



## PUBLIC DISCLOSURE

November 12, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Dakota National Bank  
Charter Number 2068

225 Cedar Street  
Yankton, SD 57078

Office of the Comptroller of the Currency

Sioux Falls Field Office  
4900 S. Minnesota Avenue, Suite 300  
Sioux Falls, SD 57108

**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 Outstanding.**

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

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

- The bank's loan-to-deposit ratio is more than reasonable when considering the bank's size, financial condition, and the credit needs of the assessment areas (AAs).
- A substantial majority of the bank's loans are originated inside its AAs.
- The income and geographic distribution of loans is reasonable.
- Community development (CD) activities represent excellent responsiveness to AA needs and opportunities.

## **Scope of Examination**

First Dakota National Bank (First Dakota) was evaluated under the Intermediate Small bank examination procedures, which includes a Lending Test and a CD Test for the State of South Dakota.

The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The Lending Test covers the bank's performance from January 1, 2012 to March 31, 2014. The Lending Test evaluated agriculture, commercial, consumer, and residential real estate loans originated by the bank during the evaluation period. To evaluate agriculture, commercial, and consumer lending performance, we selected a random sample of 20 loans originated during the evaluation period per primary loan type in each AA. To evaluate residential real estate loans, we relied on data submitted under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable prior to the start of the examination. We based market comparisons on 2014 peer data.

The CD Test evaluates the bank's record of responding to the CD needs of its AAs through CD lending and providing qualified investments, donations, and services. The CD Test covers the bank's performance from October 14, 2010 to November 12, 2014.

## **Description of Institution**

First Dakota is an intrastate financial institution headquartered in Yankton, South Dakota. First Dakota had total assets of \$1.1 billion and tier one capital of \$95.3 million as of September 30, 2014. First Dakota is wholly owned by First Dakota Financial Corporation, a one-bank holding company headquartered in Yankton, South Dakota. First Dakota Financial Corporation had consolidated total assets of \$1.1 billion as of September 30, 2014.

First Dakota operates 16 full services branches, one deposit-taking automated teller machine (ATM), and 15 cash-dispensing ATMs in South Dakota. The main office, one branch, and two cash-dispensing ATMs are located in Yankton. Three branches, one deposit-taking ATM, and two cash-dispensing ATMs are located in Sioux Falls. Two branches and two cash-dispensing ATMs are located in Mitchell. One branch and two cash-dispensing ATMs are located in Salem. First Dakota has one branch and one cash-dispensing ATM in each of the following towns: Beresford, Chamberlain, Elk Point, Oacoma, Vermillion, and Wagner. First Dakota also operates stand-alone branches in Kimball and Parkston. One Sioux Falls branch was opened in November 2010. The Beresford and Elk Point branches were opened in January 2013 when First Dakota purchased another financial institution.

In addition to the branch locations, First Dakota operates loan production offices (LPOs) in the South Dakota towns of Corsica, Mitchell, Platte, and Watertown and the Nebraska towns of Columbus, Hastings, and Ogallala.

First Dakota's primary business focus is consistent with the traditional community bank model. First Dakota offers a full range of credit products within its AAs, including agriculture, commercial, consumer, and residential real estate loans. As of September 30, 2014, net loans represented 80 percent of total assets. As of September 30, 2014, agriculture loans represented 44 percent of total loans, commercial loans represented 25 percent of total loans, commercial real estate loans represented 16 percent of total loans, and residential real estate loans represented four percent of total loans. First Dakota also offers a wide range of retail deposit products to its customers.

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AAs. First Dakota received a Satisfactory rating in its last Performance Evaluation dated September 30, 2010.

## **Description of Assessment Areas**

First Dakota operates with three AAs. The AAs comply with regulatory requirements and include the bank's main office, branch offices, and deposit-taking ATM. The AAs do not arbitrarily exclude any low- or moderate-income census tracts.

### Non-MSA AA

For purposes of this examination, we combined the AAs located in non-Metropolitan Statistical Areas (MSAs) into one AA called the Non-MSA AA. This AA includes the following counties in South Dakota: Aurora, Brule, Bon Homme, Buffalo, Charles Mix, Clay, Davison, Douglas, Hanson, Hutchinson, Lyman, and Yankton. Additionally, the AA includes two census tracts in Nebraska; one in Cedar County and one in Knox County. First Dakota operated its main location and nine branches in this AA during the evaluation period.

