



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 15, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CorTrust Bank National Association  
Charter Number 23771

100 East Havens  
Mitchell, SD 57301

Office of the Comptroller of the Currency

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

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

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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:

- CorTrust Bank National Association's (CorTrust or Bank) net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.<sup>1</sup>
- CorTrust originated a majority of its loans to borrowers located inside its designated AAs.<sup>1</sup>
- The bank's distribution of loans reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The bank's geographic distribution of loans reflects reasonable dispersion throughout census tracts (CTs) of different income levels.
- There were no conspicuous lending gaps identified within CorTrust's AAs.
- Overall, the bank provided an adequate level of community development (CD) loans, services, and investments throughout the AAs.
- Eleven of the bank's 23 branches are 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.<sup>2</sup>
- Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

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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

CorTrust 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 CorTrust covers its performance from January 1, 2010 through June 30, 2012, as this is representative of its lending strategy since the last CRA examination on November 11, 2009. Overall, CorTrust's primary loan products are business, farm, and consumer loans. Business loans represented 17 percent by number and 53 percent by dollar volume of lending during the sampling period; farm loans represented 23 percent by number and 27 percent by dollar volume; and consumer loans represented 51 percent by number and 10 percent by dollar volume. Given the bank has branches located in a mix of rural and urban areas, examiners determined primary products of each AA based on the bank's lending strategy, volume of lending in each category in each AA, and credit needs of each AA. Examiners analyzed business loans in the Washington County metropolitan statistical area (MSA) and in the Sioux Falls MSA, farm loans in the nonmetropolitan SD AA, and consumer loans in the Sioux Falls MSA and the nonmetropolitan SD AA. Refer to Appendix A for a list of primary products in each AA or the "Scope of Evaluation" section for 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. Examiners selected additional loans as needed to have sufficient information to analyze borrower and geographic distributions within each AA.

Examiners did not include mortgage lending activity from CorTrust Mortgage Company (CorTrust Mortgage) when determining primary products or lending breakdown by AA. However, given the volume of activity from January 1, 2010 through June 30, 2012 (2,440 loans totaling \$360 million), examiners analyzed the distribution of loans to borrowers of different income levels based on the mortgage company's HMDA data. The bank originated 633 home loans totaling \$81 million in the nonmetropolitan SD AA. The bank originated 1,514 home loans totaling \$236 million in the Sioux Falls MSA. The bank did not originate enough home loans in the Washington County MSA to complete meaningful analysis. Examiners analyzed the distribution of purchase and refinance loans separately in each AA with separate analysis of distribution of loans to low- and moderate-income borrowers relative to the percent of families in the AA in the respective income level. Overall, examiners found distribution in the nonmetropolitan SD AA to be reasonable and distribution in the Sioux Falls MSA to be excellent. These conclusions are consistent with analysis of primary products in the AAs and did not have a positive or negative impact to the South Dakota or overall bank conclusions.

The evaluation period for the community development test is from November 3, 2009 through October 15, 2012.

## **Description of Institution**

CorTrust is a multi-state financial institution headquartered in Mitchell, SD. As of September 30, 2012, CorTrust has \$656 million in total assets. CorTrust is a subsidiary of Hopkins Financial Corporation, a one-bank holding company located in Mitchell, SD. CorTrust operates 23 branches in two states: South Dakota (22 branches) and Minnesota (1 branch). The bank has three distinct AAs across these two states. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs.

CorTrust has 13 cash dispensing automated teller machines (ATMs) located at branches and nine additional ATMs located in cities where they have branches. CorTrust does not operate deposit-taking ATMs.

CorTrust closed two branches since the last CRA review. Both branches were located in Sioux Falls and closed in September 2010 (one in a moderate-income CT and one in a middle-income CT). Both branches were in grocery stores that were purchased by a different grocery store chain, and the bank was forced to close the branches. Examiners did not identify any concerns with these branch closures. CorTrust did not open any branches since the previous CRA review. There have been no significant changes to CorTrust's corporate structure, including mergers or acquisitions since the previous CRA review.

