



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 11, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**The First National Bank in Sioux Falls
Charter Number 3393
100 South Phillips Avenue
Sioux Falls, South Dakota 57102**

**Supervisory Agency: Office of the Comptroller of the Currency
Midwestern District
Sioux Falls Field Office
300 Dakota Avenue, North
Sioux Falls, South Dakota 57102**

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.

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GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g. made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)*

Median Family Income - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Income Levels - These relate to individuals, families or the CTs in a MSA.

Low = An income level that is less than 50% of the median income.

Moderate = An income level that is at least 50% and less than 80% of the median income.

LMI = An income level that is less than 80% of the median income.

Middle = An income level that is at least 80% and less than 120% of the median income.

Upper = An income level that is 120% or more of the median income.

Small Business or Small Farm - A business or farm that has \$1,000,000 or less in gross annual revenues.

Small Loan to a Business or Farm - A loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size.

Community development purpose is defined as affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by the CRA regulation; and, activities that vitalize or stabilize low- and moderate-income geographies. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

Community development loan - A loan which must have as its *primary* purpose community development.

Community development service - A service that must have community development as its *primary* purpose and be related to the provisions of financial services.

Qualified investment - A lawful investment that has as its *primary* purpose community development.

Large financial institution - A financial institution with total assets of \$250,000,000 or more or an institution of any size that is an affiliate of a bank holding company with \$1,000,000,000 or more in banking and thrift assets.

Demographic characteristic- A statistical representation of people, housing, geographical areas or other measurable factors with regard to size, density, distribution, or other measurable characteristics..

Market share - The average of all reporting lenders for a specific loan type - HMDA, small business or small farm - in a MSA.

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 **The First National Bank in Sioux Falls (FNB), Sioux Falls, South Dakota** prepared by the **Office of the Comptroller of the Currency (OCC)** as of **September 11, 1997**. 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 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.

Institution's CRA Rating: This institution is rated **"Satisfactory Record of Meeting Community Credit Needs."**

The OCC examined FNB using the Lending, Investment and Service Tests for large banks pursuant to the revised CRA Regulation. These tests assess the bank's record of helping to meet community credit needs. We analyzed the bank's: mortgage, small business, small farm and community development loans; the number and types of qualified investments; branch distribution and accessibility; and, retail and community development services.

The following table indicates the performance level of FNB with respect to the lending, investment and service tests.

Performance Levels	The First National Bank in Sioux Falls Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs To Improve			
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

FNB's prior Performance Evaluation was dated August 10, 1994, and the rating was "Satisfactory Record of Meeting Community Credit Needs." The current evaluation covers the period from September 1994 through July 1997.

We rated FNB "Satisfactory" because:

- FNB showed good responsiveness to the credit needs of commercial borrowers.
 - In 1996, FNB made about 80% of its small loans to the smallest businesses and farms. The bank's percentages of lending to the smallest businesses and farms remain high in 1997.
 - In 1996, FNB accounted for 83% of all the reported small loans to small businesses and 51% of all the reported small loans to small farms in the Sioux Falls MSA.
- In 1996 and year to date 1997, the bank made more than 80% of all its small loans to businesses and farms in the Sioux Falls MSA.
- In 1996, FNB made 54% of all the reported small loans to small businesses in moderate-income CTs and 44% of all the reported small loans to small farms in moderate-income CTs. The bank's portion of small loans to businesses in moderate-income CTs exceeded the percentage of moderate-income CTs in the Sioux Falls MSA.
- FNB has a good level of qualified investments, the majority of which support the construction of affordable, multi-family housing in the Sioux Falls MSA.

DESCRIPTION OF THE INSTITUTION

The First National Bank in Sioux Falls (FNB) is one of two banks that are wholly owned subsidiaries of Minnehaha Bانشares, Inc. FNB offers a full range of commercial, agricultural, real estate and consumer credit products. Bank management's primary focus is to serve the credit needs of commercial businesses in the Sioux Falls MSA. The bank has a trust department and operates its own computer center. FNB has eleven branches throughout the Sioux Falls MSA. Seven are in the City of Sioux Falls; there is one branch each in the rural communities of Baltic, Brandon, Dell Rapids, and Valley Springs. FNB will open a new branch in the City of Sioux Falls during the first quarter of 1998. The bank also owns 46 automated teller machines (ATMs) in the Sioux Falls MSA and eight ATMs in the Rapid City, South Dakota MSA.

