



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 07, 2013

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Dakota Community Bank & Trust, National Association  
Charter Number 24604

609 Main Street  
Hebron, ND 58638

Office of the Comptroller of the Currency

Minneapolis Field Office  
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**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 Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors supporting the institution's rating are as follows;

- The loan to deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs.
- A substantial majority of loans are made inside the bank's assessment areas (AAs).
- The distribution of loans to borrowers of different income levels, and to businesses and farms of different sizes is reasonable.
- The geographic distribution of loans in moderate-income tracts throughout the bank's AAs is reasonable.
- The bank demonstrates adequate responsiveness to community credit needs of its AAs.

## Scope of Examination

We evaluated Dakota Community Bank and Trust, N.A.'s (DCB) Community Reinvestment Act (CRA) performance utilizing intermediate small bank performance standards. We conducted full-scope reviews for each of the bank's two (AAs). The lending test analysis is based on the bank's primary loan products for the period January 1, 2010, through December 31, 2011. The evaluation period for community development (CD) activity was January 20, 2010 through December 31, 2011. The following table depicts the volume of loans made during this time period.

<b>Table 1: DCB Loan Originations and Purchases in 2010 and 2011</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Agricultural Loans	34.26%	33.13%
Commercial Loans	19.32%	31.70%
Home Mortgage Loans	18.86%	31.58%
Consumer Loans	27.55%	3.59%

For purposes of this evaluation, the bank's primary loan products are commercial loans, agricultural loans and home mortgage loans. Together these loans represent 72.44 percent of loans by volume and 96.41 percent of loans by dollar amount.

We used a combination of Home Mortgage Disclosure Act (HMDA) data and loan samples to analyze lending test performance. DCB is a HMDA reporter so we utilized all HMDA data for 2010 and 2011 in our analysis of home mortgage loans. Of the HMDA reportable loans, home purchase is the bank's leading product at 63 percent, followed by home mortgage refinance at 33 percent, and finally home improvement loans which represent only 4 percent of HMDA reportable loans. Prior to the start of the

examination we conducted a HMDA data integrity review to ensure the accuracy of the reported information. We found the data to be reliable for use in our evaluation.

We conducted sampling of commercial and agricultural loans to assess the bank's performance in these loan categories. Our sampling included a total of 80 loans, which consisted of 20 commercial loans and 20 agricultural loans from each assessment area.

## **Description of Institution**

Dakota Community Bank and Trust, NA (DCB) is an intrastate community bank headquartered in Hebron, North Dakota. The bank is 100 percent owned by Dakota Community Banshares, Inc. which is also headquartered in Hebron, North Dakota. Bank affiliates include Dakota Community Investors, LLC, an investment firm and Dakota Reinsurance Limited, an insurance company.

The bank operates eleven branches including six in the Bismarck, ND Metropolitan Statistical Area (MSA) and five in rural western North Dakota towns including Dickinson, Bowman, Taylor, and New Leipzig. The bank operates a total of 48 ATMs throughout this area, none of which are deposit taking.

As of September 30, 2012, total assets were \$611 million. Tier One Capital was \$44 million with a Tier One Leverage ratio of 7.40 percent. The bank's primary lending focus is commercial and residential real estate in the Bismarck MSA region and agriculture lending in the North Dakota Non-MSA region. Net loans and leases represent 66.61 percent of total assets as of September 30, 2012. The loan portfolio is comprised of agricultural loans (41.16%) and commercial loans (37.45%), followed by residential real estate (16.82%) and finally, consumer loans (4.16%). The bank's business strategy in the Bismarck MSA region is originating residential real estate mortgages and commercial loans. In the North Dakota Non-MSA region the business strategy is focused on agricultural lending.

The last CRA performance evaluation was conducted as of January 19, 2010 and resulted in a Satisfactory rating.

There are no known financial or legal impediments that would affect the bank's ability to meet the credit needs in its communities.

## Description of Assessment Area(S)

DCB has two designated Assessment Areas (AAs), consisting of the Bismarck, ND MSA AA and the North Dakota Non-MSA AA. We selected both AAs for full scope reviews as part of our evaluation.

