



SMALL BANK

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

PUBLIC DISCLOSURE

January 3, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Ramsey National Bank and Trust Co. of Devils Lake
Charter Number 5886**

**300 4th Street
Devils Lake, ND 58301**

**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.

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INSTITUTION'S CRA RATING

The Ramsey National Bank & Trust Company of Devils Lake is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of the assessment areas in a manner that is consistent with its resources and capabilities.

- The bank's lending in the assessment areas (AAs) exceeds the standard for satisfactory performance. A substantial majority of the bank's loans are made within the AAs.
- The bank's record of lending to businesses and farms of different sizes meets the standard for satisfactory performance.
- The bank's geographic distribution of loans throughout its AAs meets the standard for satisfactory performance when considering the location of the bank's offices.
- The bank's average quarterly loan-to-deposit (LTD) ratio of 82.8% meets the standard for satisfactory performance..

DESCRIPTION OF INSTITUTION

The Ramsey National Bank & Trust Company of Devils Lake (RNB) is a \$144 million institution located in north central North Dakota. RNB has two assessment areas (AAs). One AA contains the bank's main office and two branches in Devils Lake and additional branches in the North Dakota communities of Cavalier, Cando, Rugby, Maddock, and Esmond. The other AA contains the entire Fargo-Moorhead Metropolitan Statistical Area (MSA) with a branch located in Fargo, North Dakota. The bank has four ATMs, three in Devils Lake and one in Fargo.

The bank is wholly owned by Ramsey Financial Corporation, Devils Lake, North Dakota, a one bank holding company with total assets of \$147 million as of December 31, 2004. During the assessment period, Ramsey Bank, a savings and loan company wholly owned by Ramsey Financial Corporation was merged into RNB. The offices of the former Ramsey Bank operate as branches of RNB.

At the last CRA examination dated June 28, 1999 the bank was rated "Satisfactory". Since that examination the bank closed a branch office in Sheyenne, North Dakota. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

RNB is a full service bank offering traditional loan and deposit products and services. Net loans represent 75% of total assets. The following table illustrates RNB's loan mix.

Loan Portfolio Composition 09/04	\$ (000)	%
Farm Loans	\$41,136	38%
Business Loans	\$51,135	47%
Residential Real Estate Loans	\$9,820	9%
Consumer Loans	\$3,622	3%
Other	\$2,879	3%
Total	\$108,592	100%

Source: 9/30/04 call report Schedule RC-C

DESCRIPTION OF RNB's ASSESSMENT AREAS

Devils Lake Assessment Area

The AA consists of 21 census tracts (CTs) covering all of Ramsey, Pierce, Benson, Towner, and Pembina Counties in the State of North Dakota. The AA includes 4 moderate-income (19%), 14 middle-income (67%), and 2 upper-income (9%) areas. One census tract in the AA (5%) cannot be categorized within the definitions as it is flooded by Devils Lake and has no population. There are no low-income tracts in the assessment area. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The population of the AA is 35,166. The unemployment rate in the AA is 6.6% compared to a statewide unemployment rate of 4.0%. The 2000 Median Family Income (MFI) for the AA is \$39,651. Based on updated estimates by the Department of Housing and Urban Development (HUD) the 2003 adjusted MFI increased to \$47,700. Eleven percent of families within the AA have incomes below the poverty level. The profile of family income levels within the AA is: low-income 19.5%, moderate-income 17.5%, middle-income 24.3%, and upper-income 38.6%.

The area is predominantly dependent on farming with some small business and tourism. The largest city in the AA is Devils Lake which serves as a hub for retail and medical services in north central North Dakota. Largest non-farm employers include Devils Lake Public Schools (public schools), Lake Region Lutheran Home (nursing care), Mercy Hospital (medical), Wal-Mart (retail) and Spirit Lake Casino (gambling).

The assessment area, comprising northeastern and north central North Dakota, is experiencing generally stable economic conditions. Weaknesses in the production of some crops are offset by crop insurance payments and government disaster payments. Local business is on a slow declining trend due to competition from larger retail hubs and from an eroding population base. Between 2000 and 2003 the population in the AA counties declined from 1.2% to 7.3%. None of the counties in the AA showed population increases. The assessment area includes the majority of the Spirit Lake Reservation which is primarily located in moderate-income CTs in Benson County.

