



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 2, 2013

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank  
Charter Number 14252

307 Hustan Avenue, Fort Pierre, SD 57532

Office of the Comptroller of the Currency  
4900 S. Minnesota Avenue, Suite 300, Sioux Falls, SD 57108

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 bank's loan-to-deposit ratio is more than reasonable given the bank's size and financial condition and the assessment area (AA) credit needs.<sup>1</sup>
- A majority of the bank's loans by number (87 percent) and dollar volume (80 percent) are located within the AA.
- Borrower distribution is reasonable for farms and businesses of different sizes and residential borrowers of different incomes.
- Geographic distribution of business, agricultural, and residential loans is reasonable.
- Community Development lending volume and investments are satisfactory at 3.02 percent of tier one capital.

## **Scope of Examination**

First National Bank (FNB) is evaluated under the Intermediate Small Bank examination procedures, which include a Lending Test and a Community Development Test for the State of South Dakota and the State of Colorado. 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 community development needs in the bank's AAs by community development loans, qualified investments, and services.

The evaluation includes business, agricultural, and residential loans originated from January 1, 2010 to December 31, 2012. We evaluated business, agricultural, and residential loans, as they were the primary products the bank originated within the period. We also considered community development loans, investments, and services for the same period.

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<sup>1</sup> 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 and multistate metropolitan areas.

## **Description of Institution**

FNB is a \$737 million interstate bank headquartered in Fort Pierre, South Dakota. The bank has 13 branches in South Dakota that include Pierre (2), Fort Pierre, Huron (2), Lake Preston, Midland, Murdo, Lead, Sturgis, Newell, McLaughlin, and Rapid City. FNB's only Colorado branch is located in Centennial in the Denver Metropolitan Statistical Area (MSA). The bank operates 12 automated teller machines (ATMs), of which four accept deposits. FNB is wholly-owned by Capital Bancorporation, Inc., a \$737 million, one-bank holding company headquartered in Britton, South Dakota.

FNB is affiliated with two national banks located in Slayton, MN and Davenport, IA. Each bank is wholly-owned by separate one-bank holding companies. FNB is also affiliated with a savings and loan institution headquartered in Beresford, SD and its one-bank holding company. In addition, FNB is a one-third owner of a company that provides information technology services to all affiliated institutions.

Since the last Community Reinvestment Act (CRA) evaluation on December 22, 2008, the bank has not purchased or sold any branches. There have been no mergers, new branch openings, or branch closings since the last CRA evaluation.

FNB's business focus is traditional community banking products. As of December 31, 2012, FNB's loan portfolio consisted of 54 percent commercial, 20 percent consumer, 16 percent agricultural, and 10 percent residential real estate loans. FNB sells a significant volume of their residential real estate loans into the secondary market. Net loans totaled 63 percent of average assets.

FNB received a Satisfactory rating at its December 22, 2008 CRA examination. FNB has no financial, legal, or other factors that impede the bank's ability to meet the credit needs of its AAs.

Competition is strong and includes local community banks and branches of larger regional and national institutions. Including FNB, there are 25 financial institutions serving the rural South Dakota AAs, 12 financial institutions serving the Rapid City AA, and 61 financial institutions serving the Denver AA.

## **Selection of Areas for Full-Scope Review**

FNB has six AAs. Five of the AAs are located in South Dakota and one AA is in Colorado. All AAs received a full scope review. For analysis purpose, we evaluated the four rural South Dakota AAs as one AA since they are similar in demographics. We evaluated the Rapid City AA and the Denver AA separately. The Rapid City AA and the Denver AA are MSAs. We evaluated two separate loan samples in each AA comparing the loans originated in 2010-2011 to the 2000 census data and comparing the loans originated in 2012 to the 2010 census data.

## Ratings

FNB’s overall rating is a blend of the South Dakota and Colorado state ratings. The South Dakota rating was given more weight as a majority of FNB’s deposits, 77 percent, originated in South Dakota. Refer to the “Scope” section under each state for details regarding how the AAs were evaluated in arriving at the overall state rating.

