** The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

The major factors that support this rating include:

- ⌋ Lending levels reflect good responsiveness to credit needs in the Fergus Falls assessment area and excellent responsiveness to credit needs in the Paynesville assessment area (AA).

- ⌋ The overall geographic distribution of loans in the Fergus Falls AA is good - in particular, the geographic distribution is adequate for farm loans, excellent for business loans, and good for home mortgage loans.

- ⌋ The overall geographic distribution of loans in the Paynesville AA is excellent - in particular, the geographic distribution of business and farm loans is excellent.

- ⌋ The overall borrower income distribution of loans in the Fergus Falls AA is good - in particular, the borrower income distribution is good for farm and business loans, and excellent for home mortgage loans.

- ⌋ The overall borrower income distribution of loans in the Paynesville AA is excellent - in particular, the borrower income distribution is excellent for business loans, good for farm loans and excellent for home mortgage loans.

- ⌋ The bank’s level of qualified investments is good given the bank’s capacity and limited investment opportunities in the AAs.

- b Retail delivery systems are reasonably accessible to geographies and individuals of different income levels.

Description of Institution

Community First National Bank - Minnesota (CFNB) is an \$870 million intrastate institution headquartered in Fergus Falls, Minnesota. In addition to its main office, CFNB operates 21 branches in 20 different communities. Customers also have access to the bank through proprietary ATMs in 15 different communities.

CFNB resulted from the consolidation of many individual bank charters. The original eight locations (Benson, Ivanhoe, Little Falls, Marshall, Minneota, Paynesville, Wheaton and Windom) were acquired in 1987; followed by Fergus Falls and Elbow Lake in 1991; Breckenridge, Worthington, and Lakefield in 1992; Morris, Greenwald and New Munich in 1993; Ada in 1994; and Caledonia, Hokah and Mabel in 1995. The individual banks were merged into three charters in 1995. These three charters were then merged into one bank in early 1997.

CFNB is a full-service bank, offering a variety of deposit and loan products. The bank's lending focus is commercial and agricultural credit. This is evidenced by the distribution of outstanding loans, as well as the distribution of originations considered in this evaluation. As of September 30, 1999, CFNB's loan portfolio consisted of commercial (32%), agricultural (25%), consumer (20%), residential (17%) and other (6%) loans. CFNB's loan to deposit ratio was 87%. Tier 1 Capital was \$66.1 million. There are no financial, legal or other factors which impede the bank's ability to meet its CRA obligations.

CFNB is a wholly-owned subsidiary of Community First Bankshares, Inc., a \$6.3 billion multibank holding company headquartered in Fargo, North Dakota. Community First Bankshares owns community banks in Minnesota, Nebraska, Iowa, South Dakota, North Dakota, Colorado, Wisconsin, Wyoming, Arizona, Utah and New Mexico. Non-bank affiliates include insurance, management and operations service companies. There are no affiliate activities that adversely impacted CFNB's CRA performance over the CRA evaluation period.

The bank has eight assessment areas (AAs). The AAs meet the requirements of the regulation, and they do not arbitrarily exclude any low- or moderate-income geographies.

- b The Fergus Falls AA consists of seven counties in west-central Minnesota (Otter Tail, Stevens, Wilkin, Swift, Traverse, Grant, and a portion of Kandiyohi). It includes the communities of Fergus Falls, Morris, Breckenridge, Benson, Wheaton and Elbow Lake.
- b The Worthington AA consists of three counties in southwestern Minnesota (Nobles, Cottonwood and Jackson). It includes the communities of Worthington, Windom and Lakefield.

- þ The Minneota AA also consists of three counties in southwestern Minnesota (Lyon, Lincoln and Yellow Medicine), but it is not contiguous to the Worthington AA. It includes the communities of Minneota, Marshall and Ivanhoe.
- þ The Little Falls AA consists of Morrison County in central Minnesota. It includes the City of Little Falls.
- þ The Paynesville AA consists of a portion of Stearns County in central Minnesota. Stearns County is part of the St. Cloud MSA. This AA includes the communities of Paynesville, Greenwald and New Munich.
- þ The Caledonia AA consists of Houston County in southeastern Minnesota. Houston County is part of the LaCrosse MSA. This AA includes the communities of Caledonia and Hokah.
- þ The Mabel AA consists of Fillmore County in southeastern Minnesota. It is contiguous to the Caledonia AA.
- þ The Ada AA consists of Norman County in northwestern Minnesota.

CFNB received a “Satisfactory” rating at its last CRA evaluation (June 30, 1997). This evaluation was based on the old twelve assessment factors.

Scope of Evaluation

Evaluation Period/Products Evaluated

We examined CFNB using the large bank tests pursuant to the revised CRA regulation. This evaluation covers lending, investment and service activities since the previous CRA examination (June 30, 1997) with the following exceptions and notations:

- ⌋ Our analysis of business and farm lending included 1997, 1998, and the first six months of 1999 reported originations. We included all 1997 data because it was not reviewed in the prior CRA evaluation. This is the bank's first CRA examination under the revised regulation.
- ⌋ Market comparisons for business and farm lending are based on 1998 CRA data. At the time of the examination, 1999 market information was not available.
- ⌋ Our analysis of home mortgage loans included 1997, 1998, and the first six months of 1999 originations. We chose this period to be consistent with other loan products.
- ⌋ In the Fergus Falls AA, we gave the most weight to farm and business loans, with slightly more emphasis on farm loans. We gave the least weight to home mortgage loans. Over the evaluation period, 41% of CFNB's reported loans in the Fergus Falls AA were farm loans, 36% were business loans and 23% were home mortgage loans.
- ⌋ In the Paynesville AA, we weighted business and farm loans equally followed by home mortgage loans. Business and farm loans each accounted for 30% of CFNB's reported loans in the Paynesville AA. Home mortgage loans represented 40% of reported loans, however more than half were in the refinance product. As described below, the refinance product carries little weight in our overall assessment of home mortgage lending.
- ⌋ Although the refinance product comprised 49% of the bank's home mortgage originations in the Fergus Falls AA (and 54% in the Paynesville AA), we gave it little weight in our overall assessment of home mortgage loans. This type of lending is primarily used to decrease a borrower's cost of credit, and it is not unusual to have unfavorable borrower income distributions. Many settlement costs associated with a loan refinancing do not vary based on loan amount. Therefore, it generally takes longer to recoup these costs (through interest savings) on smaller dollar loans. And it is likely the low- and moderate-income sectors have a higher proportion of small dollar loans given the direct correlation between income and debt service ability.

