



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Savings Bank
Charter Number 708547

201 North 3rd Street
Beresford, SD 57004-0431

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.

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support the overall rating include:

- First Savings Bank's (FSB or Bank) net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.¹
- FSB originated a majority of its loans to borrowers located inside its designated AAs.¹
- The bank's distribution of loans to businesses and farms reflects reasonable distribution among businesses and farms of different sizes.
- The bank's geographic distribution of loans throughout census tracts (CTs) reflects excellent distribution of different income levels. Less weight was given to this performance criteria in the overall rating due to the limited income level diversity throughout CTs in the AAs, including a very low percentage of businesses and farms located in low-income CTs and a relatively low percentage located in moderate-income CTs.
- There were no conspicuous gaps identified within FSB's AAs.
- Overall, the bank provided adequate level of community development (CD) loans and services. FSB's CD loans and services were primarily provided in distressed or underserved middle-income nonmetropolitan geographies in South Dakota and New Mexico. There were limited CD loans or services provided in low- or moderate-income geographies or in the metropolitan statistical area (MSA) AAs.
- The bank provided a low level of qualifying CD investments. Qualifying investments totaled only \$6,567 across all AAs, with no investments made in six of the nine AAs.
- Fifteen of the bank's 20 branches were located in a low-or moderate-income CT or a distressed or underserved middle-income nonmetropolitan CT during the evaluation period, which generally increases access to financial services for low- and moderate-income individuals.²
- Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

1 - The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to states.

2 - The Federal Financial Institutions Examination Council publishes a list of distressed and underserved middle-income geographies each year. The designations reflect local economic conditions, including triggers such as unemployment, poverty, and population changes.

Scope of Examination

FSB was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The community development test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

The lending test for FSB covers its performance from January 1, 2010 through June 30, 2012, as this is representative of its lending strategy since the last CRA examination. Overall, FSB's primary loan products are business and farm loans. Business loans represented 33 percent by number and 65 percent by dollar volume of lending during the sampling period; farm loans represented 25 percent by number and 26 percent by dollar volume. Given the large geographical footprint of the bank with branches located in a mix of rural and urban areas, examiners determined if business and/or farm loans were a primary product in each specific AA based on the bank's lending strategy, volume of business and farm lending in each AA, and credit needs of each AA. Of the bank's nine AAs, examiners analyzed business loans in eight of the AAs and farm loans in three AAs. In seven AAs examiners analyzed one product as the primary product and in two AAs examiners analyzed two products. Refer to Appendix A for a list of primary products in each AA; refer also to the "Scope of Evaluation" section under each State Rating section for details on which primary products were reviewed in each state.

To evaluate the bank's lending performance, examiners selected a sample of loans originated and purchased from January 1, 2010 through June 30, 2012 for each primary product in each AA. Examiners sampled 20 loans for each primary product in each AA in evaluating lending in the AAs (note that only 11 loans were selected for the primary product in the Arizona AA as there were only 11 loans originated or purchased at branches in this AA for the primary product); examiners selected additional loans as needed to have sufficient information to analyze borrower and geographic distributions within each AA.

The evaluation period for the community development test is from May 31, 2008 through July 9, 2012.

Description of Institution

FSB is a multi-state financial institution headquartered in Beresford, SD. As of June 30, 2012, FSB has \$432 million in total assets. FSB is wholly owned by the Beresford Bancorporation, Inc., a one-bank holding company located in Britton, SD. Including the main branch in Beresford, FSB operates 22 branches in six states including South Dakota (10), New Mexico (6), Texas (3), Nebraska (1), Nevada (1), and Arizona (1). The bank also operates a loan production office in Scottsdale, Arizona. The bank has

designated nine AAs across these six states. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs.

Cash dispensing automated teller machines (ATMs) are located at 12 of FSB's branches with two additional ATMs located offsite. FSB does not operate deposit-taking ATMs. FSB did not close or open any branches during the evaluation period. There have been no significant changes to FSB's corporate structure, including mergers or acquisitions, since the previous CRA review.

FSB offers traditional loan and deposit products and services to its customers along with offering credit cards to a nationwide market. By outstanding dollar volume, the loan portfolio is comprised of commercial loans (61 percent), multifamily loans (9 percent), one-to-four family residential home loans (8 percent), farm loans (8 percent), and consumer loans (14 percent, including 11 percent credit cards). FSB's tier one leverage capital is \$66 million, or 15 percent of average assets as of June 30, 2012.

The credit card portfolio was approximately \$37 million, or about nine percent of total assets and 11 percent of total loans as of June 30, 2012. Examiners did not include credit card lending in our analysis when determining primary products or calculating the breakdown of lending within each AA by number and dollar volume of loans.

FSB's strategy is focused on the needs of each of the areas it serves. The focus of branches located in rural South Dakota is agriculture, as this is a primary credit need of this area. The bank's strategy in several of the MSAs is focused on commercial lending.

The bank's strategy does not focus on home mortgage lending; however, the bank acts as a broker and takes applications for home loans. The bank forwards applications to another party and approval/denial decisions are made by another lender. As a result, this activity was not considered in the loans originated or purchased during the evaluation period. Compliance Officer Birgen stated the volume of applications received for these loans is small and examiners gave this service no additional weight in our review.

There are no legal, financial, or other factors impeding FSB's ability to meet the credit needs of its AAs.

FSB was rated satisfactory at its last CRA examination dated March 30, 2008.

Selection of Areas for Full-Scope Review

In each state where the bank has a branch, at least one AA within that state was selected for full-scope reviews. If the bank has more than one AA in a state, examiners considered the volume of lending during the evaluation period at branches within each AA, amount of deposits as of June 30, 2012, the number of branches in the AA, and

other performance context factors when determining which AAs would receive full-scope reviews and which would receive limited-scope reviews.

Examiners completed full-scope reviews of seven AAs and limited-scope reviews of two AAs. Refer to Appendix A for a list of which AAs received full-scope and limited-scope reviews; also refer to the “Scope of Evaluation” section under each state rating section for details regarding how the areas were selected.

Ratings

The bank’s overall rating is a blend of the state ratings. Refer to Appendix B for a summary of state ratings. Examiners gave the South Dakota ratings the most weight in the overall rating because lending in South Dakota makes up the largest portion of the bank’s overall lending (57 percent by number, 43 percent by dollar volume), the largest portion of the bank’s deposits come from this state (44 percent), and the bank has the largest number of branches in this state (10 branches). Examiners gave New Mexico and Texas ratings moderate weight as they make up a moderate share of lending, a notable portion of the bank’s deposits (35 percent and eight percent, respectively), and FSB has good presence with multiple branches in each state. Examiners gave Nebraska, Nevada, and Arizona ratings the least amount of weight in the overall rating as lending in each state was not significant in relation to overall lending, deposits from these states are low in relation to overall deposits, and the bank has only one branch located in each state. The state ratings are based primarily on those areas that received full-scope reviews. Refer to the “Scope of Evaluation” section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

The following table shows volume of lending by the branches located within each AA and state during the evaluation period, including number and dollar volume.

Lending by AA During Evaluation Period					
State	Assessment Area	#	%	\$ (1,000s)	%
South Dakota	Sioux City MSA	302	21%	\$20,397	14%
South Dakota	Rural AA	422	30%	\$28,253	20%
South Dakota	Sioux Falls MSA	88	6%	\$13,629	9%
South Dakota (total)		812	57%	\$62,279	43%
New Mexico	Rural AA	266	19%	\$17,400	12%
New Mexico	Las Cruces MSA	51	4%	\$7,459	5%
New Mexico (total)		317	23%	\$24,859	17%
Texas (total)	EI Paso MSA	150	11%	\$31,796	22%
Nebraska (total)	Omaha MSA	81	6%	\$12,279	9%
Nevada (total)	Las Vegas MSA	32	2%	\$10,891	8%
Arizona (total)	Lake Havasu MSA	15	1%	\$1,633	1%
Total		1407	100%	\$143,737	100%

Source: Data from bank for all loan originations and purchases from 1/1/2010 to 6/30/2012.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

FSB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly net loan-to-deposit ratio averaged 79 percent over 17 quarters from June 30, 2008 through June 30, 2012. The ratio ranged from a quarterly low of 75 percent to a quarterly high of 85 percent during the time period.

The bank's net loan-to-deposit ratio is comparable to ten other community banks of similar size (total assets of \$250 million to \$750 million) operating within at least one of FSB's designated AAs. FSB's average net loan-to-deposit ratio ranked 7th among a total of 11 similarly situated institutions. The other ten institutions had average net loan-to-deposit ratios averaging 78 percent and ranging from a low of 40 percent to a high of 94 percent over the same 17 quarters.

Lending in Assessment Area

FSB originated a majority of its loans to borrowers located inside its designated AAs. Examiners sampled loans from each primary product analyzed in each AA including 151 business loans and 60 farm loans originated or purchased during the evaluation period. FSB originated 84 percent of its loans by number and 80 percent of its loans by dollar volume within its AAs.