## Conclusions with Respect to Performance Criteria

FNB’s performance under the Lending Test is Satisfactory. We placed more weight on FNB’s performance in South Dakota as the majority of loans and deposits are generated in South Dakota. FNB’s loan-to-deposit ratio is more than reasonable and FNB originates a majority of loans inside the bank’s AAs. The bank’s geographic distribution of loans is reasonable. Borrower distribution reflects reasonable dispersion among businesses and farms of different sizes and borrowers of different income levels

### Loan-to-Deposit Ratio

FNB’s loan-to-deposit ratio is more than reasonable given its size, financial condition, and the AAs’ credit needs. The bank’s average quarterly net loan-to-deposit ratio was 91 percent for the 17 quarters from December 31, 2008 through December 31, 2012. During this period, the ratio ranged from a quarterly low of 82 percent to a high of 102 percent.

The bank’s net loan-to-deposit ratio is reasonable when compared with other community banks of similar size (total assets ranging from \$185 million to \$900 million) within the AAs. FNB ranks second among eight similarly-situated banks serving the AAs. The other eight banks had quarterly average net loan-to-deposit ratios averaging 75 percent and ranging from 36 percent to 93 percent.

### Lending in Assessment Area

FNB originates a majority of its loans to borrowers located inside its defined AAs. We reviewed 60 business, 20 agricultural, and 20 residential loans that FNB originated from January 1, 2010 to December 31, 2012. Approximately 87 percent by number and 80 percent by dollar volume were made to borrowers within the bank’s designated AAs. Table 1 shows the primary product loans originated inside and outside the AAs by number and dollar volume.

Loan Type	Number of Loans					Dollars of Loans (thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	52	87%	8	13%	60	\$33,500	78%	\$9,600	22%	\$43,100
Agricultural	16	80%	4	20%	20	\$2,600	93%	\$200	7%	\$2,800
Residential	19	95%	1	5%	20	\$2,600	96%	\$100	4%	\$2,700
Total	87	87%	13	13%	100	\$38,700	80%	\$9,900	20%	\$48,600

Source: loan sample

## **Fair Lending or Other Illegal Credit Practices Review**

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

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

# State Rating

## State of South Dakota

**CRA Rating for South Dakota<sup>2</sup>: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The primary rating factors are:

- The distribution of borrowers reflects an excellent penetration among business of different sizes and reasonable penetration among farms of different sizes. Distribution among low-income residential borrowers is poor. However, distribution to moderate-income residential borrowers is reasonable.
- The geographic distribution of business, agricultural, and residential loans throughout South Dakota is reasonable.
- FNB's community development activities demonstrate an adequate responsiveness to community development needs of its AAs.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH DAKOTA

FNB's primary market is the State of South Dakota. Thirteen of the bank's fourteen branches are in South Dakota. Over 77 percent of deposits and loan activities are in South Dakota. The bank has five AAs in South Dakota. Four AA's are located in rural South Dakota and were combined for analysis purposes into a single AA. All four AAs are similar in demographics. The other South Dakota AA is the Rapid City MSA.

### Rural South Dakota AA

The rural South Dakota AA consists of Beadle, Clark, Hand, Jerauld, Kingsbury, Sanborn, Spink, Haakon, Hughes, Jones, Stanley, Butte, Lawrence, and Corson counties. The counties extend from central South Dakota to the western border of South Dakota. The counties are in rural areas, with smaller communities as centers for agricultural businesses. The AA has no low-income tracts, 3 moderate-income tracts, 27 middle-income tracts, and 2 upper-income tracts. The 2010 census considered 12 of the 27 middle-income tracts distressed or underserved. Since the 2000 census, one low-income tract in Corson County and one moderate-income tract in Hughes County were consolidated with surrounding moderate-income and middle-income tracts, respectively.

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<sup>2</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

The AA has a total population of 101,697 and 42,169 housing units. The 2010 median family income was \$55,116 and the Department of Housing and Urban Development (HUD) 2012 updated median family income was \$56,400. In addition to the bank's main office, there are ten branches located in this AA. This AA includes three deposit-taking ATMs.

The economy in the area is stable. The major employment is from farms, agricultural businesses, government (Pierre is the state capital), and the retail trade. According to the Bureau of Labor Statistics, the unemployment rate for December 31, 2012 for the State of South Dakota is 4.3 percent. Twelve of the fourteen counties in the AA had unemployment rates below 5.1 percent. The exceptions were Corson County and Clark Counties whose unemployment rates were 7.3 percent and 6.5 percent. These rates compare favorably to the national unemployment rate of 7.5 percent.

