

PUBLIC DISCLOSURE

June 14, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank
805 North Main Street
P.O. Box C
Austin, Minnesota 55912
RSSD 3259171

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

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 the 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.

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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

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

The bank's performance under the Community Reinvestment Act (CRA) is satisfactory. The bank's CRA performance was evaluated using the Interagency Small Bank CRA Evaluation Procedures. Relative to its asset size and financial condition, the bank effectively meets the credit needs of the small businesses and residents in its assessment areas. Several factors support the bank's satisfactory rating:

- The bank's lending to businesses of different sizes and to borrowers of different income levels is very good.
- The geographic distribution of loans reflects a reasonable dispersion of loans, with no unexplained gaps in lending.
- The bank originated the large majority of its loans within its assessment areas.
- The bank's net loan-to-deposit ratio reflects a reasonable level of lending.

SCOPE OF EVALUATION

Table 1 illustrates the bank's lending activity for 2009 as provided by the bank for this evaluation.

TABLE 1				
Loan Originations From January 1, 2009, Through December 31, 2009				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	116	40.3	\$ 1,222,913	3.8
Home Equity Line of Credit	10	3.5	433,750	1.3
Residential Real Estate	103	32.3	14,836,933	45.7
Commercial	65	22.6	15,528,802	47.9
Agricultural	4	1.4	429,000	1.3
Total	288	100.0	\$32,451,398	100.0

Based on the total number and amount of loans for each category, this evaluation used a statistical sample of small business, residential real estate, and consumer loans. The sample includes 46 small business loans and 64 residential real estate loans originated between January 1, 2009, and December 31, 2009. The analysis also includes a statistical sample of 43 consumer loans for the six-month period of July 1, 2009, through December 31, 2009.

For CRA purposes, the bank operates in two assessment areas in southern Minnesota. The following criteria were analyzed to determine the bank's CRA rating:

- Lending to businesses of different sizes and to borrowers of different income levels,
- Geographic distribution of loans,
- Lending inside the assessment areas,
- Net loan-to-deposit ratio, and
- Record of responding to complaints.

In assigning the overall CRA rating, the greatest weight was placed on the bank's lending in the Austin assessment area to borrowers of different income levels. The bank originated the loans in the sample from its Austin offices.

DESCRIPTION OF INSTITUTION

Based on the bank's size and financial condition, it satisfactorily meets the credit needs of consumers and businesses in its assessment areas. The bank was also evaluated under the Small Bank Evaluation Procedures at the May 30, 2006, CRA evaluation, and it received a Satisfactory rating. This evaluation did not reveal any financial constraints on the bank's ability to lend within the assessment areas.

Offices and retail delivery systems. Community Bank is located in Austin, Minnesota, which is about 50 miles southwest of Rochester. It is a wholly owned subsidiary of Community National Bancorporation, Waterloo, Iowa (CNBC). The holding company also owns Community National Bank, Waterloo, Iowa (CNB), which is a national bank located approximately 100 miles south of Austin, Minnesota.

Currently, Community Bank operates as a full-service bank with two offices in Austin, Minnesota. The bank has deposit-taking automated teller machines (ATM) at its main office and the branch office. The bank lobbies and drive-ups are open weekdays and some Saturday hours. Since the previous evaluation, the bank opened three in-store branch offices as of September 2007, in Hy-Vee grocery stores in Austin, Mankato, and Albert Lea, Minnesota. Each in-store branch included a cash-only ATM. Effective December 2009, the bank closed all three in-store branches and ATMs, primarily due to the economic recession.

Community Bank shares an informational web site with its affiliate, CNB, at www.cnbl.com. Overall, the bank provides access to its banking services throughout the assessment areas.

Loan portfolio. According to the March 31, 2010, Report of Condition, the bank's assets totaled \$38.8 million and the loan portfolio totaled \$26.2 million. The loan portfolio consisted of 48.8% commercial, 40.3% residential real estate, 5.3% consumer, 3.5% agricultural, and 2.1% other loans. Since June 2006, the bank's total loan portfolio grew 30.5%, and total deposits increased by 23.6%.