Data Integrity

- p** CFNB self-identified and corrected some reporting errors in its 1997 and 1998 CRA Disclosure Statements. After validating the accuracy of the bank’s revised data, we used it in our analysis of business and farm lending. We also adjusted the aggregate loan data used in this performance evaluation for the bank’s reporting errors.
- p** CFNB self-identified and corrected some reporting errors in its 1997 and 1998 HMDA Loan Application Register. After validating the accuracy of the bank’s revised data, we used this information in our evaluation. We also adjusted the aggregate loan data used in this performance evaluation for the bank’s reporting errors.

Selection of Areas for Full-Scope Review/Ratings

- p** We performed a full-scope review of the Fergus Falls AA. The Fergus Falls AA accounts for 33% of CFNB’s loan originations by number (and 41% by dollar) over the evaluation period. The Fergus Falls AA contains 32% of the bank’s branches and 47% of the bank’s ATMs. CFNB has a consolidated 13% deposit market share in the counties encompassed by the Fergus Falls AA and a deposit market rank of 1.
- p** We performed a full-scope review of the Paynesville AA. The Paynesville AA accounts for 16% of CFNB’s loan originations by number (and 14% by dollar) over the evaluation period. The Paynesville AA contains 14% of the bank’s branches and 5% of the bank’s ATMs. CFNB has a 3% deposit market share in Stearns County and a deposit market rank of 8.
- p** We performed limited scope reviews of the bank’s other AAs - Worthington, Minneota, Little Falls, Caledonia, Mabel and Ada. Except for Caledonia, the AAs are rural, nonmetropolitan areas. The nonmetropolitan AAs receiving limited scope reviews are combined for presentation in this evaluation. They are collectively referred to as the “Non-MSA Assessment Areas.”
- p** We generally try to obtain a representative sample of both significant and less significant markets in which the bank operates when we select areas for full-scope reviews.
- p** CFNB’s overall CRA rating is primarily based on our full-scope reviews of the Fergus Falls and Paynesville AAs. We gave more weight to performance in the Fergus Falls AA as CFNB originated more loans and generated more deposits from this area than it did from the Paynesville AA.
- p** Refer to the table in Appendix A for more information regarding the examination scope.

Fair Lending Review

Examiners did not identify any instances of illegal discrimination or discouragement in a concurrent fair lending review. The review compared loan approvals and denials, using gender as the prohibited basis, on conventional refinance loans between July 1, 1998 and June 30, 1999.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "**High Satisfactory**," based primarily on good overall performance in the Fergus Falls assessment area (AA) and excellent overall performance in the Paynesville AA.

Lending Activity

(Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity).

- Lending Activity Inside the Bank's AAs -

Most of CFNB's loan originations over the evaluation period benefitted its defined AAs.

- þ CFNB originated 2,205 home mortgage loans (totaling \$123 million). A substantial majority of these loans (1,923 or 87%) were in the bank's AAs.
- þ CFNB originated 3,516 reportable business loans (totaling \$201 million). A majority of these loans (2,814 or 80%) were in the bank's AAs.
- þ CFNB originated 3,724 reportable farm loans (totaling \$177 million). A substantial majority of these loans (3,199 or 86%) were in the bank's AAs.

- Lending Activity in the Fergus Falls AA -

Lending levels reflect good responsiveness to credit needs in the Fergus Falls AA. CFNB originated 608 home mortgage loans (totaling \$37 million), 956 reportable business loans (totaling \$57 million), and 1,079 reportable farm loans (totaling \$68 million) over the evaluation period. These loan originations (in dollars) represent 67% of the bank's deposits from this area.

Market share information also supports the bank's lending activity.

- þ CFNB originated 10% of all reported 1998 HMDA loans in the Fergus Falls AA, ranking third of 158 reporting lenders. This level of lending was achieved despite the fact that four branches in this AA did not report HMDA data until 1998 (the first full year following the charter consolidation). The two lenders with greater HMDA market shares are mortgage companies (Norwest Mortgage and Fleet Mortgage Corporation) that are affiliated with much larger financial institutions. The bank's HMDA market share approximates its deposit market share. CFNB has an overall 13% deposit market share in the Fergus Falls AA, ranking first of 48 financial institutions.
- þ CFNB originated 30% of all reported 1998 business loans in the Fergus Falls AA, ranking first of 31 reporting lenders. This market share is more than two times the bank's deposit market share.

- þ And CFNB originated 36% of all reported 1998 farm loans in the Fergus Falls AA, ranking first of 20 reporting lenders. The bank's farm loan market share is almost three times the bank's deposit market share.

This market share information, however, has limited usefulness. Of 48 financial institutions with a branch office in the AA, only five (representing 29% of AA deposits) report HMDA data and only nine (representing 42% of AA deposits) report CRA data. A more meaningful measure is to compare the loan and deposit mix for local, reporting institutions as a group.

A revised market share analysis (based on local, reporting institutions only) also evidences CFNB's good lending activity.

- þ Of the local HMDA-reporting institutions, CFNB's 1998 HMDA loan share was 47% (compared to a 45% local deposit share for this group).
- þ Of the local institutions subject to CRA data reporting, CFNB's 1998 business loan share was 39% (compared to a 32% local deposit share for this group).
- þ Of the local institutions subject to CRA data reporting, CFNB's 1998 farm loan share was 38% (compared to a 32% local deposit share for this group).

Lastly, the bank's loan-to-deposit ratio supports its lending activity. While this ratio is based on outstanding loans (rather than loan originations), it does provide a proxy for bank performance in relation to other local lenders who are not HMDA or CRA data reporters. As of December 31, 1999, CFNB's loan-to-deposit ratio was 87%. This was the fourth highest ratio of 36 financial institutions with a main office in the AA. The loan-to-deposit ratios of the other institutions ranged from 14% to 94%, with an average of 67%.

- Lending Activity in the Paynesville AA -

Lending levels reflect excellent responsiveness to credit needs in the Paynesville AA. CFNB originated 509 home mortgage loans (totaling \$32 million), 379 reportable business loans (totaling \$13 million), and 381 reportable farm loans (totaling \$9 million) over the evaluation period. These loan originations (in dollars) represent 88% of the bank's deposits from this area.

Market share information supports the bank's lending activity.

- þ CFNB originated 10% of all reported 1998 HMDA loans in the Paynesville AA, ranking first of 131 reporting lenders. On a county-wide basis, CFNB's HMDA loan market share equals its deposit market share. CFNB originated 3% of all 1998 HMDA loans in Stearns County, ranking tenth of 206 reporting lenders. And CFNB has a 3% deposit market share in Stearns County, ranking eighth of 27 lenders.

- þ CFNB originated 12% of all reported 1998 business loans in Stearns County, ranking fourth of 43 reporting lenders. This market share is four times the bank's deposit market share in Stearns County (3%).
- þ CFNB originated 36% of all reported 1998 farm loans in Stearns County, ranking second of 13 reporting lenders. This market share is twelve times the bank's deposit market share in Stearns County (3%).