FNB delineated two assessment areas - the Sioux Falls, South Dakota MSA and the Rapid City, South Dakota MSA. FNB delineated the Sioux Falls MSA as an assessment area because that is where all its full service banking offices and the majority of its proprietary ATMs are located. The revised CRA regulation requires that financial institutions delineate an assessment area for those geographies where the institution owns deposit-taking ATMs. Therefore, FNB also delineated the Rapid City MSA as an assessment area because it has eight proprietary, deposit-taking ATMs in that community. FNB does not have any full service banking offices in Rapid City. The OCC did not evaluate the Rapid City assessment area because 89% of the bank's deposits and 99% of the bank's loans are in the Sioux Falls MSA.

There are no impediments which would hamper FNB's ability to help meet the credit needs of its assessment area. As of June 30, 1997, FNB had \$430,044,000 in total assets. The bank's loan to deposit ratio on that date was 72%; gross loans represented 59% of total assets. The loan portfolio consisted of the following types of credit: 18% in mortgage loans on one- to four-family residential real estate; 31% in other real estate loans on farms, multi-family and commercial real estate; 6% in agricultural loans; 39% in commercial loans; 5% in consumer loans; and 1% in all other loans. In calendar year 1996, FNB had net income of \$4,524,000.

DESCRIPTION OF THE ASSESSMENT AREA

FNB's assessment area is the Sioux Falls, South Dakota MSA. The MSA consists of Lincoln and Minnehaha Counties and has a population of 139,236. The median family income at the 1990 census was \$34,101. The estimated median family income for 1997 is \$45,700. A table showing the distribution of census tracts and families by income level follows.

INCOME LEVEL	# of census tracts	% of census tracts	# of families	% of families
Low-income	0	0	5,740	16%
Moderate-income	7	21%	7,218	20%
Middle-income	19	58%	10,450	28%
Upper-income	7	21%	13,228	36%
TOTALS	33	100%	36,636	100%

The Sioux Falls MSA is the largest urbanized area in South Dakota. The people in the MSA account for 20% of the total population of the State of South Dakota. The local economic conditions are good. An average of two thousand jobs have been created each year for the past ten years with population growth at two to three percent per year. The unemployment rate remained at two percent throughout this evaluation period. The cost of living index is five percent below the national average.

Major employers in Sioux Falls include: the service industry, primarily health care with eleven thousand employees making it the largest medical center in the region; retail trade, with over seventeen thousand employees supporting the largest retail center between Denver and Minneapolis/St. Paul; and financial services. Sioux Falls is served by more than twenty commercial financial institutions. The vast majority of these banks are full service financial institutions that help meet the day-to-day credit needs of individuals, small farms and small businesses. Sioux Falls is also home to three, limited purpose credit card banks.

The following tables show the distribution of businesses and farms by sales volume and the income level of the census tract in which they are located.

INCOME LEVEL	# of Census Tracts	Biz - less than \$1 million in sales	Biz - more than \$1 million in sales	Biz - sales not reported	Total Businesses
Low-income	0	NA	NA	NA	NA
Moderate-income	7 (21%)	1,347 (24%)	324 (5%)	471 (8%)	2,142 (37%)
Middle-income	19 (58%)	2,112 (37%)	317 (6%)	582 (10%)	3,011 (53%)
Upper-income	7 (21%)	415 (7%)	56 (1%)	78 (2%)	549 (10%)
TOTALS	33 (100%)	3,874 (68%)	697 (12%)	1,131 (20%)	5,702 (100%)

INCOME LEVEL	# of Census Tracts	Farms - less than \$1 million in sales	Farms - more than \$1 million in sales	Farms - sales not reported	Total Farms
Low-income	0	NA	NA	NA	NA
Moderate-income	7 (21%)	20 (12%)	1 (.5%)	1 (.5%)	22 (13%)
Middle-income	19 (58%)	132 (76%)	3 (2%)	3 (2%)	138 (80%)
Upper-income	7 (21%)	11 (6%)	0	2 (1%)	13 (7%)
TOTALS	33 (100%)	163 (94%)	4 (2.5%)	6 (3.5%)	173 (100%)

