



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Public Disclosure

July 24, 2000

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

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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 Dakota National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 24, 2000. 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 "**Satisfactory.**"

The following table indicates the performance level of **First Dakota National Bank (FDNB)** 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.

The major factors that support this rating include:

- FDNB's lending levels reflect an excellent responsiveness to the credit needs of small businesses and small farms. FDNB ranks first among area lenders in providing credit to both small businesses and small farms with a market share of over 30% for each type of loan.
- Loan distribution among borrowers of different income levels is good and distribution among geographies within the assessment area is adequate.
- FDNB originated a limited number of community development loans. This activity has an overall neutral impact on the Lending Test conclusions.
- FDNB made a limited amount of charitable grants and donations to community development organizations during this period.
- FDNB's service delivery systems are accessible to low- and moderate-income geographies and individuals. Bank officers provide a good level of community development services throughout the assessment area.

Description of Institution

First Dakota National Bank (FDNB), located in Yankton, South Dakota, is owned by First Dakota Financial Corporation, a one-bank holding company.

The bank offers a full range of commercial, agriculture, real estate and consumer credit products. FDNB's primary business focus is to serve the credit needs of small businesses and agricultural producers in the bank's assessment area (AA). The bank has a trust department, operates its own computer center, and in August 1999, opened a Loan Production Office (LPO) in Elgin, Nebraska. The LPO specializes in lending to agricultural borrowers for farm real estate and farm production needs. These borrowers are typically located outside the bank's AA. Activities of the LPO are not included in this evaluation because the LPO did not produce any business for the bank in 1999.

FDNB is an intrastate bank with six branch offices located in Yankton, Mitchell, Parkston, Salem, Vermillion, and Wagner. FDNB delineated a nine county area in South Dakota and two adjacent Block Numbering Areas (BNAs) in Nebraska as its AA. The AA is contiguous and does not arbitrarily exclude any low- or moderate-income geographies. Refer to Appendix B for a complete description of the AA. All of the banking facilities are located in middle-income BNAs. There are no low-income BNAs and two moderate-income BNAs in the bank's AA. FDNB owns and operates eight automated teller machines (ATMs) throughout the AA.

There are no financial impediments that constrain FDNB's ability to help meet the credit needs of its AA. However, the bank does face unique circumstances with real estate lending in the moderate-income BNAs. Portions of the land in the moderate-income BNAs are Indian reservation land. Much of the Indian owned land is held in trust, or as restricted fee land. Perfecting a security interest on this land is difficult and generally requires the approval of the Bureau of Indian Affairs.

As of June 30, 2000, FDNB had \$334 million in total assets. The bank's loan-to-deposit ratio was 100% with gross loans representing 80% of total assets. The loan portfolio comprises the following types of credits: 43% agriculture, 32% commercial, 15% residential real estate, and 10% consumer. Tier 1 Capital totaled \$28 million. For years ending 1998 and 1999, FDNB had net income of \$3.1 million and \$2.9 million, respectively.

At the previous CRA evaluation dated July 20, 1998, FDNB received a rating of "Satisfactory."

Scope of the Evaluation

Evaluation Period/Products Evaluated

We reviewed FDNB's CRA activities using the Lending, Investment, and Service Tests for large banks. These tests assess the bank's record of helping to meet community credit needs, making community development investments, and providing services throughout the AA.

Lending Test: The lending test focused on home mortgage, small business and small farm loans for the period January 1, 1998 through December 31, 1999.

At the previous CRA examination, the bank was evaluated under the Small Bank CRA test and included a sampling of loan originations through June 30, 1998. We included whole-year 1998 data in this evaluation because the bank became subject to CRA data collection and reporting requirements beginning in January 1998 and this would allow us to evaluate the bank's performance based on two full years of reported data. At the bank's option, we excluded year-to-date CRA data for 2000.

FDNB is not subject to the Home Mortgage Disclosure Act (HMDA) collection and reporting requirements. Therefore, to evaluate the level of lending for mortgage products, we sampled a total of 135 mortgage loan originations for home purchase (50), home improvement (35), and home refinance loans (50). We did not place significant weight on the home improvement lending activity because this is not a primary product for the bank. Because of convenience and favorable rates for borrowers, the bank's home equity product, Chequity, is a more attractive option to fill the consumers home improvement funding needs. The bank, however, does not classify the Chequity loan product by purpose type and we were unable to include this loan type in our home improvement sample.