Market share information in this AA has varying usefulness. The HMDA market share information is very relevant. All lenders in Stearns County (which is part of the St. Cloud MSA) report HMDA data. The usefulness of market share information for business and farm loans is more limited. Of 27 financial institutions with a branch office in Stearns County, only six (representing 60% of the county's deposits) report CRA data.

A revised business and farm loan market share analysis (based on local, reporting institutions only), however, clearly supports CFNB's excellent lending activity.

- þ Of the local institutions subject to CRA data reporting, CFNB's 1998 business loan share was 19% (compared to a 5% local deposit share for this group).
- þ Of the local institutions subject to CRA data reporting, CFNB's 1998 farm loan share was 39% (compared to a 5% local deposit share for this group).

Distribution of Loans by Income Level of the Geography

Our geographic distribution analysis of the bank's lending activity included a review for any unexplained gaps in the moderate-income block numbering areas (BNAs) or census tracts (CTs). We did not identify any unexplained gaps.

Home Mortgage Loans

(Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.)

- Geographic Distribution of Home Mortgage Loans in the Fergus Falls AA -

The overall distribution of the bank's home mortgage loans in the Fergus Falls AA is good.

- þ Bank performance involving home purchase loans is good. The percentage of home purchase loans in the AA's four moderate-income BNAs (11%) approximates market demographics (12% of the AA's owner-occupied housing units are in moderate-income BNAs). CFNB's market share for home purchase loans in moderate-income BNAs (11%) also approximates its overall market share for this product (13%). In 1998, CFNB reported 10 home purchase loans in moderate-income BNAs. The market leader (Norwest Mortgage) reported 13 home purchase loans in moderate-

income BNAs. Of the HMDA reporters with an office in the AA, CFNB originated the most home purchase loans in moderate-income BNAs.

- p Bank performance involving home improvement loans is adequate. The percentage of home improvement loans in moderate-income BNAs (10%) is only slightly less than market demographics (12%). CFNB's market share for home improvement loans in moderate-income BNAs (18%) is the same as its overall home improvement loan market share (18%). In 1998, CFNB reported three home improvement loans in moderate-income BNAs. The market leader (The Money Store) reported eight such loans. Of the HMDA reporters with an office in the AA, CFNB originated the most home improvement loans in moderate-income BNAs.
- p Even though the overall geographic distribution of home mortgage loans is favorable, CFNB originates very few loans in two of the AA's four moderate-income BNAs. This is primarily attributable to the bank's poor proximity to these areas and competitive factors. These two BNAs are contiguous to each other, and located in the southeastern corner of Otter Tail County. CFNB's offices are located in the west central portion of the county. In addition, a strong competitor bank is located in this moderate-income area.

- Geographic Distribution of Home Mortgage Loans in the Paynesville AA -

The overall distribution of the bank's home mortgage loans in the Paynesville AA is poor.

- p Bank performance involving home purchase loans is poor. The percentage of home purchase loans in the AA's one moderate-income tract (5%) is much less than market demographics (13% of the AA's owner-occupied housing units are in this tract). CFNB's market share for home purchase loans in moderate-income CTs (9%) is slightly less than its overall market share for this product (10%).
- p Bank performance involving home improvement loans is poor. The percentage of home improvement loans in the moderate-income CT (4%) is much less than market demographics (13%). CFNB's market share for home improvement loans in moderate-income CTs (8%) is less than its overall market share (13%) for this product.

Small Business Loans

(Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.)

- Geographic Distribution of Reported Business Loans in the Fergus Falls AA -

The geographic distribution of the bank's reported business loans in the Fergus Falls AA is excellent.

- p The percentage of bank loans to businesses in moderate-income BNAs (15%) exceeds market demographics (13% of AA businesses are located in moderate-income BNAs). CFNB's market share in moderate-income BNAs (57%) is also more than its overall business loan market share (30%). In 1998, CFNB originated the most (70) reportable business loans in this AA's moderate-income BNAs.

- þ Even though the overall geographic distribution of business loans is favorable, CFNB originates very few loans in two of the AA's four moderate-income BNAs. As previously discussed, this is primarily attributable to the bank's poor proximity to these areas and competitive factors.

- Geographic Distribution of Reported Business Loans in the Paynesville AA -

The geographic distribution of the bank's reported business loans in the Paynesville AA is also excellent.

- þ The percentage of bank loans to businesses in the AA's one moderate-income CT (15%) exceeds market demographics (11% of AA businesses are located in this geography). CFNB's market share in the moderate-income CT (72%) is also more than its overall business loan market share (12%). In 1998, CFNB originated the most (23) reportable business loans in this moderate-income CT.

Small Farm Loans

(Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.)

- Geographic Distribution of Reported Farm Loans in the Fergus Falls AA -

The geographic distribution of the bank's reported farm loans in the Fergus Falls AA is adequate.

- þ The percentage of bank loans to farms in moderate-income BNAs (8%) is less than market demographics (13% of AA farms are located in moderate-income BNAs). Again, this disparity is primarily attributable to the bank's poor proximity to the two moderate-income BNAs in Otter Tail County and strong competition from a bank located in this moderate-income area. CFNB's market share in moderate-income BNAs (54%) is more than its overall farm loan market share (36%). In 1998, CFNB originated the most (31) reportable business loans in this AA's moderate-income BNAs.

- Geographic Distribution of Reported Farm Loans in the Paynesville AA -

The geographic distribution of the bank's reported farm loans in the Paynesville AA is excellent.

- þ The percentage of bank loans to farms in the AA's one moderate-income CT (34%) exceeds market demographics (25% of AA farms are located in this geography). CFNB's market share in the moderate-income CT (87%) is also more than its overall farm loan market share (36%). In 1998, CFNB originated the most (53) reportable farm loans in this moderate-income CT.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

(Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.)

- Income Distribution of Home Mortgage Loans in the Fergus Falls AA -

The overall distribution of home mortgage loans to borrowers of different income levels in the Fergus Falls AA is excellent.

- p Bank performance involving moderate-income borrowers is excellent. The bank's percentages of home purchase loans (28%), and home improvement loans (25%), to moderate-income borrowers exceed market demographics (20% of the families in the AA have moderate incomes).
- p Bank performance involving low-income borrowers is also excellent. The bank's percentages of home purchase loans (17%), and home improvement loans (16%), to low-income borrowers are only slightly less than market demographics (20% of the families in the AA have low incomes).
- p CFNB's low- and moderate-income market shares exceed its overall market shares in every HMDA product. In 1998, CFNB reported the most home purchase loans, and the most home improvement loans, to LMI borrowers in this assessment area.

