



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 12, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Dakota National Bank
Charter Number 2068**

**225 Cedar Street
Yankton, South Dakota 57078**

**Office of the Comptroller of the Currency
Post Office Box 1405
Sioux Falls, South Dakota 57101**

NOTE: 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.

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 Community Reinvestment Act (CRA) performance of **First Dakota National Bank, Yankton, South Dakota**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of August 12, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

- The bank's loan originations since the last CRA examination of June 8, 1993 show excellent penetration among individuals of low- and moderate-incomes and small businesses and farms.
- The bank's loan to deposit ratio is the highest in its assessment area, among the highest in the region, and has shown an increasing trend since the last CRA examination.
- The bank is a leader in real estate financing and housing programs.

The following table indicates the performance level of **First Dakota National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST DAKOTA NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior exam.		

DESCRIPTION OF INSTITUTION

First Dakota National Bank is a \$250 million bank headquartered in Yankton, South Dakota. It is one of the two largest banks in the nine county region. In addition to the main branch, it has another branch in Yankton and branches in Vermillion, Salem, Parkston, and Wagner, South Dakota. The Yankton, Vermillion, and Salem branches have deposit taking ATM machines. The Parkston and Wagner branches were purchased in 1995. The bank is a full service financial institution with 70% of its loan portfolio dollar volume in commercial and agricultural loans and 30% in consumer loans. Individuals can refer to the bank's CRA Public File for a list of the specific credit and deposit products available from the bank. The last CRA examination was June 8, 1993.

The bank is owned by First Dakota Financial Corporation, a one bank holding company. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank has five individual assessment areas (AA) which meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income areas. The AA only includes one moderate-income Block Numbering Area (BNA). The following table describes the individual AA:

AA	Branch	Number of BNAs	State	County	BNA Income Levels
1	Yankton (2), Vermillion	7	SD	all of Yankton and Clay	6 middle-income BNAs and 1 upper-income BNA
2	Salem	2	SD	all of McCook	all middle-income BNAs
3	Parkston	1	SD	part of Hutchinson	all middle-income BNAs
4	Wagner	1	SD	part of Charles Mix	all middle-income BNAs
5	no branches located in this AA; it is near Yankton	2	NE	parts of Cedar and Knox	1 middle-income BNA and 1 moderate-income BNA

The HUD median family income for the AA is \$25,676. The HUD family income breakdown for all families within the individual BNAs is 19% low-, 18% moderate-, 25% middle-, and

38% upper-income.

Local community contacts indicated residential real estate development (including low-income housing) and financing and economic development as the primary needs of the communities. Agriculture is the primary industry in the AA. In the larger individual communities, light manufacturing, government, health care, and education provide most of the remaining employment opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

The bank's three year quarterly average loan to deposit ratio since the last CRA examination is 78%. This ratio is currently at 83% and among the highest in the region. Using first quarter 1996 Call Report information, the other banks chartered in this region have ratios ranging from 37% to 82% with the average being 60%.

The current loan to deposit ratio does not reflect residential real estate and business loans originated by the bank, but sold on the secondary market. A substantial majority of residential real estate loans originated by the bank are sold. In addition, through the bank's Dakota Mac program established in 1993, the bank has assisted in the underwriting and sale of 83 agricultural loans totaling more than \$20 million. The bank has also sold 120 other commercial and agricultural loans totaling more than \$9 million during this time.

Lending in Assessment Areas

A majority of the bank's loans are originated within its AA. Examiners reviewed all loans originated in 1996. We found that 70% of the dollar volume and 73% of the number of originations are within the bank's AA.

Geographic Distribution of Loans

As mentioned above, the bank's AA includes only one moderate-income BNA and no low-income BNAs. The remaining 12 BNAs are middle- and upper-income. The moderate-income BNA is a fairly small geographic area, very rural, and has a small population of only 3,000. In this BNA, the bank has originated 64 loans totaling \$1.5 million so far in 1996. This compares favorably to the lending activity in the remainder of the AA. The number of loan originations for this moderate BNA exceeds the number of loan originations in five of the other 12 BNAs.

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

Management has done an excellent job of lending to individuals of different income levels and farms and businesses of different sizes. Examiners reviewed 87 out of 5,630 consumer loans and 159 out of 3,545 business/agricultural loans originated since the last CRA exam. Again, the loan portfolio by dollar volume is 70% commercial/agricultural and 30% consumer. However,

based

on this sample, the portfolio by number of loan originations is 39% commercial/agricultural and 61% consumer. The HUD family incomes mentioned above show that 37% of the AA families are low- or moderate-income. The following table shows that 69% of the number of loans were to low- and moderate-income individuals. The AA includes a wide range of business/farm sizes.

The bank financed 11 of 49 new small businesses in Yankton during 1995 and year to date 1996. This information came from the Yankton Chamber of Commerce and the bank's commercial lending department. The second table shows that 85% of commercial and agricultural loans were to smaller businesses and farms.

Consumer Loan Sample	# loan originations	% of total originations
low-income	33	38%
moderate-income	27	31%
middle-income	8	9%
upper-income	19	22%
Total	87	100%

Business/Agricultural Sample	# loan originations	% of total originations
gross revenues < \$100,000	83	52%
\$100,001 to \$250,000	52	33%
\$250,001 to \$500,000	10	6%
\$500,001 to \$1,000,000	8	5%
> \$1,000,000	6	4%
Total	159	100%

Local community contacts from the Yankton area stated that this bank is a leader in housing financing. This bank originated more residential real estate loans in Yankton during 1995 than any other bank. This information was obtained from a local title company. The community of Yankton is the primary real estate market within the bank's AA. From January 1995 to present, the bank has originated more than 350 residential real estate loans within its AA. Eighty-six of these were government program loans and 66 were South Dakota Housing Development Authority (SDHDA) low interest, first time home buyer loans. The consumer loan sample broken out above includes a sample of residential real estate loans.

The bank also participates in the "Can Do" low interest, home improvement loan program in conjunction with the SDHDA. This program is for low- and moderate-income homeowners in need of home improvement financing. Qualified borrowers can borrow up to \$15 thousand

for up to seven years at low interest rates currently ranging from 1.9% to 5.9%. The bank has originated 42 of these loans totaling \$366 thousand since the program began in 1993.

Record of Compliance with Antidiscrimination Laws

We found no violations of antidiscrimination laws or regulations.