



PUBLIC DISCLOSURE

September 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter No. 7116**

**15 Main Street S. E.
P. O. Box 9
Bowbells, ND 58721**

**Office of the Comptroller of the Currency
Fargo Field Office
3211 Fiechtner Drive SW
Fargo, ND**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank** prepared by the **Office of The Comptroller of the Currency**, the institution's supervisory agency, as of September 17, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

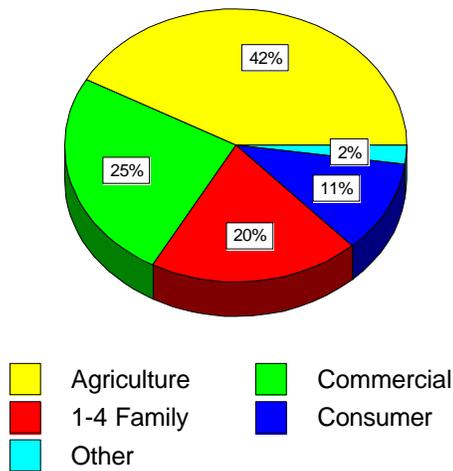
First National Bank is meeting the credit needs of its assessment areas.

- ▶ The bank's loan-to-deposit ratio is reasonable, with the majority of loans being made within its assessment areas.
- ▶ Lending efforts penetrate all segments of the assessment area and are dispersed to borrowers of all income levels.
- ▶ The bank actively lends to businesses and farms of smaller size.

DESCRIPTION OF INSTITUTION

First National Bank is a wholly owned subsidiary of Bowbells Holding Company, a one-bank holding company with headquarters in Bowbells, North Dakota. The bank consists of the main bank, a branch office in Minot, North Dakota and a paying and receiving station in Flaxton, North Dakota. The bank also operates one automated teller machine located in Minot.

Portfolio Composition



As of June 30, 1998, First National Bank reported total assets of \$34 million and a 0.58% return on average assets. The bank's loan-to-deposit ratio on that date was 59%; gross loans represented 54% of total assets. The loan portfolio consisted of the following types of credit: 42% in agricultural loans, 25% in commercial loans, 20% in 1-4 family residential loans, 11% in consumer loans, and 2% in various other loan types. The dollar volume of the outstanding loans are as follows: \$7.6 million in agriculture loans, \$5.4 million in commercial loans, \$2.2

million in consumer loans and \$3.6 million in residential real estate loans. First National Bank offers a variety of agricultural, commercial and consumer loan products, in addition to deposit and insurance services.

The bank's financial condition, size, local economic condition, and other factors allow it to help meet the credit needs of its assessment area. The bank has neither opened nor closed any branches since the last CRA examination. At the last CRA examination dated September 19, 1995, First National Bank received an outstanding rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of two distinct markets covering portions of two North Dakota counties. The AA complies with the regulations requirements. The AA includes the cities of Bowbells and Minot and their surrounding areas. These markets enjoy relatively stable economies with low unemployment. Agriculture, and its related

industries, greatly influences the economies. The Minot market is further strengthened by the presence of a college, an Air Force Base, hospitals, retail, service and manufacturing businesses, government, and other financial service companies.

The AA includes portions of Burke and Ward Counties. The Bowbells market, located in Burke County, includes Block Numbering Area (BNA) 9531. The Minot market, located in Ward County, includes BNAs 101, 102, 103, 104, 105, and 107. The AA contains four middle income BNAs (57%) and three upper income BNAs (43%). There are no low- or moderate-income BNAs. The AA has a population of about 34,588 persons and approximately 9,025 families. The family breakdown by income level is: 18% low-income; 13% moderate-income; 23% middle-income; and, 46% upper-income. The 1998 NonMSA Median Family Income for North Dakota is \$35,800. 17% of households are currently below the poverty income level within the AA. The median average home in the AA was built in 1962 with a current average value of \$52,443. Owner occupied units account for 56% of all occupied housing within the AA.

Community contacts indicated most local credit needs are being satisfactorily met by financial institutions throughout First National Bank's AA. We conducted or reviewed four community contacts within the bank's AA. These contacts included community economic development organizations, a government housing agency, and other business development groups. Small business start-up loans, agricultural operating and working capital loans, and affordable housing credit were all mentioned as types of credit needs which banks should continue to strive to meet. First National Bank competes with numerous financial institutions within its AA for both loan and deposit business. The competition includes five banks of similar size, two regional banks, two large community banks, two thrifts, and one large credit union.

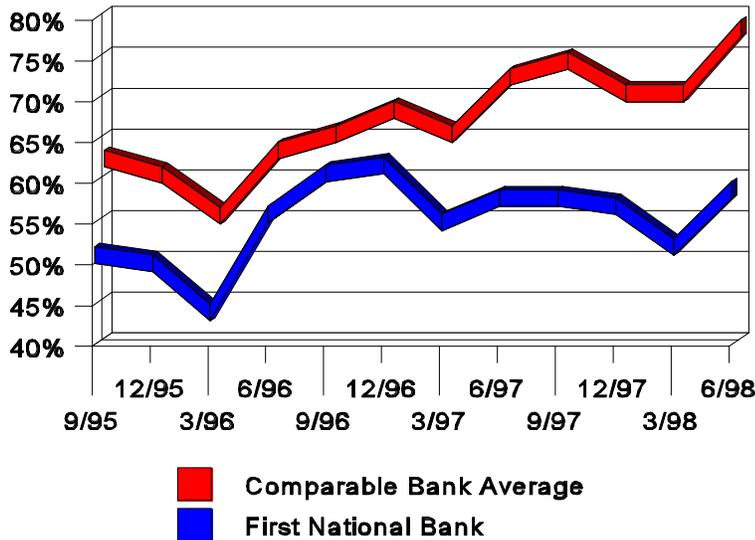
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