This AA represents the bank's major market and accounted for 75 percent of the bank's deposits and 56 percent of the bank's loans during the evaluation period. First Dakota reported \$705 million of deposits in the Non-MSA AA as of June 30, 2014, which ranked the bank first in deposit market share with a market share of 19 percent. Primary lending products in the Non-MSA AA are agriculture loans and commercial loans.

The Non-MSA AA included 30 census tracts in 2014. Four of the census tracts were moderate-income, 23 were middle-income, and three were upper-income. One-hundred and seven thousand people, or 41 thousand households, lived in the AA in 2014. Of the households, 24 percent were low-income, 17 percent were moderate-income, 18 percent were middle-income, and 41 percent were upper-income. Fifteen percent of the households in the AA lived below the poverty level. The weighted-average median household income was \$41,571 in 2014.

Sixty-one percent of the housing units in the Non-MSA AA were owner-occupied and 27 percent were renter-occupied in 2014. The weighted-average of median housing cost was \$94,279 and the weighted-average of monthly gross rent was \$494.

The Non-MSA AA included 13 thousand businesses in 2014. Seventy-five percent of the businesses were non-farm businesses and 72 percent employed fewer than five people. Seventy-eight percent of the businesses reported gross annual revenue under \$1 million.

The economy in the Non-MSA AA was favorable during the evaluation period. According to the South Dakota Department of Labor and Regulation, the unemployment rate in each county was below the national unemployment rate of 5.8 percent in October 2014, with the exception of Buffalo County. Major employers in the Non-MSA AA include the agriculture industry, healthcare providers, local school systems, and manufacturing companies.

Competition in the Non-MSA AA is strong and primarily includes local community banks. As of June 30, 2014, there were 39 institutions with 89 offices located in the Non-MSA AA.

We contacted one community organization in the Non-MSA AA in conjunction with this examination. The contact was a director of an organization supporting business development. The contact identified business and home loans are the primary credit needs in the AA. First Dakota offers these type of loans.

### Sioux Falls MSA

During the evaluation period, First Dakota considered the entire Sioux Falls MSA as one of its AAs. The MSA includes all of Lincoln, McCook, Minnehaha, and Turner counties in South Dakota. First Dakota operated four branches, to include three in Sioux Falls and one in Salem, and one deposit-taking ATM in this AA during the evaluation period.

This AA accounted for 21 percent of the bank's deposits and 42 percent of the bank's loans during the evaluation period. First Dakota reported \$179 million of deposits in the Sioux Falls MSA as of June 30, 2014, which ranked the bank twelfth in deposit market share with a market share of 20 percent. Primary lending products in the Sioux Falls MSA are commercial loans and residential real estate loans.

The Sioux Falls MSA included 57 census tracts in 2014. Fourteen of the census tracts were moderate-income, 31 were middle-income, and 12 were upper-income. Two-hundred and twenty-eight thousand people, or 87 thousand households, lived in the MSA in 2014. Of the households, 21 percent were low-income, 18 percent were moderate-income, 20 percent were middle-income, and 41 percent were upper-income. Nine percent of the households in the AA lived below the poverty level. The weighted-average median household income was \$55,817 in 2014.

Sixty-four percent of the housing units in the Sioux Falls MSA were owner-occupied and 29 percent were renter-occupied in 2014. The weighted-average of median housing cost was \$146,371 and the weighted-average of monthly gross rent was \$666.

The Sioux Falls MSA included 24 thousand businesses in 2014. Ninety-one percent of the businesses were non-farm businesses and 67 percent employed fewer than five people. Seventy-four percent of the businesses reported gross annual revenue under \$1 million.

The economy in the Sioux Falls MSA was favorable during the evaluation period. According to the South Dakota Department of Labor and Regulation, the unemployment rate in the Sioux Falls MSA steadily improved from 4.5 percent in October 2010 to 2.5 percent in October 2014. This is below the national unemployment rate of 5.8 percent in October 2014. Major employers in the Sioux Falls MSA include the healthcare industry, credit card processors, the education sector, and meat processing companies.

Competition in the Sioux Falls MSA is strong. Competition includes local community banks and branches of larger regional and national institutions. As of June 30, 2014, there were 33 institutions with 136 offices located in the Sioux Falls MSA.