### Bismarck MSA AA

The Bismarck MSA AA encompasses the entire MSA and includes the counties of Burleigh and Morton. The primary cities in the MSA are Bismarck and Mandan. The bank has six branches in the AA including the main office location. The bank has a total of 35 ATMs throughout the AA, though none are deposit taking. The AA meets regulatory requirements and does not reflect illegal discrimination. Within the AA there are 21 census tracts (CTs) including four moderate-, 15 middle- and two upper-income tracts. There are no low-income tracts within the AA. Three of the bank's six branches (50%) and twelve ATMs (34%) within this AA are located in moderate-income tracts.

The Bismarck MSA has a strong, diversified economy. As the capital city of North Dakota, Bismarck serves as a major hub for government, business and finance. It is also a major distribution center for the agricultural industry. State government is the area's largest employer followed by MedCenter One Health Systems and St. Alexius Medical Center. Bismarck Public Schools and the federal government are also large employers in the area. Unemployment in the Bismarck MSA for 2011 was 3.4 percent. This is in line with the state of North Dakota unemployment rate of 3.5 percent which is the lowest in the nation. The national unemployment rate is 8.9 percent for 2011.

The table on the following page illustrates the demographics of the Bismarck MSA AA.

<b>Table 2: DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE BISMARCK MSA AA</b>	
<i>Population</i>	
Number of Families	25,265
Number of Households	37,620
% of Low-Income Families	17.38%
% of Moderate-Income Families	18.54%
% of Middle-Income Families	27.27%
% of Upper-Income Families	36.81%
<i>Geographies</i>	
Number of Census Tracts	21
% Low-Income Census Tracts	NA
% Moderate-Income Census Tracts	19.05%
% Middle-Income Census Tracts	71.43%
% Upper-Income Census Tracts	9.52%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$49,944
2011 HUD-Adjusted MFI	\$66,800
<i>Economic Indicators</i>	
2011 Unemployment Rate	3.60%
2000 Median Housing Value	\$83,418
% of Households Below Poverty Level	9.56%

\*\* Table is based on 2000 census information with updated information when available.

Competition among financial institutions in the Bismarck MSA is moderate with 17 financial institutions holding \$2.7 billion in deposits as of June 30, 2011. Per the FDIC deposit market share report, DCB ranked fifth in the AA with a 9.84 percent market share. In 2011 DCB ranked third in HMDA market share among 95 reporting institutions with a 9.94 percent market share in the Bismarck MSA.

We contacted a member of the Bismarck/Mandan Development Association to gain a better understanding of community credit needs and opportunities. The contact indicated that current economic conditions are excellent. The area benefits from oil production in Western North Dakota and thus unemployment is very low. The contact indicated that there is a strong demand for banking products in the community. There is also a need for agricultural, commercial and local residential real estate lending. The contact indicated that local banks and financial institutions are doing a great job of meeting the community needs.

North Dakota Non-MSA AA

The North Dakota Non-MSA AA includes the following counties located in the rural southwestern corner of the state; Adams, Billings, Bowman, Dunn, Grant, Hettinger, Mercer (western portion), Slope and Stark. The AA also includes Harding County in far northwestern South Dakota which is comprised of one census tract. The bank operates five branches within the AA and twelve ATMs, none of which are deposit taking. The AA meets regulatory requirements and does not reflect illegal discrimination. Within the AA there are 21 census tracts including three moderate-, 17 middle- and one upper-income tract. There are no low-income census tracts in the AA. All of the bank's branches are located in middle-income census tracts. One, or 8.33 percent, of the bank's ATMs is located in a moderate-income tract.

The North Dakota Non-MSA AA economy is dominated by agriculture and oil production. Area farm and ranch operations are diversified, incorporating both crops and livestock production. The energy sector is the largest employer in the area with oil and natural gas exploration and production taking off in recent years. Unemployment in the ten county area is very low averaging 2.9 percent in 2011. The unemployment rate ranged from 1.2 percent in Slope County to 4.1 percent in Grant County. This compares favorably overall to the North Dakota unemployment rate of 3.5 percent and the national unemployment rate.

The table on the following page illustrates the demographics of the North Dakota Non-metropolitan AA.