The creation of additional affordable housing is the primary need in the community. Otherwise, there are virtually no unmet credit needs for people or businesses in the Sioux Falls MSA. There has been a severe affordable housing strain due to the net inflow of households, the thriving economy, and the lack of housing stock available for purchase by low- and moderate-income families. We determined this from a number of previous community contacts conducted by the OCC and other regulators, one contact made during the examination, and our review of CRA Performance Evaluations generated for Sioux Falls banks over the last couple of years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending Activity

The number and amount of small loans to businesses and farms that FNB made and purchased in 1996 and through July 1997 showed good responsiveness to the credit needs of commercial borrowers. The bank made and purchased a substantial percentage of those loans in its assessment area in both years. In 1996, 87% of the small loans to businesses and 82% of the small loans to farms were in the Sioux Falls MSA. The percentages of loans FNB made and purchased in the assessment area year to date 1997 were similar at 88% and 85% respectively. FNB made significant percentages of its small loans to businesses and farms with gross annual revenues of \$1,000,000 or less. In 1996, loans to small businesses and small farms accounted for 78% and 80%, respectively, of all the small loans reported. Those percentages remain high year to date 1997.

Table 1 shows the number and dollar amount of loans to businesses and farms FNB originated and purchased in 1996 in the Sioux Falls MSA. It also shows the income level, if known, of the borrowers. Table 2 displays the same information for 1997.

Table 1

1996	Originated		Purchased			Total			
	COUNT #	%	AMOUNT (000'S)	COUNT #	%	AMOUNT (000'S)	COUNT #	%	AMOUNT (000'S)
Small Loans to Businesses									
Revenues <= \$1 Million	768	78	58,885	2	67	335	770	78	59,220
Revenues > \$1 Million	147	15	26,893	1	33	325	148	15	27,218
Unknown Revenues	68	7	4,393	0	-	0	68	7	4,393
Total	983	100	90,171	3	100	660	986	100	90,831
Small Loans to Farms									
Revenues <= \$1 Million	325	80	18,955	0	-	0	325	80	18,955
Revenues > \$1 Million	38	9	3,680	0	-	0	38	9	3,680
Unknown Revenues	43	11	1,398	0	-	0	43	11	1,398
Total	406	100	24,033	0	-	0	406	100	24,033
Grand Total	1,389		114,204	3		660	1,392		114,864

Data Source: Bank Records

Table 2

1997 January - July	Originated		Purchased			Total			
	COUNT # %	AMOUNT (000'S)	COUNT # %	AMOUNT (000'S)	COUNT # %	AMOUNT (000'S)			
Small Loans to Businesses									
Revenues <= \$1 Million	499	73	38,252	1	100	200	500	73	38,452
Revenues > \$1 Million	121	18	34,108	0	-	0	121	18	34,108
Unknown Revenues	61	9	5,823	0	-	0	61	9	5,823
Total	681	100	78,183	1	100	200	682	100	78,383
Small Loans to Farms									
Revenues <= \$1 Million	261	92	17,275	0	-	0	261	92	17,275
Revenues > \$1 Million	2	1	365	0	-	0	2	1	365
Unknown Revenues	21	7	1,059	0	-	0	21	7	1,059
Total	284	100	18,699	0	-	0	284	100	18,699
Grand Total	965		96,882	1		0	966		97,082

Data Source: Bank Records

The number and amount of FNB's HMDA-reportable loans in the Sioux Falls MSA in 1995, 1996 and through July 1997 reflected adequate responsiveness to the credit needs of home buyers and homeowners. In mid-1995, the bank formed a residential real estate mortgage department. Prior to that FNB only made home purchase, refinance and home improvement loans as an accommodation for existing customers. The bank hired experienced mortgage lenders and marketed HMDA-type mortgage loans to penetrate that segment of the retail market.

FNB has made notable inroads into HMDA lending considering the bank's primary focus of serving the credit needs of commercial customers and vigorous competition from regional and national lenders in the local mortgage market. In 1995 and 1996, FNB ranked among the top ten lenders in conventional home purchase, refinance and home improvement loans in the Sioux Falls MSA. Although FNB's ranking among all other lenders doing business in the Sioux Falls MSA appears good, the bank has not captured significant market share percentages in any of the HMDA-reportable loan categories in its assessment area. The market is dominated by several lenders (three or four in each loan category) that make about 50% of both the conventional home purchase and refinance loans and over 70% of the home improvement loans.

