



## **PUBLIC DISCLOSURE**

January 14, 2019

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number: 21793

141 East Main Street  
Oldham, South Dakota 57051

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

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

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## Overall CRA Rating

### The Lending Test is rated: Satisfactory

- First National Bank's (FNB) average loan-to-deposit (LTD) ratio of 77 percent is reasonable.
- Management originates and purchases a majority of its loans to customers inside FNB's assessment areas (AAs).
- The distribution of agriculture and commercial loans to businesses of different sizes and consumer loans to borrowers of different income levels within the AAs reflects reasonable distribution of AA demographics.
- There were no CRA related complaints received since the prior CRA examination.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AAs or outside the AAs provided the bank has adequately addressed the community development needs of its AAs.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agriculture production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

FNB is a nationally chartered single-state bank, currently headquartered in Oldham, South Dakota. FNB is wholly owned by Fulda Bancorporation Inc., a one-bank holding company headquartered in Britton, South Dakota. As of December 31, 2017, FNB had total assets of \$225 million and operated eight branches and five non-depository automatic teller machines in Minnesota. One branch was located in each of the following towns: Slayton, Fulda, LeRoy, Lakefield, Springfield, Spring Valley, Plymouth, and Hastings. FNB did not open or close any branches and there was no merger or acquisition activity during the CRA examination evaluation period of January 1, 2015 through December 31, 2017.

Management designated three AAs within Minnesota: rural Minnesota (MN Non-MSA AA), a portion of the Rochester MSA (Fillmore County AA) and a portion of the Minneapolis-St. Paul-Bloomington MSA (Minneapolis MSA AA). The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs.

Two corporate activities occurred after the evaluation period and are not considered as part of this CRA examination. FNB sold the Springfield branch in April 2018 and merged with affiliate First American State Bank (FASB) in November 2018. FNB was headquartered in Slayton, Minnesota prior to the merger.

FNB offers traditional loan and deposit products and services to its customers with a focus on agriculture lending in rural areas and commercial lending in the Minneapolis MSA AA. Additionally, FNB purchases participations in national credit card loans from an affiliate bank. As of December 31, 2017, gross loans accounted for 73 percent of total assets and common equity tier one capital totaled \$23 million representing 10 percent of total assets.

Table 1 – FNB’s Loan Portfolio Composition as of December 31, 2017	
Loan Type	Percent of Total Loans
Agriculture	40%
Commercial	39%
Credit Card	11%
One-to-Four Family	7%
Other Consumer	3%

Source: Call Report as of 12/31/2017

FNB’s credit card portfolio totaled \$17 million, representing 1 percent of total assets and 11 percent of total loans as of December 31, 2017. We did not include credit card lending in our analysis when determining primary loan products or calculating the breakdown of lending within each AA by number and dollar volume of loans because credit cards represent a national product. Instead, our analysis and conclusions are based on products offered to FNB’s local markets.

There are no known legal, financial, or other impediments limiting FNB’s ability to meet the credit needs of its AAs. FNB received a Satisfactory rating in its last performance evaluation dated August 4, 2014.

## **Scope of the Evaluation**

FNB was evaluated using Small Bank CRA examination procedures. The institution's overall rating is based on the Lending Test, which evaluates a bank's record of meeting the credit needs of its AAs through its lending activities. The evaluation period for the Lending Test is January 1, 2015 to December 31, 2017. We evaluated loans originated in 2015 and 2016 separately from loans originated in 2017, as the 2017 demographic information was updated with data collected from the American Community Survey (ACS). The Lending Test evaluated agriculture loans in the MN Non-MSA AA, agriculture and consumer loans in the Fillmore County AA, and commercial loans in the Minneapolis MSA AA as these loan types were determined to be the primary loan products in FNB's individual AAs.

We used data from FNB's internal loan reports to determine the primary product(s) for each AA. To evaluate lending performance, we selected a random sample of each primary loan product originated and purchased during the evaluation period in each AA. Examiners initially sampled 20 loans per primary product for each AA. Loan samples in the Fillmore County AA and the Minneapolis MSA AA were expanded to provide a more comprehensive representation of the loan portfolio after initial analysis did not result in conclusive findings.

