



Public Disclosure

April 5, 1999

Community Reinvestment Act Performance Evaluation

**First National Bank North Dakota
Charter Number: 13790**

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Grand Forks, North Dakota 58206**

Office of the Comptroller of the Currency

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NOTE: This evaluation is not, and should not 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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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 **First National Bank North Dakota (FNBND)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 5, 1999**. 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 the 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 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

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

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution's CRA Rating: This institution is rated **“Outstanding.”**

The following table indicates the performance level of **First National Bank North Dakota (FNBND)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National North Dakota Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	x		x
High Satisfactory			
Low Satisfactory		x	
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- < FNBND's performance of meeting the credit and financial services needs of the Grand Forks assessment area (AA) subsequent to the 1997 flood disaster was excellent. The bank's responsiveness to community housing, small business, economic revitalization, and financial services needs during this critical time period demonstrates FNBND's level of commitment to the community and permeates the remainder of this evaluation.
- < The credit needs identified by community contacts in both assessment areas closely match FNBND's lending focus.
- < The geographic distribution of home purchase and home improvement loans in both AAs is excellent and exceeds the demographic makeup for low- and moderate-income CTs of owner occupied units.
- < The bank's lending for HMDA loans to individuals of all income levels is very good and meets the demographics of the communities it serves. FNBND is the mortgage lending leader in the Grand Forks market and continues to improve its market position in the Fargo AA.

- < Business lending patterns are excellent. The geographic distribution and the dispersion of loans to businesses of all sizes is excellent and meets the business credit needs of the AAs.
- < Small farm lending practices are very good. The bank's commitment to the agricultural sector continues to be a primary lending focus for FNBND. The distribution of small farm loans meets the market conditions of the bank's AAs.
- < Innovative and flexible underwriting practices are very good. The bank utilizes a vast array of innovative and flexible lending practices to serve the credit needs of the AAs.
- < Retail delivery services are tailored to meet the needs of all banking customers. FNBND provides a very high level of community development services. FNBND's financial service products and delivery systems are extensive and cross all boundaries of all geographies and income designations.
- < The level of investment and grant activity is commensurate with opportunities available in the communities. The bank is an active participant and occasionally in a leadership position to support community development initiatives.

Description of Institution

FNBND is a full service bank offering a large variety of loan and deposit products as well as a host of financial services. FNBND's headquarters are located in the city of Grand Forks, North Dakota.

The bank operates in two assessment areas, the Grand Forks, North Dakota/East Grand Forks, Minnesota metropolitan area and the Fargo, North Dakota/Moorhead, Minnesota metropolitan area. The bank has seven branches in each location. FNBND is an intrastate bank as all of the branches are located on the North Dakota side of the Red River.

The bank is wholly owned by First National Corporation North Dakota (FNC) also located in Grand Forks, North Dakota. FNC has total assets of \$507 million as of December 31, 1998. FNBND has three affiliates which are also owned by FNC. These affiliates include FNC Realty, FNB appraisal, and DFIC Insurance.

The bank has an operating subsidiary, FNB Securities, which provides brokerage and investment services to bank customers. We reviewed financial information regarding the subsidiary and determined activities conducted by the subsidiary had minimal impact on our overall assessment of the bank's performance under the Community Reinvestment Act. Financial services offered through the bank include insurance, estate planning, trust, agricultural insurance, and property management.

FNBND has total assets of \$501 million as of December 31, 1998. Net loans represent 69% of total assets. The loan mix is comprised of residential real estate (28%), commercial (28%), agriculture (22%), commercial and agricultural real estate (9%), and consumer loans (13%). As illustrated by the loan mix, the bank's business strategy and primary lending focus is home mortgage lending, business loans of all types, and agricultural loan products. FNBND's Tier 1 Capital position is \$42 million.

In April 1997, the bank's headquarters building, located in downtown Grand Forks, was destroyed by fire and flooding. The Grand Forks, North Dakota/East Grand Forks, Minnesota area suffered major flooding in the spring of 1997. This natural disaster was compounded when buildings caught fire in downtown Grand Forks and firefighters were not able to reach the fires due to the extreme flood conditions. Three city blocks were substantially destroyed as a result of the disaster.

The flood and subsequent destruction of the bank's main location temporarily impeded the bank's ability to focus its attention on developing/purchasing qualified investments in the communities it serves. The bank focused attention on the immediate credit needs of its customers and getting internal affairs in order, i.e., relocating employees, recreating destroyed data, and finding a suitable physical location. The bank's primary focus has been to meet the loan credit needs brought on by the flood rather than to expand on qualified investment products in the AAs. This focus is evident in the level of home mortgage and business lending activity in the Grand Forks market place.

Also, governmental agencies within the Grand Forks AA have received large blocks of federal and state disaster money periodically since the flood, a portion of which has been deposited at FNBND.

The bank needs to secure these deposits with qualifying investments such as U.S. treasury and agency bonds. The bank's capacity to purchase qualified CRA investments is hindered due to these pledging requirements. Therefore, the overall low level of qualified investments does not detract from FNBND's overall rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Our analysis of lending included all HMDA, small business, and small farm loans originated in both AAs during 1997 and 1998. We also reviewed all bank reported community development loans during the same time period. The review of investments included all qualified investments made since the prior evaluation period until the start of this evaluation period, January 17, 1997 to April 5, 1999. Also, investments made during the previous evaluation period and still outstanding on the bank's books are included in the overall analysis. Since we fully reviewed those investments at the previous evaluation, we did not fully review them again during this evaluation. Evaluation of the service test was completed analyzing bank services since the prior evaluation until the present evaluation, January 17, 1997 to April 5, 1999.