The following table details the bank's lending within its AAs by number and dollar volume of loans sampled.

Loan Type	Number of Loans					Dollars of Loans (1,000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	126	83	25	17	151	30,951	83	6,566	17	37,517
Farm	51	85	9	15	60	5,536	67	2,706	33	8,242
Total	177	84	34	16	211	36,487	80	9,272	20	45,759

Source: Business and Farm loan data sampled from 2010-2012.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any AA by an affiliate whose loans have been considered as part of the FSA's lending performance.

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

State Rating

State of South Dakota

CRA Rating for South Dakota: Satisfactory

The Lending test is rated: Satisfactory

The Community Development test is rated: Satisfactory

The major factors that support the overall rating for South Dakota include:

- The bank's distribution of loans in South Dakota AAs reflects reasonable distribution among businesses and farms of different sizes.
- The bank provided an adequate level of CD loans and services in the South Dakota AAs. The bank made 303 CD loans to 113 different businesses or farms in South Dakota AAs totaling \$19,500,866. Nine bank employees provided 13 CD services to 11 separate qualifying organizations throughout South Dakota AAs. A significant majority (93 percent) of these loans benefited distressed middle-income nonmetropolitan geographies in the Rural SD AA. The services were primarily in the Rural SD AA and related to revitalizing or stabilizing distressed or underserved middle-income nonmetropolitan geographies.
- The bank made a low level of qualifying investments during the evaluation period in South Dakota AAs; the bank made ten qualifying investments totaling \$6,467.
- Eight of the ten branches in South Dakota are located in low- or moderate-income CTs or in distressed middle-income nonmetropolitan CTs for a majority of the evaluation period.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH DAKOTA

The bank has three AAs in South Dakota: Sioux City MSA, Rural SD AA, and Sioux Falls MSA.

Sioux City MSA:

The Sioux City MSA AA consists of a portion of the Sioux City IA-SD-NE multi-state MSA (#43580). The multi-state MSA includes Union County in SD, Woodbury County in Iowa, and Dakota and Dixon Counties in Nebraska. FSB operates one branch in this AA (in Beresford, SD), which is the bank's main branch. Beresford is located on the northern border of Union County which is the northernmost county in the multi-state MSA. FSB includes only one CT in Union County, in which the Beresford branch is located, in their AA; this is reasonable given the branch is located on the northern border of the multi-state MSA and that the excluded CTs and counties are serviced by other banks in Sioux City area. The only CT in the AA is middle-income. This single branch represents 11 percent of the bank's total deposits as of June 30, 2012.

There are eight institutions operating 12 branches in Union County. However, competition is high with many banks located in Sioux City, IA and South Sioux City, NE. In addition, banks located in Sioux Falls, SD also provide competition. Liberty National Bank leads the market with 27 percent of the deposit market share. FSB ranks 3rd with 14 percent of the deposit market share in Union County.

The population of the Sioux City IA-SD-NE multi-state MSA is 143,557, the population of Union County is 14,399, and the population of the one CT included in the bank's AA is 4,157 according to the 2010 US Census. The 2011 Department of Housing and Urban Development (HUD) estimated median family income for the MSA is \$58,800.

According to the Bureau of Labor Statistics (BLS), as of July 2012, the unemployment rate in Union County was 4.6 percent. This is in line with the unemployment rate for the State of South Dakota of 4.4 percent and notably below the national unemployment rate of 8.3 percent. The portions of the county that FSB primarily serves are reliant on agriculture and agriculture-related products and services.

Rural South Dakota AA:

The Rural SD AA consists of four whole counties and two partial counties in South Dakota. All counties are nonmetropolitan counties in eastern South Dakota. The whole counties include Bon Homme, Day, Marshall, and Moody counties. The partial counties include Brown and Clay counties. FSB has a location in Hecla in Brown County and services the surrounding rural areas. The bank excludes the CTs in Brown County that include the city of Aberdeen; Aberdeen is a larger city in the County and the credit needs are served by banks with branches located in Aberdeen. The bank does not have any branches in Clay County; however, the bank's Beresford, SD branch, which is located in Union County, serves a portion of Clay County as the branch is less than 2 miles from the county line. The bank includes one CT in Clay County in its AA and excludes the CTs in Clay County that include the City of Vermillion; Vermillion is a larger city in the county and the credit needs are served by banks with branches located in Vermillion.

This AA consists of 14 CTs (two in Marshall, four in Day, two in Bon Homme, two in Moody, three in Brown, and one in Clay). These include one upper-income, 12 middle-income, and one moderate-income CTs. There are no low-income CTs. FSB operates seven branches in this AA (one each in Waubay, Veblen, Springfield, Hecla, Flandreau, Britton, and Bristol.)

Together the seven branches located in the AA represent 28 percent of the bank's total deposits as of June 30, 2012. This does not include deposits from the Beresford, SD branch.

Competition in the Rural SD AA is moderate to high with 21 institutions operating 48 branches in the AA. Dacotah Bank leads the market with 20 percent of the deposit market share and Wells Fargo Bank, N.A. second with 19 percent. FSB ranks 8th with 5 percent of deposit market share.

The combined population of the CTs in this AA is 34,761 according to the 2010 US Census. The 2011 HUD estimated median family income for rural South Dakota is \$55,600.

Economic conditions in the Rural SD AA were generally good during the evaluation period, especially when compared to the national economic picture. According to the BLS, as of July 2012 the unemployment rate in the six counties in the AA ranged from a low of 3.6 percent to a high of 7.3 percent. The overall unemployment rate in the combined six county AA was 4.4 percent. This is in line with the unemployment rate for the State of South Dakota of 4.4 percent and notably below the national unemployment rate of 8.3 percent. The counties in the AA are reliant on agriculture and agriculture-related products and services.

Sioux Falls MSA:

The Sioux Falls MSA AA consists of a portion of the Sioux Falls, SD MSA (#43620). FSB includes all of Minnehaha, Lincoln, and Turner counties in their AA. The bank does not include McCook county in their AA; this is reasonable given the bank does not have a branch or ATM located in the county and that McCook county is served by other banks in rural communities within that county. FSB operates two branches in this AA: one in Parker (Turner County) and one in Sioux Falls (Minnehaha County). In addition, the bank's Beresford, SD branch serves southern Lincoln County although the branch is located in Union County. The Beresford branch is located in the Sioux City MSA.

This AA consists of 35 CTs (29 in Minnehaha, four in Lincoln, and two in Turner). There are five upper-income, 24 middle-income, and six moderate-income CTs; there are no low-income CTs.

The two branches in this AA represent five percent of the bank's total deposits as of June 30, 2012.

Competition in the Sioux Falls MSA AA is high as the area has many competitors. There are 32 banks operating 131 branches within the designated AA. Wells Fargo Bank, N.A. leads the market with 91 percent of the deposit market share. FSB ranks 28th with less than one percent of the deposit market share.

The population of the Sioux Falls MSA is 228,261 according to the 2010 US Census. The 2011 HUD estimated median family income for the MSA is \$67,900.

Economic conditions in the Sioux Falls MSA were generally good during the evaluation period, especially when compared to the national economic picture. According to the BLS, as of July 2012 the unemployment rate in the Sioux Falls MSA was 4.4 percent. This is slightly lower than the unemployment rate for the State of South Dakota of 4.4 and significantly lower than the national unemployment rate of 8.3 percent. Major employers in the Sioux Falls area include two hospitals, a meat processing plant, and two large banks. The labor force totals more than 132,000 people and nearly

11 percent are employed by the two large hospitals in Sioux Falls.

During our review, we interviewed a community contact with a local organization in Sioux Falls that provides affordable housing targeted to low- and moderate-income individuals and families. The contact stated credit needs in the community are related to affordable housing loans to low- and moderate-income individuals and families.

SCOPE OF EVALUATION IN SOUTH DAKOTA

Examiners completed a full-scope review of the Rural SD AA and the Sioux City MSA and a limited-scope review of the Sioux Falls MSA. The South Dakota ratings are based primarily on results of the Rural SD AA and the Sioux City MSA AAs because they received full-scope reviews. Examiners conducted a full-scope review of the Rural SD AA and Sioux City MSA due to the larger lending and deposit volumes in this AA. Additionally, the bank has seven branches in the Rural SD AA and the main branch is located in the Sioux City MSA. Examiners conducted a limited-scope review of the Sioux Falls MSA due to the relatively lower lending and deposit volume generated by the two branches in the AA compared to the volume in the other South Dakota AAs.

The primary loan product in the Rural SD AA was farm loans, which represented 52 percent by number and 79 percent by dollar volume of lending at the branches within the AA during the sampling period. The primary loan products in both the Sioux City MSA and the Sioux Falls MSA were business and farm loans. Business loans in the Sioux City MSA represented 27 percent by number and 52 percent by dollar volume within the AA during the sampling period. Farm loans represented 30 percent by number and 37 percent by dollar volume. Business loans in the Sioux Falls MSA represented 45 percent by number and 63 percent by dollar volume within the AA during the sampling period. Farm loans represented 28 percent by number and 35 percent by dollar volume. Examiners analyzed the distribution of 38 farm loans in the Rural SD AA, 20 business and 20 farm loans in the Sioux City MSA, and 28 business and 23 farm loans in the Sioux Falls MSA for the lending test.

