



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 2, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CorTrust Bank National Association
Charter Number: 23771

100 E. Havens & Main
Mitchell, SD 57301

Office of the Comptroller of the Currency

Sioux Falls Field Office
4900 South Minnesota Avenue Suite 300
Sioux Falls, SD 57108-2865

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 Lending Test is rated: "Satisfactory".

- The bank's quarterly average net loan-to-deposit ratio of 91.58 percent is reasonable and reflective of the bank's willingness to lend.
- A majority of the bank's loans by number (79 percent) and by dollar volume (93 percent) are located within its assessment areas.
- Borrower distribution is reasonable for loans to small farms and consumer loans, while the borrower distribution of loans to businesses of various sizes is excellent.
- Geographic distribution of loans to small farms and consumers is satisfactory, while geographic distribution of loans to small businesses is less than satisfactory.

The Community Development Test is rated: "Satisfactory".

- Community development loan volume and qualified investment volume are satisfactory at nearly 1 percent and 7 percent of Tier 1 Capital, respectively. Community development loans and investments are responsive to identified assessment area needs.
- Retail services are very accessible to individuals of various income levels throughout the assessment areas.
- Community development services volume is good. Bank employees provided expertise to 22 community development organizations during the evaluation period. Community development services are responsive to identified assessment area needs, particularly affordable housing.

Scope of Examination

This CRA examination included commercial, agricultural, and consumer loans originated or purchased from January 1, 2007 through September 30, 2009. We also considered community development loans, investments, and services from October 13, 2005 through October 30, 2009.

Description of Institution

CorTrust Bank, National Association (CorTrust Bank) is a \$552 million financial institution headquartered in Mitchell, South Dakota. CorTrust Bank is an intrastate bank with 24 branch offices and 24 automated teller machines (ATMs) located throughout its assessment areas in eastern South Dakota. Since the previous CRA examination, the bank has added three branches and converted the loan production office in Arlington into a branch. The bank closed one of the two branches in Aberdeen. In addition, CorTrust Bank purchased Brickwell Bank in Woodbury, MN on September 11, 2009. The purchase of Brickwell Bank brings the bank's branch and ATM count to 25 each. That bank's loans were not considered as part of this CRA exam. Going forward, the Woodbury branch will be incorporated into the bank's assessment area.

CorTrust Bank is a subsidiary of Hopkins Financial Corporation (HFC), a \$545 million one-bank holding company located in Mitchell, South Dakota. The bank has two related organizations whose activities were considered in the bank's CRA performance. CorTrust Mortgage

Company is a bank subsidiary that originates residential real estate loans for sale on the

secondary market. CorTrust Bank Community Development Corporation (CDC) is a certified community development corporation formed to facilitate some of the bank's CRA activities.

Net loans represent 75 percent of total assets at September 30, 2009. By dollar volume, the loan portfolio is comprised of commercial loans (52 percent), residential real estate loans (18 percent), agricultural loans (16 percent), and consumer loans (13 percent). About one-half of consumer loans are credit cards, most of which are targeted to subprime borrowers with nationwide marketing. Tier 1 Capital totaled \$55 million at September 30, 2009.

CorTrust Bank's business focus is community banking. It offers a wide array of products and services to commercial and agricultural customers as well as to individual consumers.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. CorTrust Bank received a "Satisfactory" rating at its prior CRA examination by the OCC dated October 13, 2005.

Description of Assessment Areas

CorTrust Bank has four assessment areas, all of which are in South Dakota. The Mitchell assessment area is comprised of Davison, Sanborn, and Miner Counties, and includes the bank's branches in Mitchell (2), Mount Vernon, Artesian, and Letcher. The Sioux Falls assessment area is comprised of Minnehaha, Lincoln, and Turner Counties, and includes the bank's Sioux Falls (7) branches. The Aberdeen assessment area is comprised of Brown, Day, and McPherson Counties as well as the west one-half of Edmunds County and the bank's branches in Aberdeen, Leola, Bowdle, Pierpont, and Webster. The Yankton assessment area is comprised of Yankton and Clay Counties as well as the east one-half of both Hutchinson and Bon Homme Counties and includes the bank's branches in Yankton (2), Freeman, Tabor, Vermillion, and Gayville. The total population of the combined assessment areas is 294,607. For analysis purposes, the three non-MSA assessment areas were combined during this examination. The non-MSA assessment areas had the same Median Family Income.