Data Accuracy

We verified the accuracy of bank reported data for HMDA, small business and small farm loans through a numerical sampling technique designed to ensure the bank's reported data was accurate. Our sample traced information contained in loan files to bank reported collection registers. This process tested the accuracy of key information fields, i.e. loan amount, purpose, income, revenues, etc.

Our initial accuracy check of HMDA loans revealed a high level of errors regarding the type of HMDA loan: home purchase, home improvement, or home refinance. The bank began using a new computer software program during 1998 which imported incorrect purpose codes into its loan application register. We brought the errors to the bank's attention and the import errors were corrected. We reviewed a new sample of HMDA loans, which included several loans from the previous flawed sample, and found the data to be accurate. Our numerical sampling of small farm and small business loans had very few discrepancies to bank reported information. We concluded the bank reported data was accurate.

Selection of Areas for Full-Scope Review

Our analysis included full scope reviews in both of FNBND's AAs. Both areas are significant portions of the bank's business strategy. Please refer to the table in Appendix A for more information.

Ratings

The bank's overall rating is based primarily on both AAs which received full-scope reviews. However, we placed greater emphasis regarding the performance tests on the Grand Forks market due to:

- < the greater number of deposits generated out of the Grand Forks AA,
- < the impact the 1997 flood had on the bank's performance,
- < the overall low level of opportunities available for investment in the Fargo AA as identified by community contacts, and
- < the Grand Forks area traditionally considered FNBND's major market.

While we did place greater emphasis on performance in the Grand Forks AA, we performed a full-scope review in the Fargo AA. This area is considered a significant market, and, therefore, a full-scope

analysis was completed. The overall rating is based on performance in both AAs. Please refer to the table in Appendix A for more information.

Among HMDA products, greater consideration was given to home purchase and home improvement loans due to community contacts identifying these home mortgage products as primary credit needs. Home refinancing is given moderate consideration as this type of lending is used to improve the cost of credit rather than meet a credit need.

Other

Our analysis of the credit, investment, and financial service needs in the AAs included making several contacts with community leaders in each AA.

We interviewed two housing and two economic development officials in the Grand Forks AA. We also reviewed four prior community contact interviews completed by the OCC and other governmental agencies since the last evaluation period. Primary credit and investment needs in the Grand Forks AA include financing to replace housing stock lost during the flood, home improvement loans for flood damaged houses, and business loans and grants to redevelop/revitalize areas devastated by the flood. Agricultural loans of all types continue to be a primary credit need. All the contacts indicated FNBND was very responsive to the credit needs of the community during the flood crisis. FNBND occasionally played a lead role in developing plans to redevelop areas destroyed by the flood. The leadership role occurred as FNBND was overcoming the loss of its headquarters building and relocating employees, systems, products and services to a new physical location. The interviews we conducted were completed via personal interviews or telephone contacts.

We interviewed one housing official and two economic development officials in the Fargo AA. We also reviewed five prior community contacts completed by the OCC or other governmental agencies. Primary credit needs in the Fargo AA include housing loans of all types, small business loans to start-up and existing businesses and agricultural loans.

The information obtained from the contacts impacted our decision to place more emphasis on FNBND's performance in the Grand Forks AA for all three performance tests. The bank's responsiveness in difficult times to its community and the flexibility and innovation of products and services utilized weighed heavily in our overall analysis of the bank's performance.

Fair Lending Review

We completed fair lending procedures as part of our examination of FNBND. We did this to assess the bank's level of compliance with fair lending laws. Examiners sampled home purchase loans and consumer auto loans and subjected the individual samples to a comparative file analysis. The objective of the review was to determine if terms and conditions on approved loans are being applied consistently to all applicants.

Based on our sample, no violations of the substantive provisions of the antidiscrimination laws and regulations were identified. The bank has adequate policies, procedures, and internal assessment efforts in place to help ensure compliance with the fair lending laws.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated outstanding. Based on full-scope reviews, the bank's performance in the Grand Forks MSA is excellent and in the Fargo MSA is very good. The overall performance of the bank in the combined assessment areas is considered excellent.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

FNBND's lending practices show an excellent responsiveness to the communities it serves. The level of HMDA loans, small business, and small farm loans originated in the AAs is high in relation to competition in the AAs. FNBND's rank for HMDA loans is first overall and first in every loan product category in the Grand Forks AA. The Fargo AA ranking of HMDA loans is eighth. The bank began operations in earnest in the Fargo market in 1991. The rank of eight out of 118 home mortgage lenders is considered good. The bank ranked eighth, fourth, and eleventh for home purchase, home improvement, and home refinance originations in the Fargo AA during 1997.

Small business lending patterns are very good. The bank is ranked second in business lending in both AAs. The Grand Forks AA had 24 small business reporters and the Fargo market included 39 small business reporters. FNBND's market share of business loan originations in low- and moderate-income geographies dominates the marketplace in both AAs.

Small farm loan originations are also very good. FNBND ranks second out of eight reporters in the Grand Forks market and third out of twelve reporters in the Fargo market.

Lending Concentration

A substantial majority of all loans are originated in the bank's assessment area. A review of bank-prepared reports of lending within the AA for 1997 and 1998 indicates a strong concentration of lending in the AA. We verified the reports through our sampling described in the data accuracy section of this evaluation.

HMDA loan concentration indicates 92% of HMDA loans and 94% of HMDA dollar volume were originated in the AAs during 1998. During 1997, 87% of loans and dollar volume of HMDA loans were extended in the AAs.

The level of small business loans originated in the AA is good. During 1998, the bank originated 91% of the number of loans and 89% of the dollar volume of small business loans in the AAs. During 1997, the number of loans in the AAs equaled 91% and dollar volume totaled 92%.