Examiners interviewed one community contact representing an organization in the Sioux Falls MSA. Refer to the Sioux Falls MSA portion of the “Description of Institution’s Operations” above for details. Examiners did not make any community contacts in the Rural SD AA or the Sioux City MSA during this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA

FSB’s CRA performance in South Dakota is satisfactory. The bank’s performance is satisfactory under both the lending test and the community development test. The South Dakota rating is based primarily on the Rural SD AA and Sioux City MSA performance as these AAs received full-scope reviews. Performance in the Sioux Falls MSA, which received a limited-scope review, was not inconsistent with performance in

the areas that received full-scope reviews, specifically it was not inconsistent with the performance in the Sioux City MSA.

LENDING TEST

The bank's performance under the lending test in South Dakota is rated satisfactory. FSB had satisfactory performance in the Rural SD AA and outstanding performance in Sioux City MSA and Sioux Falls MSA. The bank's distribution of loans in South Dakota AAs reflects reasonable distribution among businesses and farms of different sizes. The bank's geographic distribution of loans in South Dakota AAs reflects excellent distribution throughout CTs of different income levels. Examiners placed the most weight on the distribution among businesses and farms of different sizes because there is less geographic diversity in the South Dakota AAs with only a small amount of businesses and farms located in moderate-income CTs. In addition, there are no low-income CTs in the South Dakota AAs.

Sioux City MSA:

The bank's performance under the lending test in this AA is rated outstanding. The bank has excellent distribution of loans among businesses and farms of different sizes. Examiners did not complete geographic distribution analysis in this MSA as there are no low- or moderate-income CTs in the AA.

Rural South Dakota AA:

The bank's performance under the lending test in this AA is rated satisfactory. The bank has reasonable distribution of loans among farms of different sizes and excellent geographic distribution of farm loans throughout CTs of different income levels in this AA. More weight was given to the distribution among farms of different sizes because there is a very small amount of farms located in moderate-income CTs and no low-income CTs in the AA.

Sioux Falls MSA:

The bank's performance under the lending test in this AA is rated outstanding. The bank has excellent distribution of loans among businesses and farms of different sizes and reasonable geographic distribution of business and farm loans throughout CTs of different income levels in this AA. More weight was given to the distribution among businesses and farms of different sizes because there is a smaller amount of businesses and farms located in moderate-income CTs and no low-income CTs in the MSA.

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

The bank's distribution of loans in South Dakota AAs reflects reasonable distribution among businesses and farms of different sizes. Examiners placed the most weight on performance in the rural SD AA as this AA has the highest volume of lending in the state, by both number and dollar volume.

Sioux City MSA:

The distribution of loans to businesses and farms in this AA reflects excellent distribution among businesses and farms of different sizes. Examiners gave more weight to the distribution of business loans because even though there were a relatively equal number of business and farm loans originated by the branch in the AA, there were a higher dollar volume of business loans.

Business Loans:

The bank’s distribution of loans to businesses reflects excellent distribution among businesses of different sizes. The bank originated or purchased 90 percent of business loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This significantly exceeds the demographic data that shows 71 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Business in South Dakota-Sioux City MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	71	3	26	100
% of Bank Loans in AA by #	90	5	5	100
% of Bank Loans in AA by \$	78	20	2	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Farm Loans:

The bank’s distribution of loans to farms reflects reasonable distribution among farms of different sizes. The bank originated or purchased 80 percent of farm loans sampled in this AA to small farms. Small farms are farms with gross annual revenues of one million dollars or less. This is reasonable when compared to demographic data that shows 100 percent of farms in the AA are considered small farms.

The following table shows the distribution of farm loans among different sized farms in the AA.

Table 2 - Borrower Distribution of Loans to Farms in South Dakota-Sioux City MSA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	100	0	0	100
% of Bank Loans in AA by #	80	15	5	100
% of Bank Loans in AA by \$	67	32	1	100

Source: Farm loan data sampled from 2010-2012; Dun and Bradstreet data.

Rural South Dakota AA:

The bank’s distribution of loans to farms reflects reasonable distribution among farms of different sizes. The bank originated or purchased 92 percent of farm loans sampled in

this AA to small farms. Small farms are farms with gross annual revenues of one million dollars or less. This is reasonable when compared to demographic data that shows 99 percent of farms in the AA are considered small farms.

The following table shows the distribution of farm loans among different sized farms in the AA.

Table 2 - Borrower Distribution of Loans to Farms in South Dakota-Rural AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	0	100
% of Bank Loans in AA by #	92	3	5	100
% of Bank Loans in AA by \$	91	7	2	100

Source: Farm loan data sampled from 2010-2012; Dun and Bradstreet data.

Sioux Falls MSA:

The distribution of loans to businesses and farms in this AA reflects excellent distribution among businesses and farms of different sizes.

Business Loans:

The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes. The bank originated or purchased 89 percent of business loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This significantly exceeds the demographic data that shows 67 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Table 2 - Borrower Distribution of Loans to Business in South Dakota-Sioux Falls MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	67	4	29	100
% of Bank Loans in AA by #	89	11	0	100
% of Bank Loans in AA by \$	91	9	0	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Farm Loans:

The bank's distribution of loans to farms reflects excellent distribution among farms of different sizes. The bank originated or purchased 100 percent of farm loans sampled in this AA to small farms. Small farms are farms with gross annual revenues of one million dollars or less.

The following table shows the distribution of farm loans among different sized farms in the AA.

Table 2 - Borrower Distribution of Loans to Farms in South Dakota-Sioux Falls MSA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	0	100
% of Bank Loans in AA by #	100	0	0	100
% of Bank Loans in AA by \$	100	0	0	100

Source: Farm loan data sampled from 2010-2012; Dun and Bradstreet data.

Geographic Distribution of Loans

The bank's geographic distribution of loans in South Dakota AAs reflects excellent distribution throughout CTs of different income levels. Examiners placed the greatest weight on the performance in the Rural SD AA as no meaningful analysis could be completed in the Sioux City MSA.

Sioux City MSA:

Examiners did not complete geographic distribution analysis on the Sioux City MSA as there are no low- or moderate-income CTs in the AA.

Rural South Dakota AA:

The bank's geographic distribution of farm loans reflects excellent distribution throughout CTs of different income levels. The bank's performance is reasonable in moderate-income CTs. The bank originated or purchased five percent of farm loans sampled in this AA to farms located in moderate-income CTs; this is comparable to the three percent of farms in the AA located in moderate-income CTs. There are no low-income CTs in the AA. Additionally, 87 percent of loans sampled were to businesses located in nonmetropolitan middle-income distressed or underserved CTs.

The following table details the bank's performance compared to the percentage of farms in each CT income level.

Table 3A - Geographic Distribution of Loans to Farms in South Dakota-Rural AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0	0	3	5	87	95	10	0

Source: Farm loan data sampled from 2010-2012; 2000 U.S. Census data.

Sioux Falls MSA:

The geographic distribution of loans in this AA reflects reasonable distribution throughout CTs of different income levels. More weight was placed on distribution of

business loans due to both a higher number and dollar volume of business lending relative to farm lending and a larger percent of businesses in low- and moderate-income CTs compared to the percent of farms in low- and moderate-income CTs.

Business Loans:

The bank’s geographic distribution of business loans reflects reasonable distribution throughout CTs of different income levels. The bank’s performance is reasonable in moderate-income CTs. The bank originated or purchased 14 percent of business loans sampled in this AA to businesses located in moderate-income CTs; this is comparable to the 16 percent of businesses in the AA located in moderate-income CTs. There are no low-income CTs in the AA.

The following table details the bank’s performance compared to the percentage of businesses in each CT income level.

Source: Farm loan data sampled from 2010-2012; 2000 U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in South Dakota-Sioux Falls MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0	0	16	14	73	78	11	7

Source: Farm loan data sampled from 2010-2012; 2000 U.S. Census data.

Farm Loans:

The bank’s geographic distribution of farm loans reflects excellent distribution throughout CTs of different income levels. The bank’s performance is excellent in moderate-income CTs. The bank originated or purchased 43 percent of farm loans sampled in this AA to farms located in moderate-income CTs; this significantly exceeds the 13 percent of farms in the AA located in moderate-income CTs. There are no low-income CTs in the AA.

The following table details the bank’s performance compared to the percentage of farms in each CT income level.

Table 3A - Geographic Distribution of Loans to Farms in South Dakota-Sioux Falls MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0	0	13	43	81	57	6	0

Source: Farm loan data sampled from 2010-2012; 2000 U.S. Census data.

Responses to Complaints

FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in South Dakota is rated satisfactory.

