



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 26, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Deuel County National Bank
Charter Number 12877
305 Fourth Street West
Clear Lake, SD 57226**

**Office of the Comptroller of the Currency
Post Office Box 1405
Sioux Falls, South Dakota 57101**

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

GENERAL INFORMATION

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

*This document is an evaluation of the CRA performance of **Deuel County National Bank, Clear Lake, South Dakota**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of June 26, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- A substantial majority of the bank's loan originations are to borrowers within its CRA assessment areas.
- The bank has done a good job of lending to individuals of different income levels and businesses and farms of different sizes.
- The bank's loan to deposit ratio and loan mix are comparable to other banks in the surrounding region.

DESCRIPTION OF INSTITUTION

Deuel County National Bank is a \$55 million bank headquartered in Clear Lake, South Dakota. Clear Lake is in the extreme east-central part of the state. It is the county seat of Deuel County as well as its largest community with a population of 1,247. The bank has one branch in nearby Gary, South Dakota which has a population of 354.

This branch was formerly the Gary State Bank and was acquired in January of 1996. The bank also has one ATM located in a local convenience store. This ATM is for cash advances and balance inquiries only and is new since the last CRA examination.

Agriculture is the driving force behind the local economy. Several consecutive years of wet weather and poor livestock prices have hurt the local economy. Besides agricultural production, other major employment opportunities include light manufacturing, health care, education, and local government. The two largest employers in Clear Lake are a medical products manufacturer and a munitions manufacturer.

The bank has 77% of its loan portfolio *dollar volume* in commercial/agricultural loans and 23% in consumer loans. These percentages are comparable to the other banks chartered in the surrounding eight county region in South Dakota and Minnesota.

The bank is a full service financial institution. Individuals can refer to the bank's CRA public file for a list of the specific loan and deposit products available from the bank. The last CRA examination was May 11, 1995. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

The bank has two assessment areas (AAs). One AA is all of Deuel County, South Dakota. This includes Block Numbering Areas (BNAs) 9536 and 9537 which are both middle-income. This AA also includes both of the bank's branches. The bank determined that its lending in South Dakota was centered in Deuel County and subsequently did not include any areas outside of the county in its South Dakota AA.

The second AA is contiguous to the first; right across the state line into Minnesota. The proximity of the Gary Branch to Minnesota prompted the bank to include an AA in Minnesota which includes portions of Lac qui Parle, Yellow Medicine, and Lincoln Counties. The BNAs included are 9801, 9501, and 9702, respectively. These three BNAs are also all middle-income.

The HUD 1997 non-metropolitan updated median family income for South Dakota is \$34,500 and for Minnesota it is \$38,400. The combined AA's weighted average of non-metropolitan updated median family incomes for 1997 is \$36,840. This number will be used below under Lending to Borrowers of Different Incomes and Businesses of Different Sizes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

The bank's loan to deposit ratio is reasonable. Its average ratio since the last CRA examination is 64%. It is currently at 61% and in line with the other banks in the region. Using first quarter 1997 Call Report information, the other banks chartered in this region have ratios ranging from 46% to 101% with the average being 69%.

Lending in Assessment Areas

A substantial majority of the bank's loans are to borrowers within its AAs. The bank's analysis as of May 16, 1997 showed that 92% of the number of loans were to borrowers within its AAs. Examiners sampled the loan portfolio to verify this percentage. We found that 38 out of 40, or 95% of the number of loans were to borrowers within the bank's AAs.

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

The bank has done a good job of lending to low- and moderate-income individuals and smaller businesses and farms. Examiners derived the following tables from small loan samples. These tables show that 75% of consumer and residential real estate loans were to low- and moderate-income individuals and 80% of commercial/agricultural loans were to businesses and farms with gross annual revenues of less than \$250 thousand.

Consumer/Real Estate	# of loan originations	% of total originations	HUD family income breakdown for AAs
low-income	7	35%	22%
moderate-income	8	40%	23%
middle-income	3	15%	25%
upper-income	2	10%	30%
Total	20	100%	100%

Commercial/Agricultural	# loan originations	% of total originations
gross revenues < \$100,000	9	45%
\$100,001 to \$250,000	7	35%
\$250,001 to \$500,000	2	10%
\$500,001 to \$1,000,000	1	5%
> \$1,000,000	1	5%
Total	20	100%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of lending would not be meaningful as the AAs contain only middle-income BNAs. This performance category focuses on lending in different income level geographies throughout the AAs.

Response to Complaints

The bank has received no complaints since the last CRA examination.

Record of Compliance with Antidiscrimination Laws

The fair lending review did not detect any substantive violations of anti-discrimination laws.