



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 20, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Integrity Bank, National Association
Charter Number 23524**

**111 NE 4th Street
Staples, MN 56479**

**Comptroller of the Currency
Alexandria Field Office
1309 Hwy 29 N
Alexandria, MN 56308**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

Institution's Rating	1
Description of Institution	1
Description of Assessment Area	2
Loan Sampling	3
Conclusions about Performance Criteria.....	4
Loan-to-Deposit Ratio.....	4
Lending in Assessment Area.....	4
Lending to Borrowers of Different Incomes and to Farms of Different Sizes	5
Geographic Distribution of Loans	5
Responses to Complaints	6
Fair Lending	6

Institution's CRA Rating

First Integrity Bank, National Association is rated Satisfactory. An institution in this group has a satisfactory record of helping to meet the credit needs of the assessment area it serves, consistent with its resources and capabilities. Factors contributing to the rating include the following:

- First Integrity Bank, NA's loan-to-deposit ratio exceeds the standard for satisfactory performance.
- The bank's performance for lending within the assessment area shows a willingness to meet the credit needs in this area.
- The bank's record of lending to borrowers of different income levels and to businesses of different sizes meets the standard for satisfactory performance.

Description of Institution

First Integrity Bank, National Association (FIB) is a \$94 million bank located in Staples, MN. The community is located in Todd County in central Minnesota. The bank is 98% owned by First Integrity Bancorporation, a one-bank holding company and is also located in Staples, MN. Holding company assets consist primarily of the bank.

The bank has one branch located in Motley, MN, eight miles from Staples, MN. During 2002, the bank opened a loan production office in Naples, FL. The bank also has one financial subsidiary, First Integrity Financial Services (FIFS). FIFS offers brokerage services which do not adversely impact the bank's ability to meet the needs of the AA.

The bank's loan portfolio is diverse. As of June 30, 2003, the composition of the portfolio was as follows:

Loan Portfolio Composition	\$ (000)	%
Commercial (including real estate)	56,249	71.6
Residential Real Estate Loans	10,790	13.7
Agricultural (including real estate)	7,318	9.3
Consumer Loans	3,781	4.8
Other loans	447	.6
Total	78,585	100.0

FIB offers traditional banking products and services. During the assessment period, lending practices focused on small business and consumer loans. With the recent addition of the LPO in Florida, the focus will change to include larger commercial loans and residential real estate loans to be sold on the secondary market. As of June 30, 2003, net loans represented 82% of total assets and the bank's Tier One Leverage Capital was 7.60%, or \$7.0 million. There are no legal or financial impediments that restrict the bank's ability to meet the credit needs of the community.

FIB was rated "Satisfactory" at the last CRA examination dated April 20, 1998.

Description of First Integrity Bank, National Association's Assessment Area

FIB's assessment area (AA) includes six contiguous Block Numbering Areas (BNAs). The AA includes parts of Wadena, Todd, Cass, and Morrison Counties. The AA includes two moderate-income BNAs and four middle-income BNAs. There are no low-income or upper-income BNAs in the AA.

The AA meets the requirements of the regulation. The AA does not exclude low- or moderate-income geographies. Cities in the AA include, but are not limited to Staples, Motley, Hewitt, Browerville, Pillager, and Verndale. These communities are small in size with the largest being Staples with a population of 3,100 people. All other cities have a population of under 800 people. Primary competition in the AA includes Security State Bank of Staples and branches of Mid Minnesota Federal Credit Union and Mid-Central Federal Savings Bank located in Staples.

The bank's AA is dependent on small businesses. The major employers include the public school system and technical college, the local hospital, 3M Corporation, and Sterns Rubber and Tool. Employment is also available in the surrounding communities of Wadena, Brainerd, and Little Falls. These are located outside the bank's AA.

Information from the Bureau of Labor Statistics lists 2002 unemployment rates for Todd County at 6.3%, Wadena County at 5.6%, Cass County at 6.4%, and Morrison County at 6.8%. The average unemployment rate is 4.4% for Minnesota and 5.8% nationwide.

During our evaluation, we contacted a community organization to better understand the credit needs of the AA. Based on this information, we determined that housing and small business loans help support the local economy. The contact stated that FIB and the other local financial institutions effectively meet the community credit needs.

The demographics of the AA are illustrated on the next page. The information is based on 1990 census data unless otherwise noted. This is the most recent information available during our evaluation.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,489
Number of Households	7,383
Number of Low-Income Families	1,643
% of Low-Income Families	29.9%
Number of Moderate-Income Families	1,145
% of Moderate-Income Families	20.9%
Number of Middle-Income Families	1,321
% of Middle-Income Families	24.1%
Number of Upper-Income Families	1,380
% of Upper-Income Families	25.1%
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33.3%
% Middle-Income Census Tracts/BNA	66.7%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$22,744
2002 HUD-Adjusted MFI	\$48,500
<i>Economic Indicators</i>	
Unemployment Rate	3%
2002 Median Housing Value	\$36,918
% of Households Below Poverty Level	22%

Loan Sampling

The bank's primary loan types were determined by reviewing all loans originated from April 20, 1998 through December 31, 2002.