FSB demonstrated adequate responsiveness to CD needs in the South Dakota AAs. Although the bank provided a weak level of CD loans, investments, and services to the Sioux City MSA and Sioux Falls MSA, the bank provided an adequate level of CD loans and services in the Rural SD AA that was given more weight. The bank made 303 separate CD loans to 113 different businesses or farms in South Dakota AAs totaling \$19,500,866; a significant majority (93 percent) of these loans benefited distressed middle-income nonmetropolitan geographies in the Rural SD AA. The bank made a weak level of qualifying investments during the evaluation period in South Dakota AAs; the bank made ten qualifying investments totaling \$6,467. Nine bank employees provided 13 CD services to 11 separate qualifying organizations throughout South Dakota AAs; the services were primarily in the Rural SD AA and related to revitalizing or stabilizing distressed or underserved middle-income nonmetropolitan geographies.

Sioux City MSA:

FSB demonstrated weak responsiveness to the CD needs of the Sioux City MSA through lending, investment, and services.

Rural South Dakota AA:

FSB demonstrated adequate responsiveness to the CD needs of the Rural SD AA through lending, investment, and services.

Sioux Falls MSA:

FSB demonstrated weak responsiveness to the CD needs of the Sioux Falls MSA through lending, investment, and services.

Number and Amount of Community Development Loans

FSB provided an adequate level of CD loans in the South Dakota AAs. Although the bank made a weak level of CD loans in the Sioux City MSA and Sioux Falls MSA, the bank provided an adequate level of CD loans in the Rural SD AA.

Sioux City MSA:

FSB provided a weak level of CD loans in the Sioux City MSA during the evaluation period.

FSB originated two CD loans in this AA totaling \$725,000. Both loans were to the Beresford Housing and Redevelopment Commission which provides affordable rental housing in the community.

Rural South Dakota AA:

FSB provided an adequate level of CD loans in the Rural SD AA during the evaluation period.

FSB made 298 separate CD loans to 109 different businesses or farms totaling \$18,220,763. The CD loans included the following:

- FSB made 244 farm loans totaling \$14,204,606 to 83 different borrowers. These farm loans revitalized or stabilized the AA by benefiting distressed and/or underserved middle-income nonmetropolitan CTs in the AA. The distressed CTs were designated due to population loss and/or poverty.
- FSB made 54 business loans totaling \$4,016,157 to 26 different borrowers. These business loans revitalized or stabilized the AA by benefiting distressed and/or underserved middle-income nonmetropolitan CTs in the AA. The distressed CTs were designated due to population loss and/or poverty.

Sioux Falls MSA:

FSB provided a low level of CD loans in the Sioux Falls MSA during the evaluation period.

FSB made three separate CD loans to three different businesses totaling \$555,103. The CD loans included the following:

- FSB made one SBA loan for \$240,625 which promoted economic development through creating/retaining jobs in a moderate-income CT.
- FSB made two additional SBA loans totaling \$314,478 which also promoted economic development through creating/retaining jobs.

Number and Amount of Qualified Investments

FSB provided a weak level of qualified investments throughout the South Dakota AAs during the evaluation period.

Sioux City MSA:

FSB did not make any qualified investments in the Sioux City MSA during the evaluation period.

Rural South Dakota AA:

FSB provided a low level of qualified investments in the Rural SD AA during the evaluation period.

FSB made nine separate qualifying investments to four different organizations totaling \$5,967. The qualifying investments were all donations and included the following:

- Three donations totaling \$4,000 to an organization that supports rural development in distressed, underserved areas.
- Six donations totaling \$1,967 to three separate volunteer fire department operating in distressed communities within the AA.

Sioux Falls MSA:

FSB provided a low level of qualified investments in the Sioux Falls MSA during the evaluation period.

FSB made one qualifying investment totaling \$500 in this AA. The qualifying investment was to an organization that assists with small business development in rural, southeast South Dakota.

Extent to Which the Bank Provides Community Development Services

FSB provided an adequate level of CD services in the South Dakota AAs during the evaluation period. Although the bank provided a weak level of CD services in the Sioux City MSA and Sioux Falls MSA, the bank provided an adequate level of CD services in the Rural SD AA which was given more weight.

Sioux City MSA:

FSB provided a low level of CD services in the Sioux City MSA during the evaluation period.

One bank employee in this AA provided CD service to a qualifying organization. The Bank President has served as a Commissioner on the South Dakota Housing Board since 2009. The organization is dedicated to developing affordable housing across South Dakota. This service benefits all AAs in South Dakota; however, not much weight is placed on this service as the President has only been employed by the bank since April 2012.

Rural South Dakota AA:

FSB provided an adequate level of CD services in the Rural SD AA during the evaluation period.

Eight bank employees provided a total of 12 CD services to ten separate qualifying organizations in this AA. The CD services included the following:

- A branch president has been a Board member of Glacial Lakes Area Economic Development since 2010. The organization revitalized and stabilized distressed and underserved middle-income nonmetropolitan geographies in rural northeast South Dakota by bringing jobs to the geographies. Additionally, a loan officer was a member of this organization in 2008.
- A head teller and lender have both been a Board member and Secretary/Treasurer, respectively, of the Hecla City Economic Corporation since 2000. The Corporation owns affordable housing apartments, with rent targeted to low- to moderate-income individuals.

- A loan officer has been Secretary and Board member of Grow South Dakota since 2006. The organization promotes economic development by financing small business or small farm loans.
- A loan officer has been President and Board Member of Northeast South Dakota Community Action Program since 1997. The organization provides affordable housing and community services targeted to low- and moderate-income individuals.
- A loan officer was a Board member and Secretary of Coteau Hills Processors Economic Development from 2008 to 2010. The organization revitalized and stabilized a distressed and underserved middle-income nonmetropolitan geography by creating jobs.
- Four employees are involved with economic development organizations in five different communities. These organizations are trying to revitalize and stabilize distressed and/or underserved middle-income nonmetropolitan geographies by bringing in new business to the communities.

Six of the seven branches in the AA were located in low- or moderate-income CTs or in distressed or underserved middle-income nonmetropolitan CTs for a majority of the evaluation period, which generally increases access to financial services to low- and moderate-income individuals. The Springfield and Flandreau branches were located in an underserved middle-income nonmetropolitan CT during the entire evaluation period. The Veblen branch was located in a moderate-income CT at the beginning of the evaluation period; however, as a result of the 2010 US Census the CT is now considered a middle-income CT which has been designated underserved in the 2012 list published by the Federal Financial Institutions Examination Council (FFIEC). The Bristol, Britton, and Waubay branches were located in underserved and distressed middle-income nonmetropolitan CTs at the beginning of the evaluation period; however, the 2012 list published by the FFIEC has designated these CTs as underserved middle-income nonmetropolitan CTs (no longer distressed). The prior distressed designation was due to population loss.

Sioux Falls MSA:

FSB provided a low level of CD services in the Sioux Falls MSA during the evaluation period.

Bank staff did not provide any qualifying CD services to qualifying organizations within the AA.

The one branch in this AA was located in a moderate-income CT for a portion of the evaluation period which generally increases access to financial services to low- and moderate-income individuals. The branch was located in a middle-income CT at the beginning of the evaluation period; however, as a result of the 2010 US Census the CT is now considered moderate-income.

Responsiveness to Community Development Needs

FSB's CD activities demonstrate adequate responsiveness to CD needs in the South Dakota AAs. Although the bank provided a low level of CD loans, investments, and services to the Sioux City MSA and Sioux Falls MSA, the bank provided an adequate level of CD loans and services in the Rural SD AA that was given more weight. The Rural SD AA is reliant on agriculture and agriculture-related products and services. Of the CD loans in South Dakota, a significant majority were farm loans in distressed or underserved middle-income nonmetropolitan geographies. Additionally, many of the CD services provided in South Dakota were targeted at revitalizing or stabilizing the distressed or underserved middle-income nonmetropolitan geographies. Eight of the ten branches in South Dakota were located in low- or moderate-income CTs or in distressed middle-income nonmetropolitan CTs for a majority of the evaluation period which generally increases access to financial services to low- and moderate-income individuals. The bank was less responsive to the CD needs in the metropolitan portions of the South Dakota AAs; however, examiners noted there were more limited opportunities in these AAs given the economic environment and composition of the areas.

State Rating

State of New Mexico

CRA Rating for New Mexico: Satisfactory

The Lending test is rated: Outstanding

The Community Development test is rated: Satisfactory

The major factors that support the overall rating for New Mexico include:

- The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes.
- The bank's geographic distribution of loans reflects excellent distribution throughout CTs of different income levels.
- The bank provided an adequate level of CD loans and services in the Rural NM AA. The bank made 52 CD loans to 41 different businesses totaling \$8,420,297; all qualifying loans benefited distressed middle-income nonmetropolitan geographies. Four bank employees provided CD services to three separate qualifying organizations. The bank did not provide any qualifying investments in the Rural NM AA.
- The bank did not make any CD loans or investments and did not provide any CD services in the Las Cruces MSA.
- Four of the six branches in New Mexico were located in low- or moderate-income CTs or in distressed middle-income nonmetropolitan CTs for a majority of the evaluation period.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW MEXICO

The bank has two AAs in New Mexico: Rural NM AA and Las Cruces MSA AA.