<b>Table 3: DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE NORTH DAKOTA NON-MSA AA</b>	
<i>Population</i>	
Number of Families	11,281
Number of Households	16,812
% of Low-Income Families	20.37%
% of Moderate-Income Families	18.84%
% of Middle-Income Families	24.58%
% of Upper-Income Families	36.21%
<i>Geographies</i>	
Number of Census Tracts	21
% Low-Income Census Tracts	NA
% Moderate-Income Census Tracts	14.29%
% Middle-Income Census Tracts	80.95%
% Upper-Income Census Tracts	4.76%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$39,542
2011 HUD-Adjusted MFI	\$62,648
<i>Economic Indicators</i>	
2011 Unemployment Rate	2.9%
2000 Median Housing Value	\$54,104
% of Households Below Poverty Level	15.28%

\*\* Table is based on 2000 census information with updated information when available.

Competition among financial institutions in the North Dakota Non-MSA AA is moderate with 18 financial institutions holding \$1.6 billion in deposits as of June 30, 2011. Per the FDIC deposit market share report, DCB ranked third in the AA with a 10.54 percent market share. Within the AA DCB ranked first in HMDA market share in 2011 among 79 reporting institutions with an 18.42 percent market share.

We contacted a local community organization to gain a better understanding of community credit needs and opportunities. The contact from the Adams County Development Corporation described the local economic conditions as strong and thriving. Western North Dakota is currently experiencing significant growth due to oil production. This is impacting the entire state but specifically the western portion of the state by providing thousands of new jobs and keeping unemployment levels down. Local area businesses are thriving and having a hard time keeping up with the growth.

There is a significant need for additional rental and affordable housing in Western ND. Real estate prices are tripling and rents are three times market rates due to the oil boom. The contact indicated that there is a real need for new residential construction for both affordable single family homes and multifamily dwellings. The contact felt that local financial institutions are doing a good job of lending to qualified applicants under

the current economic conditions. Per the contact, there is also an increased need for checking and savings accounts due to the new jobs the oil production is bringing to the area. Overall, the contact felt that financial institutions are meeting the needs of the community.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's lending performance is rated Satisfactory. The assessment of the bank's lending performance is based on the loan-to-deposit (LTD) ratio, lending in the bank's AAs, borrower lending distribution and geographic lending distribution.

#### Loan-to-Deposit Ratio

DCB's LTD ratio is reasonable given their size, financial condition and assessment area credit needs. The bank's LTD ratio averaged 79.84 percent over the past eleven quarters since the last CRA examination. The LTD ratio ranged from a high of 89.90 percent in the second quarter of 2010 and a low of 72.71 percent in the first quarter of 2012. The following table shows DCB's average LTD ratio compared to five other similarly situated financial institutions.

<b>Table 4: Loan-to-deposit Ratio</b>	<b>Assets as of</b>	<b>Average LTD Ratio</b>
<b>Institution</b>	<b>9/30/12 (\$000s)</b>	<b>(%)</b>
Cornerstone Bank	245,226	87.25%
Starion Financial	960,430	82.02%
<b>Dakota Community Bank NA</b>	<b>611,296</b>	<b>79.84%</b>
The Dakota Western Bank	223,044	72.17%
American Bank Center	950,754	68.85%
Kirkwood Bank and Trust Company	195,259	65.93%

Source: Call Report data as of September 30, 2012.

#### Lending in Assessment Area

During the review period DCB originated a substantial majority of its loans inside its assessment areas. The combined percentage of home mortgage, agricultural, and commercial loans originated within the bank's two AAs totaled 94 percent by both number and dollar volume. The following table shows the bank's lending activity inside and outside its AAs during the evaluation period. The agricultural and commercial lending activity was determined through sampling twenty loans from each of the bank's AAs.



<b>Table 5: Lending in DCB's AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	32	80.00	8	20.00	40	\$2,172	71.29	\$874	28.71	\$3,046
HMDA Loans	1,744	94.47	102	5.53	1,846	\$250,131	94.03	\$15,881	5.97	\$266,012
Commercial Loans	38	95.00	2	5.00	40	\$5,126	94.68	\$288	5.32	\$5,414
Totals	1,814	94.13	112	5.87	1,926	\$257,429	93.74	\$17,043	6.26	\$274,472

Source: HMDA reportable loans and business and farm loan samples.