#### Rapid City AA

The Rapid City AA consists of the Rapid City MSA, which includes Pennington and Meade counties. The area is predominately a metropolitan area supported by a large Air Force base, regional hospital, and tourism in the Black Hills. The AA has 1 low-income tract, 7 moderate-income tracts, 15 middle-income tracts, and 5 upper-income tracts. The census did not identify any distressed or underserved middle-income census tracts.

The AA has a total population of 126,382 and 49,653 housing units. The 2010 median family income was \$56,777 and the HUD 2012 updated median family income was \$58,100. The bank operates two branches in the AA, one in Rapid City and one in Sturgis.

The economy in the area is stable. Major employers in the AA are Ellsworth Air Force Base, the Rapid City Regional Hospital, and the tourism industry. According to the Bureau of Labor Statistics, the unemployment rate for December 31, 2012 was 4.8 percent for the Rapid City MSA. This compares favorably to the national unemployment rate of 7.5 percent.

#### Denver AA

The Denver AA consists of the Denver-Aurora MSA, which includes Arapahoe, Douglas, and part of Adams counties in Colorado. The area is predominately a metropolitan area. The AA has 52 low-income tracts, 76 moderate-income tracts, 100 middle-income tracts, 123 upper-income tracts, and 1 tract not classified as there are no households in the census tract. The census did not identify any distressed or underserved middle-income census tracts.

The AA has a total population of 1,457,626 and 571,815 housing units. The 2010 median family income was \$75,101 and the HUD 2012 updated median family income was \$79,300. The bank operates one branch and one deposit-taking ATM in the AA.

The economy in the area is stable. Major employers in the AA are state and local government and retail trade. Unemployment has gradually declined from 9.7 percent since its peak in March 2010 to 7.4 percent as of December 31, 2012. This compares to the national unemployment rate of 7.5 percent.

## SCOPE OF EVALUATION IN SOUTH DAKOTA

The rural South Dakota AA was weighted heavily in arriving at our conclusion regarding performance in South Dakota. However, all AA's received a full scope review. The bank's largest share of deposits, 66 percent, is in this AA. FNB's main office and a significant majority of their offices are in the AA. The Rapid City AA has 2 offices and 11 percent of the bank's deposits. The Denver MSA has 1 office, 1 deposit-taking ATM, and 23 percent of deposits.

We did not identify any unmet credit needs in any of FNB's AAs. We contacted individuals from a local economic development organization and a statewide farm service agency. Credit needs in the AA are typical for most small communities and rural areas and include small business, small farm, and affordable housing loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA

### LENDING TEST

The bank's performance under the Lending Test in South Dakota is rated Satisfactory. Borrower distribution reflects reasonable penetration among farms of different sizes and reasonable penetration among businesses of different sizes. Borrower distribution is reasonable for individuals of different income levels. Overall, the geographic distribution of business, agricultural, and residential loans throughout South Dakota is reasonable.

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

#### Rural South Dakota AA – Farm Loans

Agricultural lending activity for the rural South Dakota AAs is reasonable compared to farm demographic data from the 2000 and 2010 census information. Our sample included 20 agricultural loans from the 2010-2011 period and 20 agricultural loans from the 2012 period.

The bank's distribution of loans to farms of different sizes is reasonable in comparison to 2000 demographic data. The bank originated 85 percent of its loans to farms with revenues of one million dollars or less in 2010-2011. Table 2A shows the distribution of farm loans in the AA.

<b>Table 2A - Borrower Distribution of Loans to Farms in Rural South Dakota (2010-2011)</b>				
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 #	85%	15%	0%	100%
% of Bank Loans in AA by \$	78%	22%	0%	100%

Source: 2000 U.S. Census data, loan sample

The bank's distribution of loans to farms of different sizes is reasonable in comparison to 2010 demographic data. The bank originated 95 percent of its loans to farms with revenues of one million dollars or less in 2012. Table 2B shows the distribution of farm loans in the AA.