Concentration of small farm loan originations in the AAs is also good. During 1997, 77% of the number and 76% of the dollar of small farm loans were extended in the AAs. During 1998, the bank extended 80% of the number of small farm loans and 79% of the dollar volume of small farm loans in the AAs.

Distribution of Loans by Income Level of the Geography

The distribution of loans by income level of the geography is very good and meets the demographics of the communities the bank serves. Our analysis of the lending distribution included evaluating any gaps in lending penetration. FNBND's lending practices included no unexplained lending gaps, and all geographic areas of the AAs had reasonable loan penetration.

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.

Grand Forks AA

The overall distribution of home purchase loans is excellent. The bank's market share ranks FNBND first out of 51 lenders. Also, the bank's level of lending in the moderate-income geography exceeds the percentage of owner occupied units, and FNBND's market share in the moderate-income tracts is 26.7% compared to an overall market share of 16.3%.

The geographic distribution of home improvement loans is excellent and exceeds the market demographics. The bank's rank is first out of 17 lenders for overall market share. The market share in the moderate-income tracts is considerable at 50% of the market. Since one of the neighborhoods most severely damaged by the flood was a moderate-income area, the bank's level of lending for home improvement to help rehabilitate damaged houses is deemed excellent and directly corresponds to credit needs identified by community contacts.

FNBND's distribution of home mortgage refinance loans is also very good. The bank's distribution exceeds the market in the moderate-income geographies, has an overall market rank of first, and has captured 36% of the market loans for moderate-income tracts.

Fargo AA

The geographic distribution of home purchase loans in the Fargo AA showed strong penetration across the different income geographies. There are no loans in the sole low-income tract because there are no housing units in the tract. Lending in the moderate-income tract exceeds the demographics as 20% of the bank's loans are within the moderate-income tracts. The bank's overall market rank is eighth out of 82 reporters with a market share of 3.85%. The market share in the moderate-income geographies is 4.75% and exceeds FNBND's overall market share.

Home improvement lending also exceeds the market demographics of the AA. The bank has extended 20% of its home improvement loans in the moderate-income geographies compared to 13% of the housing units located in the tracts. The bank's market share in the moderate-income tracts is good at

18% and overall market rank of fourth out of 23 lenders is favorable.

The bank's record of lending for refinance of the home loans in the Fargo AA does not meet the demographics of the area. FNBND extended 9% of its loans in the moderate-income tracts compared to 13% of owner occupied units located in the tracts. Lending exceeds the demographics of the AA only in the upper-income geography. While on the surface this appears unfavorable, the bank's market share of home refinance loans is actually the highest for moderate-income tracts. The bank's overall market rank of eleventh is reasonable. Overall the level of home refinance lending to moderate-income geographies is low, but given the greater emphasis placed on home improvement and home purchase loans, the geographic distribution of refinance loans does not deter from the overall rating.

Small Business Loans

The distribution of the bank's small business loans by income level of the geographies throughout the AAs is excellent. The distribution in both AAs exceeds the business demographics in the moderate-income areas.

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

Grand Forks AA

The geographic distribution of small business loans in the different income geographies shows strong penetration to all geographies. Lending in the moderate-income geographies exceeds the percentage of businesses located in the tracts. One moderate-income tract which is composed partially of downtown Grand Forks shows excellent penetration. Loans to small businesses include rebuilding and remodeling businesses damaged in the flood. These business loans directly impact the rebuilding of the moderate-income tracts and meet the business credit needs identified by community contacts. (One moderate-income tract - the Grand Forks Air Force Base - had no loan penetration. This is expected because there are no businesses located in this tract. This does not impact the overall geographic distribution analysis.)

FNBND ranks second for overall business lending out of 24 small business loan reporters and has a 24% overall market share. The bank also dominates the market share in the moderate-income tracts with 43% of the loans originated.

Fargo AA

Small business loan geographic distribution in the Fargo AA is also very good. FNBND exceeds market demographics in the moderate-income neighborhoods and approaches the demographics in the middle- and upper-income tracts. The low-income tract, on a percentage basis, has no business or bank loans. However, the market share for loans extended in the low-income tract is dominated by FNBND with a 67% market share. Overall, FNBND has a 14% market share of the loans and is ranked second in small business lending among 39 lenders. This is deemed very favorable as the bank is ranked only eighth in deposit taking activities in the AA.

Small Farm Loans

The distribution of the bank's small farm loans by income level of the geographies throughout the AAs is good.

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.

Grand Forks AA

The distribution of farm loans is comparable to the percentage of farms in the different income geographies. Three percent of farms are located in moderate-income geographies and three percent of the bank's farm loans are extended in the moderate tracts. The bank's market position is good, ranking the bank second of eight small farm loan reporters with a 26% overall market share.

Fargo AA

The geographic distribution of farm loans in the Fargo AA does not meet the demographics of the area. Sixteen percent of farms are located in moderate-income tracts but only six percent of bank loans are extended in these tracts. However, three of the moderate-income tracts are the furthest distance from the bank's branches and located on the Minnesota side of the Red River where FNBND has no branches. Also, these areas are heavily banked, with the Moorhead, Minnesota financial institutions meeting these farm credit needs. Another mitigating factor is the market share obtained by the bank. FNBND has only 6% of its loans in the moderate-income tracts but controls 33% of the moderate-income market and has an overall market ranking of third. This is very good considering the bank is the eighth largest deposit generator in the AA. Overall, FNBND's small farm lending in the different income geographies is good and supports the overall rating.

Distribution of Loans by Income Level of the Borrower***Home Mortgage Loans***

The distribution of the bank's home mortgage loans by income level of the borrowers throughout the AAs is very good. High housing costs described by community contacts have significantly impeded low-income borrowers from obtaining a home. Also, in both assessment areas a dramatic undersupply of moderately priced houses on the market, with ever-increasing demand for single-family residences, has escalated housing costs in all neighborhoods.