- Income Distribution of Home Mortgage Loans in the Paynesville AA -

The overall distribution of home mortgage loans to borrowers of different income levels in the Paynesville AA is excellent.

- p Bank performance involving moderate-income borrowers is excellent. The bank's percentages of home purchase loans (24%), and home improvement loans (25%), to moderate-income borrowers exceed market demographics (22% of the families in the AA have moderate incomes).
- p Bank performance involving low-income borrowers is good, especially given the level of families living below poverty and the lack of affordable housing in the AA. The bank's percentages of home purchase loans (14%), and home improvement loans (16%), to low-income borrowers are somewhat less than market demographics (21% of the families in the AA have low incomes). However 9% of AA families have annual incomes below poverty level (\$14,040). It can be difficult to afford a home at this income level. Community contacts also expressed a need for affordable housing stock.
- p CFNB's low- and moderate-income market shares equal or exceed its overall market shares in every HMDA product with one exception (refinance loans to moderate-income borrowers).

Small Business Loans

(Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.)

- Income Distribution of Reported Business Loans in the Fergus Falls AA -

The distribution of loans to businesses of different sizes in the Fergus Falls AA is good.

- p CFNB made 842 (or 88%) of its 956 reported business loans to entities with gross annual revenues of \$1 million or less (i.e. small businesses). While bank performance is substantially better than AA demographics (80% of the businesses in the AA are small), a significant percentage of businesses (13%) did not report revenue information. Of the businesses that report revenue information, 92% have revenues of \$1 million or less.
- p Bank performance is better than other lenders who reported loans in the Fergus Falls AA. In aggregate, other lenders made 65% of their 1998 business loans to entities with revenues of \$1 million or less. As previously mentioned, however, this information is not particularly meaningful.
- p On an individual basis, the eight other local reporting institutions made between 27% and 98% of their reported business loans in the AA to small businesses. Three lenders had higher ratios than CFNB. The aggregate for this group was also 65%.
- p Of all banks subject to CRA data reporting, CFNB originated the most loans to small businesses (those with gross annual revenues of \$1 million or less) in the Fergus Falls AA. CFNB made 410 (or 37%) of the 1,108 reported loans to small businesses in 1998.
- p The bank's willingness to make loans to small businesses is further evidenced by a good loan size distribution. CFNB made 86% of its reported business loans in amounts of \$100 thousand or less, with an average loan size of \$59 thousand. Bank performance is consistent with other lenders who reported loans in the Fergus Falls AA. In aggregate, other lenders made 84% of their 1998 business loans in amounts of \$100 thousand or less, with an average loan size of \$70 thousand.

- Income Distribution of Reported Business Loans in the Paynesville AA -

The distribution of loans to businesses of different sizes in the Paynesville AA is excellent in relation to the bank's relatively poor proximity to businesses in Stearns County and its relatively small deposit base from this county.

Aggregate market information is based on reported loans in the entire county, not just the western portion of the county comprising the Paynesville AA. Information is not available for areas smaller than a county because of the way CRA data is reported. This western portion of the county, where CFNB is located, contains only 28% of the businesses (and 31% of the small businesses) in Stearns County.

There are six institutions subject to large bank CRA data reporting that have an office facility in Stearns County. These institutions account for 60% of the county's deposits. Of this group, CFNB has the second smallest local deposit share (5%).

- p CFNB made 313 (or 83%) of its 379 reported business loans to entities with gross annual revenues of \$1 million or less (i.e. small businesses). Bank performance is better than AA demographics (80% of the businesses in the AA are small). Bank performance is somewhat less than the ratio of small businesses to businesses that report revenue information (90%).
- p Bank performance is significantly better than other lenders who reported loans in Stearns County. In aggregate, other lenders made 65% of their 1998 business loans to entities with revenues of \$1 million or less. But, as previously mentioned, the usefulness of this market data is somewhat limited.
- p Of the six local reporting institutions, two (CFNB and Stearns Bank, N.A.) shared the highest percentage of 1998 reported loans to small businesses (82%). Stearns Bank has the largest deposit share in Stearns County - more than six times CFNB's level of local deposits. In addition, Stearns Bank is headquartered in the eastern, more populated portion of the county. The performance of other local lenders ranged between 28% and 80%. The aggregate for this group was 69%.
- p Of all banks subject to CRA data reporting in 1998, CFNB originated the third most loans to small businesses (those with gross annual revenues of \$1 million or less) in Stearns County. CFNB made 144 (or 15%) of the 965 reported loans to small businesses in 1998. Lenders with more reported loans to small businesses (Stearns Bank, N.A. and Zapp National Bank of St. Cloud) are located in the eastern portion of the county and have significantly more local deposits than CFNB.
- p The bank's willingness to make loans to small businesses is further evidenced by an excellent loan size distribution. CFNB made 94% of its reported business loans in amounts of \$100 thousand or less, with an average loan size of \$34 thousand. Bank performance is better than other lenders who reported loans in Stearns County. In aggregate, other lenders made 80% of their 1998 business loans in amounts of \$100 thousand or less, with an average loan size of \$84 thousand.

Small Farm Loans

(Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small farm loan originations.)

- Income Distribution of Reported Farm Loans in the Fergus Falls AA -

The distribution of loans to farms of different sizes in the Fergus Falls AA is good.

- þ CFNB made 1,029 (or 95%) of its 1,079 reported farm loans to entities with gross annual revenues of \$1 million or less (i.e. small farms). Bank performance approximates AA demographics (97% of the farms in the AA are small). Bank performance is only slightly less than the ratio of small farms to farms that report revenue information (99%).
- þ Bank performance is better than other lenders who reported loans in the Fergus Falls AA. In aggregate, other lenders made 94% of their 1998 farm loans to entities with revenues of \$1 million or less. As previously mentioned, however, this information is not particularly meaningful.
- þ On an individual basis, the eight other local reporting institutions made between 20% and 100% of their reported farm loans in the AA to small farms. Three lenders had equal or higher ratios than CFNB. The aggregate for this group was 93%.
- þ Of all banks subject to CRA data reporting, CFNB originated the most loans to small farms (those with gross annual revenues of \$1 million or less) in the Fergus Falls AA. CFNB made 473 (or 37%) of the 1,282 reported loans to small farms in 1998.
- þ The bank's willingness to make loans to small farms is further evidenced by an adequate loan size distribution. CFNB made 81% of its reported farm loans in amounts of \$100 thousand or less, with an average loan size of \$63 thousand. Bank performance is less than other lenders who reported loans in the Fergus Falls AA. In aggregate, other lenders made 87% of their 1998 farm loans in amounts of \$100 thousand or less, with an average loan size of \$52 thousand.

- Income Distribution of Reported Farm Loans in the Paynesville AA -

The distribution of loans to farms of different sizes in the Paynesville AA is good. Unlike business loans, the distribution of farms in Stearns County is more even.