Table 3 shows the number and dollar amount of HMDA-reportable loans made in 1995, 1996 and through July 1997 in the Sioux Falls MSA. FNB originated very high percentages of its HMDA-reportable loans in the Sioux Falls MSA over the period we reviewed. All but one loan (249 out of 250) was made in the assessment area in 1995; 94% of the loans were in the assessment area in 1996; and through July 1997, 88% of the loans are in the assessment area.

Table 3

HMDA PRODUCT	1995		1996		1997 (Jan. - July)	
	Number	\$ (000's)	Number	\$ (000's)	Number	\$ (000's)
<i>Government Home Purchase</i>	0	0	38	2,678	30	2,481
<i>Conventional Home Purchase</i>	132	11,259	137	12,048	57	6,352
<i>Refinance</i>	68	6,772	116	9,279	42	4,182
<i>Home Improvement</i>	49	867	57	990	44	1,270
TOTAL	249	18,898	348	24,995	173	14,285

Data Source: Bank Records

Distribution of Loans by Borrower Profile

In 1996, FNB accounted for a substantial percentage (83%) of all the small loans made to businesses with gross annual revenues of \$1,000,000 or less in the Sioux Falls MSA. FNB accounted for more than half (51%) of all the small loans made to farms with gross annual revenues of \$1,000,000 or less in the Sioux Falls MSA. We got this information by comparing the bank's 1996 reported data on small loans to businesses and farms with the 1996 aggregate data for the Sioux Falls MSA released by the Federal Financial Interagency Examination Council (FFIEC). Only large financial institutions, those with total assets of \$250,000,000 or more or an institution of any size that is an affiliate of a bank holding company with \$1,000,000,000 or more in banking and thrift assets, are required to report data on small loans to businesses and farms. The aggregate data may not represent all lenders providing small loans to businesses and farms in the Sioux Falls MSA.

In 1996 and through July 1997, FNB made very high percentages of the number of small loans extended to businesses and farms with gross annual revenues of \$1,000,000 or less in amounts of \$100,000 or less. In 1996, the bank made 84% of its loans to the smallest businesses in amounts of \$100,000 or less. Year to date 1997, the number of loans written for \$100,000 or less represented 82% of all the loans to the smallest businesses. In 1996, the bank made 85% of its loans to the smallest farms in amounts of \$100,000 or less. Year to date 1997, the number of loans written for \$100,000 or less represented 82% of all the loans to the smallest farms. This evidenced a strong commitment to meet the credit needs of small businesses and farms.

Tables 4 and 5 show the number and dollar amount of loans in several size categories to businesses and farms with revenues of \$1,000,000 or less.

Table 4

Distribution of Small Loans to Businesses and Farms with Gross Annual Revenues Less Than \$1 Million Sioux Falls MSA - 1996								
Loan Size	BUSINESSES				FARMS			
	Number	Percent	Amount (000's)	Percent	Number	Percent	Amount (000's)	Percent
0 to \$10,000	190	25	1,216	2	81	25	490	3
\$10,001 to \$50,000	316	41	8,989	15	142	44	3,939	21
\$50,001 to \$100,000	138	18	10,265	17	52	16	4,039	21
\$100,001 to \$250,000	76	10	13,230	22	40	12	6,617	35
\$250,001 to \$500,000	33	4	12,829	22	10	3	3,870	20
\$500,001 to \$1,000,000	17	2	12,691	22	NA	NA	NA	NA
TOTALS	770	100	59,220	100	325	100	18,955	100

Data Source: Bank Records

Table 5

Distribution of Small Loans to Businesses and Farms with Gross Annual Revenues Less Than \$1 Million Sioux Falls MSA - January through July 1997								
Loan Size	BUSINESSES				FARMS			
	Number	Percent	Amount (000's)	Percent	Number	Percent	Amount (000's)	Percent
0 to \$10,000	119	24	719	2	62	24	354	2
\$10,001 to \$50,000	213	42	5,682	15	106	41	3,035	19
\$50,001 to \$100,000	79	16	5,973	15	44	17	3,360	20
\$100,001 to \$250,000	54	11	9,830	26	36	14	5,626	34
\$250,001 to \$500,000	26	5	9,645	25	12	4	4,115	25
\$500,001 to \$1,000,000	9	2	6,603	17	NA	NA	NA	NA
TOTALS	500	100	38,452	100	260	100	16,490	100