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

Grand Forks AA

The distribution of home mortgage loans to borrowers of different income levels is reasonable and approaches the demographics of the AA. Home purchase, home improvement and refinancing loan percentages are low compared to the percentage of low-income families. This is attributed to the high cost of housing and the percentage of families (9%) living below the poverty level. These factors directly influence the affordability of housing to low-income borrowers. High housing costs are impacting moderate-income borrowers, also, but to a lesser degree. Home purchase loans approach

the market demographics, while home improvement and refinance loans are below the percentages of families in the moderate-income category.

FNBND's market share by borrower income is favorable. FNBND is the home mortgage leader in the AA capturing 17.28% of all mortgage products in the total market. The next nearest competitor for mortgage products has a market share of 11.79%. The bank's market share percentage for low- and moderate-income (LMI) borrowers for home purchase loans approaches its overall market share.

Home improvement loan market share of 28% is considered excellent and ranks the bank first. The home improvement market share of LMI borrowers is excellent with 35% and 27% of the markets, respectively.

The borrower distribution of home refinance loans does not meet the demographics of the AA. This is attributed to middle- and upper-income families having a greater amount of disposable income to pay up-front closing costs associated with refinancing. Consideration given to refinance loans is not weighted as high as home purchase and home improvement lending; therefore, the low levels of refinance lending to LMI borrowers does not detract from the overall rating.

Fargo AA

The distribution of home mortgage lending to borrowers of different income levels is good. Home purchase loans to low-income borrowers is below the AA demographics, but this is expected given the affordability of housing in the market place and the percentage of families (8%) living below the poverty level. Lending to moderate-income borrowers for home purchases exceeds the percentage of moderate-income families and is considered excellent. Market rank of eighth is reasonable and market share of 4% of moderate-income borrowers meets the bank's overall market share for home purchase loans.

Home improvement loan originations to borrowers of different income levels is considered excellent. The percentage of bank loans (29%) exceeds the percentage of moderate-income families (18%). The bank's overall market rank of fourth and market share of 12% is good. The market share of low-income borrowers of 12% meets the bank's overall share. FNBND has also obtained a 20% share of the moderate-income market. The market share of LMI borrowers compared to the bank's overall share is very good.

The borrower distribution of home refinance loans does not meet the market demographics. The primary reason for the relatively low level of lending to LMI individuals is the lack of funds to pay closing costs. While the level of lending is low, the emphasis placed on refinance loans does not significantly impact the bank's overall record of lending to individuals of different income levels.

Small Business Loans

The distribution of the bank's small business loans by income level of the borrowers throughout the AAs is excellent and meets the small business credit needs identified by community contacts.

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

Grand Forks AA

The borrower distribution of small business loan originations is strong; 72% of businesses in the AA have revenues of less than \$1 million. The percentage of small business loans to businesses with revenues under \$1 million is 73%. The average loan size of \$103 thousand and the percent of bank loans under \$100 thousand (77%) illustrates the bank's commitment to AA small businesses.

The bank has a 24% market share of the reported small business loans, with a 36% market share of loans to businesses with revenues under \$1 million. This performance is considered excellent as the bank's share of small business loans substantially exceeds its overall market share.

Fargo AA

The borrower distribution of small business loan originations is strong. The percentage of small business loans to firms with revenues under \$1 million meets the percentage of businesses in the AA with revenues under \$1 million. The average loan size of \$96 thousand and the distribution of loans of various sizes is favorable. A substantial majority (90%) of small business loans are originated for less than \$250 thousand.

FNBND's market share of all reported small business loans is 14% and the market share of loans to businesses with revenues of \$1 million or less is 15%. FNBND's market share percentages are good.

Small Farm Loans

The distribution of the bank's small farm loans by income level of the borrowers throughout the AAs is very good.

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

Grand Forks AA

The level of lending to farms with revenues of \$1 million or less exceeds the percentage of farms with revenues of under \$1 million, 91% to 88%. The average loan size of \$85 thousand and the distribution of loans by origination amount is favorable; 91% of farm loans originated are extended for less than \$250 thousand. The bank has a market share of 26% of small farm loans and a market share of 24% of loans to farms under \$1 million in revenue.

Fargo AA

The borrower distribution of small farm loan originations in the Fargo AA is good and meets the farm demographics of the area; 90% of bank loans are extended to farms with revenues under \$1 million compared to 87% of the farms with the same revenue characteristics. The distribution of loans by origination amount is good; 89% of farm loans are originated for under \$250 thousand. FNBND has an overall market share of 12%. This is comparable to an 11% market share of farms with revenues of \$1 million or less.

Community Development Lending

The bank's record of community development lending is good. The extent to which the bank's community development loans address the needs of the Grand Forks housing market subsequent to the flood positively impacted our analysis of the bank's community development activity. Our analysis focused on the types of community development loans rather than the number of loans extended. Also, the bank focused on the Grand Forks market rather than the Fargo market during this evaluation period. This is acceptable as the need for community development efforts was greater due to the damage and rehabilitation efforts needed in the Grand Forks community.

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

FNBND reported two community development (CD) loans during the evaluation period. Both loans were extended in the Grand Forks AA. The first loan was to a partnership for \$450M. The partnership was formed for the purpose of renovating a flood damaged school into 48 affordable senior housing units with congregate care. The project qualified for the Low Income Housing Tax Credit program as outlined by the IRS. Under the program a certain amount of the units must be rented to LMI individuals.