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

We completed full-scope reviews of the MN Non-MSA AA and the Fillmore County AA. The MN Non-MSA AA represents the majority of the institution's branch locations, deposit volume as of June 30, 2017, and loan origination volume during the evaluation period. The Fillmore County AA was a new AA since the prior CRA examination, created when Fillmore County was added to the Rochester MSA. We completed a limited-scope review of the Minneapolis MSA AA.

Refer to Appendix A for more information.

### **Ratings**

FNB's overall rating is based primarily on those areas that received full-scope reviews. The MN Non-MSA AA received the most weight because the majority of loan originations, deposits, and branch locations are within this AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

FNB’s performance under the Lending Test is satisfactory. FNB’s LTD ratio is reasonable. The majority of loans were originated to borrowers located inside the bank’s AAs during the evaluation period. The distribution of loans to farms and businesses of different sizes and households of different income levels reflects reasonable distribution of AA demographics.

We placed the most weight on the borrower distribution conclusions. An assessment of geographic distribution was not meaningful for the MN Non-MSA AA, FNB’s most significant AA.

### Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable given the size, financial condition, and the credit needs of the AAs. FNB’s average quarterly LTD ratio was 76 percent for the 14 quarters from September 30, 2014 to December 31, 2017. The ratio ranged from a quarterly low of 72 percent to a quarterly high of 86 percent.

FNB’s average LTD ratio is consistent with the average LTD ratio of other banks of similar size operating within at least one of FNB’s designated AAs. The average quarterly LTD ratio for similarly-situated banks was 76 percent for the 14 quarters between September 30, 2014 and December 31, 2017. The ratio ranged from an average quarterly low of 65 percent to an average quarterly high of 85 percent.

### Lending in Assessment Area

FNB originated the majority of its loans to customers inside its AAs. During the evaluation period, 64 percent of FNB’s loans by number and 52 percent by dollar volume were originated to borrowers located in the bank’s AAs.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Agriculture Loans	67	84	13	16	80	13,338	84	2,638	17	15,976
Consumer Loans	30	75	10	25	40	340	72	135	28	475
Commercial Loans	6	15	34	85	40	711	6	10,432	94	11,143
<b>Total</b>	<b>103</b>	<b>64</b>	<b>57</b>	<b>36</b>	<b>160</b>	<b>14,389</b>	<b>52</b>	<b>13,205</b>	<b>48</b>	<b>27,594</b>

Source: Evaluation Period: 1/1/2015 - 12/31/2017 Bank Data

Due to rounding, totals may not equal 100

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

The distribution of agriculture and commercial loans to farms and businesses of different sizes and consumer loans to borrowers of different income levels reflects reasonable distribution of AA demographics. We put the most weight on the MN Non-MSA AA conclusions.

### MN Non-MSA AA

The distribution of agriculture loans in the MN Non-MSA AA to farms of different sizes reflects reasonable distribution to small farms in the AA for both the 2015 – 2016 evaluation period and the 2017 evaluation period. We put more weight on loan sample performance compared to the percent of small farms in the AA than compared to aggregate industry data. Aggregate industry data includes loans originated or purchased by lenders who are subject to CRA small farm reporting requirements.

During the 2015 – 2016 evaluation period, FNB lending staff originated 60 percent of agriculture loans to farms with gross annual revenues of less than or equal to \$1 million in the AA. This ratio is lower than demographic data showing 99 percent of farms in the AA have gross annual revenues of less than or equal to \$1 million and exceeds the 48 percent aggregate industry data ratio. Table 3A contains the data used to evaluate borrower distribution of FNB’s agriculture loans in the MN Non-MSA AA during the 2015-2016 evaluation period.

Table 3A: MN Non-MSA AA Distribution of Loans to Farms by Gross Annual Revenues											2015-2016	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$(000)s	% of Total by #	Overall Market	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Minnesota Non-MSA 2015-2016	20	2,443	37	584	99	60	48	0.5	40	0.5	0.0	

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data

Due to rounding, totals may not equal 100

During the 2017 evaluation period, FNB lending staff originated 95 percent of agriculture loans to farms with gross annual revenues of less than or equal to \$1 million in the AA. This ratio is lower than demographic data showing 99 percent of farms in the AA have gross annual revenues of less than or equal to \$1 million and exceeds the 48 percent aggregate industry data ratio. Table 3B contains the data used to evaluate borrower distribution of FNB’s agriculture loans in the MN Non-MSA AA during the 2017 evaluation period.