Investment Test: The Investment Test evaluated qualified investments and grants made since the last CRA evaluation dated July 20, 1998 through July 24, 2000. Any qualified investment purchased prior to the July 20, 1998 evaluation with an outstanding balance as of July 24, 2000 is included in this Performance Evaluation.

Service Test: The Service Test evaluated FDNB's retail products and services from July 20, 1998 through July 24, 2000. The bank's range of services, distribution of branches, alternative delivery systems, and community development services were considered under this test.

Data Integrity

To determine the accuracy of data presented by the bank, we verified a sample of 120 reportable loans for small business and small farms (60 of each type) for reporting years 1998 and 1999. We did note minor discrepancies in the reporting of revenue information. FDNB was able to identify and correct the errors. As a result, this evaluation is based on accurate data.

Selection of Areas for Full-Scope Review/Ratings

FDNB identified one AA that includes all banking locations and deposit taking ATMs. All ratings are based on the bank's performance in this AA. Refer to Appendix B for a complete description of this AA.

Under the Lending Test, small business and small farm lending were given more consideration over home mortgage lending because, by volume, these types of loans are the bank's main product lines.

Other

We conducted one community contact during this examination and reviewed two other recent contacts made in the bank's AA by regulators from the OCC and the Federal Deposit Insurance Corporation.

We made our contact with a manager of the U.S. Department of Agriculture's (USDA) Rural Development Office. This office covers a five county area in southeastern South Dakota, including counties within the bank's AA. Our contact stated that basic credit needs are being met by local financial institutions. Additional credit needs include affordable housing, financing for the rehabilitation of older multi-family housing stock, and small business loans.

Our contact stated that FDNB actively participates in the guaranteed rural housing program sponsored by the USDA.

Fair Lending Review

An analysis of 1998 and 1999 Small Business and Small Farm lending data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. The analysis of this data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in July 1998.

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 "High Satisfactory." Based on a full-scope review, the bank's performance in the AA is good.

- FDNB has a good record of extending credit to small businesses and small farms. The percent of loans made to small farms with revenues of \$1 million or less exceeds AA demographics. Lending to small businesses with revenues less than \$1 million is near to AA demographics.
- The distribution of home purchase and home improvement loans by income level of the borrower is good, particularly to low- and moderate-income borrowers. The distribution of refinance loans to low- and moderate-income borrowers is adequate.
- FDNB demonstrates a good penetration in moderate-income BNAs for small farm lending and an adequate penetration for small business and home mortgage loans.

Lending Activity

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

Lending levels reflect an excellent responsiveness to small business and small farm credit needs. During this evaluation period, FDNB originated or purchased 1,553 reportable small business loans totaling \$66 million. A majority of these loans (51%) were made to businesses located in the bank's AA. The bank originated 1,471 reportable small farm loans totaling \$83 million. Eighty-one percent of the small farm loans were made to borrowers in the AA.

Lending for home mortgage credit needs is good. Because the bank is not subject to the HMDA requirements we were unable to determine the level of lending by product type. Management does not track home improvement loans by purpose code, and home purchase and refinance loan totals are combined for internal reporting purposes. During this evaluation period the bank originated 406 home purchase and refinance loans totaling \$30 million. Based on our sampling of loan originations, the level of lending in the AA is good at 97%.

FDNB ranks first among area lenders in lending to small business and small farms with over 30% of the market share. FDNB ranks first among area institutions with the highest level of deposits in the AA at 16%.

Distribution of Loans by Income Level of the Geography

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 and purchases.

The geographic distribution of home purchase loans reflects an adequate level of lending in moderate-income BNAs when compared to the percent of owner-occupied units in these BNAs. In addition to the challenges of lending on Indian land, the older housing stock and declining population results in a lower demand for home purchase loans in the moderate-income BNAs. Further, in the moderate-income BNAs, approximately 30% of the housing units are rental properties and 22% of the housing units are vacant. Based on sampling, FDNB originated 98% of the home purchase loans in the AA.

Sampling of the home improvement loans found no originations to borrowers in the moderate-income BNAs. This performance is considered poor. However, as previously mentioned, home improvement needs are typically filled using the bank's home equity loan product. Sampling of home improvement loans showed 94% of the loans originated to borrowers in the AA.

The geographic distribution of home mortgage refinance loans is good. The level of lending in the moderate-income BNAs is near to the demographics of the AA. The refinance loan sample showed 98% of the loans originated to borrowers in the AA.