<b>Table 2B - Borrower Distribution of Loans to Farms in Rural South Dakota (2012)</b>				
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 #	95%	5%	0%	100%
% of Bank Loans in AA by \$	93%	7%	0%	100%

Source: 2010 U.S. Census data, loan sample

### Rural South Dakota AA – Business Loans

Business lending activity for the rural South Dakota AAs is reasonable compared to business demographic data from the 2000 and 2010 census information. Our sample included 20 business loans from the 2010-2011 period and 20 business loans from the 2012 period.

The bank's distribution of loans to businesses of different sizes is excellent in comparison to 2000 demographic data. The bank originated 95 percent of its loans to businesses with revenues of one million dollars or less in 2010-2011. Table 3A shows the distribution of business loans in the AA.

<b>Table 3A - Borrower Distribution of Loans to Businesses in Rural South Dakota (2010-2011)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	70%	2%	28%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	97%	3%	0%	100%

Source: 2000 U.S. Census data, loan sample

The bank's distribution of loans to businesses of different sizes is reasonable in comparison to 2010 demographic data. The bank originated 85 percent of its loans to businesses with revenues of one million dollars or less in 2012. Table 3B shows the distribution of business loans in the AA.

<b>Table 3B - Borrower Distribution of Loans to Businesses in Rural South Dakota (2012)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	73%	3%	24%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	36%	64%	0%	100%

Source: 2010 U.S. Census data, loan sample

### Rapid City AA – Business Loans

Business lending activity for the Rapid City AA is reasonable compared to business demographic data from the 2000 and 2010 census information. Our sample included 20 business loans from the 2010-2011 period and 20 business loans from the 2012 period.

The bank's distribution of loans to businesses of different sizes is reasonable in comparison to 2000 demographic data. The bank originated 65 percent of its loans to businesses with revenues of one million dollars or less in 2010-2011. Table 4A shows the distribution of business loans in the AA.

<b>Table 4A - Borrower Distribution of Loans to Businesses in Rapid City MSA (2010-2011)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	68%	3%	29%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	53%	47%	0%	100%

*Source: 2000 U.S. Census data, loan sample*

The bank's distribution of loans to businesses of different sizes is reasonable in comparison to 2010 demographic data. The bank originated 80 percent of its loans to businesses with revenues of one million dollars or less in 2010-2011. The dollar volume was affected by one large \$10 million loan to a business with revenues of over \$1 million. This loan more than offset 13 loans to small business that had loans of \$50 thousand or less. Table 4B shows the distribution of business loans in the AA.

<b>Table 4B - Borrower Distribution of Loans to Businesses in Rapid City MSA (2012)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	72%	4%	24%	100%
% of Bank Loans in AA by #	80%	15%	5%	100%
% of Bank Loans in AA by \$	6%	93%	1%	100%

*Source: 2010 U.S. Census data, loan sample*

### Rapid City AA – Residential Real Estate Loans

Real estate lending activity for the Rapid City AA is poor compared to demographic data from the 2000 and 2010 census information. Our sample included 20 residential real estate loans from the 2010-2011 period and 20 residential real estate loans from the 2012 period. FNB uses the South Dakota Housing Development Authority, United States Department of Agriculture Rural Development Program, and the Veteran Administration home programs to offer lower rates and down payments to first time homebuyers.

The distribution of lending to individuals of different incomes shows a poor penetration to low-income borrowers with only 6 percent of home purchase and refinance loans from 2010-2011, compared to an 18 percent demographic from 2000. However, the bank's lending distribution to moderate-income homeowner is reasonable. Table 5A shows the distribution of residential real estate loans in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18%	6%	18%	23%	26%	31%	38%	40%
Home Refinance	18%	6%	18%	11%	26%	24%	38%	59%

Source: 2000 U.S. Census data; 2010-2011 HMDA, loan sample

The distribution of lending to individuals of different incomes shows a poor penetration to low-income borrowers with only 5 percent of home purchase and 3 percent of home refinance loans from 2012, compared to an 18 percent demographic from 2010. However, the bank's lending distribution to moderate-income homeowner is reasonable. Table 5B shows the distribution of residential real estate loans in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18%	5%	19%	24%	23%	35%	40%	36%
Home Refinance	18%	3%	19%	16%	23%	18%	40%	63%

Source: 2010 U.S. Census data; 2012 HMDA, loan sample

## Geographic Distribution of Loans

### Rural South Dakota AA – Farm Loans

Agricultural lending activity for the rural South Dakota AAs is reasonable compared to farm demographic data from the 2000 and 2010 census information. Our sample included 20 agricultural loans from the 2010-2011 period and 20 agricultural loans from the 2012 period.