Table 3B: MN Non-MSA AA Distribution of Loans to Farms by Gross Annual Revenues											2017
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$(000)s	% of Total by #	Overall Market	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans by #	% Farms	% Bank Loans by #
Minnesota Non-MSA 2017	20	2,943	53	584	99	95	48	0.5	5	0.6	0.0

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data  
 Due to rounding, totals may not equal 100

### Fillmore County AA

The distribution of loans in the Fillmore County AA to borrowers of different sizes and income levels reflects reasonable distribution of AA demographics. We placed the most weight on the testing conclusions from consumer loans originated in 2017 and agriculture loans originated in 2015-2016 because these samples were expanded to the full population of 34 loans.

### *Consumer Loans*

The distribution of consumer loans in the Fillmore County AA to borrowers with different income levels reflects reasonable distribution to low- and moderate-income (LMI) households in the AA for the 2015 - 2016 evaluation period and excellent distribution for the 2017 evaluation period. We put more weight on the 2017 conclusions because the sample was larger. We expanded the 2017 sample to the full population of 34 loans because the initial geographic distribution conclusion in 2017 was less than reasonable.

During the 2015 – 2016 evaluation period, FNB lending staff originated a combined 70 percent of its consumer loans to LMI borrowers in the AA, which exceeds the combined demographic indicator of 53 percent. FNB lending staff originated 25 percent of consumer loans to low-income borrowers and 45 percent of consumer loans to moderate-income borrowers. This is lower than the demographic indicator of 32 percent of low-income households in the AA and exceeds the demographic indicator of 21 percent of moderate-income households in the AA. Table 3C contains the data used to evaluate borrower distribution of FNB’s consumer loans in the Fillmore County AA during the 2015-2016 evaluation period.

Table 3C: Fillmore County AA Distribution of Consumer Loans by Income Category of Borrower												2015-2016	
Assessment Area:	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$(000s)	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	
Fillmore County 2015-2016	20	229	32	25	21	45	20	25	27	5	0	0	

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data

Due to rounding, totals may not equal 100

During the 2017 evaluation period, FNB lending staff originated a combined 85 percent of its consumer loans to LMI borrowers in the AA, which significantly exceeds the combined demographic indicator of 50 percent. FNB lending staff originated 59 percent of consumer loans to low-income borrowers and 26 percent of consumer loans to moderate-income borrowers. This is significantly higher than the demographic indicator of 31 percent of low-income households in the AA and exceeds the demographic indicator of 19 percent of moderate-income households in the AA. Table 3D contains the data used to evaluate borrower distribution of FNB's consumer loans in the Fillmore County AA during the 2017 evaluation period.

Table 3D: Fillmore County AA Distribution of Consumer Loans by Income Category of Borrower												2017	
Assessment Area:	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$(000s)	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	% of House-holds	% Bank Loans	
Fillmore County 2017	34	461	31	59	19	26	20	12	30	3	0	0	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data

Due to rounding, totals may not equal 100

### Agriculture Loans

The distribution of agriculture loans in the Fillmore County AA to farms of different sizes reflects poor distribution to small farms in the AA for the 2015 – 2016 evaluation period and very poor distribution for the 2017 evaluation period. We put more weight on the 2015 - 2016 evaluation period because the sample was larger. We expanded the sample to the full population of applicable loans for both evaluation periods, which was 34 loans in 2015 - 2016 and 18 loans in 2017. We put more weight on loan sample performance compared to the percent of small farms in the AA than compared to aggregate industry data. Aggregate industry data includes loans originated or purchased by lenders who are subject to CRA small farm reporting requirements.

During the 2015 – 2016 evaluation period, FNB lending staff originated 62 percent of agriculture loans to farms with gross annual revenues of less than or equal to \$1 million in the AA. This ratio is significantly lower than demographic data showing 99 percent of farms in the AA have gross annual revenues of less than or equal to \$1 million and is lower than the 64 percent aggregate industry data ratio. Multiple loans to two large agriculture borrowers comprise a significant portion of the loan sample. Table 3E contains the data used to evaluate borrower distribution of FNB’s agriculture loans in the Fillmore County AA during the 2015 - 2016 evaluation period.