Market share information is not available for the home mortgage loan products. FDNB is not subject to the data collection and reporting requirement of the HMDA.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good. The level of lending in the moderate-income BNA is near to the demographics in the AA. A majority (51%) of the small business loans originated within the AA. FDNB ranks

first among area lenders in total market share and in market share of lending within the moderate-income BNAs. Market share volume in the moderate-income BNAs exceeds the bank's overall market share in the AA.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of small loans to farms is good. The level of lending to small farms in the moderate-income BNA substantially meets AA demographics. Eighty-one percent of the small farm loans originated within the AA. FDNB ranks first among area lenders in total market share and in market share volume of lending within the moderate-income BNAs. Market share volume in the moderate-income BNAs is 1.9 times higher than the bank's overall market share.

Lending Gap Analysis

We reviewed reports detailing FDNB lending activity during this evaluation period to determine if any gaps in the geographic distribution of loans was evident. FDNB penetrated all of the moderate-income BNAs in its AA. There are no conspicuous gaps or under-served BNAs for home mortgage loans, small loans to businesses and small loans to farms.

Inside/Outside Ratio

A majority of the home mortgage loans, small loans to businesses and farms and community development loans originated and purchased by FDNB during this evaluation period were within its AA. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

Based on our sample of 135 home mortgage loans, 97% originated to borrowers inside the AA. Fifty-one percent of the small loans to businesses, 81% of the small loans to farms and 100% of the community development loans were in the AA.

The level of lending to small businesses inside the AA was impacted by a financing arrangement the bank entered into with an out of area equipment dealer. This business decision was made to offset the heavy concentration of agricultural credits and balance the loan portfolio. The bank also purchased a portfolio of these same types of credits from another area lender. In total, 42% of the small business loans reported are comprised of these loans. All of these borrowers are outside the bank's AA. For comparison purpose only, the level of lending to small businesses

in the AA is 86%, excluding this population of loans.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

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 and purchases.

Borrower distribution by income level for home purchase loans is good. The percent of bank loans to low-income borrowers is considered good, despite the level being lower than the percent of low-income families in the AA. Low-income families have a more difficult time qualifying for residential mortgage loans due to their limited income. The ability to penetrate the low-income population is further hampered by an 18% poverty rate in the AA. Borrowers who do not meet the bank's normal underwriting guidelines are routinely referred to the USDA Rural Development Housing Program. The USDA offers direct loans under special programs targeted to low- and very-low-income individuals and families. The distribution of loans to moderate income borrowers is excellent and exceeds the AA demographics.

Borrower distribution by income level for home improvement loans is good. The level of lending to low-income borrowers is considered good given the issues with the AA demographics stated above. The distribution of loans to moderate-income borrowers is near to the comparable AA demographics.

Borrower distribution by income level of refinance loans is adequate. Lending to low-income borrowers is good considering area demographics. Lending to moderate-income borrowers is poor. Only 4% of the bank's loans are to moderate-income borrowers compared to the percentage of families in the AA who are moderate-income at 19%.

Market share information is not available for the home mortgage loan products. FDNB is not subject to the data collection and reporting requirement of the HMDA.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

FDNB has an adequate record of making small loans to businesses with revenues of \$1 million or less. The percent of loans to small businesses with revenues of \$1 million or less is near to the demographics of businesses in the AA reporting revenues of \$1 million or less. The distribution of small loans to businesses by loan

size within the AA is good. Eighty-five percent of the small loans to businesses

originated for \$100,000 or less. FDNB ranks first among area lenders in overall market share and also ranks first in market share for lending to businesses with revenues less than \$1 million. The average size of its loans to businesses with revenues of \$1 million or less is \$68,000.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

FDNB demonstrates an excellent record of making small loans to farms. FDNB's lending activity to small farms with revenues of \$1 million or less exceeds the demographics of farms in the AA reporting revenues of \$1 million or less. Eighty-six percent of the small loans to farms originated for \$100,000 or less. FDNB ranks first among area lenders in overall market share and in market share to farms with revenues of \$1 million or less. The average size of its loans to farms with revenues of \$1 million or less is \$53,000.

Community Development Lending

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

FDNB originated a limited number of Community Development loans within the AA. While there is only a modest level of community development opportunities in the bank's AA, the number and amount of community development loans originated is not significant and its impact is neutral to the bank's overall lending performance. In addition, none of the loans are considered complex or innovative. FDNB originated a number of loans possessing community development characteristics, however these loans are reported as small business loans and are considered under the Lending Test.