### **Lending to Borrowers of Different Incomes and to Farms and Businesses of Different Sizes**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms and business of different sizes given the AA demographics. We placed greater weight on the bank's primary products by AA in our analysis, thus Home Mortgage and Business loans received greater weight in the Bismarck MSA AA and Farm loans received greater weight in the North Dakota Non-MSA AA.

#### Bismarck MSA AA

The distribution of borrowers reflects excellent penetration among individuals of different income levels and farms and business of different sizes in the Bismarck MSA AA.

#### Borrower distribution of Farm Loans

DCB's lending to farms of different sizes exceeds the standard for satisfactory performance in the Bismarck MSA AA. Lending to farms with revenues of \$1 million or less is in line with the area demographics. In addition, for our sample ten percent of farm loans by number had revenue information that was unknown. Given the area demographics these borrowers likely fit into the \$1 million or less revenue category.

<b>Table 6: Borrower Distribution of Loans to Farms in the Bismarck MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	90%	0%	10%	100%
% of Bank Loans in AA by \$	97%	0%	3%	100%

Source: Farm loan sample; Dunn and Bradstreet data.

**Borrower distribution of Home Mortgage Loans**

The bank’s home mortgage lending in the Bismarck MSA AA exceeds the standards for satisfactory performance. The most weight was placed on home purchase loans as they represented nearly 60 percent of all HMDA reportable loans during the evaluation period, followed by refinances at 36 percent.

Lending to low-income borrowers met the demographic comparator for home purchase loans. Although lending to low-income borrowers fell below the demographic comparator for both home improvement and refinances we took into consideration the AA poverty level of nearly 10 percent which presents difficulty in lending to these borrowers. Lending to moderate-income borrowers exceeds the demographic comparator for home purchase loans and met the comparator for refinances. For home improvement loans which received the least weight, lending fell below the demographic comparator. The table below shows the borrower distribution of home mortgage loans compared to the area demographic data.

<b>Table 7: Borrower Distribution of Home Mortgage Loans in Bismarck MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17%	17%	19%	33%	27%	28%	37%	22%
Home Improvement	17%	6%	19%	12%	27%	30%	37%	52%
Refinance	17%	9%	19%	22%	27%	33%	37%	36%

Source: Data reported under HMDA; U.S. Census data.

**Borrower distribution of Business Loans**

DCB’s lending to businesses of different sizes meets the standard for satisfactory performance in the Bismarck MSA AA. Lending to businesses with revenues of \$1 million or less during the review period was comparable to AA demographics. The table below demonstrates the distribution of business loans and the demographic information.

<b>Table 8: Borrower Distribution of Loans to Businesses in Bismarck MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76%	4%	20%	100%
% of Bank Loans in AA by #	65%	20%	15%	100%
% of Bank Loans in AA by \$	55.5%	44%	0.5%	100%

Source: Business loan sample; Dunn and Bradstreet data.

North Dakota Non-MSA AA

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms and business of different sizes in the North Dakota Non-MSA AA.

Borrower Distribution of Farm Loans

DCB’s lending to farms of different sizes meets the standard for satisfactory performance in the North Dakota Non-MSA AA. Lending to farms with revenues of \$1 million or less is near the area demographics.

<b>Table 9: Borrower Distribution of Loans to Farms in the North Dakota Non-MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	90%	9%	1%	100%

*Source: Business loan sample; Dunn and Bradstreet data.*

Borrower distribution of Home Mortgage Loans

The bank’s home mortgage lending in the North Dakota Non-MSA AA meets the standards for satisfactory performance. The most weight was placed on home purchase loans as they represented 68 percent of all HMDA reportable loans during the evaluation period, followed by refinances at 26 percent.

Lending to low-income borrowers fell below the demographic comparator for all loan types however, we took into consideration the AA poverty level of 15 percent which presents difficulty in lending to these borrowers. In lending to moderate-income borrowers the bank exceeds the demographic comparator for both home purchase and home improvement loans and fell just below the demographic comparator for refinances.