Table 3E: Fillmore County AA Distribution of Loans to Farms by Gross Annual Revenues											2015-2016	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$(000)s	% of Total by #	Overall Market	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Fillmore County 2015-2016	34	5,881	63	211	99	62	64	0.9	38	0.2	0.0	

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data

Due to rounding, totals may not equal 100

During the 2017 evaluation period, FNB lending staff originated 56 percent of agriculture loans to farms with gross annual revenues of less than or equal to \$1 million in the AA. This ratio is significantly lower than demographic data showing 99 percent of farms in the AA have gross annual revenues of less than or equal to \$1 million and is lower than the 64 percent aggregate industry data ratio. Multiple loans to two large agriculture borrowers comprise a significant portion of the loan sample. Table 3F contains the data used to evaluate borrower distribution of FNB’s agriculture loans in the Fillmore County AA during the 2017 evaluation period.

Table 3F: Fillmore County AA Distribution of Loans to Farms by Gross Annual Revenues											2017	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$(000)s	% of Total by #	Overall Market	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans by #	% Farms	% Bank Loans by #	
Fillmore County 2017	18	6,513	47	211	99	56	64	1.0	44	0.2	0.0	

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data

Due to rounding, totals may not equal 100

Minneapolis MSA AA

The distribution of commercial loans in the Minneapolis MSA AA to businesses of different sizes reflects reasonable distribution to small businesses in the AA for the 2015 – 2016 evaluation period and excellent distribution for the 2017 evaluation period. We put more weight on the 2015 - 2016 evaluation period because the sample was larger. We expanded the sample to the full population of applicable loans for both evaluation periods, which was 10 loans in 2015 - 2016 and 4 loans in 2017. Both evaluation period samples are not statistically valid because there are less than 20 loans in each sample. However, we included the comparative data for informational purposes. We put more weight on loan sample performance compared to the percent of small businesses in the AA than compared to aggregate industry data. Aggregate industry data includes loans originated or purchased by lenders who are subject to CRA small business reporting requirements.

During the 2015 – 2016 evaluation period, FNB lending staff originated 50 percent of commercial loans to businesses with gross annual revenues of less than or equal to \$1 million in the AA. This ratio is significantly lower than demographic data showing 80 percent of businesses in the AA have gross annual revenues of less than or equal to \$1 million but exceeds the 42 percent aggregate industry data ratio. Table 3G contains the data used to evaluate borrower distribution of FNB’s commercial loans in the Minneapolis MSA AA during the 2015-2016 evaluation period.

Assessment Area:	Total Loans to Businesses			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000)s	Overall Market	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	% Businesses	% Bank Loans by #
Minneapolis MSA 2015-2016	10	1,340	3,101	80	50	42	8	50	12	0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data  
 Due to rounding, totals may not equal 100

During the 2017 evaluation period, FNB lending staff originated 100 percent of commercial loans to businesses with gross annual revenues of less than or equal to \$1 million in the AA. This ratio exceeds the demographic data showing 82 percent of businesses in the AA have gross annual revenues of less than or equal to \$1 million and exceeds the 42 percent aggregate industry data ratio. Table 3F contains the data used to evaluate borrower distribution of FNB’s commercial loans in the Minneapolis MSA AA during the 2017 evaluation period.

**Table 3F: Minneapolis MSA AA Distribution of Loans to Small Businesses by Gross Annual Revenues 2017**

Assessment Area:	Total Loans to Small Businesses			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$ (000)s	Overall Market	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	% Businesses	% Bank Loans by #
Minneapolis MSA 2017	4	643	3,101	82	100	42	9	0	9	0

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data  
 Due to rounding, totals may not equal 100

### Geographic Distribution of Loans

The distribution of agriculture, commercial, and consumer loans to CTs of different income levels reflects poor distribution of AA demographics. We put the most weight on conclusions in the Fillmore County AA because there were 102 sampled loans compared to only 14 sampled loans in the Minneapolis MSA AA. A geographic distribution analysis was not meaningful for the MN Non-MSA AA.

#### MN Non-MSA AA

A geographic distribution analysis was not meaningful because there are no low- or moderate-income census tracts in the MN Non-MSA AA.

#### Fillmore County AA

The overall distribution of agriculture and consumer loans to CTs of different income levels reflects poor distribution to the moderate-income CTs in the AA. There are no low-income CTs in the AA. The geographic distribution was excellent in the 2015 - 2016 evaluation period but very poor in the 2017 evaluation period. The geographic distribution was negatively impacted in 2017 because CT #9603 changed from a moderate-income tract to a middle-income tract in 2017. The majority of loans in the Fillmore County AA were originated in CT #9603 because the Spring Valley and the FNB branch are located in the CT.