The second CD loan involved a binding letter of credit to support a bond issue in favor of the Grand Forks Housing Authority, a nonprofit organization formed to address housing needs of the community. The bank's letter of credit is for \$1.5 million. The bond issue proceeds were used to develop a housing project, Congressional Housing Subdivision, which will help replace housing stock lost in the flood. The neighborhood greatest impacted by the flood was a moderate-income neighborhood with predominately low- and moderate-income individuals maintaining homes in the area. The Congressional Housing project is using a variety of governmental assistance programs to help low- and moderate-income purchasers qualify to buy a new home. The original plans were to develop 220 homes, most of which are now being completed. This CD loan directly impacts the housing needs of the Grand Forks community and helps fulfill the housing credit needs identified by community contacts.

Product Innovation and Flexibility

FNBND provides the communities it serves with a wealth of credit products which are both innovative and flexible. Examples include:

Disaster related activities - During the flood FNBND responded to customers' immediate credit needs by:

- increasing credit limits on credit cards by \$500 immediately;
- discontinuing credit reporting so delinquencies would not be reported;
- extending loan payments to customers for two months without question; and
- waiving late fees from May through October 1997.

Bank of North Dakota Flood Disaster Loan Program - This program was developed to help businesses devastated during the flood that may not have been able to rebuild or remodel. The bank was a participant in 13 loans totaling \$1.35 million. These loans directly fulfilled small business credit needs identified by community contacts.

PACE (Partnership in Assisting Community Expansion) Loan Program - This loan program is administered through the Bank of North Dakota. The PACE fund was established to provide businesses and farms with economic assistance through interest rate buy downs on loans, risk sharing ventures, first time farmers programs, flood disaster loans, and various other agricultural and business development packages. These loans help attract, maintain, and develop businesses, farms, and agricultural industry sector employers to create and maintain jobs in all communities across North Dakota. During 1997 and 1998 the bank made seven loans totaling \$960 thousand.

Farm Service Agency - The FSA provides a variety of loan products and risk sharing programs with area banks to provide small farms with financing. The farmers in both AAs have suffered through poor growing conditions compounded by low commodity prices. Various programs include interest assistance, loan guarantees, and disaster loans. FNBND currently has 49 loans totaling \$5.5 million outstanding in various FSA loan programs.

North Dakota Housing Finance Agency (NDHFA) mortgage loan programs - these programs are offered through a state funded agency (NDHFA). The bank makes extensive use of these programs to help meet the home purchase and home improvement needs of LMI borrowers. One program, the Start program, helps LMI borrowers through grant assistance of up to \$2,000 to aid with down payment costs. Another program is the First Time Home Buyers Loan program. This program is targeted toward LMI borrowers and provides a low interest loan to enable the purchasers to afford housing through lowering the monthly payments. During 1997 and 1998, the bank extended 383 loans totaling \$25.1 million in these programs.

INVESTMENT TEST

The bank's performance under the investment test is rated low satisfactory. Based on full-scope reviews, the bank's performance in the Grand Forks MSA is good and the performance in the Fargo AA is adequate. FNBND has met the credit needs of the communities it serves by investing local deposits in various loan products rather than through qualified investments. We placed greater emphasis on the Grand Forks AA due to the need caused by the flood and the greater amount of deposits generated out of the area. Community contacts in both AAs indicated opportunities for qualified investments are limited and all the banks in the AAs try to participate as opportunities become available.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Grand Forks AA

FNBND purchased five bonds totaling \$1,470,000. The funds were used by Grand Forks County to build a new service building in downtown Grand Forks. The location of the building is in a moderate-income tract. This area was especially hard hit by the flood disaster, and the bond issue will help revitalize the area.

Investments made prior to this evaluation period and still outstanding include ten local bond issues made in the Grand Forks AA totaling \$1.8 million. These bonds helped finance housing and local development/redevelopment efforts in Grand Forks.

FNBND made a \$100,000 donation to the Greater Grand Forks Foundation during 1997. The Greater Grand Forks Foundation is a nonprofit entity which was formed after the flood. The purpose of the foundation is to help rehabilitate and revitalize areas in the Grand Forks AA which were hardest hit by the flood, including the moderate-income tracts. Donations are placed in an endowment fund and earnings from the fund support local projects. The donation will have an impact on the AA beyond this evaluation period.

FNBND made an additional 17 grants totaling \$61 thousand to various community housing and economic foundations whose primary purpose meets the definition of community development under the regulation. The organizations include but are not limited to: Grand Forks Economic Development Agency, Grand Forks Chamber of Commerce, East Grand Forks Food Shelf, and the American Red Cross.

Fargo AA

Investments in the Fargo AA are limited to donations. During the evaluation period the bank made 14 donations totaling \$83 thousand to organizations whose primary purpose meets the definition of community development in the regulation.

SERVICE TEST

The bank's performance under the service test is rated Outstanding. Based on full-scope reviews, the bank's performance in the Grand Forks AA is excellent and in the Fargo AA is very good.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

Delivery systems

FNBND's retail delivery system of products and services is readily accessible to all geographies and individuals of different levels in its AAs. The location of branches in the Grand Forks AA is good. The branch locations exceed the population demographics of the area, as 29% of the branches are located in the moderate-income geographies versus 15% of the population living in these geographies. The branch locations in the Fargo AA do not meet the market demographics of the area, as 14% of branches are in low- and moderate-income tracts versus 23% of the population residing in the LMI areas. However, three of the seven moderate-income census tracts are located on the Minnesota side of the Red River. The bank has elected to keep its branch network in North Dakota.

The bank closed one branch during the evaluation period. The branch was located in a supermarket in the Fargo AA which closed. Customers were not inconvenienced as FNBND operates another full service branch very near to the closed branch. The branch was located in a middle-income census tract.