Between September 1998 and February 2000, FDNB originated three loans totaling \$385,000 to a Native American Tribe located in a moderate-income BNA. One of these loans represents the refinancing of a project already in progress.

FDNB extended a \$100,000 construction loan to the tribe for the replacement of the roof on the Tribal Headquarters located on the reservation. The headquarters provide needed community services to the local Native American population and houses the grade school for the Native American children living on the reservation. The Native American population that uses these services is primarily low- and moderate-income individuals. This loan was subsequently refinanced and termed

out upon completion of the project.

The bank also extended a \$185,000 operating line of credit to finance the purchase of equipment for the Tribe's Paper Box Company. The Paper Box Company is a small business that employs approximately 20 to 25 Native Americans, the majority of which are considered low- and moderate income.

Product Innovation and Flexibility

FDNB participates in three affordable housing programs. These programs offer flexible lending terms to low- and moderate-income individuals.

- The South Dakota Housing Development Authority (SDHDA) program provides financing and closing cost assistance for qualified first time homebuyers. Although there are purchase price restrictions, the SDHDA program provides below-market interest rates and liberal underwriting to assist borrowers in the qualification process. In 1998, FDNB originated 55 SDHDA loans totaling \$3.7 million and in 1999, 22 loans totaling \$1.2 million.
- FDNB also extends financing under the SDHDA Mortgage Assistance Program (MAP). MAP loans help to finance the down payment and closing costs to qualified low- and moderate-income borrowers. In 1998, FDNB originated 8 MAP loans totaling \$12,300 and in 1999, 2 loans totaling \$2,700.
- The USDA Guaranteed Rural Development Housing (RDH) loans provides home loans to qualified low- and moderate-income borrowers located in rural areas with populations of 20,000 or less. Under this program, the bank originates loans that are guaranteed by the USDA. Borrowers can qualify for mortgages, even without a down payment and loans may be up to 100% of the market value. In 1998 FDNB originated 27 RDH loans totaling \$1.8 million and in 1999, 12 RDH loans totaling \$654 thousand.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "Low Satisfactory." Based on a full-scope review, the bank's performance in the AA is adequate.

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

During the evaluation period, FDNB did not purchase any qualified investment

securities that meet the definition of community development. The lack of

purchased investments is not the result of management's unwillingness to participate in qualified investments. In this AA there are a limited number of investment opportunities for the bank to participate in. To augment this, FDNB made monetary contributions to organizations that provide community development services to low- and moderate-income persons or geographies. During this evaluation period, the bank made 17 qualified grants and donations totaling \$51,000.

FDNB has one investment, made during a prior evaluation period, in a CDC totaling \$200,000. The CDC was formed to provide equity capital to small businesses located in South Dakota. There is no ongoing positive impact of this investment. The CDC was not successful in generating sufficient business and is looking for investors to purchase its outstanding investments.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory." Based on a full-scope review, the bank's performance in the AA is 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 delivery system and branch openings and closings.

FDNB's delivery systems are accessible to geographies and individuals of different income levels throughout the bank's AA. In August 1999, FDNB opened the Mitchell branch and there were no branch closings during this evaluation period. All of the bank's offices are located in middle-income BNAs. Three office locations (two in Yankton and one in Wagner) are less than a half-mile to the moderate income BNAs in the bank's AA. Only 6% of the AA population are located in the moderate income BNAs, 86% in the middle-income, and 8% in the upper-income BNAs. Nine percent of the low- and moderate-income families are located in the moderate-income BNAs, 86% in the middle-income, and 5% in the upper-income BNAs.

FDNB's hours and services offered throughout the AA are reasonable and do not vary in a way that inconveniences its AA. All offices are open five days a week and all except the main bank and the Mitchell branch offer Saturday lobby hours. Drive-up service is available six days a week at all locations with extended hours on Friday evening at the Yankton North and Salem branches.

Deposit services and information regarding loan products can be obtained at each branch and through the bank's Internet site. FDNB offers two free no minimum balance checking account products: one account type is open to all customers, including those who are low- and moderate-income; and the other is targeted to students up to age 23. FDNB also offers a special deposit account package to the employees of both its business and non-business customers. Under this program, FDNB will establish a free, no minimum balance checking account for the employees of any business that provides direct deposit. There are currently nine businesses utilizing this program. Many of these businesses employ low- and moderate-income individuals.