#### *Consumer Loans*

The geographic distribution of consumer loans in the Fillmore County AA to borrowers located in CTs of different income levels reflects reasonable distribution to moderate-income CTs in the AA for the 2015 - 2016 evaluation period and very poor distribution in the 2017 evaluation period. We put more weight on the 2017 evaluation period because the sample was larger. We expanded the sample to the full population of applicable loans for the 2017 evaluation period, which was 34 loans.

During the 2015 - 2016 evaluation period, FNB lending staff originated 70 percent of consumer loans to borrowers located in moderate-income CTs in the AA. This ratio exceeds the demographic data showing 64 percent of households are located in a moderate-income CT.

Table 4A contains the data used to evaluate geographic distribution of FNB’s consumer loans in the Fillmore County AA during the 2015 - 2016 evaluation period.

Table 4A: Fillmore County AA Distribution of Consumer Loans by Income Category of the Geography											2015-2016	
Assessment Area:	Total Consumer Loans		Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$(000s)	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Fillmore County 2015-2016	20	229	0	0	64	70	36	30	0	0	0	0

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data  
 Due to rounding, totals may not equal 100

During the 2017 evaluation period, FNB lending staff originated 15 percent of consumer loans to borrowers located in moderate-income CTs in the AA. This ratio is significantly lower than the demographic data showing 45 percent of households are located in a moderate-income CT. Table 4B contains the data used to evaluate geographic distribution of FNB’s consumer loans in the Fillmore County AA during the 2017 evaluation period.

Table 4B: Fillmore County AA Distribution of Loans by Income Category of the Geography											2017	
Assessment Area:	Total Consumer Loans		Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$(000s)	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Fillmore County 2017	34	461	0	0	45	15	55	85	0	0	0	0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data  
 Due to rounding, totals may not equal 100

### Agriculture Loans

The geographic distribution of agriculture loans in the Fillmore County AA to borrowers located in CTs of different income levels reflects excellent distribution to moderate-income CTs in the AA for the 2015 - 2016 evaluation period and very poor distribution in the 2017 evaluation period. We put more weight on the 2015 - 2016 evaluation period because the sample was larger. We expanded the sample to the full population of applicable loans for both evaluation periods, which was 34 loans in 2015 - 2016 and 18 loans in 2017.

During the 2015 - 2016 evaluation period, FNB lending staff originated 94 percent of agriculture loans to borrowers located in moderate-income CTs in the AA. This ratio significantly exceeds the demographic data showing 60 percent of farms are located in a moderate-income CT and significantly exceeds the 47 percent aggregate industry ratio. Table 4C contains the data used to evaluate geographic distribution of FNB's agriculture loans in the Fillmore County AA during the 2015-2016 evaluation period.

<b>Table 4C: Fillmore County AA Distribution of Loans to Farms by Income Category of the Geography 2015-2016</b>												
Assessment Area:	Total Loans to Farms			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$(000s)	Overall Market	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans by #	Aggregate
Fillmore County 2015-2016	34	5,881	211	60	94	47	40	6	53	0	0	0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data  
 Due to rounding, totals may not equal 100

During the 2017 evaluation period, FNB lending staff originated 28 percent of agriculture loans to borrowers located in moderate-income CTs in the AA. This ratio is significantly lower than the demographic data showing 60 percent of farms are located in a moderate-income CT and significantly below the 58 percent aggregate industry ratio. Table 4D contains the data used to evaluate geographic distribution of FNB's agriculture loans in the Fillmore County AA during the 2017 evaluation period.

<b>Table 4D: Fillmore County AA Distribution of Loans to Farms by Income Category of the Geography 2017</b>												
Assessment Area:	Total Loans to Farms			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$(000s)	Overall Market	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans by #	Aggregate	% Farms	% Bank Loans by #	Aggregate
Fillmore County 2017	18	6,513	211	55	28	58	45	72	42	0	0	0

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data  
 Due to rounding, totals may not equal 100

Minneapolis MSA AA

The geographic distribution of commercial loans to CTs in the Minneapolis MSA AA to borrowers located in CTs of different income levels reflects excellent distribution for loans for both the 2015 - 2016 evaluation period and the 2017 evaluation period. We expanded the sample to the full population of applicable loans for both evaluation periods, which was 10 loans in 2015 - 2016 and 4 loans in 2017. Both evaluation period samples are not statistically valid because there are less than 20 loans in each sample. However, we included the comparative data for informational purposes. There are no low-income CTs in the Minneapolis MSA AA.

