



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

November 14, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Roberts County National Bank of Sisseton
Charter Number 6185**

**5 East Maple Street
Sisseton, SD 57262**

**Comptroller of the Currency
North Dakota & NW Minnesota
3211 Fiechtner Drive, SW
Fargo, ND 58103**

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

INSTITUTION'S CRA RATING

This institution is rated Needs to Improve.

- The bank's loan-to-deposit ratio (LTD) does not meet the standard for satisfactory performance. The LTD ratio is low and less than reasonable given the bank's size, financial condition, and lending opportunities within its assessment area (AA). The LTD ratio is low in comparison with other local financial institutions. The bank's conservative lending strategy contributes to the bank's low LTD ratio.
- The bank's record of lending to agricultural borrowers of different sizes meets the standard for satisfactory performance.
- The bank's geographic distribution of loans throughout its AA exceeds the standard for satisfactory performance.
- The bank's lending in its AA meets the standard for satisfactory performance. A majority of the bank's loans are made within the AA.

DESCRIPTION OF INSTITUTION

Roberts County National Bank of Sisseton (RCNB) is located in the city of Sisseton in Roberts County in Northeastern South Dakota. RCNB does not have any branches. It has one deposit taking ATM, located in Sisseton. RCNB's assets total \$41 million as of September 30, 2005. RCN Holding Company, a one-bank holding company, owns 100% of the bank. The holding company is located in Sisseton, South Dakota and has \$44 million in total assets. There have been no acquisitions or mergers since the previous CRA evaluation. The bank has one affiliate, Powell, Kouba, & Torness Insurance Agency, Incorporated.

The bank is conservative in its business strategy and lending philosophy. RCNB offers traditional banking products and focuses its lending primarily on agriculture and, to a lesser extent, real estate and consumer installment loans. Net loans represent 23% of total bank assets. Tier One Leverage Capital for the bank is 19.47% of average assets, or \$8.6 million.

Loan Portfolio Composition	\$ (000)	%
Agricultural Loans	5,631	53.5%
Residential Real Estate Loans	2,246	21.3%
Consumer Loans	944	9.0%
Commercial Loans	859	8.2%
Other Loans	842	8.0%
Net Loans	10,522	100%

Table data from September 30, 2005 Call Report

There are no legal impediments that would restrict the bank's ability to meet the credit needs of

the community. The evaluation period for the Performance Evaluation is from December 3, 2002 to November 14, 2005. The most recent CRA rating was “Needs to Improve”, dated December 2, 2002.

DESCRIPTION OF RCNB’S ASSESSMENT AREA

RCNB’s AA is comprised of all of Roberts County in Northeastern South Dakota. The AA is not located within a Metropolitan Statistical Area. The AA includes six census tracts (CTs), four are middle-income and two are moderate-income. The AA contains no low-income or upper-income CTs.

The AA includes only whole CTs that are contiguous. The AA meets the requirements of the regulation. The AA does not arbitrarily exclude low- or moderate-income geographies. Larger cities included in the AA are Sisseton and Summit.

The bank’s AA is dependent on agricultural operations. Economic conditions in the AA are fair. Employment opportunities are limited and the AA is struggling to maintain younger individuals due to this fact. The percentage of households living below the poverty level is relatively high at 16.6% of total households. The statewide median income for 2005 is \$45,550. Employment opportunities outside of the agricultural industry include; small manufacturing, the school district, and local health care providers.

The bank’s competitors include two bank branches of large financial institutions located in Sisseton and two credit unions also located in Sisseton. Other competition includes seven similarly sized community banks operating in, or bordering RCNB’s AA.

During our evaluation we contacted a local community development organization to better understand the AA demographics and to determine the primary credit needs of the AA. We also relied on previous community contacts made by this agency and other governmental agencies. The primary credit needs of the AA are business lending to stimulate job growth and agricultural lending.