- þ CFNB made 374 (or 98%) of its 381 reported farm loans to entities with gross annual revenues of \$1 million or less (i.e. small farms). Bank performance is slightly better than AA demographics (97% of the farms in the AA are small). Bank performance equals the ratio of small farms to farms that report revenue information (98%).
- þ Bank performance approximates the performance of other lenders who reported loans in Stearns County. In aggregate, other lenders made 99% of their 1998 farm loans to entities with revenues of \$1 million or less.

- þ Bank performance also approximates the performance of local lenders who reported farm loans in Stearns County. Other local lenders individually made between 97% and 100% of their reported farm loans to small farms. In aggregate, other local lenders made 100% of their reported farm loans to small farms.
- þ Of all banks subject to CRA data reporting, CFNB originated the second most loans to small farms (those with gross annual revenues of \$1 million or less) in Stearns County. CFNB made 139 (or 36%) of the 383 reported loans to small businesses in 1998.
- þ The bank's willingness to make loans to small farms is further evidenced by an excellent loan size distribution. CFNB made 96% of its reported farm loans in amounts of \$100 thousand or less, with an average loan size of \$23 thousand. Bank performance is better than other lenders who reported loans in Stearns County. In aggregate, other lenders made 89% of their 1998 business loans in amounts of \$100 thousand or less, with an average loan size of \$40 thousand.

Conclusions for Areas Receiving Limited-Scope Reviews

(Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.)

CFNB's performance in the Non-MSA AAs is consistent with its overall Lending Test rating. Bank performance in the Caledonia AA is stronger based on the following:

- þ The geographic distribution of loans in the Caledonia AA is excellent. The percentage of bank loans in moderate-income geographies significantly exceeds the market demographic for all loans considered in this evaluation (home purchase, home improvement, refinance, business and farm).
- þ The overall income distribution of loans in the Caledonia AA is also excellent. The income distribution of farm loans is excellent. All of the bank's reported farm loans are to small farms. The income distribution of home mortgage loans is also excellent. In all HMDA products, the percentage of loans to low- and moderate-income borrowers is at least consistent with, and more often exceeds, market demographics. The income distribution of business loans is good.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

(Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.)

The bank's performance under the Investment Test is rated "**High Satisfactory**," based primarily on good overall performance in the Fergus Falls and Paynesville assessment areas.

Opportunities for qualified investment securities that specifically target the Fergus Falls and Paynesville AAs are limited. Community development opportunities in these markets more often take the form of loans. We came to this conclusion based on discussions with community contacts, a review of large bank CRA evaluations for other banks operating in these AAs, and research on the Internet. There are also opportunities to support community development organizations. In particular, the Red River flood of 1997 devastated Breckenridge, a community on the western edge of the Fergus Falls AA. This created additional community development opportunities as the areas most damaged by the flood were generally poorer, older and less economically vital.

CFNB's level of qualified investments is good given the length of the evaluation period, the bank's capacity, and limited investment opportunities in the AAs. CFNB made 16 qualified investments, totaling \$3.8 million over the evaluation period (*note - the CDC investment described below is counted in each of the bank's assessment areas, so Table 12 reflects 19 investments rather than 16*). This level of investment represents 5.7% of Tier 1 Capital.

CFNB management demonstrated leadership by working with other affiliates to establish a community development corporation (CDC) in 1999. CFNB invested \$2.1 million in the CDC (which it split equally among its eight AAs). This is a sizable investment, representing 3% of the bank's Tier 1 Capital by itself. The CDC, with a combined equity investment of \$15 million, allows Community First banks to pool their financial resources and expertise to provide community development equity investments in Minnesota, Nebraska, Iowa, South Dakota, North Dakota, Colorado, Wisconsin, Wyoming, Arizona, Utah and New Mexico. The initial capital contributions of the CDC were fully invested in mortgage-backed securities issued by Federal Home Loan Mortgage Corporation. The underlying loans promote affordable housing for LMI people, both home purchase and rental housing. To date, the CDC has also funded two equity investments in Arizona.

Other bank investments over the evaluation period are responsive to needs in the AAs - affordable housing, flood relief and small business development, in particular.

- b CFNB invested \$1.2 million in a 20 unit family townhouse affordable housing project located in Fergus Falls. All housing units are reserved for LMI families.

þ CFNB donated \$300,000 to assist with flood relief efforts (of which \$150,000 benefitted the Fergus Falls AA). The funds provided social services to LMI individuals.

þ CFNB invested \$125,000 in a Fergus Falls small business loan pool.

The bank's level of investments compares favorably to other banks.

þ In the Fergus Falls AA, there are four banks of a similar size (total assets less than \$1 billion) that have been evaluated under this test to date. The largest is a \$250 million institution whose investments equaled 1.3% of Tier 1 Capital. The others include a \$166 million bank whose investments totaled 4.8% of Tier 1 Capital and a \$140 million bank whose investments totaled 4.0% of Tier 1 Capital. The smallest is an \$80 million institution whose investments equaled 24.3% of Tier 1 Capital.

þ In the Paynesville AA, there are two banks of a similar size that have been evaluated under this test to date. The largest is a \$435 million institution whose investments totaled 4.7% of Tier 1 Capital. The smallest is a \$355 million bank whose investments totaled 1.2% of Tier 1 Capital.

Conclusions for Area Receiving Limited-Scope Reviews

(Refer to the Tables 12 in Appendix C for the facts and data that support these conclusions.)

CFNB's performance in the Caledonia and the Non-MSA AAs is consistent with its overall Investment Test rating.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**Low Satisfactory**," based primarily on adequate overall performance in the Fergus Falls and Paynesville assessment areas.

Retail Banking Services

(Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.)

Retail delivery systems are reasonably accessible to geographies and individuals of different income levels. CFNB offers a wide variety of banking products and services through traditional delivery systems.

The Fergus Falls AA contains seven full-service CFNB offices (including the main facility), four deposit-taking automated teller machines (ATMs) and six cash-dispensing ATMs. Moderate-income geographies contain one (or 14%) of the bank's seven full-service offices, none of its four deposit-taking ATMs, and one (or 17%) of its six cash-dispensing ATMs. This distribution is generally consistent with market demographics - 12% of the population, and 16% of low- and moderate-income (LMI) families, reside in moderate-income geographies in this AA. The bank's deposit-taking ATMS are located in middle-income geographies. Middle-income geographies contain 84% of the population, and 82% of the LMI families, in the Fergus Falls AA.

The Paynesville AA contains two full-service offices, one limited-service office and one cash-dispensing ATM. All facilities are in middle-income geographies. Middle-income geographies contain 87% of the population, and 85% of the LMI families, in this AA.