The bank's geographic distribution of farm loans is reasonable in comparison to 2000 demographic data. The 2000 census information shows only two potential farms within the single low-income tract in Corson County, creating limited opportunities to lend in low-income census tracts. The bank originated 10 percent of its 2010-2011 farm loans in moderate-income census tracts. Table 6A shows the distribution of farm loans in the AA.

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%	1%	10%	92%	80%	7%	10%

Source: 2000 U.S. Census data, loan sample

The bank's geographic distribution of farm loans is reasonable in comparison to 2010 demographic data. The low-income census tract identified in 2000 was consolidated with a moderate-income tract in 2010. The bank originated 5 percent of its 2010-2011 farm loans in moderate-income census tracts. Table 6B shows the distribution of farm loans in the AA.

<b>Table 6B - Geographic Distribution of Loans to Farms in Rural South Dakota (2012)</b>								
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%	8%	5%	85%	85%	7%	10%

Source: 2010 U.S. Census data, loan sample

#### Rural South Dakota AA – Business Loans

Business lending activity for the rural South Dakota AAs is reasonable compared to business demographic data from the 2000 and 2010 census information. Our sample included 20 business loans from the 2010-2011 period and 20 business loans from the 2012 period.

The bank’s geographic distribution of business loans is reasonable in comparison to 2000 demographic data. The 2000 census information shows only 11 potential businesses within the single low-income tract in Corson County. There were limited opportunities to lend in the low- and moderate-income census tracts. Table 7A shows the distribution of business loans in the AA.

<b>Table 7A - Geographic Distribution of Loans to Businesses in Rural South Dakota (2010-2011)</b>								
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%	1%	0%	87%	80%	12%	20%

Source: 2000 U.S. Census data, loan sample

The bank’s geographic distribution of business loans is reasonable in comparison to 2010 demographic data. The low-income census tract identified in 2000 was consolidated with a moderate-income tract in 2010. There were limited opportunities to lend in the low- and moderate-income census tracts. Table 7B shows the distribution of business loans in the AA.

<b>Table 7B - Geographic Distribution of Loans to Businesses in Rural South Dakota (2012)</b>								
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%	5%	0%	87%	45%	8%	55%

Source: 2010 U.S. Census data, loan sample

#### Rapid City AA – Business Loans

Business lending activity for the Rapid City AA is reasonable compared to business demographic data from the 2000 and 2010 census information. Our sample included 20 business loans from the 2010-2011 period and 20 business loans from the 2012 period.

The bank’s geographic distribution of business loans is reasonable in comparison to 2000 demographic data. The bank originated 30 percent of business loans from 2010-2011 in moderate-income census tracts, compared to a 35 percent demographic from 2000. Table 8A shows the distribution of business loans in the Rapid City AA.

<b>Table 8A - Geographic Distribution of Loans to Businesses in the Rapid City AA (2010-2011)</b>								
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%	35%	30%	46%	55%	19%	15%

Source: 2000 U.S. Census data, loan sample

The bank’s geographic distribution of business loans is reasonable in comparison to 2010 demographic data. The Rapid City AA has one low-income census tract, newly identified in 2010. There are limited opportunities to lend in this tract as only 23 businesses are located in the low-income census tract. The bank originated 15 percent of business loans from 2012 in moderate-income census tracts, compared to a 25 percent demographic from 2010. Table 8B shows the distribution of business loans in the AA.

<b>Table 8B - Geographic Distribution of Loans to Businesses in the Rapid City AA (2012)</b>								
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	4%	0%	25%	15%	53%	75%	18%	10%

Source: 2010 U.S. Census data, loan sample

### Rapid City AA – Residential Real Estate Loans

Residential real estate lending activity for the Rapid City AA is reasonable compared to demographic data from the 2000 and 2010 census information. Our sample included 20 residential real estate loans from the 2010-2011 period and 20 residential real estate loans from the 2012 period.

The bank’s geographic distribution of residential real estate loans is reasonable in comparison to 2000 demographic data. The bank originated 17 percent of home purchase and 11 percent of home refinance loans from 2010-2011 in moderate-income census tracts, compared to a 19 percent demographic from 2000. Table 9A shows the distribution of business loans in the AA.