FNBND recently entered into a lease agreement with the City of Grand Forks. The space FNBND will lease is located in a building which is being built in downtown Grand Forks. The bank plans to move its headquarters and executive offices to the new location which will offer full banking products and services. The city is erecting the building as part of a plan to revitalize the downtown business district and stabilize employment in the downtown neighborhood. The location of the new building is in a moderate-income tract. Community contacts and local media indicated without FNBND's commitment to lease space the project would not have been undertaken. Other tenants have agreed to lease space contingent on FNBND becoming a lessee also. FNBND's commitment has made the project work and will help stabilize jobs and revitalize the downtown and adjacent neighborhoods.

The bank's alternate delivery systems include an ATM network which helps meet the needs of banking services in LMI neighborhoods. The lack of branches in the LMI geographies in the Fargo AA is improved through increased ATMs in these geographies. The geographic location of branches combined with ATMs in the Fargo AA exceeds the population within the LMI areas 34% to 23%. Through the use of full service ATMs, the bank is providing readily accessible delivery systems to all portions of the AAs.

Subsequent to the flood and the destruction of the bank's main office, the bank needed an alternate delivery system to provide banking products and services to customers displaced by the flood. The bank was able to obtain from the Federal Emergency Management Agency a listing of people displaced

and the location of their temporary living quarters. To meet the needs of these displaced customers, many of whom lived in the moderate-income neighborhood that was substantially destroyed, the bank purchased and customized a motorized recreational vehicle and operated full banking services from the vehicle. The bank analyzed where the customers were temporarily living and advertised over local radio stations when they would arrive at these locations, i.e. hotels and motels in neighboring towns.

FNBND has one of its branches located at the Waterford, a congregate care facility. This branch was opened in December 1998 in the Fargo AA. The branch provides extremely convenient access for residents to obtain banking services without having to arrange transportation to a traditional branch. The facility is designed to provide banking services to all the residents, including the low- and moderate-income individuals residing at the Waterford.

Community Development Services

The bank's record of providing community development services is excellent. FNBND is a leader in providing community development services and working in conjunction with a variety of community development organizations. Bank staff and executive management are involved extensively in developing and providing community development services. Some examples of the extensive services the bank provides include but are not limited to:

Home Ownership Program - mortgage lending staff routinely provide home ownership counseling to first time home buyers. The counseling may be on a one-to-one basis or to groups.

Housing Fair - A member of FNBND's executive staff co-chaired this project which was designed to provide information on housing options and financing programs to persons who lost their homes in the flood. The need was identified by the Mayor's Housing Task Force where residents expressed frustration in pulling their lives back together after the flood. The fair helped explain housing options, home improvement versus demolition options, and private and public financing alternatives. The Housing Fair project was instrumental in developing initial plans to help rebuild and replace housing stock lost in the Grand Forks AA during 1997.

Grand Forks Housing Authority - the organization is a non-profit organization which was originally formed to assist LMI individuals with housing credit needs. The GFHA is trying to replace housing stock lost in the flood, primarily in the moderate-income neighborhood, with a 220-unit housing development targeted to LMI individuals. While all income individuals can purchase a house in the new development, incentives are targeted towards LMI purchasers enabling them to purchase a new home. A member of FNBND's executive management is a member of the advisory board.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation and loan products considered. The table also reflects the metropolitan areas that received comprehensive examination review (designated by the term “Full-Scope”).

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: January 17, 1997 to April 5, 1999 Service Test: January 17, 1997 to April 5, 1999	
Financial Institution	Products Reviewed	
First National Bank North Dakota (FNBND), Grand Forks, North Dakota	HMDA Loans Small Business Loans Small Farm Loans Community Development Loans Qualified Investments	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Grand Forks AA Fargo AA	Full-Scope Full-Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Grand Forks Assessment Area 26
Fargo Assessment Area 28

Grand Forks AA

Demographic Information for Full-Scope Area: Grand Forks AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	26	0%	15%	69%	16%	0%
Population by Geography	93,571	0%	20%	66%	14%	0%
Owner-Occupied Housing by Geography	36,274	0%	2%	78%	19%	0%
Businesses by Geography	2,919	0%	14%	74%	12%	0%
Farms by Geography	112	0%	3%	89%	8%	0%
Family Distribution by Income Level	23,130	0%	16%	69%	15%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	23,130	16%	19%	26%	39%	0%
Median Family Income	= \$31,103	Median Housing Value		= \$58,615		
HUD Adjusted Median Family Income for 1998	= \$40,800	Unemployment Rate (December 31, 1998)		= 2.81%		
Households Below the Poverty Level	= 14.04%					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

FNBND's operations in the Grand Forks AA include its full variety of financial products and services. The Grand Forks AA includes substantially all of the Grand Forks/East Grand Forks MSA. The MSA is made up of Grand Forks County, North Dakota and Polk County, Minnesota. The MSA includes 29 census tracts, three of which are not included in FNBND's AA due to distance from the bank's branches. All of the branches are located in North Dakota. A majority of the bank's deposits are generated (67%) and loans originated (60%) out of the AA.

Four of the twenty-six census tracts are moderate-income. One is located at the Grand Forks Air Force Base, one is comprised of the University of North Dakota campus, and the final two areas encompass the downtown area and adjacent neighborhood. As the table above illustrates, owner occupied housing and farms as a percent of these geographies are very low. Housing and farm lending opportunities in these tracts are limited. The percentage of businesses approximates the geographic distribution of the different income tracts.

Major competitors include branches of two regional banks and two branches of large savings and loans. Other competition includes small independent banks, Farm Credit Services, and mortgage brokers. Asset sizes range from \$21 million to \$1.9 billion for the competition. Based on June 30, 1998 deposit information from the Federal Deposit Insurance Corporation (FDIC), the bank is the deposit leader in the AA with \$263 million in branch deposits. Competitor deposits range from \$4 million up to \$146 million. The bank is one of the largest independently owned community banks in the AA and ranks third out of twelve total banks in asset size.