We contacted one community organization in the Sioux Falls MSA in conjunction with this examination. The contact was a director of an organization supporting business development. The contact identified business loans and affordable housing as the primary credit needs in the AA. First Dakota offers these type of loans.

#### Sioux City IA-NE-SD Multi-State MSA

During the evaluation period, First Dakota considered Union County, South Dakota as one of its AAs. Union County is located in the Sioux City IA-NE-SD Multi-State MSA (Sioux City MSA). Beginning in 2013, First Dakota operated two branches in this AA. Because the bank's operations are limited to the South Dakota portion of this Multi-State MSA, this AA was incorporated into the State of South Dakota rating.

This AA accounted for four percent of the bank's deposits and two percent of the bank's loans during the evaluation period. First Dakota reported \$32 million of deposits in the Sioux City MSA as of June 30, 2014, which ranked the bank fifth in deposit market share with a market share of eight percent. Primary lending products in the Sioux City MSA are agriculture loans, commercial loans, and consumer loans.

The Sioux City MSA included three census tracts in 2014. One of the census tracts was middle-income and two were upper-income. Fourteen thousand people, or six thousand households, lived in the MSA in 2014. Of the households, 16 percent were low-income, 12 percent were moderate-income, 18 percent were middle-income, and 54 percent were upper-income. Seven percent of the households in the AA lived below the poverty level. The weighted-average median household income was \$59,474 in 2014.

Seventy-one percent of the housing units in the Sioux City MSA were owner-occupied and 23 percent were renter-occupied in 2014. The weighted-average of median housing cost was \$143,681 and the weighted-average of monthly gross rent was \$630.

The Sioux City MSA included two thousand businesses in 2014. Eighty-six percent of the businesses were non-farm businesses and 69 percent employed fewer than five people. Seventy-four percent of the businesses reported gross annual revenue under \$1 million.

The economy in the Sioux City MSA was favorable during the evaluation period. According to the South Dakota Department of Labor and Regulation, the unemployment rate for Union County improved from 4.6 percent in October 2010 to 3.2 percent in October 2014. This is below the national unemployment rate of 5.8 percent in October 2014. Major employers in the Sioux City MSA include call centers, meat processing companies, and the healthcare industry.

Competition in the Sioux City MSA is moderate and primarily includes local community banks. As of June 30, 2014, there were six institutions with 10 offices located in Union County in the Sioux City MSA.

We contacted one community organization in the Sioux City MSA in conjunction with this examination. The contact was a director of an organization supporting business development. The contact identified agriculture loans and business loans as the primary credit needs in the AA. First Dakota offers these type of loans.

## **Conclusions with Respect to Performance Tests**

First Dakota's performance under the Lending Test is satisfactory. Our testing revealed that management is willing to lend to borrowers of different sizes and income levels throughout its AAs. The bank's performance under the CD Test is outstanding. The volume of CD loans, investments, and services reflects excellent responsiveness to the CD needs and opportunities of the bank's AAs.

## LENDING TEST

First Dakota's performance under the Lending Test is rated Satisfactory. Management operates with a more than reasonable loan-to-deposit ratio and originates a substantial majority of its loans by number within the AAs. The borrower and geographic distribution of loans is reasonable.

### Loan-to-Deposit Ratio

First Dakota's loan-to-deposit ratio is more than reasonable given its size, financial condition, and the AAs' credit needs. First Dakota's average loan-to-deposit ratio was 90 percent for the 17 quarters between September 30, 2010 and September 30, 2014. The ratio ranged from a quarterly low of 84 percent and a quarterly high of 102 percent.

The bank's loan-to-deposit ratio compares favorably with other community banks operating in the bank's AAs. The competitor banks ranged in total asset size between \$371 million and \$1.2 billion. The average loan-to-deposit ratio for competitor community banks was 78 percent for the 17 quarters between September 30, 2010 and September 30, 2014. The ratio ranged from an average quarterly low of 70 percent and an average quarterly high of 93 percent.

### Lending in Assessment Area

First Dakota originates a substantial majority of its loans within its AAs. We reviewed 60 commercial loans, 40 agriculture loans, and 20 consumer loans originated between January 1, 2012 and March 31, 2014, and analyzed HMDA data to assess residential real estate performance with this criterion. Management originated 93 percent of its loans by number and 81 percent of its loans by dollar to borrowers within the bank's AAs.