Data Source: Bank Records

FNB has achieved reasonable market shares among borrowers of different income levels compared to its overall market share for the various HMDA loan categories. FNB did not make governmentally subsidized or insured loans in 1995. When the bank began making those type loans in 1996, it substantially exceeded its overall market share with respect to low-income borrowers and modestly exceeded its overall market share with respect to moderate-income borrowers. In both years, FNB's market share of conventional home purchase loans to low- and moderate-income borrowers was somewhat below the overall market share. In 1996, FNB substantially

improved its market share of refinancings to low- and moderate-income borrowers compared to its overall market share and compared to the market shares achieved in 1995. FNB has not reached a proportionate share of low-income borrowers with respect to home improvement loans, but has exceeded its overall market share with respect to moderate-income borrowers in both 1995 and 1996.

Table 6 illustrates the data discussed in the preceding paragraph.

Table 6

HMDA Product & Income Category	1995	1996
GOVERNMENT HOME PURCHASE	Overall Market Share = NA	Overall Market Share = 3.8%
<i>Low-Income Borrowers</i>		11.9%
<i>Moderate-Income Borrowers</i>		4.4%
<i>Middle-Income Borrowers</i>	NA	3.9%
<i>Upper-Income Borrowers</i>		1.9%
<i>Borrowers with Unknown Income</i>		.6%
CONVENTIONAL HOME PURCHASE	Overall Market Share = 6%	Overall Market Share = 5.4%
<i>Low-Income Borrowers</i>	4%	4.3%
<i>Moderate-Income Borrowers</i>	5%	4.1%
<i>Middle-Income Borrowers</i>	4%	7.6%
<i>Upper-Income Borrowers</i>	7%	7.2%
<i>Borrowers with Unknown Income</i>	8%	.9%
REFINANCE	Overall Market Share = 5%	Overall Market Share = 4.6%
<i>Low-Income Borrowers</i>	2%	10.1%
<i>Moderate-Income Borrowers</i>	3%	5.5%
<i>Middle-Income Borrowers</i>	4%	4.4%
<i>Upper-Income Borrowers</i>	7%	5.7%
<i>Borrowers with Unknown Income</i>	6%	1.2%
HOME IMPROVEMENT	Overall Market Share = 5%	Overall Market Share = 4.9%
<i>Low-Income Borrowers</i>	NA	2.7%
<i>Moderate-Income Borrowers</i>	7%	7.6%
<i>Middle-Income Borrowers</i>	4%	3.4%
<i>Upper-Income Borrowers</i>	5%	5.4%
<i>Borrowers with Unknown Income</i>	8%	6.5%

Data Source: FFIEC 1995 and 1996 Aggregate HMDA Data

FNB also achieved reasonable portfolio percentages among borrowers of different income levels compared to the population demographics of the Sioux Falls MSA and compared to the percentage of loans made to borrowers of different income levels realized by all lenders in the MSA. FNB reached a significantly higher percentage of low-, moderate- and middle-income borrowers than the percentage of families in those income groups with respect to governmentally subsidized and insured loans made in 1996. The bank also exceeded the percentage of loans all lenders made to those income groups. FNB was somewhat below the percentage of families in the low- and moderate-income categories and the percentage achieved by all lenders in the loans it made for conventional home purchase in both 1995 and 1996. In 1996, FNB significantly exceeded the percentage of loans it made to

low-income borrowers and somewhat exceeded the percentage of loans it made to moderate-income borrowers for refinancings compared to all lenders and its own record in 1995. FNB's percentages of loans for refinancings to low- and moderate-income families were below the percentage of families in those categories. FNB has not reached a proportionate share of low-income home improvement borrowers in relationship to the percentage of families in that group or the percentage of loans made by all lenders. FNB exceeded its the percentage realized by all lenders and the population demographic for moderate-income home improvement borrowers in both 1995 and 1996.

Table 7 illustrates the data discussed in the preceding paragraph.