FDNB's owns and operates eight ATMs throughout its AA. An ATM is located at each of the banking offices except Mitchell and Parkston. The bank will be installing an ATM in Mitchell in the third quarter of 2000. There is a full service ATM at the local grocery store in Vermillion and two cash dispensing ATMs in convenience stores located in Salem and Vermillion. ATM availability is reasonably accessible to the moderate-income individuals and geographies.

Other alternative delivery systems include twenty-four hour telephone and Internet banking services. The telephone banking service allows customers to check balances, review account history, transfer funds, initiate stop payment orders, and check CD and loan rates. The Internet banking service offers similar features in addition to accepting loan payments and processing bill payment requests. When evaluating the Service Test, we did not place significant weight on the alternative delivery systems because the bank could not provide information on how low- and moderate-income individuals or geographies are impacted by these services.

Community Development Services

FDNB provided its technical assistance to an organization to secure a \$15,000 grant from the Federal Home Loan Bank of Des Moines under the Affordable Housing Program. This organization constructs homes and rehabilitates properties targeted to low- and moderate-income individuals. This grant allowed the organization to purchase and rehabilitate a home in Yankton that was sold to a low-income family.

FDNB officers provide a good level of community development services. Bank officers regularly participate in a variety of organizations that primarily benefit low- and moderate-income individuals and promote economic development. Bank officers lend their expertise to 24 different community development organizations. The following examples illustrate some of the services provided:

- A senior officer serves as an advisor on two small business development

councils. As an advisor, this officer provides his financial expertise on small business development in the Yankton area and in the rural communities within Yankton County.

- A bank officer serves on the board of the local chapter of a charitable organization that distributes funding to social service agencies and nonprofit organizations. As a board member, she is involved in reviewing applications from the various agencies to determine the distribution of the pool of funds.
- Eleven officers serve on eight different economic development committees of local area Chambers of Commerce in the cities of Yankton, Salem, Parker, Vermillion, and Wagner. These committees serve a variety of purposes, including economic revitalization, small business financing, and business retention. Among other things, the officers provide their expertise on budgeting, loan approvals, financing options for rural development, and job creation.

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 nonmetropolitan areas that received comprehensive examination review (designated by the term "Full-Scope").

Time Period Reviewed	Lending Test (excludes CD Loans): 01/01/98 to 12/31/99 Investment and Service Tests and CD Loans: 07/20/98 to 07/24/00	
Financial Institution	Products Reviewed	
First Dakota National Bank (FDNB) Yankton, South Dakota	Home Mortgage, Small Business and Small Farm Loans; Qualified Investments; and Retail and Community Development Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
FDNB NonMSA	Full-Scope	

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

FDNB Nonmetropolitan Area.....	B-2
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FDNB NonMSA

Demographic Information for Full-Scope Area: FDNB NonMSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	26	0%	8%	84%	8%	NA
Population by Geography	100,137	0%	6%	86%	8%	NA
Owner-Occupied Housing by Geography	25,186	0%	6%	87%	7%	NA
Businesses by Geography	4,497	0%	5%	88%	7%	NA
Farms by Geography	2,507	0%	5%	92%	3%	NA
Family Distribution by Income Level	25,491	19%	19%	25%	37%	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,698	0%	9%	86%	5%	NA
Median Family Income	= \$25,707	Median Housing Value		= \$33,666		
HUD Adjusted Median Family Income for 1999	= \$37,954	Unemployment Rate (May 2000)		= 1.91%		
Households Below the Poverty Level	= 18%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

FDNB delineated a nine county area in South Dakota and two adjacent BNAs in Nebraska as its AA. The AA is Bon Homme, Charles Mix, Clay, Davison, Hanson, Hutchinson, McCook, Turner, and Yankton Counties in South Dakota, and BNA 9771 in Cedar County and BNA 9761 in Knox County in northeastern Nebraska. The AA is contiguous and does not arbitrarily exclude any low- or moderate-income geographies. There are two moderate-income BNAs in this AA. Both moderate-income BNAs contain Indian owned land. BNA 9702 (moderate-income) and 9703 (middle-income) in Charles Mix County are considered a "checker board" reservation containing a mix of Indian and non-Indian owned land. There are no low-income BNAs in this AA.

