



PUBLIC DISCLOSURE

October 03, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ramsey National Bank
Charter Number 5886

300 4th Street
Devils Lake, ND 58301

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street
Suite 800
Minneapolis, MN 55402-3393

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

The major factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment areas (AAs).
- A majority of loan originations are made in the bank's assessment area.
- The distribution of loans reflects reasonable penetration among businesses and farms of different sizes.
- The geographic distribution of loans reflects reasonable penetration throughout the bank's AA.

SCOPE OF EXAMINATION

We evaluated Ramsey National Bank of Devils Lake's (Ramsey) Community Reinvestment Act (CRA) performance utilizing small bank performance standards. The bank's CRA performance was assessed under the lending test and focused on the bank's primary loan products based on loan originations and purchases from January 1, 2014 to June 30, 2016. We determined that commercial loans are the primary product in the bank's Fargo MSA AA, as commercial loans consist of 94 percent of loans by volume and 87 percent by number. Agricultural loans and commercial loans are the primary products of the Devils Lake AA. Agricultural loans make up 59 percent of loans by volume and 38 percent by number. Commercial loans make up 28 percent of loans by volume and 20 percent by number.

The Devils Lake AA was most significant in our assessment of the overall rating as it contains 73 percent of the bank's loan volume and 83 percent of total deposits as of June 30, 2016. Agricultural loans carried the most weight for the product type.

We used call report data to determine the bank's quarterly LTD ratio and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to find similarly situated banks. The most recent deposit information is as of June 30, 2016.

DESCRIPTION OF INSTITUTION

Ramsey is a \$260 million bank chartered in Devils Lake, ND. The bank is wholly owned by Ramsey Financial Corporation. Ramsey has two AAs. The Devils Lake AA contains the bank's main office, a branch located in Leever's County Market in Devils Lake, and additional branches in the North Dakota communities of Cando, Cavalier, Maddock, and Rugby. The Fargo AA consists of the branch located in Fargo, ND. The bank has two non-deposit taking Automatic Teller Machines (ATMs). ATMs are located in the Leever's County Market branch location in Devils Lake, ND and the branch location in Fargo, ND. The bank closed the Esmond, ND branch and did not open any branches during the assessment period.

Ramsey is a full-service bank and offers a variety of banking products designed to meet the needs of the assessment areas. As of June 30, 2016, the bank's tier one capital was \$30.75 million with a tier one leverage ratio of 11.81 percent. Net loans and leases totaled \$192 million, and consisted of 54 percent commercial, 35 percent agricultural, 10 percent residential real estate, and 1 percent other loans. Net loans and leases total 72 percent of total assets.

There are no known financial or legal impediments that would affect the bank's ability to meet the credit needs of its communities. The bank received a "Satisfactory" rating at the October 19, 2010 CRA evaluation.

DESCRIPTION OF ASSESSMENT AREA(S)

Ramsey has two designated Assessment areas, consisting of Devils Lake AA and the Fargo-Moorehead MSA AA. We completed full scope reviews of both AAs as part of our evaluation.

Devils Lake AA

The Devils Lake AA consists of 15 census tracts (CT) located in Benson, Pembina, Pierce, Ramsey, and Towner Counties in the state of North Dakota. There is one low-income tract, one moderate-income tract, 13 middle-income census tracts, and no upper-income tracts. Of the 13 middle-income census tracts, nine of them are designated distressed and/or underserved tracts. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The Devils Lake AA has a low unemployment rate at 2.86 percent in 2015, though it is slightly higher than the 2015 state of North Dakota unemployment rate of 2.7 percent. Tourism and agriculture are the primary industries in the area. Farm profitability is decreasing due to low commodity prices and high production costs. The largest employers include Spirit Lake Casino, Sioux Manufacturing Company, American Crystal Sugar, Heart of America Medical Center, Rugby Public School, Devils Lake Public School, Pembina County Hospital, St. Alexius Medical Center, and Walmart.

Competition among financial institutions in the Devils Lake AA is moderately competitive with 18 financial institutions holding \$1.1 billion in deposits as of June 30, 2016. Based upon the FDIC Deposit Market Share Report, Ramsey is ranked second in the AA with 16.49 percent of the deposit market share.

The table that follows illustrates the demographics of the Devils Lake AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Devils Lake AA	
Population	
Number of Families	8,676
Number of Households	13,261
% of Low-Income Families	22.69%
% of Moderate-Income Families	19.85%
% of Middle-Income Families	23.70%
% of Upper-Income Families	33.76%
Geographies	
Number of Census Tracts	15
% Low-Income Census Tracts	6.67%
% Moderate-Income Census Tracts	6.67%
% Middle-Income Census Tracts	86.66%
% Upper-Income Census Tracts	0.00%
Median Family Income (MFI)	
2015 MFI for AA	\$53,500
2015 HUD-Adjusted MFI	\$67,500
Economic Indicators	
2015 Unemployment Rate	2.86%
2015 Median Housing Value	\$70,239
% of Households Below Poverty Level	15.25%

**Table is based on 2010 census information with updated information when available.*

We contacted a member of the Ramsey County Housing Authority to gain a better understanding of credit needs and opportunities. The contact stated Ramsey County is a lower income county. Economic development for the area is slow, but a few fast food restaurants recently opened, which may lead to more development. Devils Lake was chosen as a site for construction of an oil refinery during the recent oil boom; however, a decrease in oil prices caused the project to be canceled. The area’s population is aging, and there is some diversity with the Spirit Lake Reservation located in neighboring Benson County. Community needs are in housing, as there is a housing shortage. Banking opportunities include financing housing programs. The community contact specifically mentioned Ramsey National Bank as a major partner. All financial institutions have a good reputation with the community.