CorTrust offers traditional loan and deposit products and services to its customers. As of September 30, 2012, the loan portfolio is comprised of business loans (60 percent), farm loans (16 percent), one-to-four family residential home loans (14 percent), and consumer loans (10 percent) by outstanding dollar volume. CorTrust's tier one leverage capital is \$71 million, or 11 percent of average assets as of September 30, 2012.

CorTrust's strategy is focused on the needs of each of the areas it serves. The bank generally focuses on commercial lending in the larger cities and agricultural lending in the smaller communities it serves. The bank offers mortgage and consumer products across all geographies in its AAs.

The bank has two related organizations whose activities were considered in this CRA examination: CorTrust Mortgage Company (CorTrust Mortgage) and CorTrust Community Development Corporation (CorTrust CDC). CorTrust Mortgage is an operating subsidiary of the bank for purposes of originating residential mortgage loans to sell on the secondary market. CorTrust CDC was set up to facilitate CD investments.

There are no legal, financial, or other factors impeding CorTrust's ability to meet the credit needs of its AAs. CorTrust was rated satisfactory at its last CRA examination dated November 2, 2009.

## 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 had 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 two AAs and a limited-scope review of one AA. Refer to Appendix A for a list of which AAs received full-scope and limited-scope review. Refer also 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 significant majority of the bank’s overall lending (99 percent by number, 95 percent by dollar volume), the significant majority of the bank’s deposits come from this state (93 percent), and the bank has the largest number of branches in this state (22 branches). Examiners gave the Minnesota ratings very little weight in the overall rating as lending in Minnesota was low in relation to the bank’s overall lending (1 percent by number, 5 percent by dollar volume), only a small amount of the bank’s deposits come from this state (7 percent), and the bank operates only one branch in Minnesota. 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	Nonmetropolitan AA	7,054	80%	\$258,849	61%
South Dakota	Sioux Falls MSA	1,632	19%	\$141,551	34%
South Dakota (total)		<b>8,686</b>	<b>99%</b>	<b>\$400,400</b>	<b>95%</b>
Minnesota (total)	Washington County MSA	<b>82</b>	<b>1%</b>	<b>\$22,341</b>	<b>5%</b>
Total		<b>8,768</b>	<b>100%</b>	<b>\$422,741</b>	<b>100%</b>

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

CorTrust’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 73 percent over 12 quarters, from September 30, 2009 through June 30, 2012. The ratio ranged from a quarterly low of 64 percent to a quarterly high of 94 percent during the time period. The loan-to-deposit ratio does not reflect the volume of mortgage loans sold on the secondary market.

The bank’s net loan-to-deposit ratio is comparable to seven other community banks of similar size (total assets of \$400 million to \$900 million) in the AAs. CorTrust’s average net loan-to-deposit ratio ranked seventh among a total of eight similarly situated institutions. The other seven institutions had net loan-to-deposit ratios averaging 86 percent and ranging from a low of 71 percent to a high of 92 percent over the same 12 quarters.

### Lending in Assessment Area

CorTrust 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 40 business loans, 40 consumer loans, and 20 farm loans originated or purchased during the evaluation period. CorTrust originated 82 percent of its loans by number and 40 percent of its loans by dollar volume within its AAs. Although the bank originated less than a majority of its loans by dollar volume within its AAs, more weight was given to the percentage based on number of loans because the percentage by dollar volume is heavily skewed by the dollar volume of business loans sampled relative to farm loans and consumer loans sampled. By dollar volume, the bank originated 96 percent of its farm loans and 95 percent of its consumer loans within its AAs.

Table 1 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	25	63	15	37	40	5,732	33	11,817	67	17,549
Farm	19	95	1	5	20	1,706	96	70	4	1,776
Consumer	38	95	2	5	40	478	95	25	5	503
Total	82	82	18	18	100	7,916	40	11,912	60	19,828

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, 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.