There are no differences in product/service availability based on the income level of the branch's geography. The sole material difference in product/service availability is that the New Munich branch provides only teller services. This branch is located in a middle-income geography in the Paynesville AA.

Hours of operation are reasonable and do not vary in a way that inconveniences LMI geographies or individuals. Lobbies are available weekdays. They open no later than 9:00 a.m., and they close no earlier than 3:00 p.m. Drive-up facilities offer extended hours on weekdays and most are open Saturday mornings.

CFNB did not open or close any branches during the evaluation period.

Community Development Services

CFNB provided a limited level of community development services in the Fergus Falls AA and no community development services in the Paynesville AA over the evaluation period.

Conclusions for Areas Receiving Limited-Scope Reviews

(Refer to Table 13 in Appendix C for the facts and data that support these conclusions.)

CFNB's performance in the Caledonia and Non-MSA AAs is consistent with its overall Service Test rating.

Appendix A: Scope of Evaluation

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: January 1, 1997 to June 30, 1999* Investment Test: July 1, 1997 to January 3, 2000* Service Test: July 1, 1997 to January 3, 2000*	
Financial Institution	Loan Products Reviewed	
Community First National Bank (CFNB) Fergus Falls, Minnesota	Small Business, Small Farm, Home Mortgage, Community Development	
Affiliate(s)	Affiliate Relationship	Activities Reviewed
Community First Bankshares, Inc.	Parent Company	Qualified Investments
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Fergus Falls Assessment Area	Full-Scope	Otter Tail, Stevens, Wilkin, Swift, Traverse, Grant and four geographies in Kandiyohi County (#9801-9804), Minnesota; nonmetropolitan
Paynesville Assessment Area	Full-Scope	Eight census tracts in Stearns County, Minnesota (##105-111 and 113.02); part of the St. Cloud MSA #6980
Caledonia Assessment Area	Limited-Scope	Houston County, Minnesota; the Minnesota portion of the interstate LaCrosse MSA #3870.
Worthington Assessment Area	Limited-Scope	Nobles, Cottonwood and Jackson Counties, Minnesota; nonmetropolitan
Minneota Assessment Area	Limited-Scope	Lyon, Lincoln and Yellow Medicine Counties, Minnesota; nonmetropolitan
Little Falls Assessment Area	Limited-Scope	Morrison County, Minnesota; nonmetropolitan
Mabel Assessment Area	Limited-Scope	Fillmore County, Minnesota; nonmetropolitan
Ada Assessment Area	Limited-Scope	Norman County, Minnesota; nonmetropolitan

* Because this is CFNB's first CRA examination under the revised regulation, the time period for community development loans, investments and services is January 1, 1996 to January 3, 2000.

Appendix B: Market Profiles for Full-Scope Areas

Fergus Falls Assessment Area

Demographic Information for Full-Scope Area: Fergus Falls Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	34	n/a	12%	85%	3%	n/a
Population by Geography	101,270	n/a	12%	84%	4%	n/a
Owner-Occupied Housing by Geography	29,953	n/a	12%	84%	4%	n/a
Businesses by Geography	5,247	n/a	13%	84%	3%	n/a
Farms by Geography	1,920	n/a	13%	85%	2%	n/a
Family Distribution by Income Level	27,601	20%	20%	26%	34%	n/a
Distribution of Low- and Moderate-Income Families throughout AA Geographies	11,218	n/a	16%	82%	2%	n/a
Median Family Income (MFI)	= \$28,933	Median Housing Value				= \$43,920
HUD Adjusted Median Family Income for 1998	= \$41,600	Unemployment Rate (1990)				= 2.51%
Households Below the Poverty Level	= 16%					

Source: 1990 U.S. Census and 1999 HUD updated MFI.

The Fergus Falls AA consists of seven counties in west-central Minnesota. This is CFNB's most predominant AA. It accounts for 33% of the bank's loan originations by number (and 41% by dollar) over the evaluation period. It also contains 32% of the bank's branches and 47% of its ATMs. All products and services offered by CFNB are available in this AA.

Banking and financial services competition in the AA is strong. CFNB is one of 48 financial institutions with a branch presence in the AA. CFNB has the largest deposit market share in the AA (13% on a seven county consolidated basis). Other banks with significant deposits in the AA are: Norwest Bank, Minnesota West, N.A.; Bremer Bank, N.A. (Willmar); and U.S. Bank, N.A. Farm Credit Services provides additional competition for agricultural loans.

Economic conditions vary in the AA. Agriculture (primarily sugar beets, soybeans and other row crops), and related businesses, are important throughout the area. Some communities also benefit from light industry, service, retail trade and tourism.

In Fergus Falls, economic conditions are generally favorable. The economy is diversified by light manufacturing and food processing companies. Fergus Falls is also a medical and utility and government center. Tourism and retail trade provide additional economic support.

In Breckenridge, current economic conditions are strained due to weaknesses in the agricultural economy. The area, which borders the Red River, was devastated by a major flood in the spring of 1997 and it is still recovering. In addition, agricultural commodity prices are now at historic low levels. Services, government and retail trade provide some diversity in this community.

In other communities within the AA, economic conditions are generally stable. While the overall population of the area has grown, there is a continued need to increase the labor force. Unemployment levels are at historic low levels.

Community contacts since the bank's last CRA examination include a quasi-government organization (involved with flood recovery, housing and economic development), a community-based organization (involved with job creation and expansion) and a government housing authority. Contacts cited credit and development needs related to affordable housing stock (including rental units), business attraction and expansion, and continued flood recovery.

Appendix B: Market Profiles for Full-Scope Areas

Paynesville Assessment Area

Demographic Information for Full-Scope Area: Paynesville Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	8	n/a	12%	88%	n/a	n/a
Population by Geography	30,566	n/a	13%	87%	n/a	n/a
Owner-Occupied Housing by Geography	8,620	n/a	13%	87%	n/a	n/a
Businesses by Geography	1,670	n/a	11%	89%	n/a	n/a
Farms by Geography	806	n/a	25%	75%	n/a	n/a
Family Distribution by Income Level	8,011	21%	22%	28%	29%	n/a
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,418	n/a	15%	85%	n/a	n/a
Median Family Income (MFI)	= \$32,693	Median Housing Value		= \$48,865		
HUD Adjusted Median Family Income for 1998	= \$46,800	Unemployment Rate (1990)		= 2.70%		
Households Below the Poverty Level	= 12%					

Source: 1990 U.S. Census and 1999 HUD updated MFI.

The Paynesville AA consists of a portion of Stearns County in central Minnesota. This is CFNB's fifth-most predominant AA. It accounts for 16% of the bank's loan originations by number (and 14% by dollar) over the evaluation period. It also contains 14% of the bank's branches and 5% of its ATMs. All products and services offered by CFNB are available in this AA.