Table 7

Income Category & HMDA Product	1995		1996		1997	Percent of Families in Income Category
	All Lenders	FNB	All Lenders	FNB	FNB	
LOW-INCOME BORROWERS						10%*
<i>Government Home Purchase</i>	5%	NA	6%	18%	17%	
<i>Conventional Home Purchase</i>	7%	5%	7%	7%	5%	
<i>Refinance</i>	5%	2%	3%	7%	7%	
<i>Home Improvement</i>	6%	NA	10%	5%	9%	
MODERATE-INCOME BORROWERS						20%
<i>Government Home Purchase</i>	28%	NA	29%	34%	37%	
<i>Conventional Home Purchase</i>	17%	15%	18%	14%	14%	
<i>Refinance</i>	13%	7%	14%	16%	12%	
<i>Home Improvement</i>	20%	26%	19%	30%	16%	
MIDDLE-INCOME BORROWERS						28%
<i>Government Home Purchase</i>	41%	NA	38%	40%	30%	
<i>Conventional Home Purchase</i>	30%	23%	26%	36%	23%	
<i>Refinance</i>	23%	18%	24%	23%	33%	
<i>Home Improvement</i>	31%	29%	33%	23%	29%	
UPPER-INCOME BORROWERS						36%
<i>Government Home Purchase</i>	13%	NA	11%	5%	13%	
<i>Conventional Home Purchase</i>	37%	44%	31%	41%	58%	
<i>Refinance</i>	46%	57%	40%	49%	45%	
<i>Home Improvement</i>	38%	37%	34%	37%	32%	
BORROWERS WITH UNKNOWN INCOME						NA
<i>Government Home Purchase</i>	13%	NA	16%	3%	3%	
<i>Conventional Home Purchase</i>	9%	13%	18%	2%	NA	
<i>Refinance</i>	13%	16%	19%	5%	3%	
<i>Home Improvement</i>	5%	8%	4%	5%	14%	

*The 1990 Census shows approximately 1,938 families in the Sioux Falls MSA below the poverty level. We adjusted the percentage (16%) of families who are low-income by excluding the families who are below the poverty level because it is highly unlikely they could afford to borrow. This resulted in approximately 10% of the low-income families (with incomes between 30% - 50% of the median) who could potentially become borrowers.

Data Sources: FFIEC 1995 and 1996 Aggregate HMDA Data, Bank Records and 1990 Census Data-U.S. Bureau of the Census

Distribution of Loans by Geography

In 1996, FNB made significant percentages of the aggregate small loans made to businesses (54%) and farms (44%) with gross annual revenues of \$1,000,000 or less in the moderate-income CTs in the Sioux Falls MSA. As previously mentioned, we got this data by comparing the bank's 1996 reported data on small loans to businesses and farms with the 1996 aggregate data for the Sioux Falls MSA released by the FFIEC. The bank's percentage of small loans to all size businesses in moderate-income CTs exceeded the percentage of moderate-income CTs in the MSA. Only four percent of all the farms to which the bank made loans are in moderate-income CTs, which does not appear to compare favorably with the percentage of moderate-income CTs. However, the moderate-income CTs are in the urban portions of the MSA which make that comparison not meaningful.

Table 8 shows the distribution of small loans to businesses and farms for 1996 by the income level of the geography in which the loan is located. Table 9 shows the same data through July 1997. (The Sioux Falls MSA has no low-income CTs.)

Table 8

1996	Moderate-Income CTs 21% of all CTs		Middle-Income CTs 58% of all CTs		Upper-Income CTs 21 %of all CTs		Totals	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Small Loans to Businesses								
Revenues <= \$1 Million	188	24	489	64	93	12	770	100
Revenues > \$1 Million	71	48	74	50	3	2	148	100
Revenues Unknown	13	19	51	75	4	6	68	100
Subtotal-Businesses	272	28	614	62	100	10	986	100
Small Loans to Farms								
Revenues <= \$1 Million	12	4	305	94	8	2	325	100
Revenues > \$1 Million	0	-	38	100	0	-	38	100
Revenues Unknown	2	5	41	95	0	-	43	100
Subtotal-Farms	14	4	384	84	8	2	406	100
Grand Total	286	20	998	72	108	8	1,392	100