The 2000 U.S. Census and 2009 Department of Housing and Urban Development (HUD) estimated median family incomes (MFI) for the non-metropolitan areas of South Dakota are \$39,438 and \$52,500, respectively. The 2000 U.S. Census and 2009 HUD estimated MFI for the Sioux Falls, South Dakota Metropolitan Statistical Area #43620 are \$51,458 and \$66,600, respectively. The following table summarizes the income levels of census tracts and families located within the bank's four assessment areas:

INCOME DISTRIBUTION OF CENSUS TRACTS AND FAMILIES
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Assessment Area	Census Tracts (# and %)								Percentage of Families			
	Low		Moderate		Middle		Upper		Low	Moderate	Middle	Upper
Non-MSA	0	0%	2	13%	23	77%	5	17%	17%	17%	24%	42%
Sioux Falls MSA	0	0%	6	17%	24	69%	5	14%	15%	19%	29%	37%
Total	0	0%	8	12%	47	72%	10	16%	32%	36%	53%	79%

Source: 2000 U.S. Census

The assessment areas comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income census tracts.

Economic conditions in the assessment areas are good. Major industries in the state of South Dakota include tourism, retail trade, health services, farming and ranching, and government employment. As of September 2009 the unemployment rate for the state of South Dakota (4.8 percent) and the national rate (9.8 percent) exceeded that of most counties in the assessment areas. For comparison, the average unemployment rate for the assessment area was 4.3 percent, with the low in Edmunds County (2.7 percent) and the high in Miner County (5.7 percent).

Competition from other financial institutions is strong. Including CorTrust Bank, there are 44 financial institutions serving the bank's non-MSA assessment areas and 35 serving the MSA assessment area. Citibank South Dakota, NA dominates deposit market share in both non-MSA and MSA areas with 62 percent and 64 percent, respectively. By comparison, CorTrust Bank has deposit market share of .34 percent, ranking tenth in the non-MSA areas and .10 percent, ranking sixteenth in the MSA area.

We did not identify any unmet credit needs in any of CorTrust Bank's assessment areas. Community contact individuals from state and federal housing and agricultural agencies stated that credit needs are typical of those in most small cities and rural communities and include small business, small farm, affordable housing, and consumer lending. The credit needs of the Sioux Falls MSA area are primarily affordable housing and small business loans.

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

CorTrust Bank'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 91.58 percent over 15 quarters from December 31, 2005 to June 30, 2009.

The bank's net loan-to-deposit ratio compares with other community banks of similar size (total assets \$250 million to \$1 billion) in the assessment areas. CorTrust Bank ranks seventh among a

total of eight similarly situated banks serving the assessment areas. The other seven banks had quarterly average net loan-to-deposit ratios averaging 96.14 percent, ranging from 87.45 percent to 103.45 percent over the same time period.

Lending in Assessment Area

CorTrust Bank originates a majority of its loans to borrowers located within its defined assessment areas. Loans from primary products were sampled from both the non-MSA and Sioux Falls MSA assessment areas.

CorTrust bank originated a majority of its loans to borrowers located in the non-MSA assessment area. Primary products for the non-MSA assessment area were agriculture, commercial, and consumer loans. We reviewed 20 agriculture, 20 commercial and 20 consumer loans originated during the evaluation period. Approximately 68 percent by number and 73 percent by dollar volume of loans were made to businesses, farms, and individuals located within the bank’s non-MSA assessment area.