Fargo-Moorhead MSA AA

The Fargo-Moorhead MSA AA (Fargo AA) consists of the entire Fargo-Moorhead MSA. This is a multi-state MSA that consists of Clay County in MN and Cass County in ND. The Fargo-Moorhead AA consists of 46 contiguous census tracts (CT). There are two low-income tracts, seven moderate-income tracts, twenty-eight middle-income tracts, and nine upper-income tracts. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The Fargo AA has a stable, diversified economy and has experienced steady growth. The five largest employers in the area are Sanford Health, North Dakota State University, Essentia Health, Noridian Healthcare Solutions, and Case New Holland Corp. Unemployment in Fargo MSA for 2015 was 3.1 percent. The unemployment rate in the state of North Dakota was 2.7 percent and the state of Minnesota unemployment rate of 3.7 percent. The Fargo-Moorehead MSA AA unemployment is below the national unemployment rate of 5.3 percent for 2015.

Competition among financial institutions in the Fargo AA is high with 28 financial institutions holding \$7.1 billion in deposits as of June 30, 2016. Based upon the FDIC Deposit Market Share Report, Ramsey ranked twenty-first in the AA with 0.54 percent of the market share.

The following table illustrates the demographics of the Fargo-Moorhead MSA AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE Fargo-Moorehead MSA AA	
Population	
Number of Families	48,919
Number of Households	84,600
% of Low-Income Families	18.15%
% of Moderate-Income Families	17.92%
% of Middle-Income Families	24.84%
% of Upper-Income Families	39.09%
Geographies	
Number of Census Tracts	46
% Low-Income Census Tracts	4.35%
% Moderate-Income Census Tracts	15.21%
% Middle-Income Census Tracts	60.87%
% Upper-Income Census Tracts	19.57%
<i>Median Family Income (MFI)</i>	
2015 MFI for AA	\$68,580
2015 HUD-Adjusted MFI	\$76,600
Economic Indicators	
2015 Unemployment Rate	3.12%
2015 Median Housing Value	\$146,683
% of Households Below Poverty Level	13.94%

**Table is based on 2010 census information with updated information when available.*

We contacted a member of the Planning and Development Department, City of Fargo. The contact stated the Fargo demographics have changed recently because it has become a resettlement area for refugees. The biggest issues facing low- and moderate-income individuals is housing and public transportation. There is a lack of affordable housing. Homelessness is still an issue, even with the creation of new homeless shelters and transitional housing. Buses do not operate 24 hours a day, meaning that those individuals who work nights do not have access to public

transportation. In addition, new immigrants have trouble accessing credit since they have very little credit history. Opportunities for financial institutions include helping fund programs for affordable housing and providing banking services to the immigrant population.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance is rated Satisfactory. This assessment is based on the LTD ratio, lending in the bank's AAs, borrower lending distribution, and geographic lending distribution.

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and lending opportunities within its AA. The quarterly LTD ratio averaged 79.60 percent in the 24 quarters since the previous examination. The LTD ratio ranged from a low of 65.23 percent in the first quarter of 2013 to a high of 95.52 percent in third quarter 2010. Similarly situated institutions have a presence in Pembina, Cass, and Clay Counties with total assets ranging from \$117 million to \$372 million. The following table shows Ramsey's average LTD ratio compared to four other similarly situated financial institutions.

Average Loan-to-deposit Ratio	Assets as of 6/30/16 (\$000s)	Average LTD Ratio (%)
Citizens State Bank – Midwest	\$117,609	78.22%
Dakota Heritage Bank of North Dakota	\$200,699	79.21%
Ramsey National Bank	\$259,657	79.60%
United Valley Bank	\$243,586	79.63%
Midwest Bank	\$372,806	97.65%

Source: Call report data as of June 30, 2016

Lending in Assessment Area

During the review period, Ramsey originated a majority of its loans inside its AA. The combined percentage of agricultural and commercial loans originated within the bank's two AAs totaled 82 percent by number and 64 percent by dollar volume. The following table shows the bank's lending activity inside and outside its AAs during the assessment period.