Competition for HMDA, small business and small farm loans is fierce. Using information collected in 1997 on these types of loans, there were 84 HMDA reporters, 24 small business lenders, and 8 small

farm loan reporters. In recent years, the rural community banks have started to branch into the area in an attempt to maintain asset size and diversify their loan portfolios. This has fueled an already competitive marketplace.

FNBND has seven branches and eleven ATMs in the AA. The primary business focus is HMDA, agriculture, business, and consumer loans and financial services of all types. Financial services offered include trust, estate planning, property management, brokerage, investment, and agricultural financial services.

Economic conditions in the AA are good. The disastrous flood of 1997 has spurred a construction boom as area homeowners and businesses rebuild. Building permits for 1996, 1997, and 1998 were \$70.6 million, \$116.2 million, and \$130.8 million, respectively. General agricultural conditions are fair as commodity prices and growing conditions have impaired peak farm performance. Major employers include American Crystal Sugar Cooperative, the University of North Dakota, the U. S. Air Force Base, the local school district, and the health care industry. Employment opportunities are good and unemployment rates are low. The area has seen a population decrease as many families relocated after the flood. The exact amount of the decrease is not known but is estimated to be approximately five to ten percent of the population.

Primary credit needs of the community include loans of all types to help rebuild homes and businesses impacted by the flood. This includes HMDA loans of all types and business redevelopment/relocation credit. Our community contacts indicated the cost of housing has increased dramatically since the April 1997 flood. One of the neighborhoods substantially destroyed by the flood was a moderate-income neighborhood which drastically reduced moderate priced houses on the market. Local housing officials estimate the city of Grand Forks lost 800 housing units and the city of East Grand Forks lost 400 housing units in the flood.

Fargo AA

Demographic Information for Full-Scope Area: Fargo AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	34	3%	20%	65%	12%	0%
Population by Geography	144,131	2%	18%	64%	16%	0%
Owner-Occupied Housing by Geography	57,393	0%	13%	68%	19%	0%
Businesses by Geography	5,790	0%	46%	42%	12%	0%
Farms by Geography	183	0%	16%	76%	8%	0%
Family Distribution by Income Level	35,084	1%	15%	66%	18%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	35,084	18%	18%	26%	38%	0%
Median Family Income	= \$34,612	Median Housing Value		= \$63,303		
HUD Adjusted Median Family Income for 1998	= \$46,400	Unemployment Rate (December 31, 1998)		= 2.46%		
Households Below the Poverty Level	= 14.35%					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

FNBND's operations in the Fargo AA include a full range of loans, deposit and financial service products. The AA is part of the Fargo/Moorhead multi-state MSA. The MSA is comprised of Cass County in North Dakota and Clay County in Minnesota. The AA does not include two CTs located in the Minnesota portion of the MSA. These tracts are the furthest distance from the bank's branches, are predominately rural, and are served by local community banks. Approximately 33% of total deposits and 40% of loan originations are made out of the Fargo AA.

Competition in the AA is very strong. The Fargo/Moorhead area has seen competition for banking and financial service products increase as rural banks have branched into the area with prospects of growth and diversification of loan products. Competition includes two regional banks, a mid-size bank headquartered in Fargo, a host of independent banks, and various credit unions, mortgage brokers and other nontraditional lenders. Asset sizes of twelve banks located in the AA range from \$16 million to \$1.9 billion. FNBND's operation is characterized as a mid-sized operation when analyzing total assets/deposits derived from the area compared to competitor banks. According to FDIC deposit reports, as of June 30, 1998 the bank generated \$129 million in deposits out of the Fargo AA. This ranks the bank eighth out of 32 financial institutions reporting deposit information. FNBND has seven branch locations and five ATMs in the AA. All are on the North Dakota side of the Red River.

One of the thirty-four tracts is low-income. This tract is located in north Fargo and encompasses the airport area as well as part of the university. Seven of the tracts are moderate-income. Three are located in Moorhead, Minnesota and encompass the downtown area as well as portions of two colleges. The four remaining moderate tracts are contiguous and consist of the downtown Fargo and West Fargo business districts and surrounding neighborhoods.

Competition for HMDA loans is especially fierce. During 1997, 118 lenders reported HMDA loans. Small business and small farm reporters included 39 and 12 lenders, respectively. Primary business focus is HMDA loans and small business lending. The bank is relatively new to the Fargo market, first branching in 1990. Market share continues to improve in the Fargo market.

Economic conditions in the area are very good. The Fargo/Moorhead community continues to grow as the rural population migrates to the large metro area seeking employment opportunities. Employment opportunities are good and the unemployment rate is at historical lows. The area is home to three colleges and is a regional health care center for Minnesota and North Dakota residents. Other major employers include American Crystal Sugar, the local school districts and government offices. The agricultural industry and agricultural-related businesses play a major role in the local business sector. General farm conditions have been fair the last several years due to poor growing conditions and weak commodity prices.

Primary credit needs of the community include housing loans of all types, small business loans to start-up and expanding businesses and agricultural loans. The contacts we made in the community indicate that housing costs have escalated in recent years due to the increase in population. Housing stock of new and existing houses has not been able to meet with the demand.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (<\$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (<\$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-,

moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations - See Table 7.

Table 9. Borrower Distribution of HMDA Refinance Loan Originations - See Table 7.

Table 10. Borrower Distribution of Small Business Loan Originations - Compares the percentage distribution of the number of small loans (<\$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 11. Borrower Distribution of Small Farm Loan Originations - Compares the percentage distribution of the number of small loans (<\$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 12. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.