NON-MSA ASSESSMENT AREA								
Loan Type	In Assessment Areas				Out of Assessment Areas			
	Number	% of Number	Dollars (000s)	% of Amount	Number	% of Number	Dollars (000s)	% of Amount
Agricultural	13	65%	782,962	64%	7	35%	446,077	36%
Commercial	18	90%	791,118	96%	2	10%	29,000	4%
Consumer	10	50%	85,011	39%	10	50%	131,117	61%
Total	41	68%	1,659,091	73%	19	32%	606,194	27%

Source: Loan sampling

CorTrust bank originated a substantial majority of its loans to borrowers located in the Sioux Falls MSA assessment area. Primary products for the Sioux Falls MSA assessment area were commercial and consumer loans. We reviewed 20 commercial and 20 consumer loans originated during the evaluation period. Approximately 95 percent by number and 100 percent by dollar volume of loans were made to businesses, farms, and individuals located within the bank’s Sioux Falls MSA assessment area.

SIOUX FALLS MSA ASSESSMENT AREA								
Loan Type	In Assessment Areas				Out of Assessment Areas			
	Number	% of Number	Dollars (000s)	% of Amount	Number	% of Number	Dollars (000s)	% of Amount
Commercial	20	100%	6,158,766	100%	0	0%	0	0%
Consumer	18	90%	262,255	99%	2	10%	3,312	1%
Total	38	95%	6,421,022	100%	2	5%	3,312	0%

Source: Loan sampling

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

Overall borrower distribution is reasonable for loans to small businesses, loans to small farms,

and loans to consumers.

Distribution of loans to businesses of various revenue sizes is excellent. The bank’s lending by both number and dollar volume of loans exceeds the census data for both non-MSA and Sioux Falls MSA assessment areas.

BORROWER DISTRIBUTION OF COMMERCIAL LOANS						
Gross Annual Revenue	Non-MSA Assessment Area			Sioux Falls MSA		
	% of Number	% of Amount	% of Businesses	% of Number	% of Amount	Business Data
<= \$1 million	90%	90%	74%	80%	90%	74%
>\$1 million	10%	10%	4%	20%	10%	6%
Revenue Unavailable	0%	0%	22%	0%	0%	20%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Distribution of loans to farms of various revenue sizes is reasonable. The bank’s lending by both number and dollar volume of loans is good, just slightly below community demographics in the non-MSA assessment area. Agriculture loans were not a primary product in the Sioux Falls MSA area.

BORROWER DISTRIBUTION OF LOANS TO SMALL FARMS			
Tract Income Level	Non-MSA Assessment Area		
	% of Number	% of Amount	Farm Data
<= \$1 million	80%	94%	99%
>\$1 million	5%	2%	1%
Revenue Unavailable	15%	4%	0%
Total	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Distribution of consumer loans to individuals of various revenue sizes is reasonable. The bank’s lending by both number and dollar volume of loans is reflective of census data. The level of consumer loans to LMI families in the non-MSA assessment area was excellent. The level of consumer loans to LMI families in the Sioux Falls MSA was reasonable.

BORROWER DISTRIBUTION OF LOANS TO CONSUMERS		
Borrower	Non-MSA Assessment Area	Sioux Falls MSA

Income Level	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	30%	12%	17%	15%	11%	15%
Moderate	30%	41%	17%	10%	9%	19%
Middle	30%	33%	24%	30%	48%	29%
Upper	10%	14%	42%	45%	32%	37%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census

Geographic Distribution of Loans

Overall geographic distribution is reasonable for agricultural, consumer, and commercial loans that are the bank's primary products.

Geographic distribution of agricultural loans is reasonable. The bank's lending by both number and dollar volume of loans is comparable to community demographics in the non-MSA assessment area. The sample showed a reasonable level of agricultural loans made to farms in LMI census tract areas.