Credit products. The bank offers a wide variety of loan products designed to serve the credit needs of residents, small businesses, and small farms in the assessment areas. Its products include closed-end consumer, residential real estate, commercial, and agricultural loans. The bank also offers open-end commercial, residential real estate, and consumer loans. The bank participates in government-sponsored loan programs, including those offered by Small Business Administration and the Federal Housing Authority. The bank continues to offer services in Spanish.

Deposit market share. According to the June 30, 2009, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had total deposits of approximately \$49.1 million, representing 1.8% of the total deposits in the four counties within its assessment areas. The bank ranks 21st in market share within this market, behind several national, regional, and community banks. These figures include the three in-store branches prior to their closing.

Community contacts. In addition to discussions with bank management, members of the community familiar with economic issues and demographic characteristics in the assessment areas were contacted. Information from the contacts and bank management was used in the evaluation of the bank's CRA performance.

DESCRIPTION OF ASSESSMENT AREAS

The bank's assessment areas changed during the evaluation period to reflect the opening and closing of the three branches in grocery stores in the cities of Mankato, Albert Lea, and Austin, Minnesota. At the time of the previous evaluation, the bank had defined one non-MSA assessment area that included all of Mower County; this is also the bank's current Austin assessment area. With the opening of the grocery store branches in Mankato and Albert Lea, the bank added Freeborn County to its non-MSA assessment area and delineated a new MSA assessment area for the Mankato-North Mankato MSA. The Mankato MSA assessment area included Blue Earth and Nicollet counties. The Mankato branch was located in Blue Earth County and the Albert Lea branch was located in Freeborn County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment areas is satisfactory. The evaluation is based on a full review of the bank's lending performance in the Austin non-MSA assessment area and a limited review of the bank's performance in the Mankato MSA assessment area. The regulation requires a separate analysis for the bank's performance in each assessment area. Therefore, a detailed discussion of the bank's lending to borrowers of different income and revenue levels and the geographic distribution of lending can be found in the separate assessment area sections of the evaluation. However, the following criteria are evaluated for the bank as a whole and discussed subsequently: net loan-to-deposit ratio, comparison of lending inside and outside the assessment areas, and record of responding to CRA-related complaints.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The CRA emphasizes the importance of banks serving the credit needs of the residents, small businesses, and small farms inside their assessment areas. By extending credit within their assessment areas, banks fulfill the financial needs of the community.

The level of the bank's lending in the assessment areas is good. Overall, the bank originated a majority of its loans within the assessment areas. Table 2 details the lending activity inside the assessment areas by loan type.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Residential Real Estate	58	90.6	8,712	85.1	6	9.4	1,523	14.9
Small Business	40	87.0	3,413	82.3	6	13.0	734	17.7
Consumer	36	83.7	393	86.4	7	16.3	62	13.6
Total	134	87.6	12,517	84.4	19	12.4	2,319	15.6

Community Bank originated 87.6% of loans by volume and 84.4% by amount within its assessment areas. The percentage of lending within the assessment areas is highest for residential real estate loans, while percentages for consumer and small business lending are slightly lower. All of the lending activity in the sample was originated by the Austin offices.

The bank's lending inside the assessment areas for small business and consumer loans is similar to the percentages from the previous evaluation. The concentration of lending in the assessment areas is very good because it represents a large majority of the bank's lending.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The general purpose of the CRA is to encourage banks to meet the credit needs in their assessment areas while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the net loan-to-deposit ratio is reviewed to approximate the credit demand and to assess the bank's willingness to meet the demand for credit.

