



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 5, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 14252**

**191 North Deadwood Street
Fort Pierre, South Dakota 57532**

**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, 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 “Satisfactory.”

- Borrower distribution is excellent for agricultural and commercial loans, and good for consumer loans.
- The bank’s quarterly average loan-to-deposit ratio of 93.5 percent is more than reasonable.
- A majority of the bank’s loans by number (84 percent) and dollar volume (69 percent) are located within its assessment areas.
- Geographic distribution of commercial and consumer loans in the Rapid City assessment area is reasonable.

The bank violated the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices, in its sub-prime credit card program. This was an illegal credit practice. This violation reduced the bank’s overall CRA rating from “Outstanding” to “Satisfactory.”

DESCRIPTION OF INSTITUTION

Name and Location of Institution	First National Bank (FNB), Fort Pierre, South Dakota
Total Assets of Bank	\$333 million as of December 31, 2002
Number of Branches and Locations	10 branches located in Pierre (2), Fort Pierre, Midland, Murdo, Lead, Sturgis, Newell, McLaughlin, and Rapid City, South Dakota
Number and Type of Automated Teller Machines (ATMs)	3 deposit-taking ATMs and 8 cash-dispensing ATMs
Name, Location, and Size of Holding Company	Capital Bancorporation, Britton, South Dakota, \$356 million. Affiliated financial institutions are headquartered in Beresford, South Dakota; Fulda, Minnesota; and Moline, Illinois
Loan Portfolio Summary and Source	Commercial (45%), Consumer (22%), Agricultural (21%), Residential (10%), and Other (2%) from the December 31, 2002 Call Report
Net Loans/Total Assets	71.5% as of December 31, 2002
Date and Rating of Last CRA Examination	February 1, 1999 “Satisfactory”

There are no financial, legal, or other factors that negatively impact the bank’s ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREAS

FNB has designated four assessment areas, all of which are in South Dakota. The Central assessment area is comprised of Hughes, Stanley, Haakon, and Jones Counties, and includes the bank's branches in Pierre, Fort Pierre, Midland, and Murdo. The Black Hills assessment area is comprised of Butte, Lawrence, and Meade (except for block numbering area 202.00) Counties, and includes the bank's Sturgis, Lead, and Newell branches. The McLaughlin assessment area is comprised of Corson County. The Rapid City assessment area is comprised of the metropolitan areas of Pennington County, also known as the Rapid City Metropolitan Statistical Area #6660, with the exception of census tracts 115.00, 116.00, and 117.00. The population of the combined assessment areas is 141,483. The bank's assessment areas are legal and do not arbitrarily exclude any low- or moderate-income areas.

The 1990 U.S. Census and 2002 Department of Housing and Urban Development (HUD) estimated median family incomes (MFI) for the non-metropolitan areas South Dakota are \$25,547 and \$44,800, respectively. The 1990 U.S. Census and 2002 Department of Housing and Urban Development (HUD) estimated MFI for the Rapid City, South Dakota Metropolitan Area are \$29,570 and \$49,300, respectively. The following table summarizes the income levels of individual geographies and families located within the bank's assessment areas:

INCOME DISTRIBUTION OF GEOGRAPIES AND FAMILIES								
Assessment Area	Block Numbering Areas (BNAs) or Census Tracts (# and %)				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Central	0	0	5	2	13%	14%	22%	51%
Black Hills	0	0	7	3	15%	16%	23%	46%
McLaughlin	0	1	0	0	38%	17%	18%	27%
Rapid City	0	6	7	5	17%	19%	25%	39%
Totals	0	7	19	10	16%	17%	24%	43%

Source: U.S. Census Data (1990)

The assessment areas comply with regulatory requirements. They include the bank's main and branch offices, deposit-taking ATMs, and a majority of the bank's loans. The areas do not arbitrarily exclude any low- or moderate-income census tracts or BNAs.

Economic conditions in the assessment area are good. Major industries in the state of South Dakota include tourism, retail trade, farming and ranching, and government employment. As of December 31, 2002, the unemployment rate for the state of South Dakota (3.0 percent) and the nation (5.7 percent) exceeded that of most counties in the assessment areas. Only Butte County (4.5 percent) and Corson County (4.4 percent) exceeded the state average.

Competition from other financial institutions is strong. Including FNB, there are 19 financial institutions serving the bank's assessment areas. Wells Fargo Bank South Dakota, N.A. has the highest deposit market share with 26 percent. FNB has deposit market share of 8 percent, ranking sixth among the 19 financial institutions. The bank's primary assessment area is the Central assessment area, where FNB ranks second among 10 banks with 22 percent market share.