Rising water in Devils Lake over the past several years is a significant concern for area residents and has had both positive and negative effects on the local economy. Increased water levels have led to Devils Lake becoming a destination for fishermen from throughout the United States

and contributed tourism dollars to the economy. However, the increased water also flooded thousands of farmland acres and numerous residences forcing the displacement of families. High water covers many local roads resulting in a loss of access to and from neighboring communities. Uncertainty regarding lake levels constrains new construction and economic development. Options to control the rise of Devils Lake waters are under consideration by local, state, and federal officials.

RNB’s competition includes 7 local banks and credit unions in Devils Lake, numerous financial institutions in other communities within the AA, and Farm Credit Services.

Credit needs of the AA include loans for farming, small businesses, and housing and personal use. Primary detriments to obtaining credit include limited employment opportunities as evidenced by the higher than average unemployment rate and the level of impoverished families in the AA. We confirmed these needs by contacting a local community action group serving the majority of the AA.

Demographic And Economic Characteristics Of Devils Lake AA	
<i>Population</i>	
Number of Families	9,351
Number of Households	13,991
Number of Low-Income Families	1,824
% of Low-Income Families	19.5%
Number of Moderate-Income Families	1,639
% of Moderate-Income Families	17.5%
Number of Middle-Income Families	2,276
% of Middle-Income Families	24.3%
Number of Upper-Income Families	3,612
% of Upper-Income Families	38.6%
<i>Geographies</i>	
Number of Census Tracts/BNA	21
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	19.0%
% Middle-Income Census Tracts/BNA	66.7%
% Upper-Income Census Tracts/BNA	9.5%
NA	4.8%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$39,651
2004 HUD-Adjusted MFI	\$47,700
<i>Economic Indicators</i>	
Unemployment Rate	6.6%
2004 Median Housing Value	\$49,608
% of Households Below Poverty Level	11%

Source: 2000 U.S. Census

Fargo-Moorhead Assessment Area

The AA consists of 40 contiguous census tracts located in Cass County of North Dakota and Clay County of Minnesota. The AA is part of the Fargo-Moorhead MSA. The AA includes 6 moderate-income (15%), 29 middle-income (72%), and 5 upper-income (13%) areas. There are no low-income CTs in the assessment area. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The population of the AA is 174,367. The unemployment rate in the AA is 4.3%. The 2000 Census shows the Median Family Income (MFI) for the AA is \$50,758. Based on updated estimates by HUD the 2004 adjusted MFI increased to \$60,400. Six percent of families within the AA have incomes below the poverty level. The profile of family income levels within the AA is: low-income 17.7%, moderate-income 18.7%, middle-income 26.5%, and upper-income 37.1%.

The Fargo-Moorhead area is a retail, medical, and industrial hub for eastern North Dakota and western Minnesota. The local economy has been strong in recent years with considerable growth in residential real estate and small businesses. Major employers include Meritcare (medical), local school districts, universities and colleges, Microsoft (computer software), and numerous smaller businesses.

Banking competition within the AA is strong. Numerous financial institutions including four large regional banks aggressively compete for both loan and deposit customers. Credit needs within the AA are met by the highly competitive banking environment. Qualified applicants have no difficulty obtaining credit; however, limited bank financing is available for start-up businesses and for low-income housing rehabilitation. We determined these needs by reviewing prior community contacts made within the AA.

Demographic And Economic Characteristics Of Fargo-Moorhead AA	
<i>Population</i>	
Number of Families	42,527
Number of Households	69,950
Number of Low-Income Families	7,525
% of Low-Income Families	17.7%
Number of Moderate-Income Families	7,967
% of Moderate-Income Families	18.7%
Number of Middle-Income Families	11,268
% of Middle-Income Families	26.5%
Number of Upper-Income Families	15,767
% of Upper-Income Families	37.1%
<i>Geographies</i>	
Number of Census Tracts/BNA	40
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	15.0%
% Middle-Income Census Tracts/BNA	72.5%
% Upper-Income Census Tracts/BNA	12.5%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$50,758
2004 HUD-Adjusted MFI	\$60,400
<i>Economic Indicators</i>	
Unemployment Rate	2.8%
2000 Median Housing Value	89,182
% of Households Below Poverty Level	6.2%

Source: 2000 U.S. Census

Loan Sampling

We reviewed RNB's lending activities by analyzing bank reports and sampling various bank loan products. We reviewed several loan products including business, farm, residential real estate, and consumer loans to identify the bank's primary product lines. Based on the number of loan originations in each type we determined the primary product lines to be farm, business and consumer products. The following table illustrates the number of loans originated and the dollars loaned in 2003 and 2004.