The bank's net loan-to-deposit ratio represents a reasonable level of lending. Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio ranged from 60.9% to 92.2%. Bank management indicated the ratio has been affected by the economic recession and the opening and closing of the three in-store branches. The average net loan-to-deposit ratio for the 16 quarters during the evaluation period is 70.2%, which is slightly lower than the quarterly average of 74.2% at the previous evaluation. The bank's net loan-to-deposit ratio is consistent with its national peer group and lower than competitor banks in its area. The bank's national peer group includes all insured commercial banks with assets less than \$50 million in a nonmetropolitan area with two or more offices. Table 3 shows the bank's quarterly average net loan-to-deposit ratio and the ratios of two other local banks.

<i>Bank Name and Location</i>	<i>Assets as of March 31, 2010 (in millions)</i>	<i>Average Net Loan-to- Deposit Ratio</i>
Community Bank, Austin, Minnesota	\$38,785	70.2%
Farmers & Merchants State Bank Blooming Prairie, Minnesota	\$67,459	102.1%
First Farmers & Merchants State Bank Brownsdale, Minnesota	\$77,823	85.3%

According to the March 31, 2010, Uniform Bank Performance Report, the net loan-to-deposit ratio for the bank is 71.8%, which is consistent with the 69.1% ratio for its national peer group.

Overall, the bank's ratio is reasonable, and it indicates the bank's willingness to fulfill the credit needs of the assessment areas. The bank operates in competitive markets that include credit unions and larger financial institutions. The community contacts did not identify any unmet credit needs in the assessment areas.

Community development lending. The bank originated one community development loan for the purposes of revitalizing and stabilizing downtown Austin for \$273,000. The Austin Main Street Project, modeled after the national project, is designed to assist small businesses with renovation of downtown storefronts.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation did not reveal any evidence of violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

NONMETROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF AUSTIN ASSESSMENT AREA

Assessment area. The bank defined the Austin assessment area as all of Mower and Freeborn counties in southern Minnesota. The bank expanded its assessment area when it opened its three in-store branches in September 2007. As a result of opening the Albert Lea, Minnesota, office, the bank added Freeborn County as part of this assessment area. Since the closing of the Albert Lea office in 2009, the Austin assessment area includes only Mower County. The bank's main office and two branches in Austin are located in this assessment area. (The bank's third office in Austin also closed in 2009.) Mower County includes 11 census tracts: one moderate-income, two upper-income, and eight middle-income. Freeborn County includes 10 census tracts: one moderate-income, one upper-income, and eight middle-income.

Table 4 shows demographic characteristics of the Austin assessment area.

TABLE 4								
Austin Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	3,209	16.5
Moderate Income	2	9.5	1,734	8.9	209	12.1	3,913	20.1
Middle Income	16	76.2	14,870	76.4	801	5.4	5,073	26.1
Upper Income	3	14.3	2,864	14.7	153	5.3	7,273	37.4
Total Assessment Area	21	100.0	19,468	100.0	1,163	6.0	19,468	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	3,537	1,815	8.0	51.3	1,573	44.5	149	4.2
Middle Income	22,606	17,584	77.4	77.8	4,034	17.8	988	4.4
Upper Income	4,104	3,306	14.6	80.6	626	15.3	172	4.2
Total Assessment Area	30,247	22,705	100.0	75.1	6,233	20.6	1,309	4.3
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	444	12.9	392	12.8	28	13.9	24	14.9
Middle Income	2,666	77.6	2,379	77.4	158	78.2	129	80.1
Upper Income	327	9.5	303	9.9	16	7.9	8	5.0
Total Assessment Area	3,437	100.0	3,074	100.0	202	100.0	161	100.0
Percentage of Total Businesses:				89.4		5.9		4.7

TABLE 4
Austin Assessment Area Demographics

<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	6	0.8	5	0.6	1	20.0	0	0.0
Middle Income	751	96.4	748	96.6	3	60.0	0	0.0
Upper Income	22	2.8	21	2.7	1	20.0	0	0.0
Total Assessment Area	779	100.0	774	100.0	5	100.0	0	0.0
Percentage of Total Farms:				99.4		0.6		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the Department of Housing and Urban Development’s estimated median family income. For borrowers in nonmetropolitan areas of Minnesota, the value is \$58,500 for 2009. For purposes of classifying census tract income levels, this evaluation uses the 2000 U.S. Census median family income, which was \$45,608 for the nonmetropolitan areas of Minnesota.