Rural New Mexico AA:

The Rural NM AA consists of five nonmetropolitan counties in New Mexico. The counties include Grant, Lincoln, Luna, Otero, and Sierra. The Rural NM AA consists of 35 CTs (13 in Otero, eight in Grant, six in Luna, five in Lincoln, and three in Sierra). There are three upper-income, 23 middle-income, and nine moderate-income CTs; there are no low-income CTs. FSB operates five branches in this AA (one each in Alamogordo, Deming, Ruidoso, Silver City, and Truth or Consequences). Each of the five branches is located in a different county within the AA. Together these five branches represent 31 percent of the bank's total deposits as of June 30, 2012.

Competition in the Rural NM AA is moderate. There are 20 institutions operating 55 branches within the designated AA. Wells Fargo Bank, N.A. leads the market with 14 percent of the deposit market share. FSB ranks 6th with 7 percent of the deposit market share.

The combined population of the five counties in this AA is 150,891 according to the 2010 US Census. The 2011 HUD estimated median family income for rural New Mexico is \$47,100.

Economic conditions in the AA are varied. According to the BLS, unemployment rates as of July 2012 ranged from a low of 5.4 percent in Lincoln County to a high of 16.6 percent in Luna County. The overall unemployment rate in the combined five county AA was 8.4 percent. This is higher than the unemployment rate for the State of New Mexico of 6.6 percent, but is in line with the national unemployment rate of 8.3 percent. Major employers include an air force base, tourism-related business (hotels and restaurants), health care, and government.

During our review, we interviewed a community contact with a local organization in Alamogordo that provides affordable housing targeted to low- and moderate-income individuals and families. The contact stated credit needs in the community are related to home improvement loans targeted to low- and moderate-income homeowners.

Las Cruces MSA:

The Las Cruces MSA AA consists of Las Cruces, NM MSA (#29740) which includes Dona Ana County, NM. The Las Cruces MSA consists of 32 CTs. There are ten upper-income, 11 middle-income, 10 moderate-income, and one low-income CTs. FSB operates one branch in this AA (in Las Cruces) and it represents four percent of the bank's total deposits as of June 30, 2012.

Competition in the Las Cruces MSA is high with many banks in the area, several of which operate throughout the nation. Sixteen institutions operate 64 branches in the AA. Wells Fargo Bank, N.A. leads the market with 27 percent of the deposit market share. FSB ranks 14th with one percent of the deposit market share.

The population of this AA is 209,233 according to the 2010 US Census. The 2011 estimated median family income for the MSA is \$43,200.

According to the BLS, as of July 2012, the unemployment rate for the MSA was eight percent. This is slightly higher than the unemployment rate for the State of New Mexico of 6.6 percent and slightly below the national unemployment rate of 8.3 percent. Major employers in the Las Cruces MSA include New Mexico State University, the public school system, and the White Sands Missile Range.

SCOPE OF EVALUATION IN NEW MEXICO

Examiners completed a full-scope review of the Rural NM AA and a limited-scope review of the Las Cruces MSA. The New Mexico ratings are based primarily on results of the Rural NM AA because it received a full-scope review. Examiners conducted a full-scope review of the Rural NM AA due to the larger lending and deposit volumes in this AA. Additionally, the bank has five branches in the Rural NM AA. Examiners conducted a limited-scope review of the Las Cruces AA due to the low lending and deposit volume generated by the single branch in the AA.

The primary loan product in both the Rural NM AA and Las Cruces MSA was business loans. Business loans in the Rural NM AA represented 27 percent by number and 55 percent by dollar volume within the AA during the sampling period. Business loans in the Las Cruces MSA represented 73 percent by number and 89 percent by dollar volume within the AA during the sampling period. Examiners analyzed the distribution of 22 loans in the Rural NM AA and 24 loans in the Las Cruces MSA for the lending test.

Examiners interviewed one community contact representing an organization in the Rural NM AA. Refer to the Rural NM AA portion of the “Description of Institution’s Operations” above for details. Examiners did not make any community contacts in the Las Cruces MSA during this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW MEXICO

FSB’s CRA performance in New Mexico is satisfactory. The bank’s performance under the lending test is outstanding. The bank’s performance under the community development test is satisfactory.

LENDING TEST

The bank’s performance under the lending test in New Mexico is rated outstanding. FSB had outstanding performance in the Rural NM AA and reasonable performance in Las Cruces MSA. The bank’s distribution of loans in New Mexico AAs reflects excellent distribution among businesses of different sizes. The bank’s geographic distribution of loans in New Mexico AAs reflects excellent distribution throughout CTs of different income levels. More weight was given to performance in the Rural NM AA.

Rural New Mexico AA:

The bank’s performance under the lending test in this AA is rated outstanding. The bank has excellent distribution of loans among businesses of different sizes and excellent geographic distribution of business loans throughout CTs of different income levels in this AA.

Las Cruces MSA:

The bank's performance under the lending test in this AA is rated reasonable. The bank has excellent distribution of loans among businesses of different sizes and weak geographic distribution of business loans throughout CTs of different income levels in this AA.

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

The bank's distribution of loans in New Mexico AAs reflects excellent distribution among businesses of different sizes.

Rural New Mexico AA:

The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes. The bank originated or purchased 90 percent of business loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This significantly exceeds the demographic data that shows 67 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Business in New Mexico-Rural AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	67	2	31	100
% of Bank Loans in AA by #	90	5	5	100
% of Bank Loans in AA by \$	90	3	7	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Las Cruces MSA:

The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes. The bank originated or purchased 79 percent of business loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This significantly exceeds the demographic data that shows 65 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Business in New Mexico-Las Cruces MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	65	3	32	100
% of Bank Loans in AA by #	79	21	0	100
% of Bank Loans in AA by \$	87	13	0	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Geographic Distribution of Loans

The bank's geographic distribution of loans in New Mexico AAs reflects excellent distribution throughout CTs of different income levels. More weight was given to the distribution in the Rural NM AA due to a greater volume of lending in this AA during the evaluation period.

Rural New Mexico AA:

The bank's geographic distribution of business loans reflects excellent distribution throughout CTs of different income levels. The bank's performance is reasonable in moderate-income CTs. The bank originated or purchased 27 percent of business loans sampled in this AA to businesses located in moderate-income CTs; this is comparable to the 23 percent of businesses in the AA located in moderate-income CTs. There are no low-income CTs in the AA. Additionally, 32 percent of the loans sampled were to businesses located in nonmetropolitan middle-income distressed or underserved CTs.

The following table details the bank's performance compared to the percentage of businesses in each CT income level.

Table 3A - Geographic Distribution of Loans to Businesses in New Mexico-Rural AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0	0	23	27	61	68	16	5

Source: Business loan data sampled from 2010-2012; 2000 U.S. Census data.

Las Cruces MSA:

The bank's geographic distribution of business loans reflects weak distribution throughout CTs of different income levels. The bank's performance is weak in moderate-income CTs and reasonable in low-income CTs. The bank originated or purchased 8 percent of business loans sampled in this AA to businesses located in moderate-income CTs; this is significantly lower than the 17 percent of businesses in the AA located in moderate-income CTs. Although the bank did not originate or purchase any loans in our sample to businesses located in low-income CTs in the AA, this is reasonable because there are very few businesses located in low-income CTs.

The following table details the bank's performance compared to the percentage of businesses in each CT income level.

Table 3A - Geographic Distribution of Loans to Businesses in New Mexico-Las Cruces MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	1	0	17	8	40	71	42	21

Source: Business loan data sampled from 2010-2012; 2000 U.S. Census data.

Responses to Complaints

FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in New Mexico is rated satisfactory.

FSB demonstrated adequate responsiveness to CD needs in the New Mexico AAs. Although the bank did not make any CD loans or investments and did not provide any CD services in the Las Cruces MSA, the bank provided an adequate level of CD loans and services in the Rural NM AA which was given more weight. The bank made 52 separate CD loans to 41 different businesses totaling \$8,420,297; all qualifying loans benefited distressed middle-income nonmetropolitan geographies. Four bank employees provided qualifying services to three separate qualifying organizations. The bank did not provide any qualifying investments in the Rural NM AA.

Rural New Mexico AA:

FSB demonstrated adequate responsiveness to the CD needs of the Rural NM AA through lending, investment, and services.

Las Cruces MSA:

FSB demonstrated weak responsiveness to the CD needs of the Las Cruces MSA through lending, investment, and services.

Number and Amount of Community Development Loans

FSB provided an adequate level of CD loans in the New Mexico AAs. Although the bank did not make any CD loans in the Las Cruces MSA, the bank provided an adequate level of CD loans in the Rural NM AA which was given more weight.

Rural New Mexico AA:

FSB provided an adequate level of CD loans in the Rural NM AA during the evaluation period.