Loan Products	#	%	\$ (000)	%
Farm Loans	511	28%	\$72,502	42%
Business Loans	397	22%	\$80,229	45%
Consumer Loans	587	32%	\$5,551	3%
Residential Real Estate Loans	322	18%	\$18,486	10%
Total	1,817	100%	\$176,768	100%

Loans originated and purchased 2003 and 2004

In our analysis, business and farm loans were given a greater weight as 45% and 42%, respectively, of the bank's loans originated in 2003 and 2004 were from these two categories.

Net loans originated in 2003 and 2004 in the Devils Lake AA total \$132,641,000 and represent 77% of loans originated in those years. Net loans originated in the Fargo-Moorhead AA total \$40,095,000 and represent 23% of loans originated by RNB in 2003 and 2004. Due to the volume of loans originated in the Devils Lake AA, we placed greater emphasis on the bank's performance in this AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and lending opportunities within its AAs. The quarterly LTD ratio averaged 82.80% since the last CRA examination. Since the last CRA examination the bank's LTD ranged from 75.05% to 93.69%. RNB's LTD ratio is comparable to other similarly sized banks within its AAs. In the Devils Lake AA, RNB's LTD ratio ranked fourth of ten comparable institutions ranging from 31% to 95%. In the Fargo AA, RNB's LTD ratio ranked fifth of nine comparable institutions with the competing bank's ratios ranging from 56% to 96%.

Lending in Assessment Area

Lending within the AAs exceeds the standard for satisfactory performance. A substantial majority of the loans are originated within the AAs. The following table illustrates the bank's lending in and outside of its AAs.

Total Loans Reviewed								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Farm	18	18	4,246	40	2	2	140	1
Business	39	39	6,026	55	1	1	65	<1
Consumer	37	37	361	3	3	3	49	<1
Total Reviewed	94	94	10,633	98	6	6	254	2

Source: Sample of loans originated in 2003 and 2004

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

The bank's lending to borrowers of different incomes and farms and businesses of different sizes meets the standard for satisfactory performance. Loans to consumers with low- or moderate-income and to farms and businesses with revenues under \$1 million approximates the demographic data. There is insufficient data to determine RNB's lending to farms of different sizes in the Fargo-Moorhead AA.

Devils Lake AA

Lending to consumers of different incomes and farms and businesses of different sizes in the Devils Lake AA meets the standard for satisfactory performance.

Borrower Distribution of Business Loans

RNB’s lending to small businesses meets the standards for satisfactory performance. The number of loans to businesses with revenues under \$1 million slightly exceeds the demographic data. The dollar amount loaned to small businesses does not meet the demographics but small businesses typically require a lower level of financing compared to larger businesses. The following table depicts the bank’s lending patterns compared to demographic data.

Borrower Distribution of Loans to Businesses in Devils Lake AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61%	6%	33%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	47%	53%	0%	100%

Source: 2003 Business Geo-demographic Data and loan sample

Borrower Distribution of Farm Loans

RNB’s lending to small farms meets the standard for satisfactory performance. The number of loans to farms with revenues under \$1 million approximates the demographic data. The dollar amount loaned to small farms does not meet the demographics because smaller farm operations usually have lower funding requirements compared to larger operations. The following table illustrates the bank’s lending patterns compared to demographic data.

Borrower Distribution of Loans to Farms in Devils Lake AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97%	2%	1%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	71%	29%	0%	100%

Source: 2003 Business Geo-demographic Data and loan sample

Borrower Distribution of Consumer Loans

RNB's borrower distribution of consumer loans exceeds the standard for satisfactory performance. Lending to low- and moderate-income borrowers exceeds the demographics both in number of originations and dollars loaned. The following table portrays consumer lending in the Devils Lake AA.