The table on the following page shows the borrower distribution of home mortgage loans compared to AA demographic data.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20%	8%	19%	23%	25%	28%	36%	41%
Home Improvement	20%	0%	19%	38%	25%	25%	36%	38%
Refinance	20%	1%	19%	15%	25%	21%	36%	63%

Source: Data reported under HMDA; U.S. Census data.

### Borrower distribution of Business Loans

DCB's lending to businesses of different sizes meets the standard for satisfactory performance in the North Dakota Non-MSA AA. The bank's lending to businesses with revenues of \$1 million or less is slightly above the demographic comparator.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70%	3%	27%	100%
% of Bank Loans in AA by #	75%	20%	5%	100%
% of Bank Loans in AA by \$	71%	29%	0%	100%

Source: Business loan sample; Dunn and Bradstreet data.

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The bank's AAs did not include any low-income census tracts, therefore our analysis focused on lending in the moderate-income census tracts. In addition, we placed greater weight on the bank's primary products by AA in our analysis, thus Home Mortgage and Business loans received greater weight in the Bismarck MSA AA and Farm loans received greater weight in the North Dakota Non-MSA AA.

#### Bismarck MSA AA

The geographic distribution of loans reflects excellent dispersion throughout the Bismarck MSA AA.

### Geographic distribution of Farm Loans

The geographic distribution of farm loans in the Bismarck MSA AA exceeds the standard for satisfactory performance. Lending in the moderate-income tracts was right in line with the demographic comparator. The table below illustrates the bank’s lending performance and area demographic information.

<b>Table 12: Geographic Distribution of Loans to Farms in Bismarck MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans
Farms	N/A	N/A	34%	35%	60%	65%	6%	0%

Source: Farm loan sample

### Geographic distribution of Home Mortgage Loans

The bank’s geographic distribution of home mortgage loans in the Bismarck MSA AA meets the standard for satisfactory performance. Again, we placed the most weight on the home purchase loan type as this represented the greatest volume of loans in the AA. While home improvement loans exceeded the demographic comparator, both home purchase and refinance loans fell below the demographic comparator. The table below demonstrates the bank’s performance compared to AA demographics.

<b>Table 13: Geographic Distribution of Home Mortgage Loans in Bismarck MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	N/A	N/A	20%	17%	69%	67%	11%	16%
Home Improvement	N/A	N/A	20%	24%	69%	57%	11%	19%
Refinance	N/A	N/A	20%	13%	69%	73%	11%	15%

Source: Data reported under HMDA; U.S. Census data

### Geographic distribution of Business Loans

The geographic distribution of business loans in the Bismarck MSA AA exceeds the standard for satisfactory performance. The bank’s performance in the moderate-income tracts is well above the demographic comparator. The table on the following page illustrates the bank’s lending performance and area demographic information.

<b>Table 14: Geographic Distribution of Loans to Businesses in Bismarck MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of # of Loans	% of AA Business	% of # of Loans	% of AA Business	% of # of Loans	% of AA Business	% of # of Loans
Business	N/A	N/A	21%	50%	69%	40%	10%	10%

Source: Business loan sample

North Dakota Non-MSA AA

The geographic distribution of loans reflects reasonable dispersion throughout the Non-MSA AA.

Geographic distribution of Farm Loans

The geographic distribution of farm loans in the North Dakota Non-MSA AA meets the standard for satisfactory performance. Lending performance in the moderate-income tracts is just below the demographic comparator. The table below shows the bank's performance and area demographic info.

<b>Table 15: Geographic Distribution of Loans to Farms in North Dakota Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans
Farms	N/A	N/A	8%	5%	91%	90%	1%	5%

Source: Farm loan sample

Geographic distribution of Home Mortgage Loans

The geographic distribution of home mortgage loans in the North Dakota Non-MSA AA meets the standard for satisfactory performance. Although the bank's performance fell below the demographic comparator for both home purchase and refinance loans, we took into consideration several factors that present difficulty in lending in these areas. Specifically, the three moderate-income tracts in the AA all have very small populations and low levels of owner occupied housing units. The total population of the three tracts is around 2,800 (7 percent of total AA population) and owner occupied units are less than 1,000 combined (7 percent of total AA owner occupied units). Refer to the table on the following page for details on the bank's performance and area demographic information.