Stearns County is in the St. Cloud MSA. St. Cloud is the fastest growing metropolitan area in Minnesota. The local economy is strong and diversified. The area is attractive to businesses because wages and housing costs are relatively lower compared to Minneapolis (approximately 65 miles southeast of the City of St. Cloud). Retail trade, services, manufacturing and government are major sources of employment. St. Cloud is home to leading companies in granite production, optical lens manufacturing and paper production.

The Paynesville AA is on the western edge of this MSA, approximately 35 miles west of the City of St. Cloud. This area is predominantly rural. Once heavily dependent upon agriculture, the area is slowly shifting toward light industry, services and tourism. The economy of the area is good. Unemployment is low.

Banking and financial services competition is strong. CFNB is one of 27 financial institutions with a branch presence in Stearns County. CFNB has a 3% deposit market share in Stearns County and a deposit market rank of 8. Banks with significant deposits in the AA are: Stearns Bank, N.A.; U.S. Bank, N.A.; Bremer Bank, N.A. (St. Cloud); and Norwest Bank Minnesota South, N.A. A sizable credit union in Paynesville also provides significant competition for mortgage and retail loans.

Community contacts since the bank's last CRA examination include a housing authority and two economic development organizations. Contacts cited a need for affordable housing stock and small business credit - startup and expansion financing in particular.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (< \$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-,

moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations - See Table 7.

Table 9. Borrower Distribution of HMDA Refinance Loan Originations - See Table 7.

Table 10. Borrower Distribution of Small Business Loan Originations - Compares the percentage distribution of the number of small loans (< \$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 11. Borrower Distribution of Small Farm Loan Originations - Compares the percentage distribution of the number of small loans (< \$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.

Table 13. Distribution of Branch and ATM Delivery System - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Table 1. Lending Volume

LENDING VOLUME												State: Minnesota		Evaluation Period: January 1, 1997 to June 30, 1999	
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)				
Full-Scope:															
Fergus Falls Assessment Area	36%	608	\$36,569	956	\$56,572	1,079	\$67,603	0	\$0	2,643	\$160,744	33%			
Paynesville Assessment Area	9%	509	\$32,361	379	\$12,935	381	\$8,762	0	\$0	1,269	\$54,058	16%			
Limited-Scope:															
Caledonia Assessment Area	6%	145	\$4,677	234	\$9,087	217	\$6,639	0	\$0	596	\$20,403	8%			
Non-MSA Assessment Areas	49%	661	\$28,738	1,245	\$62,893	1,522	\$65,141	0	\$0	3,428	\$156,772	43%			

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE LOANS					State: Minnesota		Evaluation Period: January 1, 1997 to June 30, 1999					Total Home Purchase Loans				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					#	% of Total
	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans		Overall	Low	Mod	Mid	Upp		
Full-Scope:																
Fergus Falls Assessment Area	n/a	n/a	12%	11%	84%	68%	4%	21%	2	13%	n/a	11%	11%	29%	240	34%
Paynesville Assessment Area	n/a	n/a	13%	5%	87%	95%	n/a	n/a	1	10%	n/a	9%	10%	n/a	140	20%
Limited-Scope:																
Caledonia Assessment Area	n/a	n/a	40%	52%	60%	48%	n/a	n/a	1	16%	n/a	35%	9%	n/a	63	9%
Non-MSA Assessment Areas	n/a	n/a	2%	6%	93%	86%	5%	8%	2	11%	n/a	15%	11%	12%	259	37%

(*) Based on 1998 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT LOANS																State: Minnesota		Evaluation Period: January 1, 1997 to June 30, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans				
	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
Fergus Falls Assessment Area	n/a	n/a	12%	10%	84%	90%	4%	0%	2	18%	n/a	18%	20%	0%	69	17%			
Paynesville Assessment Area	n/a	n/a	13%	4%	87%	96%	n/a	n/a	2	13%	n/a	8%	14%	n/a	92	22%			
Limited-Scope:																			
Caledonia Assessment Area	n/a	n/a	40%	83%	60%	17%	n/a	n/a	2	28%	n/a	54%	8%	n/a	40	10%			
Non-MSA Assessment Areas	n/a	n/a	2%	1%	93%	94%	5%	5%	1	32%	n/a	100%	32%	33%	213	51%			

(*) Based on 1998 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE LOANS										State: Minnesota		Evaluation Period: January 1, 1997 to June 30, 1999				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Fergus Falls Assessment Area	n/a	n/a	12%	6%	84%	77%	4%	17%	4	7%	n/a	4%	6%	18%	298	37%
Paynesville Assessment Area	n/a	n/a	13%	6%	87%	94%	n/a	n/a	1	10%	n/a	10%	10%	n/a	277	35%
Limited-Scope:																
Caledonia Assessment Area	n/a	n/a	40%	64%	60%	36%	n/a	n/a	6	4%	n/a	13%	2%	n/a	42	5%
Non-MSA Assessment Areas	n/a	n/a	2%	8%	93%	87%	5%	5%	3	6%	n/a	11%	6%	5%	184	23%

(*) Based on 1998 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS LOANS						State: Minnesota				Evaluation Period: January 1, 1997 to June 30, 1999						
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% CFNB Loans	% of Businesses	% CFNB Loans	% of Businesses	% CFNB Loans	% of Businesses	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Fergus Falls Assessment Area	n/a	n/a	13%	15%	84%	75%	3%	10%	1	30%	n/a	57%	28%	28%	956	34%
Paynesville Assessment Area	n/a	n/a	11%	15%	89%	85%	n/a	n/a	4	12%	0%	72%	14%	1%	379	14%
Limited-Scope:																
Caledonia Assessment Area	n/a	n/a	42%	75%	58%	25%	n/a	n/a	1	60%	n/a	73%	33%	n/a	234	8%
Non-MSA Assessment Areas	n/a	n/a	2%	3%	91%	92%	7%	5%	1	39%	n/a	74%	38%	25%	1,245	44%

(*) Based on 1998 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM LOANS																State: Minnesota		Evaluation Period: January 1, 1997 to June 30, 1999	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans				
	% of Farms	% CFNB Loans	% of Farms	% CFNB Loans	% of Farms	% CFNB Loans	% of Farms	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
Fergus Falls Assessment Area	n/a	n/a	13%	8%	85%	91%	2%	1%	1	36%	n/a	54%	49%	11%	1,079	34%			
Paynesville Assessment Area	n/a	n/a	25%	34%	75%	66%	n/a	n/a	2	36%	n/a	87%	27%	20%	381	12%			
Limited-Scope:																			
Caledonia Assessment Area	n/a	n/a	54%	70%	46%	30%	n/a	n/a	1	81%	n/a	83%	76%	n/a	217	7%			
Non-MSA Assessment Areas	n/a	n/a	0%	1%	95%	98%	5%	1%	1	39%	n/a	100%	37%	35%	1,522	47%			