The demographics of the AA are illustrated in the table below. The information is based on 2000 census data unless otherwise noted. This is the most recent information available during our evaluation.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Population	10,016
Number of Families	2,629
Number of Households	3,684
Number of Low-Income Families	689
% of Low-Income Families	26.21%
Number of Moderate-Income Families	526
% of Moderate-Income Families	20.01%
Number of Middle-Income Families	631
% of Middle-Income Families	24.00%
Number of Upper-Income Families	783
% of Upper-Income Families	29.78%
% Minority Population	31.90%
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33.33%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$39,438
2005 HUD-Adjusted MFI	\$45,550
<i>Economic Indicators</i>	
Unemployment Rate (2003)	6.0%
Owner-Occupied Housing	54.0%
Median Housing Value	\$46,208
% of Households Below Poverty Level	16.62%

Loan Sampling

The bank's primary loan types were determined by taking all loans originated/purchased during the time period from January 1, 2003 to October 26, 2005. The following table depicts, by percentage, the number and volume of loans made.

Loan Products	% - Number of Loans	% - Dollar Volume of Loans
Agricultural Loans	44%	63%
Commercial Loans	2%	9.5%
Consumer Loans	45%	9.5%
Residential Real Estate Loans	9%	18%
Total	100%	100%

For the purpose of this evaluation, the primary loan type is agricultural loans. Agricultural loans

account for 44% of the number of loans originated and 63% of the dollar volume of loans. No other loan category accounts for at least 10% of both the number and dollar volume of originations.

To conduct our analysis, we selected a sample of twenty agricultural loans originated since January 1, 2003. Statistically valid sampling techniques were used to select the sample. After initial sampling to determine the bank’s lending within the AA, additional files were selected so that all loans in the sample were made within RCNB’s AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

The bank’s LTD ratio does not meet the standard for satisfactory performance. The LTD ratio is low given the bank’s size, financial condition, and lending opportunities within its AA. The quarterly LTD ratio averaged 27.64% in the twelve quarters since our previous CRA examination on December 2, 2002. During this period the LTD ratio remained stable.

Comparisons to fifteen community banks located within 50 miles of Sisseton indicate that the LTD ratio is low. These banks have similar asset sizes and operate in rural environments similar to RCNB. The average LTD ratios of these fifteen banks range from 37.6% to 106.91%. Ten of the fifteen banks had LTD ratios above 70%.

The low LTD ratio is the result of a conservative lending philosophy that has been in place for many years.

Distribution of Credit within the Assessment Area by Borrower Income

Lending to farms of different sizes meets the standard for satisfactory performance.

Agricultural Loans

RCNB’s lending to farms of different sizes is satisfactory. Lending to farms with revenues under \$1 million meets the demographics of the AA. All of the farm loans sampled were to farms with revenues under \$1 million. There are only three farms within the AA that have revenues over \$1 million. The following table illustrates RCNB’s lending to farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA FARMS	98.78%	1.22%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

Source: Loan Sample and Dunn and Bradsheet Data

Geographic Distribution of Loans

RCNB's geographic distribution of loans throughout its AA exceeds the standard for satisfactory performance.

Agricultural Loans

The geographic distribution of farm loans is good. The bank is lending in each of its CTs. The percentage by number and dollar volume of farm loans in the moderate-income areas exceeds the portion of farms within those geographies. The following table depicts the bank's performance.

FARM LOANS								
Block Numbering Area Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	NA		11.5%		88.5%		NA	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	NA	NA	15%	12%	85%	88%	NA	NA

Source: Loan Sample and Dunn and Bradstreet Data

Comparison of Credit Extended Inside and Outside the Assessment Area

Lending within the AA meets the standard for satisfactory performance. A majority of loans are originated within the AA. We used our sample of farm loans to assess the bank's lending in the AA. The following table illustrates lending activity within the AA during the evaluation period.

Lending in RCNB's AA								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agriculture Loans (Sample)	17	85%	572,706	82%	3	15%	123,500	18%

Source: Loan Sample

Other Lending Activity

During 2005 RCNB originated a total of five residential real estate loans that were subsequently sold on the secondary market. Three of these loans were construction loans, one was a USDA Rural Development loan, and one was a home purchase loan. These loans totaled \$589,500.

Responses to Complaints

RCNB has not received any CRA related complaints during the evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.