GEOGRAPHIC DISTRIBUTION OF AGRICULTURAL LOANS			
Tract Income Level	Non-MSA Assessment Area		
	% of Number	% of Amount	% of Farms
Low	0%	0%	0%
Moderate	5%	21%	6%
Middle	85%	76%	84%
Upper	10%	3%	10%
Total	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census

Geographic distribution of consumer loans is reasonable. The bank's lending by both number and dollar volume of loans is comparable to community demographics in the non-MSA and Sioux Falls MSA assessment areas.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS		
Tract	Non-MSA Assessment Area	Sioux Falls MSA

Income Level	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	0%	0%	0%	0%	0%	0%
Moderate	0%	0%	5%	5%	16%	14%
Middle	95%	93%	72%	70%	78%	70%
Upper	5%	7%	23%	25%	6%	16%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census

Geographic distribution of commercial loans is less than satisfactory. The bank's lending by both number and dollar volume of loans is below the community demographics for LMI census tracts.

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS						
Tract Income Level	Non-MSA Assessment Area			Sioux Falls MSA		
	% of Number	% of Amount	% of Businesses	% of Number	% of Amount	% of Businesses
Low	0%	0%	0%	0%	0%	0%
Moderate	0%	0%	9%	0%	0%	20%
Middle	81%	78%	73%	95%	99%	71%
Upper	19%	22%	18%	5%	1%	9%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census Data

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

Community Development Loans, Qualified Investments, and Community Development Services

CorTrust Bank's volume of community development lending is satisfactory. Retail banking services are accessible to individuals of all income levels. The bank generated a reasonable level of qualified investments and community development services.

CorTrust Bank provided a reasonable level of community development lending. The bank originated 5 community development loans totaling \$429 thousand, or 0.8 percent of Tier 1 Capital. The following highlights the bank's qualified community development loans:

- One loan totaling \$224 thousand to an area development corporation. The funds were used to purchase land used for business development.
- Two loans totaling \$3,400 to a community service organization. The funds were used to cover marketing expenses associated with food drive fundraising events.

- Two loans totaling \$181 thousand to an area housing partnership. The funds were lent at a zero percent interest rate to rehabilitate town homes that are currently rented to low-income individuals.

CorTrust Bank generated a reasonable level of qualified investments given the high competition and investment opportunities available in the assessment areas. The bank made the following 22 investments and donations totaling \$3.9 million, or 7.1 percent of Tier 1 Capital:

- Two investments totaling \$202 thousand to organizations that provide capital and resources to new small businesses.
- Acting with its affiliate, CorTrust Bank Community Development Corporation (CDC), the bank invested in 3 properties totaling \$1.9 million. The investments were to purchase a building in Vermillion that is currently leased to a small business and to purchase a building in Mitchell that is currently leased to a manufacturing facility that provides jobs to low- and moderate-income individuals. In addition, CDC owns a 23 percent share of the Cherapa building located in Sioux Falls.
- One investment totaling \$1.7 million for a bond to build a school in a distressed and underserved county.
- Fifteen donations totaling \$136 thousand benefiting low- and moderate-income individuals and small business development.

Retail services are accessible to individuals of different income levels. During the evaluation period, CorTrust Bank converted one loan production office into a branch. The branch is located in a middle income tract. The bank also added three branches, one of which is located in a moderate income tract, and closed one branch in Aberdeen, a moderate income tract.

CorTrust Bank provides a good level of community development services, sometimes in a leadership role. In total, 13 bank officers and employees provided qualified services to 22 community development organizations serving the assessment area. These organizations address assessment area needs for affordable housing, economic development, and social services to low- and moderate-income individuals. The following examples illustrate some of the services provided:

- A bank officer serves as board member on a nonprofit affordable housing organization. This organization's mission is to expand affordable housing opportunities in Sioux Falls, South Dakota and the surrounding area.
- Several bank employees serve on boards and in other capacities for an additional four affordable housing organizations. These organizations provide a wide range of affordable housing services to low- and moderate-income families including home ownership education and home construction, purchase, maintenance, and loan closing cost assistance to facilitate home ownership.

- One bank officer serves in various capacities for two nonprofit organizations in Yankton, South Dakota that focus on job expansion for low- and moderate-income individuals and provides funding assistance to economic growth in the Yankton area.

Fair Lending or Other Illegal Credit Practices Review

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