Table 1 details lending within the bank's AAs by number and dollar amount of loans.

Table 1 - Lending in First Dakota's AAs										
Loan Type	Number of Loans					Dollars of Loans (in 000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	874	97	29	3	903	129,062	95	6,742	5	135,804
Home Refinance	673	88	89	12	762	116,906	71	47,966	29	164,872
Home Improvement	58	85	10	15	68	1,375	72	529	28	1,904
Agriculture Loans	35	88	5	12	40	5,405	82	1,158	18	6,563
Commercial Loans	54	90	6	10	60	3,462	52	3,166	48	6,628
Consumer Loans	20	100	0	0	20	217	100	0	0	217
Total	1,714	93	139	7	1,853	256,427	81	59,561	19	315,988

Source: HMDA data, loan sample

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

The distribution of home loans to families of different income levels, consumer loans to households of different income levels, and agriculture and commercial loans to farms and businesses of different sizes reflects reasonable penetration of each AA's demographics during the evaluation period.

### Non-MSA AA

The distribution of agriculture loans to farms of different sizes in the Non-MSA AA is reasonable. Ninety-nine percent of the farms in the AA reported gross annual revenue below \$1 million in 2014. Eighty-five percent of First Dakota's farm loans by number and 22 percent of their loans by dollar were to farms with gross annual revenue below \$1 million.

In our sample, only three loans were made to farms with annual gross revenue above \$1 million; however, the dollar amount of those three loans was significantly higher and skewed the sample by dollar results. The average loan to a farm with annual revenue below \$1 million was \$62 thousand in our sample. The average loan to a farm with annual revenue above \$1 million was \$1.3 million in our sample.

Table 2A includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

Table 2A - Borrower Distribution of Loans to Farms in Non-MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	<1	100
% of Bank Loans in AA by #	85	15	0	100
% of Bank Loans in AA by \$	22	78	0	100

*Source: 2010 U.S. Census data, loan sample*

The distribution of commercial loans to businesses of different sizes in the Non-MSA AA is reasonable. Seventy-one percent of the businesses in the AA reported gross annual revenue below \$1 million in 2014. Eighty-five percent of First Dakota's commercial loans by number and 64 percent of their loans by dollar were to businesses with gross annual revenue below \$1 million.

Table 2B includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 2B - Borrower Distribution of Loans to Businesses in Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	71	4	25	100
% of Bank Loans in AA by #	85	15	0	100
% of Bank Loans in AA by \$	64	36	0	100

Source: 2010 U.S. Census data, loan sample

**Sioux Falls MSA**

The distribution of commercial loans to businesses of different sizes in the Sioux Falls MSA is excellent. Seventy-one percent of the businesses in the AA reported gross annual revenue below \$1 million in 2014. Seventy-five percent of First Dakota’s commercial loans by number and 74 percent of their loans by dollar were to businesses with gross annual revenue below \$1 million.

Table 3A includes the data used to evaluate the borrower distribution of the bank’s commercial loans.

<b>Table 3A - Borrower Distribution of Loans to Businesses in Sioux Falls MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	71	5	24	100
% of Bank Loans in AA by #	75	25	0	100
% of Bank Loans in AA by \$	74	26	0	100

Source: 2010 U.S. Census data, loan sample

The distribution of residential real estate loans to families of different income levels in the Sioux Falls MSA is reasonable. Eighteen percent of families the AA were low-income in 2014. Fifteen percent of home purchase loans, six percent of home improvement loans, and seven percent of home refinance loans were to low-income families. Eighteen percent of families in the AA were moderate-income in 2014. Twenty-eight percent of home purchase, 31 percent of home improvement loans, and 13 percent of home refinance loans were to moderate-income families.

Table 3B includes the data used to evaluate the borrower distribution of the bank’s residential real estate loans.

<b>Table 3B - Borrower Distribution of Mortgage Loans in Sioux Falls MSA</b>								
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	18	15	18	28	26	20	38	23
Home Improvement	18	6	18	31	26	50	38	13
Home Refinance	18	7	18	13	26	20	38	38

Source: 2010 U.S. Census data; 2012-2014 HMDA

Sioux City MSA

The distribution of agriculture loans to farms of different sizes in the Sioux City MSA is excellent. One-hundred percent of farms in the AA reported gross annual revenue below \$1 million in 2014. One-hundred percent of First Dakota's farm loans by number and dollar were to farms with gross annual revenue below \$1 million.