Population. According to 2000 U.S. Census data, the population in the assessment area was 71,187. The 2009 population estimates for Mower and Freeborn counties are 38,215 and 31,002, respectively, representing a decrease of approximately 2.8% for the assessment area since 2000. The 2000 U.S. Census data also indicate that approximately 6.0% of the families in the assessment area have incomes below the poverty level.

General economic characteristics. Bank management and community contacts explained that Austin and Mower County have managed the recent economic downturn well and continue to experience economic, employment, and population growth. The ability of Austin and Mower County to weather the recession can be attributed to the diverse economy and the strong presence of Hormel Foods Corporation (Hormel), which is headquartered in Austin. The area also has strong medical and health care services, government, and school district resources, in addition to the meat producing and packaging of Hormel.

Hormel’s continued growth in Austin has provided economic growth for the city. Hormel maintains both its largest meat packing plant and its corporate offices in the city. Hormel is the primary employer in the area and attracts ancillary support businesses such as food packaging, trucking, and manufacturing. Hormel also contributes to the city through the Hormel Foundation and Hormel Institute, a division of the University of Minnesota affiliated with the Mayo Clinic in Rochester, Minnesota. The Hormel Foundation provides grants to nonprofit organizations in Mower County for various purposes, and the Hormel Institute is involved in cancer research and education. A community contact indicated that the stability of Hormel and its supporting businesses contributed to steady or increased retail sales in the community between 2007 and 2010.

The unemployment rate for Austin peaked at 8.0% in the first quarter of 2009, according to data published by the Minnesota Department of Employment and Economic Development (DEED). The 2009 annual average for Austin was 6.9%, and it is 6.2% for the first six months of 2010, according to DEED. The 2009 annual average unemployment rates for Freeborn and Mower counties are 8.7% and 6.4%, respectively, while the six-month averages for 2010 are 8.0% for Freeborn County and 5.9% for Mower County, also according to DEED.

Bank management and community contacts attribute the relatively low unemployment rates in Austin and Mower County to Hormel's steady growth. Hormel also tends to influence wage levels in the community. Currently, the starting wages at the Hormel packing plant range from \$12 to \$13, with competitive benefits, according to contacts. The other main employers in the area include hospitals, schools, local governments, hotels, elderly care centers, and a local printing company.

Bank management and community contacts said affordable housing continues to be a problem for the city. They estimate the average home price is \$250,000, and the average price of new construction is \$325,000. Based on the average wage and salary in the city, the majority of these homes are not affordable. However, the city has a stock of older homes, which are typically priced lower than \$150,000. These homes, according to contacts, are more accessible for lower-income residents.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank demonstrates good lending performance in the Austin assessment area. The bank does a very good job of lending to borrowers of different income levels and businesses of different revenue sizes. The geographic distribution of consumer, small business, and residential real estate loans is good.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's performance in providing loans to borrowers of different income levels and to businesses of different sizes is very good. For this criterion, CRA places emphasis on lending to low- and moderate-income borrowers and to businesses and farms with gross annual revenues of \$1 million or less.

Residential real estate and consumer lending. The bank's level of residential real estate and consumer lending to low- and moderate-income borrowers is very good. Table 5 shows the percentage of consumer loans originated to borrowers of different income levels.

TABLE 5										
Distribution of Residential Real Estate and Consumer Loans in the Assessment Area by Borrower Income Levels*										
	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Income Unknown</i>	
	#	\$	#	\$	#	\$	#	\$	#	\$
Residential Real Estate	13.8%	7.3%	19.0%	11.9%	20.7%	14.5%	43.1%	62.8%	3.4%	3.6%
Consumer	33.3%	35.5%	30.6%	19.7%	16.7%	16.5%	11.1%	23.6%	8.3%	4.7%
Percentage of Families in Assessment Area**	16.5%		20.1%		26.1%		37.3%		NA	
Percentage of Households in Assessment Area**	22.1%		17.8%		21.1%		39.0%		NA	
*Median family income for the nonmetropolitan areas of Minnesota is \$58,500 for 2009.										
**2000 census data.										