FSB made 52 separate CD loans to 41 different businesses totaling \$8,420,297. The CD loans included the following:

- FSB made one SBA loan for \$2,743,747 to a hospitality company. The loan promoted economic development through job creation/retention. Additionally, the loan funds benefited a distressed middle-income nonmetropolitan CT in the AA. The distressed CT was designated due to poverty and unemployment. This loan is given weight because it is providing jobs in a geography that is distressed due to unemployment.
- FSB made 41 business loans totaling \$5,161,121 to 33 different borrowers. These business loans revitalized or stabilized the AA by benefiting distressed middle-income nonmetropolitan CTs in the AA. The distressed CTs were designated due to poverty.
- FSB made ten farm loans totaling \$515,429 to seven different borrowers. These farm loans revitalized or stabilized the AA by benefiting distressed middle-income nonmetropolitan CTs in the AA. The distressed CTs were designated due to poverty.

Las Cruces MSA:

FSB did not make any CD loans in the Las Cruces MSA during the evaluation period.

Number and Amount of Qualified Investments

FSB provided a weak level of qualified investments throughout the New Mexico AAs during the evaluation period.

Rural New Mexico AA:

FSB provided a low level of qualified investments in the Rural NM AA during the evaluation period.

FSB made one qualified investment of \$100 in this AA. The qualifying investment was a donation to Deming Public Schools Coats for Kids Program; Deming schools are located in moderate-income CTs with the exception of one CT, which is a distressed tract.

Las Cruces MSA:

FSB did not make any qualified investments in the Las Cruces MSA AA during the evaluation period.

Extent to Which the Bank Provides Community Development Services

FSB provided an adequate level of CD services in the New Mexico AAs during the evaluation period.

Rural New Mexico AA:

FSB provided an adequate level of CD services in the Rural NM AA during the evaluation period.

Four bank employees provided CD services to three separate qualifying organizations in this AA. The CD services included the following:

- A loan officer was a member of the Deming Community Reinvestment Coalition in 2008. The organization promotes economic development by financing small business and farm loans in distressed middle-income nonmetropolitan geographies.
- A new account representative was on the Advisory Board of a local Small Business Development Center in 2010. The Center promotes economic development by financing small business loans.
- A new account representative has been a Board member of the Sierra County Economic Development Organization since 2011. The organization promotes activities that revitalize and stabilize distressed middle-income nonmetropolitan geographies. Additionally, a branch president has been a member of the organization since 2008.

Four of the five branches in the AA were located in low- or moderate-income CTs or in distressed middle-income nonmetropolitan CTs for a majority of the evaluation period which generally increases access to financial services to low- and moderate-income individuals. The Alamogordo branch was located in a moderate-income CT at the beginning of the evaluation period; however, as a result of the 2010 US Census the CT is now considered low-income. The Deming and Truth or Consequences branches were located in distressed middle-income nonmetropolitan CTs due to poverty at the beginning of the evaluation period; however, as a result of the 2010 US Census the CTs are now considered moderate-income. The Silver City branch was located in a moderate-income CT at the beginning of the evaluation period; however, as a result of the 2010 US Census the CT is now considered middle-income.

Las Cruces MSA:

Bank staff did not provide any qualifying CD services to qualifying organizations within the AA.

Responsiveness to Community Development Needs

FSB's CD activities demonstrate adequate responsiveness to CD needs in the New Mexico AAs. Although the bank did not make any CD loans or investments and did not provide any CD services in the Las Cruces MSA, the bank demonstrated adequate

responsiveness to needs in the Rural NM AA which was given more weight. The bank provided an adequate level of CD loans in the Rural NM AA. All the qualifying loans were provided to distressed middle-income nonmetropolitan geographies; there was no evidence of CD activity targeted to low- or moderate-income individuals. Home improvement loans were identified as a credit need in the AA and the bank did not have any loans or services targeted to providing affordable housing to low- or moderate-income individuals. Four of the six branches in New Mexico were located in low- or moderate-income CTs or in distressed middle-income nonmetropolitan CTs for a majority of the evaluation period which generally increases access to financial services to low- and moderate-income individuals.

State Rating

State of Texas

CRA Rating for Texas: Satisfactory

The Lending test is rated: Satisfactory

The Community Development test is rated: Satisfactory

The major factors that support the overall rating for Texas include:

- The bank's distribution of loans to businesses reflects reasonable distribution among businesses of different sizes.
- The bank's geographic distribution of business loans reflects reasonable distribution throughout CTs of different income levels.
- The bank provided an adequate level of CD loans and services in the AA. The bank provided five CD loans totaling \$2,480,228 and one CD service in the AA.
- The bank did not provide any qualifying investments in the AA.
- Two of the three branches in the AA are located in moderate-income CTs.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TEXAS

The El Paso MSA AA (#21340) includes El Paso County, Texas. The El Paso MSA consists of 126 CTs. There are 36 upper-income, 41 middle-income, 41 moderate-income, and eight low-income CTs. FSB operates three branches in this AA (all in El Paso); together these three branches represent 8 percent of the bank's total deposits as of June 30, 2012.

Competition in the El Paso MSA is high with many banks in the area, several of which operate throughout the nation. Nineteen institutions operate 93 branches in the MSA. Wells Fargo Bank, N.A. leads the market with 31 percent of the deposit market share. FSB ranks 14th with a deposit market share of less than one percent.

The population of this AA is 800,647 according to the 2010 US Census. The 2011 HUD estimated median family income for the MSA is \$41,100.

According to the BLS, as of July 2012, the unemployment rate for the State of Texas was 7.2 percent, slightly below the national unemployment rate of 8.3 percent. Unemployment in the El Paso MSA was 10.1 percent. Major employers include the El Paso area include El Paso public school system, a military base, and the City of El Paso.

SCOPE OF EVALUATION IN TEXAS

Examiners completed a full-scope review of the El Paso MSA as this is the bank's only AA located in Texas. The Texas rating is based wholly on the results of this single AA.

The primary loan product in the El Paso MSA was business loans that represented 65 percent by number and 95 percent by dollar volume within this AA during the sampling period. Examiners analyzed the distribution of 20 loans for the lending test.

Examiners did not make any community contacts in Texas during this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

FSB's CRA performance in Texas is satisfactory. The bank's performance is satisfactory under both the lending test and the community development test.

LENDING TEST

The bank's performance under the lending test in Texas is rated satisfactory. FSB has reasonable distribution among businesses of different sizes and reasonable geographic distribution throughout CTs of different income levels.

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

The bank's distribution of loans to businesses reflects reasonable distribution among businesses of different sizes. The bank originated or purchased 70 percent of business loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is comparable to demographic data that shows 63 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	63	3	34	100
% of Bank Loans in AA by #	70	25	5	100
% of Bank Loans in AA by \$	84	15	1	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Geographic Distribution of Loans

The bank's geographic distribution of business loans reflects reasonable distribution throughout CTs of different income levels. The bank's performance is weak in moderate-income CTs and excellent in low-income CTs. The bank originated or purchased 15 percent of business loans sampled in this AA to businesses located in moderate-income CTs; this is significantly lower than the 26 percent of businesses in the AA located in moderate-income CTs. The bank originated or purchased 15 percent of business loans sampled in this AA to businesses located in low-income CTs; this significantly exceeds the six percent of businesses in the AA located in low-income CTs.

The following table details the bank's performance compared to the percentage of businesses in each CT income level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	6	15	26	15	29	40	39	30

Source: Business loan data sampled from 2010-2012; 2000 U.S. Census data.

Responses to Complaints

FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Texas is rated satisfactory.

FSB demonstrated adequate responsiveness to the CD needs of the Texas AA through lending, investment, and services. The bank provided an adequate level of CD loans and services in the AA. The bank provided five CD loans totaling \$2,480,228 and one qualifying service in the AA. The bank did not provide any qualifying investments in the AA. In addition, two of the three branches in the AA are located in moderate-income CTs which generally increases access to financial services to low- and moderate-income individuals.

Number and Amount of Community Development Loans

FSB provided an adequate level of CD loans in the Texas AA during the evaluation period.

FSB made five separate CD loans to five different businesses totaling \$2,480,228. The CD loans included the following:

- Three loans totaling \$844,343 for affordable housing in moderate-income CTs.
- Two SBA loans totaling \$1,635,885 that promoted economic development through job creation/retention.

Number and Amount of Qualified Investments

FSB did not make any qualified investments in the Texas AA during the evaluation period.

Extent to Which the Bank Provides Community Development Services

FSB provided an adequate level of CD services in the Texas AA during the evaluation period.

One bank employee provided CD services to one qualifying organization in this AA. A Vice President/Loan Officer was a Board member on the United Way of El Paso in 2010. This organization provides community services targeted to low- and moderate-income individuals.

Two of three branches in the AA are located in moderate-income CTs which generally increases access to financial services to low- and moderate-income individuals.

Responsiveness to Community Development Needs

FSB's CD activities demonstrate adequate responsiveness to needs and opportunities in the AA. The bank made five CD loans including a combination of affordable housing in moderate-income CTs and promoting economic development through job creation/retention. The bank also provided CD services to one qualifying organization that provides community services targeted to low- and moderate-income individuals. The bank did not make any qualifying investments in the AA. In addition, two of the three branches in the AA are located in moderate-income CTs which generally increases access to financial services to low- and moderate-income individuals.