Lending in Fargo and Devils Lake AA										
	Number of Loans					Dollars of Loans (000s)				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	32	80.00%	8	20.00%	40	\$5,458	44.52 %	\$6,802	55.48 %	\$12,260
Agricultural	17	85.00%	3	15%	20	\$9,398	85.43%	\$1,602	14.57%	\$11,000
Totals	49	81.67%	11	18.33%	60	\$14,856	63.87%	\$8,404	36.13%	\$23,260

Source: commercial and agricultural loan samples.

Lending to Businesses and Farms of Different Sizes

The overall distribution of loans reflect reasonable penetration among businesses and farms of different sizes. We placed more weight on the Devils Lake AA and agricultural lending.

Devils Lake AA

Distribution of Agricultural Loans to Farms of Different Sizes

The distribution of loans reflects reasonable penetration among farms of different sizes. Lending to farms with revenues of \$1 million or less is near the area demographics. The table below demonstrates the distribution of farm loans in the AA:

Borrower Distribution of Loans to Farms in the Devils Lake AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.60%	0.96%	0.44%	100%
% of Bank Loans in AA by #	73.33%	26.67%	0.00%	100%
% of Bank Loans in AA by \$	46.91%	53.09%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet Data (2015)

Distribution of Commercial Loans to Businesses of Different Sizes

The distribution of loans reflects reasonable penetration among businesses of different sizes. Lending to businesses with revenues of \$1 million or less is near the area demographics. The table below demonstrates the distribution of business loans in the AA:

Borrower Distribution of Loans to Businesses in the Devils Lake AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.67%	5.80%	22.53%	100%
% of Bank Loans in AA by #	65.00%	28.33%	6.67%	100%
% of Bank Loans in AA by \$	61.49%	35.60%	2.91%	100%

Source: Loan sample; Dunn and Bradstreet Data (2015)

Fargo AA*Distribution of Commercial Loans to Businesses of Different Sizes*

The distribution of loans reflects poor penetration among businesses of different sizes. Lending to businesses with revenues of \$1 million or less is significantly lower than the area demographics. However, the bank has a relatively small presence in the Fargo MSA and are ranked 21st for market share. In addition, the Fargo branch only has 17 percent of the deposits with the bank, so this also indicates the small presence in the Fargo area. The Fargo branch is also located in close proximity to several other banks, meaning competition in the Fargo market is significant. There are nine different bank offices in a 1.5 mile radius. The table below demonstrates the distribution of business loans in the AA:

Borrower Distribution of Loans to Businesses in the Fargo AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.84%	6.80%	18.36%	100%
% of Bank Loans in AA by #	51.67%	46.67%	1.67%	100%
% of Bank Loans in AA by \$	46.47%	53.22%	0.31%	100%

Source: Loan sample; Dunn and Bradstreet Data (2015)

Geographic Distribution of Loans

The overall geographic distribution of loans throughout the AA reflects a reasonable dispersion of lending to farms and businesses located in low- and moderate-income census-tracts. We gave most weight to the Devils Lake AA and the bank's agricultural lending activity.

Devils Lake AA*Geographic Distribution of Agricultural Loans*

The dispersion of Ramsey's agricultural lending is excellent in the low- and moderate-income census-tracts. The percentage of loans extended to farms located in low- and moderate-income census-tracts exceeded the demographic comparator. In addition, for the loans made in the middle-income census-tracts, 98 percent of those loans were made in distressed or underserved counties. The table below shows the geographic distribution of farm loans.

Geographic Distribution of Loans to Farms in the Devils Lake AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans	% of AA Farms	% of # of Loans
Agricultural	1.48%	1.67%	1.39%	1.67%	97.13%	96.66%	0.00%	0.00%

Source: Loan Sample; US Census Data

Geographic Distribution of Business Loans

The dispersion of Ramsey’s business lending is poor in the low- and moderate-income census tracts. While the percentage of loans extended to businesses in low- and moderate-income census-tracts is below the demographic comparator, the ratio is close to the demographics. The bank exceeded the demographics for moderate-income census-tracts, but fell short in the low-income census-tracts. Of the loans made in the middle-income census-tracts, 100 percent of those loans were made in distressed or underserved census-tracts. The table below shows the geographic distribution of business loans.

Geographic Distribution of Loans to Businesses in the Devils Lake AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	3.07%	0.00%	1.21%	1.67%	95.72%	98.33%	0.00%	0.00%

Source: Loan Sample; US Census Data

Fargo AA

Geographic Distribution of Business Loans

The dispersion of Ramsey’s business lending is reasonable in the low- and moderate-income CTs. While the percentage of loans extended to businesses in low- and moderate-income CTs is below the demographic comparator, the ratio is close to the demographics. In addition, the closest moderate-income census tract is almost two miles away and across a major interstate. There are several other banks between Ramsey and the moderate-income CT. There are also banks in the moderate-income CT closest to Ramsey. The table below shows the geographic distribution of business loans.

Geographic Distribution of Loans to Businesses in the Fargo AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	3.35%	1.67%	20.20%	15.00%	52.06%	31.67%	24.39%	51.66%

Source: Loan Sample; US Census Data

Responses to Complaints

Ramsey did not receive any CRA related complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank’s (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community needs.