Community Bank did a good job of extending residential real estate loans to low- and moderate-income borrowers. The bank originated 32.8% of the number and 19.2% of the amount of residential real estate loans to low- and moderate-income borrowers. The bank's lending performance is good compared with demographic data. According to 2000 census data, 16.5% of families in the assessment area are low

income and 20.1% are moderate income. The bank's residential real estate lending to low- and moderate-income borrowers is good given the economic recession and the shortage of affordable housing.

The bank made the majority of consumer loans to low- and moderate-income borrowers. The percentage of the bank's consumer loans to low- and moderate-income borrowers is very good and exceeds the percentage of low- and moderate-income households in the assessment area. The bank originated 63.9% of the number and 55.2% of the amount of consumer loans to low- and moderate-income borrowers. The lower percentage by dollar amount reflects the fact that the loans are typically for smaller amounts, which corresponds to the smaller payments affordable for borrowers at lower income levels. The bank offers a variety of loan products to meet the needs of assessment area residents.

The level of consumer lending to low- and moderate-income borrowers demonstrates the bank's willingness to originate consumer loans to borrowers of all income levels in the assessment area. Overall, the bank's distribution of residential real estate and consumer lending among borrowers of different income levels is very good.

Small business lending. The bank's lending to small businesses is good. As shown in Table 6, the bank originated 77.5% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to 2009 Dun & Bradstreet data, 89.4% of the businesses in the assessment area reported gross annual revenues of \$1 million or less. The comparison of the bank's lending to demographic characteristics in the assessment area demonstrates the bank's willingness to lend to small businesses. Table 6 shows the percentage of small business loans, by loan amount, made in the assessment area.

<i>Small Business Loan Originations</i>	<i>≤ \$100,000</i>	<i>> \$100,000 to ≤ \$250,000</i>	<i>> \$250,000 to \$1 million</i>	<i>Total Originations</i>
Percentage of Small Business Loans	85.0%	10.0%	5.0%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	90.3%	3.2%	6.5%	77.5%

The majority of the bank's small business loans were originated for amounts less than \$100,000. The bank also participates in many loans with its affiliate and other financial institutions; these loans are typically for larger amounts.

Overall, the bank's lending to individuals of different income levels and to businesses of different revenue sizes is very good. A significant number of the bank's residential real estate and consumer loans are extended to low- and moderate-income borrowers. In addition, a large majority of the bank's small business loans were for amounts less than \$100,000, and most were made to businesses with revenues of \$1 million or less. The bank's lending performance demonstrates very good responsiveness to meeting the credit needs of residents and businesses in the Austin assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans in its Austin assessment area is reasonable and does not reveal any unexplained gaps or lending patterns. The bank's Austin assessment area does not contain any low-income census tracts. The bank originated loans to residents and businesses in almost all of the census tracts in the assessment area. The community contacts did not identify any unmet credit needs in the assessment area.

TABLE 7
Geographic Distribution of Consumer, Residential Real Estate, and Small Business Loans
by Income Level of Census Tract*

<i>Loan Type Sample</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>
Consumer	0.0%	0.0%	19.4%	22.5%	63.9%	56.5%	16.7%	21.0%
Residential Real Estate	0.0%	0.0%	1.7%	0.7%	44.8%	46.6%	53.4%	52.8%
Small Business	0.0%	0.0%	9.7%	6.0%	77.4%	83.4%	12.9%	10.6%
<i>Demographic Data</i>								
Number of Census Tracts	0		2		16		3	
Percentage of Census Tracts	0.0%		9.5%		76.2%		14.3%	
Percentage of Households	0.0%		11.7%		74.7%		13.6%	
Percentage of Families	0.0%		8.9%		76.4%		14.7%	
Percentage of Small Businesses	0.0%		12.9%		77.6%		9.5%	
*Income classification of census tracts based on 2000 median family income.								