<b>Table 16: Geographic Distribution of Residential RE Loans in North Dakota Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	N/A	N/A	7%	2%	87%	82%	6%	16%
Home Improvement	N/A	N/A	7%	10%	87%	86%	6%	5%
Refinance	N/A	N/A	7%	1%	87%	83%	6%	16%

Source: Data reported under HMDA; U.S. Census data

### Geographic distribution of Business Loans

The geographic distribution of business loans in the North Dakota Non-MSA AA exceeds the standards for satisfactory performance. The bank’s performance in the moderate-income tracts far exceeded the demographic comparator. The following table shows the bank’s performance and area demographic information.

<b>Table 17: Geographic Distribution of Loans to Businesses in North Dakota Non- MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of # of Loans	% of AA Business	% of # of Loans	% of AA Business	% of # of Loans	% of AA Business	% of # of Loans
Business	N/A	N/A	5%	25%	90%%	70%	6%	5%

Source: Business loan sample

### Responses to Complaints

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

### COMMUNITY DEVELOPMENT TEST

DCB’s performance under the community development test demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services considering the bank’s capacity and the need and availability for community development in the bank’s assessment areas.

The bank’s performance under the community development test for the Bismarck MSA AA is adequate. The bank has excellent responsiveness in providing community development services, although the bank’s responsiveness in providing community development (CD) lending and investments is poor.

The bank's performance under the community development test for the North Dakota Non-MSA AA is adequate. The bank has excellent responsiveness in providing CD lending and adequate responsiveness in CD investments and services.

### **Number and Amount of Community Development Loans**

#### Bismarck MSA AA

DCB's performance in extending CD loans in the Bismarck MSA indicates poor responsiveness to AA needs. The bank originated just one CD loan totaling \$35,000 in the AA during the review period. This loan was for economic development as part of the ARC loan program to provide small businesses access to capital needed to help with the economic recovery and to retain jobs.

#### North Dakota Non-MSA AA

The bank's performance in extending CD loans in the North Dakota Non-MSA AA indicates excellent responsiveness to AA needs. During the review period the bank originated 30 CD loans totaling \$5 million. The vast majority of these loans were farm subordination loans that promoted economic development through job retention in moderate-income areas.

### **Number and Amount of Qualified Investments**

#### Bismarck MSA AA

DCB's level of qualified investments indicates poor responsiveness in the Bismarck MSA AA. During the evaluation period, the bank made 30 investments and donations, however, these donations only totaled \$6 thousand. The majority of the donations were to organizations that provide community services to LMI persons in the AA.

#### North Dakota Non-MSA AA

The level of qualified investments indicates adequate responsiveness in the North Dakota Non-MSA AA. The bank made 21 investments and donations totaling approximately \$83 thousand during the evaluation period in the North Dakota Non-MSA AA. The largest single donation was an in kind donation of a bank owned building in Scranton to be used as a daycare facility. The property is located in an underserved area and the daycare facility will help to revitalize/stabilize the area by meeting essential community needs, including the needs of LMI individuals.

### **Extent to Which the Bank Provides Community Development Services**

#### Bismarck MSA AA

The bank's participation in community development services indicates excellent responsiveness in the Bismarck MSA AA. A total of twelve bank employees served with 11 different community organizations that either provide needed community services to low- and moderate- income individuals or promote economic development. We noted 31 different memberships among the organizations as many employees serve with multiple organizations.



### North Dakota Non-MSA AA

The bank's participation in community development services indicates adequate responsiveness in the North Dakota Non-MSA AA. Seven employees served with nine community organizations including those that provide needed community services to low- and moderate- income individuals, and those that promote affordable housing or economic development. Again, we noted that a number of bank employees serve with more than one of the community organization.

### **Responsiveness to Community Development Needs**

The bank is responsive to community development needs as evidenced by community development activities and discussion with community contacts in both AAs. DCB operates three branches and 12 ATMs in moderate-income tracts in the Bismarck MSA AA. In the Non-MSA AA, all branches are in middle-income tracts, however, two of the bank's branches are located in distressed or underserved tracts. This demonstrates the bank's responsiveness to area needs by increasing access to financial services through maintenance of branches that help to revitalize or stabilize moderate-income geographies, or distressed or underserved Non-MSA middle-income geographies.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.