During the 2015 - 2016 evaluation period, FNB lending staff originated 80 percent of commercial loans to borrowers located in moderate-income CTs in the AA. This ratio significantly exceeds the demographic data showing 19 percent of businesses are located in a moderate-income CT and significantly exceeds the 19 percent aggregate industry ratio. Table 4E contains the data used to evaluate geographic distribution of FNB’s commercial loans in the Minneapolis MSA AA during the 2015 - 2016 evaluation period.

<b>Table 4E: Minneapolis MSA AA Distribution of Loans to Businesses by Income Category of the Geography</b>												<b>2015-2016</b>	
<b>Assessment Area:</b>	<b>Total Loans to Businesses</b>			<b>Moderate-Income Tracts</b>			<b>Middle-Income Tracts</b>			<b>Upper-Income Tracts</b>			
	<b>#</b>	<b>\$(000)s</b>	<b>Overall Market</b>	<b>% Businesses</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Businesses</b>	<b>% Bank Loans by #</b>	<b>Aggregate</b>	<b>% Businesses</b>	<b>% Bank Loans by #</b>	<b>Aggregate</b>	
Minneapolis MSA 2015-2016	10	1,340	3,101	19	80	19	40	20	31	41	0	49	

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data  
Due to rounding, totals may not equal 100*

During the 2017 evaluation period, FNB lending staff originated 100 percent of commercial loans to borrowers located in moderate-income CTs in the AA. This ratio significantly exceeds the demographic data showing 30 percent of businesses are located in a moderate-income CT and significantly exceeds the 24 percent aggregate industry ratio. Table 4F contains the data used to evaluate geographic distribution of FNB’s commercial loans in the Minneapolis MSA AA during the 2017 evaluation period.

**Table 4F: Minneapolis MSA AA Distribution of Loans to Businesses by Income Category of the Geography** **2017**

Assessment Area:	Total Loans to Businesses			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$(000)s	Overall Market	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	Aggregate	% Businesses	% Bank Loans by #	Aggregate
Minneapolis MSA 2017	4	643	3,101	30	100	24	36	0	33	34	0	42

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data  
 Due to rounding, totals may not equal 100*

### Responses to Complaints

We reviewed the bank’s public file for complaints and complaints reported to the OCC through the Customer Assistance Group. Neither the bank nor the OCC received complaints related to the bank’s CRA performance during the evaluation period.

## Appendix A: Scope of Examination

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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”).

<b>Time Period Reviewed</b>	Lending Test: 1/01/15 to 12/31/17	
<b>Financial Institution</b>		<b>Products Reviewed</b>
First National Bank (FNB) Oldham, South Dakota		Agriculture, consumer, and commercial loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Minnesota Non- MSA	Full Scope	Primary product is agriculture loans
Fillmore County (part of Rochester, MN MSA #403040)	Full Scope	Primary products are agriculture and consumer loans
Minneapolis MSA #33460	Limited Scope	Primary product is commercial loans

## Appendix B: Community Profiles for Full-Scope Areas

### Minnesota Non-MSA

Demographic Information for Full Scope Area: Minnesota Non-MSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	14	0	0	86	14	0
Population by Geography	40,690	0	0	86	14	0
Owner-Occupied Housing by Geography	13,719	0	0	86	14	0
Business by Geography	2,785	0	0	87	13	0
Farms by Geography	1,378	0	0	85	15	0
Family Distribution by Income Level	11,149	17	17	25	41	0
Distribution of Low and Moderate Income Families throughout AA Geographies	3,814	0	0	90	10	0
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		63,182 65,300 9%	Median Housing Value Unemployment Rate (2015 ACS US Census)	106,895 1.93%		

(\*) The NA category consists of geographies that have not been assigned an income classification  
Source: 2015 ACS US Census and 2017 FFIEC updated MFI

### Minnesota Non-MSA AA (Rural Branches)

The Minnesota Non-MSA AA consists of the Fulda, Slayton, Lakefield, LeRoy, and Springfield branches. The AA includes the following seven counties: Murray, Nobles, Jackson, Brown, Redwood, Cottonwood, and Mower. Murray County is the only full county included in the AA. The AA consists of 14 CTs. There are no low- or moderate-income CTs in the AA. During the 2015 - 2016 evaluation period, all 14 CTs were designated as middle-income CTs. During the 2017 evaluation period, 12 CTs were designated as middle-income CTs and two CTs were designated as upper-income CTs. The three CTs located in Murray County are designated as underserved middle-income nonmetropolitan CTs.