The geographic distribution of residential loans is reasonable in the Rapid City AA. The 2000 census information showed no low-income tracts within the AA so the bank had no opportunities to lend in a low-income tract. The 2010 census created one low-income tract in Box Elder County. This new census tract has limited households. The distribution is reasonable based on limited opportunities and reasonable lending levels within moderate-income tracts in both 2010-2011 and 2012.

<b>Table 9A - Geographic Distribution of Residential Real Estate Loans in Rapid City MSA (2010-2011)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	19%	17%	54%	62%	27%	21%
Refinancing	0	0	19%	11%	54%	55%	27%	34%

Source: 2000 U.S. Census data; 2010-2011 HMDA, loan sample

The bank's geographic distribution of residential real estate loans is reasonable in comparison to 2010 demographic data. The bank originated 17 percent of home purchase and 14 percent of home refinance loans from 2010-2011 in moderate-income census tracts, compared to a 15 percent demographic from 2000. Table 9B shows the distribution of business loans in the AA.

<b>Table 9B - Geographic Distribution of Residential Real Estate Loans in Rapid City MSA (2012)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0	15%	17%	61%	64%	24%	19%
Refinancing	0%	0	15%	14%	61%	45%	24%	41%

Source: 2010 U.S. Census data; 2012 HMDA, loan sample

## Responses to Complaints

Neither the bank nor OCC has received any CRA-related complaints since the last CRA examination.

## **COMMUNITY DEVELOPMENT TEST**

### **Responsiveness to Community Development Needs**

The bank's performance under the Community Development Test in South Dakota is Satisfactory. Total community development lending and investments in South Dakota represent 1.72 percent of tier one capital.

FNB provides the community a reasonable level of community development lending and investments. They originated two community development loans for \$438 thousand during the period and have a remaining balance on a third community development loan in the amount \$1.35 million. FNB has a \$250 thousand qualified investment, which benefit seniors in a veteran's home in the AA.

FNB provides an adequate level of community development services. FNB services 59 affordable housing loans (Habitat for Humanity), a service that is responsive to the affordable housing needs of low-income individuals. In addition, FNB provides educational services within two rural moderate-income census tracts through its financial literacy program. Bank officers provide financial expertise to a corporation providing apartments to low- and moderate-income families and teach first-time homebuyer classes for two non-profit corporations.

## State Rating

### State of Colorado

**CRA Rating for Colorado: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The primary factors supporting the rating are:

- The distribution of borrowers in Colorado reflects reasonable penetration among businesses of different sizes.
- The geographic distribution of businesses in Colorado reflects a reasonable dispersion throughout census tracts of different income levels.
- FNB's community development activities in Colorado, as a whole, reflect adequate responsiveness to the community development needs of the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN COLORADO

The bank's operations in Colorado are limited. Only one of the bank's branches is located in Colorado. In addition, 23 percent of the bank's deposits are attributed to their operations in Colorado. One of the bank's twelve ATMs is located in the Denver AA and it accepts deposits.

The bank's designated AA is the Denver-Aurora MSA. The AA includes Arapahoe, Douglas, and a portion of Adams County. The AA consists of 52 low, 76 moderate, 100 middle, and 123 upper-income census tracts.

The AA has a total population of 1,457,626 and 571,815 housing units. The 2010 median family income was \$75,101 and the HUD 2012 updated median family income was \$79,300.

The major employment sectors are government and retail trade. According to the Bureau of Labor Statistics, the unemployment rate for the Denver-Aurora MSA for December 2012 was 7.4 percent. This is comparable to the national unemployment rate of 7.5 percent.

### SCOPE OF EVALUATION IN COLORADO

The Colorado AA received a full-scope review because it is FNB's only AA in the State of Colorado. The Denver AA received less weight than the South Dakota AAs because only 23 percent of the bank's deposits are attributed to the bank's operations in Colorado. We interviewed a contact with an affordable housing organization in the AA. That organization

identified affordable housing as the primary credit need for the area. The bank originates home loans within the AA; however, over 92 percent by number, and 70 percent by dollar volume, of the Colorado loans are business loans. We relied on our analysis of business loans in the AA to assess the performance in the State of Colorado.