Table 4A includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 4A - Borrower Distribution of Loans to Farms in Sioux City MSA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100	0	<1	100
% of Bank Loans in AA by #	100	0	0	100
% of Bank Loans in AA by \$	100	0	0	100

Source: 2010 U.S. Census data, loan sample

The distribution of commercial loans to businesses of different sizes in the Sioux City MSA is excellent. Seventy percent of businesses in the AA reported gross annual revenue below \$1 million in 2014. Eighty-five percent of First Dakota's commercial loans by number and 91 percent of their commercial loans by dollar were to businesses with gross annual revenue below \$1 million.

Table 4B includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 4B - Borrower Distribution of Loans to Businesses in Sioux City MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	70	5	25	100
% of Bank Loans in AA by #	85	5	10	100
% of Bank Loans in AA by \$	91	7	2	100

Source: 2010 U.S. Census data, loan sample

The distribution of consumer loans to households of different income levels in the Sioux City MSA is excellent. Sixteen percent of households the AA were low-income in 2014. Twenty-five percent of First Dakota's consumer loans were to low-income households. Thirteen percent of households in the AA were moderate-income in 2014. Thirty-five percent of the bank's consumer loans moderate-income households.

Table 4C includes the data used to evaluate the borrower distribution of the bank's consumer loans.

Table 4C - Borrower Distribution of Consumer Loans in Sioux City MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	16	25	13	35	18	10	53	30

Source: 2010 U.S. Census data, loan sample

### Geographic Distribution of Loans

The distribution of agriculture, commercial, and home loans to geographies of different income levels reflects reasonable penetration of each AA’s demographics during the evaluation period.

#### Non-MSA AA

The distribution of agriculture loans to geographies of different income levels in the Non-MSA AA is reasonable. Seven percent of farms were located in moderate-income census tracts in 2014. Five percent of First Dakota’s agriculture loans were to farms in those census tracts.

Table 5A includes the data used to evaluate the geographic distribution of the bank’s agriculture loans.

Table 5A - Geographic Distribution of Loans to Farms in Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0	0	7	5	91	95	2	0

Source: 2010 U.S. Census data, loan sample

The distribution of commercial loans to geographies of different income levels in the Non-MSA AA is reasonable. Six percent of businesses were located in moderate-income census tracts in 2014. Five percent of First Dakota’s commercial loans were to businesses in those census tracts.

Table 5B includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 5B - Geographic Distribution of Loans to Businesses in Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0	0	6	5	85	85	9	10

Source: 2010 U.S. Census data, loan sample

Sioux Falls MSA

The distribution of commercial loans to geographies of different income levels in the Sioux Falls MSA is reasonable. Thirty-three percent of businesses were located in moderate-income census tracts in 2014. Thirty percent of First Dakota’s commercial loans were to businesses in those census tracts.

Table 6A includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 6A - Geographic Distribution of Loans to Businesses in Sioux Falls MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0	0	33	30	47	40	20	30

Source: 2010 U.S. Census data, loan sample

The distribution of residential real estate loans to geographies of different income levels in the Sioux Falls MSA is reasonable. Eighteen percent of owner-occupied housing was located in moderate-income census tracts in 2014. Eighteen percent of First Dakota’s home purchase loans, 50 percent of home improvement loans, and 12 percent of home refinance loans were to homes in those census tracts.

Table 6B includes the data used to evaluate the geographic distribution of the bank’s residential real estate loans.

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	0	0	18	18	58	58	24	24
Home Improvement	0	0	18	50	58	31	24	19
Refinancing	0	0	18	12	58	51	24	37

Source: 2010 U.S. Census data, HMDA data

### Sioux City MSA

There are no low- or moderate-income census tracts in the Sioux City MSA. A geographic analysis of this AA was not completed because it would not be meaningful.

### **Responses to Complaints**

Neither the bank nor the OCC received any complaints related to First Dakota's CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

First Dakota's performance under the CD Test is rated Outstanding. CD activities demonstrate excellent responsiveness to CD needs and opportunities in the bank's AAs. CD loans and investments totaled \$37.3 million during the evaluation period. This represents 34.30 percent of tier one capital as of September 30, 2014. Members of management provided 1,082 service hours to 33 community organizations during the evaluation period.