(*) Based on 1998 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HOME PURCHASE LOANS					State: Minnesota				Evaluation Period: January 1, 1997 to June 30, 1999							
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Fergus Falls Assessment Area	20%	17%	20%	28%	26%	25%	34%	30%	2	13%	24%	22%	13%	14%	240	34%
Paynesville Assessment Area	21%	14%	22%	24%	28%	35%	29%	27%	1	10%	11%	10%	11%	13%	140	20%
Limited-Scope:																
Caledonia Assessment Area	18%	33%	23%	37%	26%	16%	33%	14%	1	16%	50%	32%	13%	1%	63	9%
Non-MSA Assessment Areas	20%	20%	20%	28%	25%	30%	35%	22%	2	11%	28%	14%	14%	9%	259	37%

(*) As a percentage of loans with borrower income information available. Borrower income information was not available for 1% of CFNB loans originated in the Non-MSA AAs.

(**) Based on 1998 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT LOANS																
State: Minnesota																
Evaluation Period: January 1, 1997 to June 30, 1999																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Fergus Falls Assessment Area	20%	16%	20%	25%	26%	35%	34%	24%	2	18%	41%	19%	25%	11%	69	17%
Paynesville Assessment Area	21%	16%	22%	25%	28%	36%	29%	23%	2	13%	24%	13%	14%	9%	92	22%
Limited-Scope:																
Caledonia Assessment Area	18%	23%	23%	22%	26%	35%	33%	20%	2	28%	50%	36%	30%	16%	40	10%
Non-MSA Assessment Areas	20%	18%	20%	22%	25%	35%	35%	25%	1	32%	70%	35%	39%	20%	213	51%

(*) As a percentage of loans with borrower income information available. Borrower income information was not available for 1% of CFNB loans originated in the Non-MSA AAs.

(**) Based on 1998 Aggregate HMDA Data only.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE LOANS					State: Minnesota				Evaluation Period: January 1, 1997 to June 30, 1999							
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Fergus Falls Assessment Area	20%	5%	20%	17%	26%	28%	34%	50%	4	7%	9%	8%	9%	10%	298	37%
Paynesville Assessment Area	21%	9%	22%	18%	28%	40%	29%	33%	1	10%	21%	8%	12%	13%	277	35%
Limited-Scope:																
Caledonia Assessment Area	18%	22%	23%	37%	26%	22%	33%	19%	6	4%	31%	12%	3%	1%	42	5%
Non-MSA Assessment Areas	20%	10%	20%	17%	25%	29%	35%	44%	3	6%	14%	6%	6%	9%	184	23%

(*) As a percentage of loans with borrower income information available. Borrower income information was not available for 1% of CFNB loans originated in the Fergus Falls AA and 2% in the Caledonia AA.

(**) Based on 1998 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS LOANS			State: Minnesota			Evaluation Period: January 1, 1997 to June 30, 1999					
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% CFNB Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Fergus Falls Assessment Area	80%	88%	65%	86%	10%	4%	30%	37%	956	34%	\$59,000
Paynesville Assessment Area	80%	83%	65%	94%	4%	2%	12%	15%	379	14%	\$34,000
Limited-Scope:											
Caledonia Assessment Area	83%	91%	64%	92%	5%	3%	60%	67%	234	8%	\$39,000
Non-MSA Assessment Areas	77%	89%	69%	90%	7%	3%	39%	45%	1,245	44%	\$51,000

(*) As a percentage of all businesses in the AA. Revenue information was not available for 13% of the businesses in the Fergus Falls AA, 11% in the Paynesville AA, 12% in the Caledonia AA, and 16% in the Non-MSA AAs.

(**) As a percentage of all CFNB loans. Revenue information was available for 100% of loans originated by CFNB.

(***) The market consists of all other Small Business reporters in CFNB's assessment area and is based on 1998 Aggregate Small Business Data only.

(****) Based on 1998 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM LOANS			State: Minnesota			Evaluation Period: January 1, 1997 to June 30, 1999					
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% CFNB Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Fergus Falls Assessment Area	97%	95%	94%	81%	15%	4%	36%	37%	1,079	34%	\$63,000
Paynesville Assessment Area	97%	98%	99%	96%	4%	0%	36%	36%	381	12%	\$23,000
Limited-Scope:											
Caledonia Assessment Area	98%	100%	100%	92%	7%	1%	81%	81%	217	7%	\$31,000
Non-MSA Assessment Areas	98%	96%	98%	90%	8%	2%	39%	35%	1,522	47%	\$43,000

(*) As a percentage of all farms in the AA. Revenue information was not available for 2% of the farms in the Fergus Falls AA, 2% in the Paynesville AA, 2% in the Caledonia AA, and 1% in the Non-MSA AAs.
 (**) As a percentage of all CFNB loans. Revenue information was available for 100% of loans originated by CFNB.
 (***) The market consists of all other Small Farm reporters in CFNB's assessment area and is based on 1998 Aggregate Small Farm Data only.
 (****) Based on 1998 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS			State: Minnesota	Evaluation Period: July 1, 1997 to January 3, 2000					
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope:									
Fergus Falls Assessment Area	0	\$0	0%	7	\$1,789	100%	7	\$1,789	47%
Paynesville Assessment Area	0	\$0	0%	1	\$263	100%	1	\$263	7%
Limited-Scope:									
Caledonia Assessment Area	0	\$0	0%	1	\$263	100%	1	\$263	7%
Non-MSA Assessment Areas	0	\$0	0%	10	\$1,473	100%	10	\$1,473	39%

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: Minnesota				Evaluation Period: July 1, 1997 to January 3, 2000									
MSA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total CFNB Deposits	# of CFNB Branches	% of Total CFNB Branches	Location of Branches by Income of Geographies				# of CFNB ATMs	% of Total CFNB ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Fergus Falls Assessment Area	36%	7	32%	n/a	14%	86%	0%	10	47%	n/a	10%	80%	10%	n/a	12%	84%	4%
Paynesville Assessment Area	9%	3	14%	n/a	0%	100%	n/a	1	5%	n/a	0%	100%	n/a	n/a	13%	87%	n/a
Limited-Scope:																	
Caledonia Assessment Area	6%	2	9%	n/a	50%	50%	n/a	1	5%	n/a	100%	0%	n/a	n/a	40%	60%	n/a
Non-MSA Assessment Areas	49%	10	45%	n/a	0%	100%	0%	9	43%	n/a	0%	100%	0%	n/a	2%	93%	5%