Data Source: Bank Records

Table 9

1997 January through July	Moderate-Income CTs 21% of all CTs		Middle-Income CTs 58% of all CTs		Upper-Income CTs 21% of all CTs		Totals	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Small Loans to Businesses								
Revenues <= \$1 Million	126	25	331	66	43	9	500	100
Revenues > \$1 Million	59	49	54	45	8	6	121	100
Revenues Unknown	23	38	32	52	6	10	61	100
Subtotal-Businesses	208	31	417	61	57	8	682	100
Small Loans to Farms								
Revenues <= \$1 Million	3	1	248	95	10	4	261	100
Revenues > \$1 Million	0	-	2	100	0	-	2	100
Revenues Unknown	0	-	18	86	3	14	21	100
Subtotal-Farms	3	1	268	94	13	5	284	100
Grand Total	211	22	685	71	70	7	966	100

Data Source: Bank Records

FNB achieved good market shares in moderate-income CTs in the Sioux Falls MSA in government subsidized and insured and conventional home purchase loans compared to its overall market share in those two loan categories. The bank was well below its overall market share in moderate-income CTs in refinancings and home improvement loans.

Table 10 illustrates market share comparisons based on the geography of the loan.

Table 10

HMDA Product & Income Category	1995	1996
GOVERNMENT HOME PURCHASE	Overall Market Share = NA	Overall Market Share = 3.8%
<i>Moderate-Income CTs</i>	NA	3.6%
<i>Middle-Income CTs</i>		3.7%
<i>Upper-Income CTs</i>		4.4%
CONVENTIONAL HOME PURCHASE	Overall Market Share = 6%	Overall Market Share = 5.4%
<i>Moderate-Income CTs</i>	5%	5.4%
<i>Middle-Income CTs</i>	5%	4.5%
<i>Upper-Income CTs</i>	7%	7.9%
REFINANCE	Overall Market Share = 5%	Overall Market Share = 4.6%
<i>Moderate-Income CTs</i>	1%	1.9%
<i>Middle-Income CTs</i>	5%	4.6%
<i>Upper-Income CTs</i>	7%	6.2%
HOME IMPROVEMENT	Overall Market Share = 5%	Overall Market Share = 4.9%
<i>Moderate-Income CTs</i>	1%	1.3%
<i>Middle-Income CTs</i>	6%	5.4%
<i>Upper-Income CTs</i>	3%	5.7%

Data Source: FFIEC 1995 and 1996 Aggregate HMDA Data

In 1996, FNB's portfolio percentage in moderate-income CTs compared very favorably for government insured and subsidized home purchase loans compared to the percentage of loans made by all lenders in those CTs. In 1995 and 1996, the bank's percentage of conventional home purchase loans in moderate-income CTs compared to the percentage of loans made by all lenders in those CTs was also very favorable. FNB penetrated moderate-income tracts with its refinancing and home improvement loans, but well below the level of its competitors. The percentage of government insured and subsidized loans in moderate-income CTs and all types of loans in the middle- and upper-income CTs generally approach or exceed the level of owner-occupied housing in those geographies.

Table 11 illustrates the data discussed in the preceding paragraph.

Table 11

Income Category & HMDA Product	1995		1996		1997	Percent of Total CTs	Percent of Owner-Occupied Housing
	All Lenders	FNB	All Lenders	FNB	FNB		
MODERATE-INCOME CTs						21%	13%
<i>Government Home Purchase</i>	19%	NA	17%	16%	3%		
<i>Conventional Home Purchase</i>	9%	8%	9%	9%	2%		
<i>Refinance</i>	13%	3%	12%	5%	5%		
<i>Home Improvement</i>	14%	2%	13%	4%	2%		
MIDDLE-INCOME CTs						58%	65%
<i>Government Home Purchase</i>	65%	NA	65%	63%	70%		
<i>Conventional Home Purchase</i>	66%	60%	68%	58%	70%		
<i>Refinance</i>	61%	62%	64%	63%	76%		
<i>Home Improvement</i>	64%	84%	66%	72%	61%		
UPPER-INCOME CTs						21%	22%
<i>Government Home Purchase</i>	16%	NA	18%	21%	27%		
<i>Conventional Home Purchase</i>	25%	32%	23%	33%	28%		
<i>Refinance</i>	26%	35%	24%	32%	19%		
<i>Home Improvement</i>	22%	14%	21%	24%	37%		

Data Source: FFIEC 1995 and 1996 Aggregate HMDA Data

Community Development Lending

FNB did not have any loans in its portfolio that it could report as having a community development purpose. This is because none of the bank’s loans over \$1,000,000 qualified as a community development loan and those loans under \$1,000,000 that did have a community development purpose had to be reported as small loans to businesses or farms.