State Rating

State of Nebraska

CRA Rating for Nebraska: Satisfactory

The Lending test is rated: Outstanding

The Community Development test is rated: Satisfactory

The major factors that support the overall rating for Nebraska include:

- The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes.
- The bank's geographic distribution of business loans reflects excellent distribution throughout CTs of different income levels.
- The bank provided an adequate level of CD loans and services in the AA. The bank provided one CD loan for \$611,000 and one qualifying service in the AA. Both the loan and the service are related to small business lending which was identified as a credit need in the AA.
- The bank did not provide any qualifying investments in the AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEBRASKA

The Omaha MSA AA consists of a portion of the Omaha-Council Bluffs, NE-IA multi-state MSA (#36540) which includes counties in Nebraska and Iowa. FSB operates one branch in this AA (in Omaha). FSB includes all of Douglas and Sarpy counties in Nebraska in their AA. The bank does not include Cass, Washington, or Saunders Counties in Nebraska or any of the Iowa counties in the multi-state MSA. This is reasonable given the bank has only one branch located in the multi-state MSA and includes the counties closest to the branch location in the AA. The MSA is large and FSB's one branch cannot reasonably be expected to meet the needs of the entire MSA. The excluded counties in the AA are serviced by the banks located in these counties.

This AA consists of 180 CTs (146 in Douglas County and 34 in Sarpy County). There are 50 upper-income, 77 middle-income, 46 moderate-income, and seven low-income CTs.

The one branch in this AA represents 3 percent of the bank's total deposits as of June 30, 2012.

Competition in the Omaha MSA is high with 37 institutions operating 241 branches in Douglas and Sarpy counties. First National Bank of Omaha leads the market with 32 percent of the deposit market share. FSB ranks 35th with less than one percent of the deposit market share.

The population of the Omaha-Council Bluffs, NE-IA multi-state MSA is 865,350 and the population of Douglas and Sarpy counties combined is 675,950 according to the 2010 US Census. The 2011 HUD estimated median family income for the MSA is \$70,600.

According to the BLS, as of July 2012, the unemployment rate for the State of Nebraska was 4 percent, significantly below the national unemployment rate of 8.3 percent. Unemployment rates in Douglas and Sarpy counties were 4.6 percent and 4.1 percent, respectively. Major employers in the Omaha area include an air force base, the public school system, and health care providers.

During our review, we interviewed a community contact with a local organization in Omaha that provides community services targeted to low- and moderate-income individuals and families. The contact stated credit needs in the community are related to small business lending and small dollar consumer lending.

SCOPE OF EVALUATION IN NEBRASKA

Examiners completed a full-scope review of the Omaha MSA as this is the bank's only AA located in Nebraska. The Nebraska rating is based wholly on the results of this single AA.

The primary loan product in the Omaha MSA was business loans that represented 77 percent by number and 97 percent by dollar volume within this AA during the sampling period. Examiners analyzed the distribution of 23 loans for the lending test.

Examiners interviewed one community contact representing an organization in the Omaha MSA. Refer to "Description of Institution's Operations" above for details.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEBRASKA

FSB's CRA performance in Nebraska is satisfactory. Although the bank's performance under the lending test is outstanding, performance under the community development test is satisfactory.

LENDING TEST

The bank's performance under the lending test in Nebraska is rated outstanding. FSB has excellent distribution among businesses of different sizes and excellent geographic distribution throughout CTs of different income levels.

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

The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes. The bank originated or purchased 87 percent of business

loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This significantly exceeds the demographic data that shows 66 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Business in Nebraska-Omaha MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	66	4	30	100
% of Bank Loans in AA by #	87	13	0	100
% of Bank Loans in AA by \$	72	28	0	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Geographic Distribution of Loans

The bank's geographic distribution of business loans reflects excellent distribution throughout CTs of different income levels. The bank's performance is excellent in moderate-income CTs and reasonable in low-income CTs. The bank originated or purchased 22 percent of business loans sampled in this AA to businesses located in moderate-income CTs; this exceeds the 16 percent of businesses in the AA located in moderate-income CTs. Although the bank did not originate or purchase any loans in our sample to businesses located in low-income CTs in the AA, this is reasonable because there are very few businesses located in low-income CTs.

The following table details the bank's performance compared to the age of businesses in each CT income level.

Table 3A - Geographic Distribution of Loans to Businesses in Nebraska-Omaha MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	2	0	16	22	44	43	38	35

Source: Business loan data sampled from 2010-2012; 2000 U.S. Census data.

Responses to Complaints

FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Nebraska is rated satisfactory.

FSB demonstrated adequate responsiveness to the CD needs of the Nebraska AA through lending, investment, and services. The bank provided an adequate level of CD loans and services in the AA. The bank provided one CD loan for \$611,000 and one qualifying services in the AA. Both the loan and service are related to small business lending which was identified as a credit need in the AA. The bank did not provide any qualifying investments in the AA.

Number and Amount of Community Development Loans

FSB provided an adequate level of CD loans in the Nebraska AA during the evaluation period.

FSB originated one CD loan in this AA for \$611,000. This loan was an SBA loan that promoted economic development through job creation/retention. Small business lending was identified as a credit need in this AA.

Number and Amount of Qualified Investments

FSB did not make any qualified investments in the Nebraska AA during the evaluation period.

Extent to Which the Bank Provides Community Development Services

FSB provided an adequate level of CD services in the Nebraska AA during the evaluation period.

One bank employee provided CD services to one qualifying organization in this AA. An account representative has been a member of the Omaha Empowerment Group since 2010. The organization's objective is to promote economic development by financing small business loans. The employee is involved in the North Omaha Village Zone Revitalization Project. Small business lending was identified as a credit need in this AA.

Responsiveness to Community Development Needs

FSB's CD activities demonstrate adequate responsiveness to needs and opportunities in the AA. The bank provided one CD loan and one qualifying service in the AA. Both the loan and the service are related to small business lending which was identified as a credit need in the AA. The bank did not provide any qualifying investments in the AA.

State Rating

State of Nevada

CRA Rating for Nevada: Satisfactory

The Lending test is rated: Outstanding

The Community Development test is rated: Needs to Improve

The major factors that support the overall rating for Nevada include:

- The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes.
- The bank's geographic distribution of business loans reflects excellent distribution throughout CTs of different income levels.
- Besides the branch being located in a moderate-income CT for a portion of the evaluation period, the bank did not make any CD loans or investments and did not provide any CD services in the AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEVADA

The Las Vegas MSA AA consists of Las Vegas/Paradise, Nevada MSA (#29820) which includes Clark County, Nevada. The Las Vegas MSA consists of 345 CTs. There are 109 upper-income, 147 middle-income, 78 moderate-income, and seven low-income CTs. In addition, there are four tracts that do not have a designated income category because there are no people living in the tracts. FSB operates one branch in this AA (in Las Vegas) and it represents 7 percent of the bank's total deposits as of June 30, 2012.

Competition in the Las Vegas MSA is high with many banks in the area, several of which operate throughout the nation. There are 41 institutions operating 383 branches in the AA. Citibank, N.A. is the market leader with 84 percent of the deposit market share. FSB ranks 31st with less than one percent of the deposit market share.

The population of this AA is 1,951,269 according to the 2010 US Census. The 2011 HUD estimated median family income for the MSA is \$63,400.

Economic conditions in the Las Vegas area were weak during the evaluation period. According to the BLS, the unemployment rate for the MSA as of July 2012 was 12.9 percent. Although this has improved in the last six months, it remains well above the national unemployment rate of 8.3 percent and slightly above the State of Nevada unemployment rate of 12.5 percent. Major employers in the Las Vegas area include casinos and gambling establishments, banking services, government, and education.

During our review, we interviewed a community contact with a local organization in Las Vegas that specializes in affordable housing for low- and moderate-income individuals and families. The contact stated credit needs in the community are related to affordable housing for low- and moderate-income individuals and families.

SCOPE OF EVALUATION IN NEVADA

Examiners completed a full-scope review of the Las Vegas MSA as this is the bank's only AA located in Nevada. The Nevada rating is based wholly on the results of this single AA.

The primary loan product in the Las Vegas MSA was business loans that represented 88 percent by number and 95 percent by dollar volume within this AA during the sampling period. Examiners analyzed the distribution of 27 loans for the lending test.

Examiners interviewed one community contact representing an organization in the Las Vegas MSA. Refer to "Description of Institution's Operations" above for details.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEVADA

FSB's CRA performance in Nevada is satisfactory. The bank's performance under the lending test is outstanding; however, the bank's performance under the community development test needs to improve.

LENDING TEST

The bank's performance under the lending test in Nevada is rated outstanding. FSB has excellent distribution among businesses of different sizes and excellent geographic distribution throughout CTs of different income levels.

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

The bank's distribution of loans to businesses reflects excellent distribution among businesses of different sizes. The bank originated or purchased 89 percent of business loans sampled in this AA to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This significantly exceeds the demographic data that shows 67 percent of businesses in the AA are considered small businesses.