For purposes of this evaluation, the primary loan types are business loans and consumer loans. Business loans account for 63% of the dollar volume and 32% of the number of loans originated. Consumer loans represent 40% of the number of loans originated.

The table below shows a breakdown of all originations in our evaluation period.

Loan Products	#	%	\$ (000)	%
Agricultural Loans	193	13%	6,699	13%
Business Loans	474	32%	32,366	63%
Consumer Loans	585	40%	3,853	8%
Residential Real Estate Loans	220	15%	8,353	16%
Total	1,472	100%	51,271	100%

To conduct our analysis, we performed statistically valid sampling techniques selecting a sample of twenty business loans and twenty consumer loans. After initial sampling to determine the bank's lending within the AA, additional files were selected as needed so all loans in the sample were made in the AA.

Conclusions about Performance Criteria

Loan-to-Deposit Ratio

FIB's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance given the size and financial condition of the bank, assessment area needs, and local economic conditions. Since the last CRA evaluation, the bank's LTD ratio rose significantly from 64% on March 31, 1998 to 99% on June 30, 2003, with a quarterly average LTD ratio of 78%.

When compared to five similarly situated institutions in or around the AA, FIB is ranked second out of six banks. These banks have assets sizes ranging from \$32 to \$95 million and serve similar customer bases.

Institution	Assets (as of 6/30/03)	Average LTD Ratio
Star Bank, National Association	\$88 million	88%
<i>First Integrity Bank, NA</i>	<i>\$95 million</i>	<i>78%</i>
Lake Country State Bank	\$70 million	76%
Wadena State Bank	\$95 million	70%
Security State Bank of Staples	\$33 million	69%
First National Bank in Wadena	\$49 million	55%

Lending in Assessment Area

FIB meets the standard for satisfactory performance for lending within the AA. A majority of the loans were originated in the AA. The following table illustrates lending activity within the AA during the evaluation period.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Business Loan Sample	16	80%	1,098	52%*	4	20%	1,004	48%*
Consumer Loan Sample	18	90%	111	90%	2	10%	13	10%
Total Reviewed	34	85%	1,209	54%	6	15%	1,017	46%

*One business loan in the sample was for \$1 million dollars. The total sample by dollar volume for business loans was \$2,101,955. Therefore, the ratio is misleading for this measure.

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

Overall, lending to borrowers of different incomes and businesses of different sizes meets the standard for satisfactory performance. Although consumer loans exceed the demographics of the AA, loans to businesses of different sizes do not meet the demographics.

Consumer Loans

The borrower distribution of consumer loans to low- and moderate-income households exceeds the demographics of the AA. The following chart illustrates that 55% of the number and 28% of the dollar volume of loans sampled are to low-income households and 15% of the number and 17% of the dollar volume of loans are to moderate-income households. The demographic information indicates 33% of the households in the AA are low-income and 18% are moderate-income.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	33%		18%		19%		30%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans	55%	28%	15%	17%	25%	48%	5%	7%

Business Loans

Lending to small businesses does not meet the demographics of the AA. The number and dollar volume of loans sampled to businesses with revenues of less than \$1 million were 80% and 42%, respectively. The demographics of the AA indicate that 94% of all businesses have revenues in this category.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94%	6%
% of Bank Loans in AA #	80%	20%
% of Bank Loans in AA \$	42%	58%

Geographic Distribution of Loans

FIB's geographic distribution of loans throughout the AA does not meet the standard for satisfactory performance.

Lending to consumers and small businesses located in the moderate-income BNAs is below the demographic information. However, the bank did not intentionally exclude these areas, and there was penetration in both moderate-income tracts for consumer and business loans. Both moderate-income BNAs are also served by other financial institutions.

Consumer Loans

FIB originated consumer loans in both moderate-income BNAs. However, demographic information indicates 37% of the households in the bank’s AA are located in the moderate-income BNAs while 20% of the number and 21% of the dollar volume of loans sampled were located in these tracts.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		37%		63%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans	N/A	N/A	20%	21%	80%	79%	N/A	N/A

Business Loans

The table below details demographic information versus results of loan sampling for business loans. Per demographic information, 39% of businesses are located in the moderate-income BNA, while 15% of the number and 28% of the dollar volume of loans sampled were in the moderate-income BNAs.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		39%		61%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Loans	N/A	N/A	15%	28%	85%	72%	N/A	N/A

Responses to Complaints

FIB has not received any complaints about performance in helping to meet the credit needs of the AA during the evaluation period.

Fair Lending

An analysis of public comments and consumer complaint information was performed according to the OCC’s risk based fair lending approach. During our evaluation, we found no evidence of illegal discrimination or other illegal credit practices.