



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

May 20, 2003

**Community Reinvestment Act
Performance Evaluation**

**First Dakota National Bank
Charter Number: 2068**

**225 Cedar Street
Yankton, South Dakota 57078**

**Office of the Comptroller of the Currency
Sioux Falls Field Office
4900 South Minnesota Avenue, Suite 300
Sioux Falls, South Dakota 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, 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.

Table of Contents

DESCRIPTION OF INSTITUTION	2
OVERALL CRA RATING	2
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	3
LENDING TEST	3
INVESTMENT TEST	4
SERVICE TEST	4
FAIR LENDING REVIEW	4
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS	B-1
APPENDIX C: TABLES OF PERFORMANCE DATA	C-1

Description of Institution

Name and Location of Institution	First Dakota National Bank (FDNB), Yankton, South Dakota
Total Assets of Bank	\$442 million
Number of Branches and Locations	10 branches located in Yankton (2), Vermillion, Mitchell (2), Wagner, Parkston, Salem, Chamberlain, and Kimball, South Dakota
Number and Type of ATMs	5 deposit-taking ATMs and 5 cash-dispensing ATMs
Name, Location, and Size of Holding Company	First Dakota Financial Corporation, Yankton, South Dakota \$443 million
Affiliates or Subsidiaries Impacting the Bank's CRA	None
Loan Portfolio Summary and Source	Agricultural (45%), Commercial (30%), Residential (13%), Consumer (11%), and Other (2%) from the December 31, 2002 Call Report
Net Loans/Total Assets	81%
Tier I Capital	\$36 million
Date and Rating of Last CRA Examination	July 24, 2000 "Satisfactory"

Overall CRA Rating

Institution's CRA Rating: This institution is rated "**Satisfactory.**"

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

Performance Levels	First Dakota National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
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.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is good and is rated "High Satisfactory."

- Lending levels reflect excellent responsiveness to small farm and small business credit needs in the assessment area. FDNB ranks first among 26 small farm lenders with 23 percent market share. FDNB ranks first among 41 small business lenders with 14 percent market share. In addition, the bank ranks first among 33 institutions located in the assessment area with 18 percent deposit market share.
- Geographic distribution of small farm loans is adequate and small business loans is poor. The bank originated 4 percent of its small farm loans and 1 percent of its small business loans in moderate-income block numbering areas (BNAs). This is below assessment area demographics – 9 percent of farms and 7 percent of businesses are located in moderate-income BNAs. FDNB originated small farm and small business loans in 32 of 33 BNAs. There are no conspicuous gaps in the bank's lending patterns.
- A majority of the FDNB's loans were originated inside the assessment area. About 75 percent by number and 63 percent by dollar volume of small farm loans were originated in the assessment area. About 93 percent by number and 87 percent by dollar volume of small business loans were originated in the assessment area.
- Borrower distribution is good. The bank's lending to farms with revenues of \$1 million or less (87 percent) is below the assessment area demographics of 98 percent. The bank did not collect revenue information on 11 percent of its reported farm loans, mainly due to the very small size of the loans. If information were collected, the bank's lending would likely approximate assessment area demographics. The bank's lending to businesses with revenues of \$1 million or less (84 percent) exceeds assessment area demographics of 75 percent. FDNB's market share for lending to farms with revenues of \$1 million or less (22 percent) equals its overall market share. FDNB's market share for lending to businesses with revenues of \$1 million or less (19 percent) exceeds its overall market share. About 83 percent of small farm loans and 85 percent of small business loans were originated in amounts of \$100 thousand or less.
- FDNB originated one community development loan for \$236 thousand. There are limited community development opportunities available in the assessment area. The bank also uses some flexible loan programs to assist low- and moderate-income first-time homebuyers. These programs include South Dakota Housing Development Authority (SDHDA), SDHDA Mortgage Assistance Program, and Rural Housing Development. None of these loans had a significant impact on the Lending Test rating.

Refer to Table 1-Lending Volume, Table 6-Geographic Distribution of Small Loans to Businesses, Table 7-Geographic Distribution of Small Loans to Farms, Table 11-Borrower Distribution of Small Loans to Businesses, and Table 12-Borrower Distribution of Small Loans to Farms in Appendix C for the facts and data used to evaluate the bank's lending activity.

INVESTMENT TEST

The bank's performance under the investment test is adequate and is rated "Low Satisfactory." There are limited community development opportunities available in the assessment area. FDNB made qualifying investments and donations totaling \$464 thousand, or 1.3 percent of Tier I Capital. The bank purchased two qualified investments of \$250 thousand and \$100 thousand. These investments fund state-wide revolving loan pools, which make loans to community development financial institutions and to high-risk start-up and expansion businesses. In addition, the bank made 31 qualifying donations totaling \$114 thousand.

Refer to Table 14-Qualified Investments in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

SERVICE TEST

The bank's performance under the Service Test is good and is rated "High Satisfactory."