We did not identify any unmet credit needs in any of FNB's assessment areas. We contacted individuals at three rural and economic development organizations, who indicated that business relationships with area financial institutions are good and productive lending partnerships exist. Assessment area credit needs are typical of those in most small and rural communities and include small farm, small business, residential, and consumer lending.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 93.47 percent over 17 quarters from December 31, 1998 to December 31, 2002.

The bank's net loan-to-deposit ratio compares favorably with other community banks of similar size (total assets \$50-\$400 million) in the assessment area. FNB ranks third among a total of nine similarly situated banks serving the assessment area. The other eight banks had quarterly average net loan-to-deposit ratios averaging 80.35 percent and ranging from 47.97 percent to 93.65 percent over the 17 quarters from December 31, 1998 to December 31, 2002.

Lending in Assessment Areas

FNB originates a majority of its loans to borrowers located within its defined assessment areas. We sampled 145 agricultural, 175 commercial, and 227 consumer loans originated during the evaluation period; these are the bank's primary products, in order of importance. About 84 percent by number and 69 percent by dollar volume were made to farms, businesses, and individuals located within the bank's assessment areas. The following table shows loans originated inside the assessment areas by number and dollar volume:

LENDING IN ASSESSMENT AREA BY NUMBER AND DOLLAR AMOUNT (000s)				
Type of Loan	Number In	Percent of Number In	Dollars (000s) In	Percent of Dollars In
Agricultural	120 of 145	83%	\$5,241 of \$6,832	77%
Commercial	149 of 175	85%	\$20,057 of \$30,170	66%
Consumer	190 of 227	84%	\$2,051 of \$2,545	81%
Total	459 of 547	84%	\$27,349 of \$39,547	69%

Source: Bank records (verified by examiners)

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

Overall, the distribution of borrowers reflects excellent penetration among farms and businesses of different sizes and reasonable penetration among individuals of different income levels.

Agricultural lending activity for all assessment areas exceeds farm demographic data. One hundred percent of agricultural borrowers sampled had gross annual revenues of less than \$1 million, which exceeds assessment area demographics of 96 or 99 percent. In addition, the largest number of loans in each assessment area was originated to small farms with less than \$50 thousand in gross annual revenues. We did not analyze agricultural loans originated in the Rapid City assessment area due to minimal volume (17 loans). The following table compares the bank's agricultural lending activity by revenue size to community demographics:

BORROWER DISTRIBUTION OF AGRICULTURAL LOANS BY REVENUE SIZE									
Gross Annual Revenue (000s)	Central			Black Hills			McLaughlin		
	Number	% of Number	Farm Data	Number	% of Number	Farm Data	Number	% of Number	Farm Data
<\$50	25	42%	96%	33	55%	96%	9	60%	99%
\$50-\$100	18	30%		19	32%		2	13%	
\$100- \$250	11	18%		7	12%		2	13%	
\$250-\$500	4	7%		1	1%		1	7%	
\$500-\$1,000	2	3%		0	0%		1	7%	
>\$1,000	0	0%	3%	0	0%	4%	0	0%	1%
Unknown	-----	-----	1%	-----	-----	0%	-----	-----	0%
Totals	60	100%	100%	60	100%	100%	15	100%	100%

Source: Bank records (verified by examiners) and U.S. Agricultural Census Data (1997)

Commercial lending activity for all assessment areas exceeds business demographic data. Commercial borrowers in the Central (83 percent), Black Hills (93 percent), and Rapid City assessment areas (91 percent) had gross annual revenues of less than \$1 million, which exceeds assessment area demographics of 74 percent, 75 percent, and 79 percent, respectively. In addition, the largest number of loans in each assessment area was originated to small businesses with less than \$250 thousand in gross annual revenues. We did not analyze commercial loans originated in the McLaughlin assessment area due to minimal volume (14 loans). The following table compares the bank's commercial lending activity by revenue size to community demographics:

BORROWER DISTRIBUTION OF COMMERCIAL LOANS BY REVENUE SIZE									
Gross Annual Revenue (000s)	Central			Black Hills			Rapid City		
	Number	% of Number	Business Data	Number	% of Number	Business Data	Number	% of Number	Business Data
<\$50	9	15%	74%	30	50%	75%	16	35%	79%
\$50-\$100	6	10%		6	10%		3	6%	
\$100-\$250	21	35%		7	12%		12	26%	
\$250-\$500	4	6%		8	13%		4	9%	
\$500-\$1,000	10	17%		5	8%		7	15%	
>\$1,000	10	17%	5%	4	7%	4%	4	9%	8%
Unknown	-----	-----	21%	-----	-----	21%	-----	-----	13%
Totals	60	100%	100%	60	100%	100%	46	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (2002)

Consumer lending activity shows good penetration to borrowers of varying income levels for all assessment areas. Lending to low-income borrowers in the Black Hills (33 percent) and Rapid City (41 percent) assessment areas substantially exceeds the community demographics of 19 percent and 20 percent, respectively. Lending to moderate-income borrowers in the Central (37 percent), Black Hills (27 percent), and McLaughlin (31 percent) assessment areas substantially exceeds the community demographics of 15 percent, 15 percent, and 16 percent, respectively. Lending to low-income borrowers in the McLaughlin assessment area and to moderate-income borrowers in the Rapid City assessment area is reasonable. Lending to low-income borrowers in the Central assessment area is below community demographics, but is reasonable given the volume of lending to moderate-income borrowers. The following table compares the bank's consumer lending activity by borrower income level to community demographics:

BORROWER DISTRIBUTION OF CONSUMER LOANS BY REVENUE SIZE												
Borrower Income Level	Central			Black Hills			Rapid City			McLaughlin		
	Number	% of Number	% of HH	Number	% of Number	% of HH	Number	% of Number	% of HH	Number	% of Number	% of HH
Low	7	12%	17%	20	33%	19%	15	41%	20%	16	44%	39%
Moderate	22	37%	15%	16	27%	15%	8	22%	18%	11	31%	16%
Middle	15	25%	18%	11	18%	18%	5	13%	21%	8	22%	14%
Upper	16	26%	50%	13	22%	48%	9	24%	41%	1	3%	31%
Total	60	100%	100%	60	100%	100%	37	100%	100%	36	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (1990)

Geographic Distribution of Loans

Geographic distribution of commercial and consumer loans in the Rapid City assessment area is reasonable. Although the commercial loan distribution by number of loans is below community demographics, the dollar volume of loans substantially exceeds the community demographics. Consumer loan distribution by both number and dollar volume of loans meets community demographics. The following tables provide additional details:

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS IN THE RAPID CITY ASSESSMENT AREA					
Tract Income Level	Originations Dated January 1, 2000 through December 31, 2002				Percent of Businesses by Tract Category
	Number	Percent of Number	Amount (000s)	Percent of Amount	
Low	0	0%	\$0	0%	0%
Moderate	16	35%	\$6,556	64%	47%
Middle	14	30%	\$1,563	15%	30%
Upper	16	35%	\$2,179	21%	23%
Totals	46	100%	\$10,298	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (2002)

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN THE RAPID CITY ASSESSMENT AREA					
Tract Income Level	Originations Dated January 1, 2000 through December 31, 2002				Percent of Households by Tract Category
	Number	Percent of Number	Amount (000s)	Percent of Amount	
Low	0	0%	\$0	0%	0%
Moderate	14	34%	\$183	32%	35%
Middle	11	27%	\$123	21%	35%
Upper	16	39%	\$268	47%	30%
Totals	41	100%	\$574	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (1990)

We did not identify any gaps in the bank's lending patterns. The bank originated commercial and consumer loans in all 18 census tracts in the Rapid City assessment area.

Analysis of lending by geographic distribution is not meaningful for the remaining assessment areas. The Central and Black Hills assessment areas contain only middle- and upper-income BNAs. The McLaughlin assessment area contains only one BNA.

Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

Fair Lending and Other Illegal Credit Practices Review

We found no evidence of illegal discrimination.

The OCC did not separately evaluate the bank's sub-prime credit card lending in our review of the bank's consumer lending as this is a national product line with nearly all loans originated outside of the bank's assessment areas. However, the bank engaged in Federal Trade Commission Act violations during the evaluation period in connection with its sub-prime credit card activities. This was an illegal credit practice, and was a factor adversely affecting FNB's overall CRA rating, as required by the regulation.

As a result of this violation, the bank's Board of Directors entered into a *Formal Agreement* with the OCC on July 16, 2002. The *Formal Agreement* imposes guidelines for future sub-prime credit card product offerings, but does not require any reimbursement to past or current customers. Since signing the *Formal Agreement*, the bank has made several changes to its solicitations.