Local economic conditions in the AA vary. Yankton county enjoys a strong economy, however, the recent closing (May 2000) of the Gurney Seed Co. resulted in the loss of approximately 300-500 jobs (150 full-time, the remainder seasonal). Clay County has pockets of depressed areas but is well supported by a university. Bon Homme County is struggling. Several of its communities are experiencing a decline in population, as many residents who have left the county for education or employment opportunities have not returned. Charles Mix County contains a higher number of persons under the poverty level, many of whom are Native Americans. Overall unemployment in the bank's assessment area is low at less than 2% and compares favorably to both state and national levels.

With over thirty commercial financial institutions operating in the bank's AA, competition for loans and deposits is strong. Substantially all of these institutions provide a wide array of products and services to help meet the credit needs of individuals, small businesses and small farms. Based on the June 1999 deposit market share data compiled by the FDIC, FDNB ranks first among area institutions with 16% of the deposit market share.

Two Fortune 500 companies, primary, secondary, and higher education, entertainment, light manufacturing including agricultural, and the health care industry are the area's largest employers.

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; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the assessment area; 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 AA.
- Table 2. Geographic Distribution of Home Purchase Loans** 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 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 Home Improvement Loans** See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** See Table 2.
- Table 5. 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 rank and market share information based on the most recent aggregate market data available.
- Table 6. 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 rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** 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 distribution of families by income level in each AA. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** See Table 7.
- Table 10. 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 11. Borrower Distribution of Small Loans to Farms** Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) 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 12. Qualified Investments** Presents the number and dollar amount of qualified investments made by the bank in each AA. 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 13. 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 AA. The table also presents data on branch openings and closings in each AA.

Table 1. Lending Volume

LENDING VOLUME		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999								
Assessment Area:	% of Rated Area Deposits in AA*	Home Mortgage**		Small Loans to Businesses***		Small Loans to Farms***		Community Development****		Total Reported Loans		% of Rated Area Loans(#) in AA
		#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
FDNB NonMSA	100%	131	7,450	785	50,992	1,196	61,356	3	385	2,115	120,183	100%
Full-Scope:												

(*) Deposit data as of June 30, 1999.

(**) The evaluation period for Home Mortgage Loans is based on a sample of loan originations between January 1, 1998 to December 31, 1999.

(***) The evaluation period for Small Loans to Businesses and Small Loans to Farms is January 1, 1998 to December 31, 1999.

(****) The evaluation period for Community Development Loans is July 20, 1998 to July 24, 2000.

Table 2. Geographic Distribution of the Home Purchase Loan Sample

Geographic Distribution: HOME PURCHASE		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999										
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	% FDNB Loans	% Owner Occ Units	% FDNB Loans	% Owner Occ Units	% FDNB Loans		Overall	Low	Mod		Upp	#
FDNB NonMSA	NA	NA	2%	87%	90%	7%	8%	NA	NA	NA	NA	NA	49	100%
Full-Scope:														

(*) Market rank information is not available; bank is not a HMDA reporter.

(**) Home purchase loans originated and purchased in the AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 3. Geographic Distribution of the Home Improvement Loan Sample

Geographic Distribution: HOME IMPROVEMENT		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999											
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	% FDNB Loans	% Owner Occ Units	% FDNB Loans	% Owner Occ Units	% FDNB Loans	% Owner Occ Units	% FDNB Loans		Overall	Low	Mod	Mid	Upp	#
FDNB NonMSA	NA	NA	6%	0%	87%	88%	7%	12%	NA	NA	NA	NA	NA	33	100%
Full-Scope:															

(*) Market rank information is not available; bank is not a HMDA reporter.

(**) Home improvement loans originated and purchased in the AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 4. Geographic Distribution of the Home Mortgage Refinance Loan Sample

Geographic Distribution: HOME MORTGAGE REFINANCE		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999											
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	% FDNB Loans	% Owner Occ Units	% FDNB Loans	% Owner Occ Units	% FDNB Loans	% Owner Occ Units	% FDNB Loans		Overall	Low	Mod	Mid	Upp	#
FDNB NonMSA	NA	NA	6%	4%	87%	90%	7%	6%	NA	NA	NA	NA	NA	49	100%
Full-Scope:															

(*) Market rank information is not available; bank is not a HMDA reporter.