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 penetration among businesses and farms of different sizes and individuals of different income levels.
- The bank's geographic distribution of loans in South Dakota AAs reflects reasonable dispersion throughout CTs of different income levels.
- The bank provided an adequate level of CD loans, investments, and services in South Dakota AAs.
- Eleven of the 22 branches in South Dakota were located in a low- or moderate-income CT, or in a distressed or underserved middle-income nonmetropolitan CT, for a portion of the evaluation period.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH DAKOTA

The bank has two AAs in South Dakota:

- Nonmetropolitan SD AA
- Sioux Falls MSA.

#### Nonmetropolitan South Dakota AA:

The Nonmetropolitan SD AA consists of nine whole counties and three partial counties in South Dakota. All counties are nonmetropolitan counties in eastern South Dakota.

The whole counties include Brown, Clay, Davison, Day, Kingsbury, McPherson, Miner,



Sanborn, and Yankton counties. The partial counties include Bon Homme, Edmunds, and Hutchinson counties. CorTrust has a branch in Freeman on the eastern border of

Hutchinson County; the bank excludes the two CTs in western Hutchinson County (west of the James River). The bank has a branch in Bowdle which is close to the western border of Edmunds County; the bank excludes the one CT that makes up the eastern half of Edmunds County. The bank has a branch in Tabor which is close to the eastern border of Bon Homme County; the bank excludes the one CT that makes up the western half of Bon Homme County. These excluded tracts are all reasonable given the location of the bank’s branches. The bank did not arbitrarily exclude low- or moderate-income CTs from the AA.

The bank operates at least one branch in each of the counties in the AA except Miner County; however, it is reasonable for the bank to include Miner County in their AA as the Artesian branch is located less than five miles from the county line.

This AA consists of 31 CTs. There are five upper-income, 24 middle-income, and two moderate-income CTs; there are no low-income CTs.

CorTrust operates 17 branches in this AA in the following counties and cities:

<b><u>County:</u></b>	<b><u>City:</u></b>
Bon Homme	Tabor
Brown	Aberdeen
Clay	Vermillion
Davison	Mitchell (2 branches) and Mount Vernon
Day	Pierpont and Webster
Edmunds	Bowdle
Hutchinson	Freeman
Kingsbury	Arlington
McPherson	Leola
Sanborn	Artesian and Letcher
Yankton	Gayville and Yankton (2 branches)

Together the 17 branches located in the AA represent 78 percent of the bank’s total deposits as of June 30, 2012.

Competition in the nonmetropolitan SD AA is high with 37 institutions operating 87 branches in the AA. Wells Fargo Bank, N.A. leads the market with 16 percent of the deposit market share. First Dakota National Bank is second with 13 percent. CorTrust ranks third with 11 percent of deposit market share.

The combined population of the CTs in this AA is 118,665 according to the 2010 U.S. Census. The majority of the population in this AA (78,473 people) are centered in Brown, Davison, and Yankton Counties where the cities of Aberdeen, Mitchell, and Yankton are located. The HUD estimated median family income for nonmetropolitan South Dakota is \$56,400 for 2012.

Economic conditions in the Nonmetropolitan SD AA were generally good during the evaluation period, especially when compared to the national economic picture.

According to the Bureau of Labor Statistics (BLS), as of September 2012 the unemployment rate in the 12 counties in the AA ranged from a low of 3.0 percent to a high of 5.2 percent, with an average unemployment rate of 3.7 percent. This is in line with the unemployment rate for the State of South Dakota of 3.9 percent and notably below the national unemployment rate of 7.6 percent. Most of the counties in the AA are reliant on agriculture and agriculture-related products and services. However, some of the larger cities in the AA, including Aberdeen and Mitchell, have a more diverse reliance including tourism, manufacturing, health care, and education.

We reviewed a recent community contact with an organization in the AA that provides funding to agricultural borrowers through direct lending and guaranty programs. The contact stated credit needs in the community are related to small businesses, especially start-up businesses.