FNB has made qualified investments in affordable, multi-family housing projects in Sioux Falls, which do have a community development purpose. Please see the “Investment Test” section of this evaluation.

Flexible Loan Programs

FNB uses flexible lending programs to help meet the credit needs of the borrowers in its assessment area. FNB participates in South Dakota Housing Development Authority (SDHDA) affordable housing programs. The programs provide several types of financing for qualified first-time home buyers who are low- and moderate-income, and for down payment and closing cost assistance. The SDHDA loan programs provide below-market interest rates and more liberal underwriting guidelines than conventional loans. In 1996, FNB made 54 SDHDA loans totaling \$3,539,400 and through July 1997, 31 SDHDA loans totaling \$2,509,650. These loans are included in the HMDA data discussed previously. In 1996 and through May 1997, FNB made 23 loans totaling \$36,925 to low-income home buyers under the SDHDA “Mortgage Assistance Program” to help finance down payment and closing costs. FNB also participates in federal programs that provide financing for home buyers,

small businesses and small farms (e.g. Federal Housing Administration loans, Veteran's Affairs loans, Small Business Administration loans and Farmers Home Administration loans).

INVESTMENT TEST

FNB has a good level of qualified investments and grants based on the opportunities available in the Sioux Falls MSA. During the evaluation period, the bank invested or contributed \$567,500 that benefitted low- and moderate-income persons and areas in the Sioux Falls MSA. (That level of investment would represent over 4% of three years' worth of net income based on 1996 net income.)

FNB invested \$25,000 in the Downtown Economic Development Incentive Fund. The fund is supported by other local investors and approximates \$350,000. The fund serves two purposes. It provides businesses low-interest rate, gap financing to augment equity and loans from private lenders, like banks. It also establishes a loan guaranty fund to help businesses get bank loans. The purpose of the fund is to stimulate investment in a defined district in downtown Sioux Falls. Acceptable projects are expected to stimulate economic revitalization and create or retain jobs in the downtown area which is moderate-income. So far 15 loans have been closed through the fund totaling \$226,000.

FNB invested \$292,500 in two equity fund limited partnerships and has firmly committed \$150,000 to a third. The three limited partnerships were created by Citibank (South Dakota), NA's community development corporation, CitiHousing, Inc. The equity funds were formed to facilitate the construction of affordable (the tenants are 60% or less of the median income) multi-family housing in Sioux Falls. The creation of additional affordable housing is the area's most critical unmet need. The projects qualify for low-income housing tax credits. FNB is among several local investors in each fund. To date the partnerships have created 311 units in Sioux Falls and 56 units in North Sioux City, South Dakota.

During the evaluation period, FNB contributed approximately \$100,000 in qualified grants to community groups that primarily serve low- and moderate-income persons.

SERVICE TEST

Retail Banking Services

FNB's service delivery systems are reasonably accessible to all portions of the Sioux Falls MSA. The bank's main office is located in a moderate-income CT in downtown Sioux Falls. The other ten banking offices are located in middle-income CTs. The new banking office that will open in the first quarter of 1998 is also in a middle-income CT. Two of the bank's existing eleven offices were opened in 1996. Both are located in middle-income CTs in the City of Sioux Falls and both operate from assisted-living facilities. These two locations are open on Mondays, Wednesdays and Fridays for half days. The other branches are open five days a week, with extended hours on Friday. Five of the branches also have Saturday hours. Deposit services and applications for all loan products are available at each branch. No banking offices were closed during the evaluation period. In addition to its branch locations, FNB has 46 automated teller machines in the MSA.

Community Development Services

One of the bank's senior officers was instrumental in the creation of the Downtown Economic Development Incentive Fund (DEDIF). He helped draft the original grant request to the Department of Housing and Urban Development and was the primary author of the program support documents and the loan documents. He also was a major solicitor of investors in the fund. FNB's officer has participated in all of the loan closings made by the DEDIF to date.

FAIR LENDING REVIEW

We did not identify any substantive violations of the anti-discrimination laws (Equal Credit Opportunity, Fair Housing and Home Mortgage Disclosure Acts).