(**) Home mortgage refinance loans originated and purchased in the AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999								
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	% of Businesses	% of Businesses	% of Businesses		Overall	Low	Mod		Upp	#	
FDNB NonMSA	NA	5%	88%	7%	1	31.77	NA	37.50	34.72	18.28	785	100%
Full-Scope:												

(*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

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

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999								
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	% of Farms	% of Farms	% of Farms		Overall	Low	Mod		Upp	#	
FDNB NonMSA	NA	5%	92%	3%	1	36.58	NA	69.23	38.06	19.75	1,196	100%
Full-Scope:												

(*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

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

Table 7. Borrower Distribution of the Home Purchase Loan Sample

Borrower Distribution: HOME PURCHASE		State: South Dakota		Evaluation Period: January 1, 1998 to January 31, 1999								
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	% of Families	% of Families	% of Families		Overall	Low	Mod	Mid	Upp	#	% of Total***
FDNB NonMSA	19%	19%	25%	37%	NA	NA	NA	NA	NA	NA	49	100%

(*) As a percentage of loans with borrower income information available. No information was available for 2% of loans originated and purchased by the bank.

(**) Market rank information is not available; bank is not a HMDA reporter.

(***) Home purchase loans originated and purchased in the AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8. Borrower Distribution of the Home Improvement Loan Sample

Borrower Distribution: HOME IMPROVEMENT		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999								
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	% of Families	% of Families	% of Families		Overall	Low	Mod	Mid	Upp	#	% of Total***
FDNB NonMSA	19%	19%	25%	37%	NA	NA	NA	NA	NA	NA	33	100%

(*) As a percentage of loans with borrower income information available. All borrower income information was available for loans originated and purchased by the bank.

(**) Market rank information is not available; bank is not a HMDA reporter.

(***) Home improvement loans originated and purchased in the AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9. Borrower Distribution of the Home Mortgage Refinance Loan Sample

Borrower Distribution: HOME MORTGAGE REFINANCE		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999							
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	% of Families	% of Families	% of Families	Overall Market Rank**	Overall	Low	Mod	Upp	#	% of Total****
FDNB NonMSA	19%	4%	25%	37%	63%	NA	NA	NA	NA	49	100%
Full-Scope:											

(*) As a percentage of loans with borrower income information available. All income information was available for loans originated and purchased by the bank.
 (**) Market rank information is not available; bank is not a HMDA reporter.
 (***) Home mortgage refinance loans originated and purchased in the AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		State: South Dakota		Evaluation Period: January 1, 1998 to December 31, 1999		
Assessment Area:	Businesses with Revenues of \$1 million or less	Loans by Original Amount Regardless of Business Size	Market Share***	Total Small Loans to Businesses		
	% of Businesses*	% of FDNB Loans**	All	Rev \$1 million or less		
FDNB NonMSA	94%	88%	31.77	34.12	785	100%
Full-Scope:						

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.
 (***) 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 2.29% of small loans to businesses originated and purchased by the bank.
 (****) Based on 1998 Aggregate Small Business Data only.
 (*****) Small loans to businesses originated and purchased in the AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		State: South Dakota		Evaluation Period: January 1, 1998 to January 1, 1999			
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*	% FDNB Loans**	\$100,000 or Less	> \$100,000 to \$250,000	All	Rev \$1 million or less	#
FDNB NonMSA	76%	96%	86%	11%	36.58	36.45	1,196
Full-Scope:							
(*) Farms with revenues of \$1 million or less as a percentage of all farms. (**) 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 1.59% of small loans to farms originated and purchased by the bank. (***) Based on 1998 Aggregate Small Farm Data only. (****) Small loans to farms originated and purchased in the AA as a percentage of all small loans to farms originated and purchased in the rated area.							

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		State: South Dakota		Evaluation Period: July 20, 1998 to July 24, 2000			
Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments		Unfunded Commitments**
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s
FDNB NonMSA	1	200	17	51	18	251	100%
Full-Scope:							
(*) "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 reported by the bank's financial reporting system.							

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
											State: South Dakota		Evaluation Period: July 20, 1998 to July 24, 2000				
Assessment Area:	Deposits			Branches				Branch Openings/Closings				Population					
	% of Rated Area Deposits in MSA/AA	# of FDNB Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies			# of Branch Openings	Net Change in Location of Branches (+ or -)			% of the Population within Each Geography						
				Low	Mod	Upp		Low	Mod	Upp	Low	Mod	Upp				
Full-Scope:																	
FDNB NonMSA	100%	7	100%	NA	0%	100%	0	1		+1	NA	6%	86%	8%			