Forty financial institutions serve the AA based on the June 30, 2017 Federal Deposit Insurance Corporation deposit market share report. FNB has 4 percent deposit market share and ranks 7 out of 40.

According to the 2015 ACS U.S. Census, there were 40,690 people in the AA. The FFIEC Adjusted Median Family Income for 2017 in the AA is \$65,300. The distribution of families within the AA is 17 percent low-income, 17 percent moderate-income, 25 percent middle-income, and 41 percent upper-income.

The local economy in rural Southwestern Minnesota is stable with a 2.9 percent unemployment rate. The AA unemployment rate is below both the average Minnesota state unemployment rate and the average national unemployment rate. According to the U.S. Bureau of Labor Statistics, the Minnesota annual average state unemployment rate as of December 2017 was 3.5 percent and the annual average national unemployment rate was 4.4 percent.

We did not identify any unmet credit needs in this AA. We conducted a community contact interview with a community commerce and financial development organization serving the AA. Southwestern Minnesota overall has lower wages than the rest of the state. Communities are witnessing increases in job vacancies. The area has an aging population, as the younger generation moves away to seek opportunities in larger cities. Primary credit needs in the community include agriculture, consumer, and commercial loans. The area is heavily dependent on the agriculture economy and was negatively impacted by falling commodity prices in 2017.

**Fillmore County (Rochester MSA)**

Demographic Information for Full Scope Area: Fillmore County 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0	50	50	0	0
Population by Geography	20,843	0	44	56	0	0
Owner-Occupied Housing by Geography	6,682	0	46	54	0	0
Business by Geography	1,493	0	47	53	0	0
Farms by Geography	418	0	55	45	0	0
Family Distribution by Income Level	5,701	25	24	26	25	0
Distribution of Low and Moderate Income Families throughout AA Geographies	2,752	0	50	50	0	0
Median Family Income		81,036	Median Housing Value		141,867	
FFIEC Adjusted Median Family Income for 2017		84,100	Unemployment Rate (2015 ACS US Census)		2.31%	
Households Below Poverty Level		12%				

(\*) The NA category consists of geographies that have not been assigned an income classification  
 Source: 2015 ACS US Census and 2017 FFIEC updated MFI

**Fillmore County AA (Rochester MSA #403040)**

The Fillmore County AA includes the Spring Valley branch and is part of the Rochester, MN MSA #403040. Management includes all six CTs in Fillmore County. During the 2015 - 2016 evaluation period, four CTs were designated as moderate-income CTs and two CTs were designated as middle-income CTs. During the 2017 evaluation period, three CTs were designated as moderate-income CTs and three CTs were designated as middle-income CTs. The CT the Spring Valley branch is located in changed from a moderate-income CT to a middle-income CT in 2017.

Eleven financial institutions serve the AA based on the June 30, 2017 Federal Deposit Insurance Corporation deposit market share report. FNB has 4 percent deposit market share and ranks 11 out of 11.

According to the 2015 ACS U.S. Census, there were 20,843 people in the AA. The FFIEC Adjusted Median Family Income for 2017 in the AA is \$84,100. The distribution of families within the AA is 25 percent low-income, 24 percent moderate-income, 26 percent middle-income, and 25 percent upper-income.

The local economy in Fillmore County is stable with a 2.3 percent unemployment rate. The AA unemployment rate is below both the average Minnesota state unemployment rate and the average national unemployment rate. According to the U.S. Bureau of Labor Statistics, the Minnesota annual average state unemployment rate as of December 2017 was 3.5 percent and the annual average national unemployment rate was 4.4 percent.

We did not identify any unmet credit needs in this AA. We conducted a community contact interview with a community commerce and financial development organization serving the AA. The Fillmore County area is experiencing low unemployment rates, relatively slow wage growth, and moderate poverty. The negative impact by downturns in the agriculture economy were offset by the large number of dual income agriculture households. The second source of income in those households prevented the impact from reaching critical levels. The primary credit needs in this area include residential real estate and small business lending.