The following table shows the distribution of business loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Business in Nevada-Las Vegas MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	67	3	30	100
% of Bank Loans in AA by #	89	11	0	100
% of Bank Loans in AA by \$	88	12	0	100

Source: Business loan data sampled from 2010-2012; Dun and Bradstreet data.

Geographic Distribution of Loans

The bank's geographic distribution of business loans reflects excellent distribution throughout CTs of different income levels. The bank's performance is excellent in moderate-income CTs and reasonable in low-income CTs. The bank originated or purchased 22 percent of business loans sampled in this AA to businesses located in moderate-income CTs; this significantly exceeds the 17 percent of businesses in the AA located in moderate-income CTs. The bank originated or purchased one loan, or four percent of business loans sampled, in this AA to businesses located in low-income CTs; this is comparable to the two percent of businesses in the AA located in low-income CTs.

The following table details the bank's performance compared to the percentage of businesses in each CT income level.

Table 3A - Geographic Distribution of Loans to Businesses in Nevada-Las Vegas MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	2	4	17	22	38	44	43	30

Source: Business loan data sampled from 2010-2012; 2000 U.S. Census data.

Responses to Complaints

FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Nevada is rated needs to improve.

FSB demonstrated weak responsiveness to the CD needs of the Nevada AA through lending, investment, and services. Besides the branch being located in a moderate-income CT for a portion of the evaluation period, the bank did not make any CD loans or investments and did not provide any CD services in the AA.

Number and Amount of Community Development Loans

FSB did not make any CD loans in the Nevada AA during the evaluation period.

Number and Amount of Qualified Investments

FSB did not make any qualified investments in the Nevada AA during the evaluation period.

Extent to Which the Bank Provides Community Development Services

FSB provided a weak level of CD services in the Nevada AA during the evaluation period.

Bank staff did not provide any qualifying CD services to qualifying organizations within the AA.

The one branch in this AA was located in a moderate-income CT for a portion of the evaluation period which generally increases access to financial services to low- and moderate-income individuals. The branch was located in a moderate-income CT at the beginning of the evaluation period; however, as a result of the 2010 US Census the CT is now considered middle-income.

Responsiveness to Community Development Needs

FSB's CD activities demonstrate weak responsiveness to needs and opportunities in the AA. Besides the branch being located in a moderate-income CT for a portion of the evaluation period, the bank did not make any CD loans or investments and did not provide any CD services. With the unemployment rate in the AA at nearly 13 percent (July 2012), the poverty rate at 10 percent of households (based on 2000 US Census data), and low- and moderate-income families making up 37 percent of families (based on 2000 US Census data), there are opportunities for the bank to be involved in CD activities in the AA.

State Rating

State of Arizona

CRA Rating for Arizona: Needs to Improve

The Lending test is rated: Needs to Improve

The Community Development test is rated: Needs to Improve

The major factors that support the overall rating for Arizona include:

- The bank did not originate or purchase a sufficient number of loans in the Arizona AA to meet the credit needs of the AA. Branches in this AA only originated 15 total loans across all loan types during the loan evaluation period.
- The bank provided a weak level of CD loans and services in the AA. The bank provided one CD loan for \$153,223 and qualifying services to a single organization in the AA.
- The bank did not provide any qualifying investments in the AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

The Lake Havasu MSA AA consists of Lake Havasu City/Kingman, Arizona MSA (#29420) which includes Mohave County, Arizona. The Lake Havasu MSA consists of 30 CTs. There are four upper-income, 21 middle-income, and five moderate-income CTs; there are no low-income CTs. FSB operates one branch in this AA (in Lake Havasu City) and it represents 4 percent of the bank's total deposits as of June 30, 2012.

Competition in the Lake Havasu MSA is moderate. There are 12 institutions operating 45 branches within the MSA. JPMorgan Chase Bank and Wells Fargo Bank, N.A. led the market each claiming approximately 22 percent of the deposit market share. FSB ranks 11th with less than one percent of the deposit market share.

The population of this AA is 200,186 according to the 2010 US Census data. The 2011 HUD estimated median family income for the MSA is \$50,500.

Although economic conditions in the area have improved, unemployment rates remain above national and state averages. According to the BLS, the unemployment rate for the MSA as of July 2012 was 9.7 percent, above the 8.3 percent rate for both the State of Arizona and the US. Major employers in the Lake Havasu area include the Lake Havasu Unified School District, the Lake Havasu City government, Havasu Regional Medical Center, and the Sterilite Corporation.

SCOPE OF EVALUATION IN ARIZONA

Examiners completed a full-scope review of the Lake Havasu MSA as this is the bank's only AA located in Arizona. The Arizona rating is based wholly on the results of this single AA.

The primary loan product in the Lake Havasu MSA was business loans that represented 73 percent by number and 85 percent by dollar volume of lending within this AA during the sampling period. However, the number of business loans originated at branches in the AA during this period was limited with 11 total originations and just three of those loans originated to businesses located in the AA.

Examiners did not make any community contacts in Arizona during this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARIZONA

FSB's CRA performance in Arizona needs to improve. The bank's performance under the lending and community development tests both need to improve. The needs to improve rating was not given much weight in the overall bank rating due to the small volume of lending and deposits attributed to the one branch in this AA relative to the whole bank.

LENDING TEST

The bank's performance under the lending test in Arizona is rated needs to improve. The bank does not originate or purchase a sufficient number of loans in the Arizona AA to meet the credit needs of the AA. Examiners noted there was limited opportunity to make loans to businesses in low- or moderate-income CTs in this AA as there are no low-income CTs and only five percent of businesses are located in moderate-income CTs.

Examiners reviewed 100 percent of business loans originated at branches in the AA over the loan sampling period. The bank originated three loans to businesses located in the Lake Havasu MSA. This was not a sufficient amount of loans to complete meaningful analysis of lending to businesses of different sizes or geographic distribution of loans in the AA.

Responses to Complaints

FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Arizona is rated needs to improve.

FSB demonstrated weak responsiveness to the CD needs of the Arizona AA through lending, investment, and services. The bank provided a weak level of CD loans and services in the AA. The bank provided one CD loan for \$153,223 and qualifying services to a single organization in the AA. The bank did not provide any qualifying investments in the AA.

Number and Amount of Community Development Loans

FSB provided a weak level of CD loans in the Arizona AA during the evaluation period.

FSB originated one CD loan in this AA for \$153,223. This loan was to a non-profit organization that provides community services targeted at low- and moderate-income individuals, specifically to victims of various types of abuse.

Number and Amount of Qualified Investments

FSB did not make any qualified investments in the Arizona AA during the evaluation period.

Extent to Which the Bank Provides Community Development Services

FSB provided a weak level of CD services in the Arizona AA during the evaluation period.

Two bank employees provided CD services to one qualifying organization in this AA. A branch president served as President of the Board of the organization from 2008 to 2009 and another branch president served as a member of the Board since 2006. The organization is a family resource center that provides community services targeted at low- and moderate-income individuals, specifically to victims of various types of abuse.

Responsiveness to Community Development Needs

FSB's CD activities demonstrate weak responsiveness to needs and opportunities in the AA. The bank provided a CD loan and qualifying services to a single organization in the AA. The bank did not provide any qualifying investments in the AA. With the unemployment rate in the AA at nearly 10 percent (July 2012), the poverty rate at 12 percent of households (based on 2000 US Census data), and low- and moderate-income families making up 37 percent of families (based on 2000 US Census data), there are opportunities for the bank to be involved in CD activities.

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”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (01/01/10 to 06/30/12) Community Development Test: (05/31/08 to 07/09/12)	
Financial Institution	Products Reviewed	
First Savings Bank (FSB or Bank) Beresford, SD	See list below for each Assessment Area	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
South Dakota Sioux City MSA #43580 (Partial) Nonmetropolitan Area (Rural) Sioux Falls MSA #43620 (Partial)	Full-scope Full-scope Limited-scope	Business loans, Farm loans Farm loans Business loans, Farm loans
Arizona Lake Havasu MSA #29420	Full-scope	Business loans
New Mexico Nonmetropolitan Area (Rural) Las Cruces MSA #29740	Full-scope Limited-scope	Business loans Business loans
Nebraska Omaha MSA #36540 (Partial)	Full-scope	Business loans
Texas El Paso MSA #21340	Full-scope	Business loans
Nevada Las Vegas MSA #29820	Full-scope	Business loans

Appendix B: Summary of Overall Bank and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State Rating
First Savings Bank	Satisfactory	Satisfactory	Satisfactory
South Dakota	Satisfactory	Satisfactory	Satisfactory
New Mexico	Outstanding	Satisfactory	Satisfactory
Texas	Satisfactory	Satisfactory	Satisfactory
Nebraska	Outstanding	Satisfactory	Satisfactory
Nevada	Outstanding	Needs to Improve	Satisfactory
Arizona	Needs to Improve	Needs to Improve	Needs to Improve