First National Bank's level of lending is reasonable. The bank's loan-to-deposit ratio trend has increased slightly since the last CRA examination. During the past 12 quarters ending June 30, 1998, the loan-to-deposit ratio has risen from 51% to 59%, demonstrating a willingness to meet credit needs within its AA. The bank's quarterly average loan-to-deposit ratio for this same period is 55%. This compares to the average loan-to-deposit ratio of 67% for five other comparable banks within First National Bank's AA. Of all six banks, First National Bank has the lowest loan-to-deposit ratio. The five comparable banks loan-to-deposit ratios range from 56% to 76%. The banks are comparable in size

and lending products. Although the bank ranks last in loan-to-deposits, actual loan volume has increased 36% since September 30, 1995, due to increasing lending activity in the

Trend of Loan-to-Deposits



Minot branch, which opened in 1993. Bank deposits have increased 17% during this same time period. First National Bank also originates a considerable amount of residential real estate loans that are subsequently sold on the secondary market, thus not reflected in the bank’s loan-to-deposit ratio. The bank originated 102 loans sold on the secondary market totaling \$7.7 million since the last CRA examination.

Comparison of Credit Extended Inside and Outside of the Assessment Area

First National Bank extends a majority of its loans within the AA. The bank does not formally track loan originations made inside and outside of its AA. As such, we reviewed a sample of 120 commercial, agricultural and home purchase originations made since the last CRA examination to determine AA lending activity. Our review shows that since September 30, 1995, First National Bank made 80% of the number and 81% of the volume of all originations within its AA. The bank made a total of 1,661 loan originations for \$38.6 million since the last CRA examination.

Sample of Originations from 9/30/95 to 9/17/98	# of Loans	% of Loans	\$ Volume (000)	% of Volume
In the Assessment Area	96	80%	8,336	81%
Out of the Assessment Area	24	20%	1,997	19%

Distribution of Credit within the Assessment Area by Geography

The seven BNAs in the bank’s AA are all considered middle- or upper-income. Analysis of this assessment criteria would not be meaningful.

Distribution of Credit within the Assessment Area by Borrower Income

The distribution of borrowers reflects a very good penetration among businesses and farms of different sizes and a reasonable penetration among individuals of different income levels. Our conclusions are based on a sample of 120 commercial, agricultural, and home purchase loan originations made since the last CRA examination.

The income distribution for agricultural loans shows excellent penetration in the AA. We reviewed the revenue distribution of 40 agricultural loans to determine the gross income levels of the farms. Our sample represented 29% of agricultural originations by volume. The table below shows that 100% of the agricultural loan originations in the AA had gross income of less than \$1 million.

Distribution of Agricultural Credits within the AA By Different Gross Income Levels						
Gross Income	<\$100,000	\$100,000 to \$250,000	\$250,000 to \$500,000	\$500,000 to \$1,000,000	>\$1,000,000	Total
# of Loans	15	19	6	0	0	40
% of Loans	38%	47%	15%	0%	0%	100%
\$ Volume (000)	806	2,101	916	0	0	3,823
% of Volume	21%	55%	24%	0%	0%	100%

The income distribution for small business loans also shows very good penetration in the AA. We reviewed the revenue distribution of 30 commercial loans to determine the gross income levels of small businesses. Our sample represented 44% of commercial originations by volume. The table below shows that 90% by number and 93% by volume of the commercial loan originations in the AA had gross income of less than \$1 million.

Distribution of Commercial Credits within the AA By Different Gross Income Levels						
Gross Income	<\$100,000	\$100,000 to \$250,000	\$250,000 to \$500,000	\$500,000 to \$1,000,000	>\$1,000,000	Total
# of Loans	10	8	4	5	3	30
% of Loans	33%	27%	13%	17%	10%	100%
\$ Volume (000)	584	730	856	707	228	3,105
% of Volume	19%	23%	28%	23%	7%	100%

The distribution of home purchase loan originations is reasonable although below the demographic distribution of the low-income population. First National Bank is not a predominant originator of home purchase loans in its AA. These credit needs are, however, being reasonably met by other financial institutions within the bank's AA. We reviewed the income distribution of 50 home purchase loans. Our sample represented 27% of all residential real estate mortgages originated by number and 29% by volume since the last CRA examination. As shown in the following table, First National Bank originated 4% of its home purchase loans to low-income borrowers by number and 1% by volume from our sample review. First National Bank originated 22% of its home purchase loans to moderate-income borrowers by number and 17% by volume. This reasonably compares to the 1998 demographic data for the AA which shows a low-income family population base of 18% and a moderate-income family population base of 13%.

Sample Distribution of Home Purchase Originations by Income Level					
Loan Originations	Low Income Families	Moderate Income Families	Middle Income Families	Upper Income Families	Total
# of Loans	2	11	18	19	50
% of Loans	4%	22%	36%	38%	100%
\$ Volume (000)	51	574	995	1,786	3,406
% of Volume	1%	17%	29%	53%	100%
1998 AA Demographic Data Average	18%	13%	23%	46%	100%

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Antidiscrimination Laws and Regulations

We did not find any violations of the substantive provisions of the antidiscrimination laws (Home Mortgage Disclosure, Equal Credit Opportunity and Fair Housing Acts) and their implementing regulations.