First Dakota's CD performance in the Non-MSA AA is excellent. The bank's CD performance in the Sioux Falls MSA and the Sioux City MSA is adequate.

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

#### Non-MSA AA

Management made seven CD loans totaling \$2.8 million in the Non-MSA AA during the evaluation period. The loans provided funding to organizations providing affordable housing and economic development services to the AA. Additionally, management made 248 loans totaling \$23.6 million to small farms or small businesses located in distressed or underserved middle-income census tracts during the evaluation period. These census tracts were distressed due to poverty or population loss. The loans helped revitalize the area by providing funding to retain jobs, which is vital to retaining population and improving poverty levels.

### Sioux Falls MSA

Management made two CD loans totaling \$560 thousand in the Sioux Falls MSA during the evaluation period. The loans provided funding to an organization that provides affordable housing and an organization that provides community services to the AA.

### Sioux City MSA

Management did not make any CD loans in the Sioux City MSA during the evaluation period.

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

### Non-MSA AA

Management made 11 CD investments totaling \$5.9 million in the Non-MSA AA during the evaluation period. Investments included bond purchases to revitalize and stabilize distressed or underserved middle-income census tracts, mortgage-backed securities for homes in low- and moderate-income areas, and bonds that support economic development.

Management also provided \$365 thousand in qualified donations to 20 community organizations during the evaluation period. One of the bank's largest donations supported an organization that promotes economic development in the AA. Another large donation went to an organization that provides community services to low- and moderate-income individuals living in the AA.

### Sioux Falls MSA

Management made four investments totaling \$3.6 million in the Sioux Falls MSA during the evaluation period. Investments primarily included mortgage-backed securities for homes in low- and moderate-income areas.

Management also provided \$64 thousand in qualified donations to eight community organizations during the evaluation period. One of the bank's largest donations supported an organization that promotes economic development in moderate-income census tracts in the AA. Another large donation went to an organization that provides community services to low- and moderate-income individuals living in the AA.

### Sioux City MSA

Management made two investments totaling \$430 thousand in the Sioux City MSA during the evaluation period. The investments provided funding for an organization that employs low- and moderate-income individuals in the AA.

Management provided one qualified donation totaling \$100 to a community organization during the evaluation period. The organization supports economic development in the AA.

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

The availability of banking services to low- and moderate-income areas is satisfactory. Two branches and one deposit-taking ATM are located in moderate-income census tracts. Four branches are located in distressed or underserved middle-income census tracts. Hours and services available at the locations in the moderate-income or distressed and underserved middle-income census tracts are consistent with those offered at branches located in other geographies. Online and mobile banking services are also available to all customers.

#### Non-MSA AA

Management provided 822 service hours to 20 qualified organizations in the Non-MSA AA during the evaluation period. Examples of CD services provided by management include:

- One employee serves as the Chairperson of the Board of Directors (Board) for an organization that provides community services to low- and moderate-income individuals in the AA.
- One employee provides oversight to an organization that provides financing to small businesses.
- One employee teaches a financial awareness class to low- and moderate-income individuals.

#### Sioux Falls MSA

Management provided 233 service hours to 11 qualified organizations in the Sioux Falls MSA during the evaluation period. Examples of CD services provided by management include:

- One employee serves on the Board for an organization that provides community services to low- and moderate-income children in the AA.
- One employee serves on the Board of an organization that supports economic development activities in moderate-income census tracts in the AA.
- One employee assists low-income individuals with rental assistance services at a location that provides affordable housing.

### Sioux City MSA

Management provided 27 hours to two qualified organizations in the Sioux City MSA during the evaluation period. Both organizations provide economic development services to the AA.

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

Management's CD activities represent excellent responsiveness to CD needs in the bank's AAs. CD activities are consistent with the needs identified by community contacts in each AA.

We considered the limited CD opportunities in the Sioux City MSA in our analysis. Management entered this MSA in 2013 when they purchased another bank, which limited their timeframe for completing CD. The Sioux City MSA does not have any low- or moderate-income census tracts. Additionally, there are not any distressed or underserved middle-income census tracts in the AA to serve.

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

Pursuant to 12 C.F.R. § 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA 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.