We did not identify any unmet credit needs in any of FNB’s AAs. We reviewed a community contact completed with an affordable housing organization, which identified affordable housing as a community need.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLORADO**

### **LENDING TEST**

The bank’s performance under the Lending Test in Colorado is rated Satisfactory. The distribution of borrowers in Colorado reflects reasonable penetration among businesses of different sizes. The geographic distribution of business loans in Colorado reflects reasonable dispersion throughout the AA.

#### **Lending to Businesses of Different Sizes**

##### Denver AA – Business Loans

Business lending activity for the Denver AA is reasonable compared to business demographic data from the 2000 and 2010 census information. Our sample included 20 business loans from the 2010-2011 period and 20 business loans from the 2012 period.

The bank’s distribution of loans to businesses of different sizes is reasonable in comparison to 2000 census data. The bank originated 65 percent of its loans to businesses with revenues of one million dollars or less in 2010-2011. Table 10A shows the distribution of business loans in the AA.

<b>Table 10A - Borrower Distribution of Loans to Businesses in Denver MSA (2010-2011)</b>				
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 #	65%	35%	0%	100%
% of Bank Loans in AA by \$	80%	20%	0%	100%

*Source: 2000 U.S. Census data, loan sample*

The bank’s distribution of loans to businesses of different sizes is reasonable in comparison to 2010 census data. The bank originated 65 percent of its loans to businesses with revenues of one million dollars or less in 2012. Table 10B shows the distribution of business loans in the AA.

<b>Table 10B - Borrower Distribution of Loans to Businesses in Denver MSA (2012)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	71%	4%	25%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	40%	60%	0%	100%

Source: 2010 U.S. Census data, loan sample

## Geographic Distribution of Loans

### Denver AA – Business Loans

Business lending activity in the Denver AA is reasonable compared to business demographic data from 2000 and 2010 census information. Our sample included 20 business loans from the 2010-2011 period and 20 business loans from the 2012 period.

The bank’s geographic distribution of business loans is reasonable in comparison to 2000 demographic data. The bank originated 5 percent and 20 percent of business loans in low- and moderate-income census tracts, respectively. Table 11A shows the distribution of business loans in the AA.

<b>Table 11A - Geographic Distribution of Loans to Businesses in Denver MSA (2010-2011)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business Loans	5%	5%	20%	20%	34	30%	41%	45%

Source: 2000 U.S. Census data, loan sample

The bank’s geographic distribution of business loans is reasonable in comparison to 2010 demographic data. The bank originated 5 percent and 15 percent of business loans in low- and moderate-income census tracts, respectively. Table 11B shows the distribution of business loans in the AA.

<b>Table 11B - Geographic Distribution of Loans to Businesses in Denver MSA (2012)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business Loans	11%	5%	19%	15%	27%	40%	43%	40%

Source: 2010 U.S. Census data, loan sample

## Responses to Complaints

Neither the bank nor OCC has received any CRA related complaints since the last CRA examination.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the state of Colorado is rated Satisfactory. Community development lending and investment in Colorado represents 7.07 percent of tier one capital.

The bank originated three community development loans for \$997 million within low-income census tracts to provide housing for low- and moderate-income individuals. The bank also has \$1.5 million existing community development loans.

A bank officer provides financial expertise and volunteers for Development Pathways, a non-profit organization that provides residential services to handicapped individuals.

## 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”).

<b>Time Period Reviewed</b>	<b>Lending Test:</b> 1/1/2010 to 12/31/2012 <b>Community Development Test:</b> 1/1/2010 to 12/31/2012	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank (FNB) Fort Pierre, South Dakota	See list below for each AA	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
No affiliate lending or products were reviewed.	Not applicable	Not applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
South Dakota Rural South Dakota	Full Scope	Farms and business loans
Nonmetropolitan SD Rapid City MSA #39660	Full Scope	Business and residential loans
Colorado Denver–Aurora MSA #17640	Full Scope	Business loans

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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<b>Overall Bank:</b>	<b>Lending Test Rating</b>	<b>Community Development Test Rating</b>	<b>Overall Bank/State/Multistate Rating</b>
First National Bank	Satisfactory	Satisfactory	Satisfactory
South Dakota	Satisfactory	Satisfactory	Satisfactory
Colorado	Satisfactory	Satisfactory	Satisfactory