Sioux Falls MSA:

The Sioux Falls MSA AA consists of a portion of the Sioux Falls, SD MSA (#43620). CorTrust 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. Although the bank does not operate a branch in Turner County, it is reasonable to include in the AA because the Freeman branch is located less than two miles from the county line.

CorTrust operates five branches in this AA (all in Sioux Falls). In addition, the bank's Freeman, SD branch serves Turner County although the branch is located in Hutchinson County; the Freeman branch is located in the Nonmetropolitan SD AA.

This AA consists of 35 CTs. There are five upper-income, 24 middle-income, and six moderate-income CTs; there are no low-income CTs.

The five branches in this AA represent 15 percent of the bank's total deposits as of June 30, 2012.

Competition in the Sioux Falls MSA AA is high as the area is heavily banked. There are 32 banks operating 131 branches in the AA. Wells Fargo Bank, N.A. leads the market with 91 percent of the deposit market share. CorTrust ranks 15<sup>th</sup> with just 0.1 percent of the deposit market share.

The population of the Sioux Falls MSA is 228,261 and the population of the three counties in the bank's Sioux Falls MSA AA is 222,643 according to the 2010 U.S. Census. The HUD estimated median family income for the MSA is \$68,900 for 2012.

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 September 2012 the unemployment rate in the Sioux Falls MSA was 3.7 percent. This is in line with the unemployment rate for the State of South Dakota of 3.9 percent and notably below the national unemployment rate of 7.6 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.

We reviewed a recent community contact with a local organization 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. The contact stated local institutions are meeting the demands of the community by offering low interest rates and longer amortization periods.

## **SCOPE OF EVALUATION IN SOUTH DAKOTA**

Examiners completed a full-scope review of the Nonmetropolitan SD AA and a limited-scope review of the Sioux Falls MSA. The South Dakota ratings are based primarily on results of the Nonmetropolitan SD AA because it received a full-scope review. Examiners conducted a full-scope review of the Nonmetropolitan SD AA due to the larger lending and deposit volumes in this AA. Additionally, the bank has 17 branches, including the main branch, in the Nonmetropolitan SD AA. Examiners conducted a limited-scope review of the Sioux Falls MSA due to the relatively lower lending and deposit volume generated by the five branches in the AA compared to the volume in the nonmetropolitan SD AA.

The primary loan products in the Nonmetropolitan SD AA were farm and consumer loans. Farm loans represented 28 percent by number and 43 percent by dollar volume of lending at the branches within the AA. Consumer loans represented 52 percent by number and 12 percent by dollar volume. The primary loan products in the Sioux Falls MSA were business and consumer loans. Business loans represented 24 percent by number and 78 percent by dollar volume of lending at the branches within the AA. Consumer loans represented 52 percent by number and six percent by dollar volume. Examiners analyzed the distribution of 20 farm and 20 consumer loans in the Nonmetropolitan SD AA and 22 business and 25 consumer loans in the Sioux Falls MSA for the lending test.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA**

CorTrust's CRA performance in South Dakota is satisfactory. The bank's performance is satisfactory under both the lending test and the CD test. The South Dakota rating is based primarily on performance in the Nonmetropolitan SD AA as this AA received a full-scope review. Performance in the Sioux Falls MSA, which received a limited-scope review, was not inconsistent with performance in the area that received a full-scope review.

### **LENDING TEST**

The bank's performance under the lending test in South Dakota is rated satisfactory. CorTrust has reasonable penetration among businesses and farms of different sizes and borrowers of different income levels. CorTrust has reasonable geographic dispersion throughout CTs of different income levels. More weight was placed on the distribution of businesses and farms of different sizes and borrowers of different income levels because there is less geographic diversity in the South Dakota AAs with a relatively small amount of businesses, farms, and borrowers located in moderate-income CTs. In addition, there are no low-income CTs in the South Dakota AAs.