Consumer lending. The geographic distribution of the bank's consumer loans throughout the Austin assessment area is very good. As shown in Table 5, the bank originated 19.4% of consumer loans in moderate-income tracts. The bank's consumer lending exceeds the percentage of households located in the moderate-income census tracts. The bank's main office is located in the moderate-income tract near downtown Austin, and the branch is in the northwest section of Austin. The bank's lending generally reflects the location of its offices and the demographic characteristics of the assessment area. The second moderate-income tract in the assessment area is located in downtown Albert Lea. The Albert Lea in-store branch had very limited lending activity due to its location and the economic recession. The distribution and dispersion of the bank's consumer lending in the assessment area demonstrates the bank's willingness to originate consumer loans in census tracts of all income levels. Overall, the bank's level of consumer lending is very good.

Residential real estate lending. The geographic distribution of residential real estate loans is reasonable. The bank originated 1.7% of residential real estate loans in the moderate-income tracts. According to census data, only 8.9% of families reside in the moderate-income census tracts. In addition, only 8.0% of the assessment area's owner-occupied units are located in the moderate-income census tracts. Both of the moderate-income tracts are located in the downtown areas of Austin and Albert Lea, which consist primarily of commercial and rental properties.

Given the location of the moderate-income census tracts and the relatively small number of owner-occupied units, the bank's level of residential real estate lending in these tracts is reasonable. Overall, the bank's consumer and residential real estate lending in moderate-income areas is good.

Small business lending. The geographic distribution of small business loans in the moderate-income census tracts is good. The bank extended 7.5% of small business loans to entities located in moderate-income tracts. According to Dun & Bradstreet data, 12.9% of small businesses are in the moderate-income tracts. Given the high level of competition and the number of financial institutions operating in the Austin assessment area, the geographic distribution of small business loans is good.

Overall, the geographic distribution of the bank's loans is good. Loans are dispersed throughout the Austin assessment area and distributed to borrowers in census tracts of various income levels. The

lending activity in moderate-income tracts is good given the competitive market and the demographic characteristics. Bank management and the community contacts identified no unmet credit needs for either residents or businesses in the Austin assessment area.

METROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF MANKATO-NORTH MANKATO ASSESSMENT AREA

A limited-scope review of the Mankato assessment area was conducted for the evaluation. Community Bank opened an in-store branch in the Mankato-North Mankato MSA in September 2007 and closed it in December 2009 due to the economic recession and limited activity. No loans were made in the Mankato assessment area during the sample period of 2009, which is reasonable considering the bank's limited presence and the lack of credit demand. According to the June 30, 2009, Federal Deposit Insurance Corporation Deposit Market Share report, Community Bank ranked last among reporting institutions in the MSA, with \$4.7 million in deposits. Table 8 shows demographics for the assessment area based on 2000 census data.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	3,302	16.4
Moderate Income	3	13.6	2,197	10.9	211	9.6	3,915	19.4
Middle Income	18	81.1	17,704	87.8	880	5.0	5,560	27.6
Upper Income	1	4.5	271	1.3	6	2.2	7,395	36.7
Total Assessment Area	22	100.0	20,172	100.0	1,097	5.4	20,172	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	4,466	2,098	9.5	47.0	2,234	50.0	134	3.0
Middle Income	28,326	19,667	89.2	69.4	7,286	25.7	1,373	4.8
Upper Income	419	273	1.2	65.2	146	34.8	0	0.0
Total Assessment Area	33,211	22,038	100.0	66.4	9,666	29.1	1,507	4.5

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in the Mankato assessment area, although limited, is nonetheless reasonable. The bank no longer has a branch in the MSA.

Appendix A

Glossary of Common CRA Terms

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
 - a. Rates of poverty, unemployment, and population loss or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

Low-income: Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

Small loan to farm: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

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

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)