Borrower Distribution Of Consumer Loans In Devils Lake AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households*	22.5		16.4		19.2		41.9	
LOAN SAMPLE SIZE	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
20	30	28	25	34	10	6	35	32

Source: 2000 U.S. Census data and loan sample.

Fargo-Moorhead AA

Lending to consumers of different incomes and businesses of different sizes in the Fargo-Moorhead AA exceeds the standard for satisfactory performance. An analysis of lending to farms of different sizes was not completed due to the limited number of farm loans originated in the AA.

Borrower Distribution of Business Loans

RNB's business lending is more than reasonable. Loans to businesses with revenues under \$1 million exceeds the demographic data.

Borrower Distribution of Loans to Businesses in Fargo-Moorhead AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses*	62%	8%	30%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	79%	21%	0%	100%

Source: 2000 U.S. Census data and loan sample

Borrower Distribution of Consumer Loans

RNB’s distribution of consumer loans in the Fargo-Moorhead AA meets the standard for satisfactory performance. The bank’s percentage of loans to low-income borrowers is somewhat below that of the demographic data. This is mitigated by the demographic data that shows about 11% of households in the AA have incomes below the poverty level. Households below the poverty level typically have insufficient income to qualify for bank loans.

Borrower Distribution Of Consumer Loans in Fargo-Moorhead AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households*	22.3		16.9		19.8		41.0	
LOAN SAMPLE SIZE	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
20	20	16	15	12	35	47	30	25

Source: 2000 U.S. Census data and loan sample

Geographic Distribution of Loans

RNB’s geographic distribution of consumer, business, and farm loans meets the standard for satisfactory performance.

Devils Lake AA

The geographic distribution of loans in the Devils Lake AA meets the standard for satisfactory performance.

Geographic Distribution of Business Loans

The geographic distribution of business loans in the Devils Lake AA is reasonable as the bank’s performance closely approximates the demographic data.

Business Loans In The Devils Lake AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		21.7%		66.5%		11.8%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
LOANS BY CENSUS TRACT	0	0	20	24.3	75	62.3	5	13.4

Source: 2000 U.S. Census data and loan sample

Geographic Distribution of Farm Loans

The geographic distribution of farm loans is less than reasonable. The number of farm loan originations in moderate-income tracts does not meet the demographics.

Farm Loans In The Devils Lake AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0		11.1%		80.1%		8.8%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
LOANS BY CENSUS TRACT	0	0	5	7.2	90	79.0	5	13.8%

Source: 2000 U.S. Census data and loan sample

Geographic Distribution of Consumer Loans

The bank’s geographic distribution of consumer loans in the Devils Lake AA is more than reasonable in relation to the demographic data. There are no low-income census tracts in the Devils Lake AA.

Consumer Loans In The Devils Lake AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		20.2%		70.3%		9.5%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
LOANS BY CENSUS TRACT	0	0	25	22.6	75	77.4	0	0

Source: 2000 U.S. Census data and loan sample

Fargo-Moorhead AA

The geographic distribution of loans in the Fargo-Moorhead AA exceeds the standard for satisfactory performance.

Geographic Distribution of Business Loans

The geographic distribution of business loans is more than reasonable and exceeds the standard for satisfactory performance.

Business Loans In The Fargo-Moorhead AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		34.5%		54.4%		11.1%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
LOANS BY CENSUS TRACT	0	0	55	49.2	40	48.7	5	2.1

Source: 2000 U.S. Census data and loan sample

Geographic Distribution of Consumer Loans

The geographic distribution of consumer loans in the Fargo-Moorhead AA meets the standard for satisfactory performance. In the AA, the moderate-income tracts are concentrated in the downtown and adjacent areas of Fargo. The RNB branch is located 3 miles from the moderate-income tracts and is not as convenient to residents of the moderate-income tracts as are numerous other financial institutions.

Consumer Loans In The Fargo-Moorhead AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		17.7%		67.7%		14.6%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
LOANS BY CENSUS TRACT	0	0	15	8.9	45	34.8	40	56.3

Source: 2000 U.S. Census data and loan sample

Responses to Complaints

Ramsey National Bank has not received any complaints about its performance in helping to meet assessment area credit needs during the evaluation period.

Fair Lending and the PE

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