Table 13. Distribution of Branch and ATM Delivery System - Compares the percentage distribution of the number of the bank's retail branches and ATM in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME												State: North Dakota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)				
Full-Scope:															
Grand Forks AA	67%	902	\$58,181	852	\$85,522	769	\$66,821	2	\$1,995	2,525	\$212,519	60.00%			
Fargo AA	33%	618	\$45,118	900	\$94,257	201	\$18,737	0	\$0	1,719	\$158,112	40.00%			
Limited-Scope:															

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE																State: North Dakota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
Grand Forks AA	NA	NA	3%	4%	78%	63%	19%	33%	1	16.26	ND	26.7	12.8	26.5	446	61%			
Fargo AA	0%	0%	13%	20%	68%	21%	19%	21%	8	3.85	ND	4.75	4.18	2.76	282	39%			
Limited-Scope:																			

(*) Based on 1997 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT																State: North Dakota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
Grand Forks AA	NA	NA	3%	8%	78%	57%	19%	35%	1	28%	NA	50%	21%	32%	184	59%			
Fargo AA	0%	0%	13%	20%	68%	63%	19%	17%	4	12%	0%	18%	12%	9%	128	41%			
Limited-Scope:																			

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE																State: North Dakota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
Grand Forks AA	NA	NA	3%	4%	78%	61%	19%	35%	1	14%	NA	36%	12%	19%	271	57%			
Fargo AA	0%	0%	13%	9%	68%	61%	19%	30%	11	3%	ND	5%	3%	2%	208	43%			
Limited-Scope:																			

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS																	State: North Dakota				Evaluation Period: January 1, 1997 to December 31, 1998			
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans									
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overa ll	Low	Mod	Mid	Upp	#	% of Total								
Full-Scope:																								
Grand Forks AA	NA	NA	14%	18%	74%	56%	12%	26%	2	24%	NA	43%	18%	52%	852	49%								
Fargo AA	0%	0%	46%	47%	42%	43%	12%	10%	2	14%	67%	13%	16%	9%	900	51%								
Limited-Scope:																								

(*) Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM																	State: North Dakota		Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans								
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Grand Forks AA	NA	NA	3%	3%	89%	81%	8%	16%	2	26%	NA	16%	23%	58%	769	79%							
Fargo AA	0%	0%	16%	6%	76%	83%	8%	11%	3	12%	ND	33%	10%	30%	201	21%							
Limited-Scope:																							

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE																
State: North Dakota																
Evaluation Period: January 1, 1997 to December 31, 1998																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Grand Forks AA	16%	6%	19%	17%	26%	29%	39%	48%	1	16%	12%	15%	18%	16%	446	61%
Fargo AA	18%	6%	18%	29%	26%	31%	38%	34%	8	4%	1%	4%	4%	6%	282	39%
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 3% of loans originated by FNBND.

(**) Based on 1997 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT		State: North Dakota				Evaluation Period: January 1, 1997 to December 31, 1998										
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overa ll	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Grand Forks AA	16%	5%	19%	13%	26%	25%	39%	57%	1	28%	35%	27%	23%	29%	184	59%
Fargo AA	18%	7%	18%	29%	26%	35%	38%	29%	4	12%	12%	20%	13%	7%	128	41%
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 5% of loans originated by FNBND.

(**) Based on 1997 Aggregate HMDA Data only.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE					State: North Dakota				Evaluation Period: January 1, 1997 to December 31, 1998							
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank* *	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Grand Forks AA	16%	2%	19%	9%	26%	21%	39%	68%	1	15%	6%	7%	14%	16%	271	57%
Fargo AA	18%	2%	18%	8%	26%	25%	38%	65%	11	3%	4%	3%	3%	3%	208	43%
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 9% of loans originated by FNBND.

(**) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS			State: North Dakota			Evaluation Period: January 1, 1997 to December 31, 1998					
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Grand Forks AA	72%	73%	36%	77%	13%	10%	24%	36%	852	49%	\$103
Fargo AA	70%	70%	15%	75%	15%	10%	14%	15%	900	51%	\$96
Limited-Scope:											

(*) As a percentage of businesses with known revenues.
 (**) As a percentage of loans with revenue information available. Information was available for 100% of loans originated by FNBND.
 (***) The market consists of all other Small Business reporters in FNBND's assessment area and is based on 1997 Aggregate Small Business Data only.
 (****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM												State: North Dakota			Evaluation Period: January 1, 1997 to December 31, 1998		
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans								
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size						
Full-Scope:																	
Grand Forks AA	88%	91%	24%	73%	18%	9%	26%	24%	769	79%	\$85						
Fargo AA	87%	90%	11%	71%	18%	11%	12%	11%	201	21%	\$87						
Limited-Scope:																	

(*) As a percentage of farms with known revenues.

(**) As a percentage of loans with revenue information available. Information was available for 100% of loans originated by FNBND.

(***) The market consists of all other Small Farm reporters in FNBND's assessment area and is based on 1997 Aggregate Small Farm Data only.

(***)Based on 1997 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		State: North Dakota			Evaluation Period: January 17, 1997 to April 5, 1999				
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope:									
Grand Forks AA	10	\$1,838	100%	23	\$1,631	95%	33	\$3,469	98%
Fargo AA	0	\$0	0%	14	\$83	5%	14	\$83	2%
Limited-Scope:									

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.
 (**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: North Dakota				Evaluation Period: January 17, 1997 to April 5, 1999									
MSA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Grand Forks AA	67%	7	50%	0%	29%	57%	14%	11	69%	0%	9%	73%	18%	0%	15%	69%	16%
Fargo AA	33%	7	50%	0%	14%	72%	14%	5	31%	0%	20%	80%	0%	3%	20%	65%	12%
Limited-Scope:																	