- FDNB's retail banking services are reasonably accessible to all individuals and BNAs in the assessment area. The bank opened three branches during the evaluation period: Chamberlain and Kimball (acquired May 13, 2002) and Mitchell North (opened November 18, 2002). Although all of the bank's branches are located in middle- and upper-income BNAs, a branch office is adjacent to each of the four moderate-income BNAs in the assessment area. Only 8 percent of the population and 5 percent of low- and moderate-income individuals reside in the moderate-income BNAs. Hours and services at the branch offices are reasonable and do not vary significantly. FDNB owns and operates 10 ATMs throughout the assessment area, most of which are housed in branch offices. The bank also offers telephone and Internet banking to its customers.
- The bank and its officers provide a good level of community development services to the assessment area. During the evaluation period, bank officers provided financial expertise to 24 different community development organizations, mostly to organizations that provide services to low- and moderate-income individuals and promote economic development.

Refer to Table 15-Distribution of Branch Delivery System and Branch Openings/Closings in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Fair Lending Review

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

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): 1/1/2000 to 12/31/2002 Investment /Service Tests/CD Loans: 1/1/2000 to 12/31/2002
Products Reviewed	Small farm and small business loans. Community development loans, qualified investments, and retail and community development services.
Assessment Area	Type of Exam
The following whole counties in South Dakota: Aurora, Bon Homme, Brule, Buffalo, Charles Mix, Clay, Davison, Douglas, Hanson, Hutchinson, Lyman, McCook, Turner, and Yankton; and the following partial counties in Nebraska: Cedar (BNA #9771) and Knox (BNA #9761).	Full-Scope

The bank’s lending activity by number and dollar volume during the evaluation period was approximately 51 percent small farm lending, 27 percent small business lending, and 22 percent combined home mortgage lending (about equal home purchase (11 percent) and home refinance (11 percent) volumes, with very little home improvement lending).

Therefore, small farm loans received the most consideration for the Lending Test, with small business loans receiving secondary consideration. Home mortgage lending volume was not significant enough to impact the rating and was not considered further. In addition, detailed home mortgage information was not readily available (FDNB is not a Home Mortgage Disclosure Act reporter).

Appendix B: Market Profiles for Full-Scope Areas

First Dakota National Bank (FDNB) Assessment Area

Selected Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	33	0%	12%	82%	6%	0%
Population by Geography	117,900	0%	8%	85%	7%	0%
Owner-Occupied Housing by Geography	29,695	0%	7%	87%	6%	0%
Businesses by Geography	7,877	0%	7%	87%	6%	0%
Farms by Geography	3,510	0%	9%	89%	2%	0%
Family Distribution by Income Level	30,028	20%	19%	25%	36%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	11,706	0%	12%	84%	4%	0%
Median Family Income	\$25,672	Median Housing Value			\$32,644	
HUD Adjusted Median Family Income for 2003	\$44,860	Unemployment Rate – December 2002			3.2%	
Households Below the Poverty Level	18%	Unemployment Rate for South Dakota			3.0%	

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 1990 U.S. Census.

Appendix C: Tables of Performance Data

Content of Standardized Tables

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/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the assessment area. The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by assessment area.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased 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 share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased 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 share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased 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. In addition, the table presents the percentage distribution of the number of loans originated and purchased 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 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased 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. In addition, the table presents the percentage distribution of the number of loans originated and purchased 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 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each assessment area. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each assessment area. The table also presents data on branch openings and closings in each assessment area.

Table 1. Lending Volume

LENDING VOLUME												Evaluation Period: January 1, 2000 to December 31, 2002	
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)		
Full Review:													
FDNB	100%	NA	NA	1,281	84,785	1,950	115,833	1	236	3,232	200,854	100%	

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is January 1, 2000 to December 31, 2002.

*** Deposit Data as of December 31, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES											Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
FDNB	1,281	100%	NA	NA	7%	1%	87%	90%	6%	9%	14%	NA	3%	16%	17%

* Based on 2001 Peer Small Business Data: US.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet 2002.

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS											Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
FDNB	1,950	100%	NA	NA	9%	4%	89%	92%	2%	4%	23%	NA	9%	25%	43%

* Based on 2001 Peer Small Business Data: US.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet 2002.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
FDNB	1,281	100%	75%	84%	85%	10%	5%	14%	19%

* Based on 2001 Peer Small Business Data: US.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B 2002).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 6.9% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
Full Review:									
FDNB	1,950	100%	98%	87%	83%	13%	4%	23%	22%

* Based on 2001 Peer Small Business Data: US.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B 2002).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 11.3% of small loans to farms originated and purchased by Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS										Evaluation Period: January 1, 2000 to December 31, 2002			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments				Total Investments			Unfunded Commitments**			
	#	\$(000's)	#	\$(000's)			#	\$(000's)	% of Total	#	\$(000's)		
Full Review:													
FDNB	0	0	33	464			33	464	100%	0	0		

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS														Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population						
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography				
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
Full Review:																		
FDNB	100%	10	100%	NA	0%	90%	10%	3	0	NA	0	+2	+1	NA	8%	85%	7%	