#### Nonmetropolitan South Dakota AA:

The bank's performance under the lending test in this AA is rated satisfactory. The bank has reasonable penetration of loans among farms of different sizes and borrowers of different income levels and reasonable geographic dispersion of farm and consumer loans throughout CTs of different income levels in this AA.

#### Sioux Falls MSA:

The bank's performance under the lending test in this AA is rated satisfactory. The bank has reasonable penetration of loans among businesses of different sizes and borrowers of different income levels and reasonable geographic dispersion of business and consumer 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 South Dakota AAs reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.

#### Nonmetropolitan South Dakota AA:

The distribution of farm and consumer loans reflects reasonable penetration among farms of different sizes and borrowers of different income levels. Examiners gave equal weight to penetration of farm and consumer loans.

*Farm loans:*

The bank’s distribution of loans to farms reflects reasonable penetration among farms of different sizes. The bank originated or purchased 95 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 considered reasonable as it is near the demographic data that shows 99 percent of farms in the AA are considered small farms.

Table 2A shows the distribution of farm loans among different sized farms in the AA.

<b>Table 2A - Borrower Distribution of Loans to Farms in South Dakota Nonmetropolitan AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	0	100.00
% of Bank Loans in AA by #	95	0	5	100
% of Bank Loans in AA by \$	99	0	1	100

Source: Loan sample; Dun and Bradstreet data.

*Consumer loans:*

The bank’s distribution of consumer loans reflects excellent penetration among borrowers of different income levels. The bank’s level of lending to low- and moderate- income borrowers significantly exceeds the demographic comparator. The bank originated or purchased 30 percent of consumer loans to low-income borrowers which significantly exceeds the demographic data that shows 23 percent of households in the AA are low-income. The bank originated or purchased 30 percent of consumer loans to moderate-income borrowers which significantly exceeds the demographic data that shows 17 percent of households in the AA are moderate-income.

Table 2B shows the bank’s distribution of consumer loans in the AA among borrowers of different income levels as compared to the percent of households in each income level category.

<b>Table 2B - Borrower Distribution of Consumer Loans in South Dakota Nonmetropolitan AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23	30	17	30	18	20	42	20

Source: Loan sample; 2000 U.S. Census data.

Sioux Falls MSA:

The distribution of businesses and consumer loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. Examiners gave equal weight to penetration of business and consumer loans.

**Business loans:**

The bank’s distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank originated or purchased 64 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 considered reasonable as it is near the demographic data that shows 67 percent of businesses in the AA are considered small businesses. More weight was given to the bank’s performance based on the percentage of loans by number rather than the percentage of loans by dollar volume because the demographic comparator is based on the percentage of businesses in the AA by number.

Table 2C shows the distribution of business loans among different sized businesses in the AA.

<b>Table 2C - Borrower Distribution of Loans to Business in Sioux Falls MSA</b>				
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 #	64	36	0	100
% of Bank Loans in AA by \$	24	76	0	100

Source: Loan sample; Dun and Bradstreet data.

**Consumer loans:**

The bank’s distribution of consumer loans reflects excellent penetration among borrowers of different income levels. The bank’s level of lending to low- and moderate-income borrowers exceeds the demographic comparator. The bank originated or purchased 24 percent of consumer loans to low-income borrowers which exceeds the demographic data that shows 20 percent of households in the AA are low-income. The bank originated or purchased 24 percent of consumer loans to moderate-income borrowers which significantly exceeds the demographic data that shows 18 percent of households in the AA are moderate-income.

Table 2D shows the bank’s distribution of consumer loans in the AA among borrowers of different income levels as compared to the percent of households in each income level category.

<b>Table 2D - Borrower Distribution of Consumer Loans in Sioux Falls MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20	24	18	24	22	20	40	32

Source: Loan sample; 2000 U.S. Census data.

**Geographic Distribution of Loans**

The bank’s geographic distribution of loans in South Dakota AAs reflects reasonable dispersion throughout CTs of different income levels.

Nonmetropolitan South Dakota AA:

The geographic distribution of loans in this AA reflects reasonable dispersion throughout CTs of different income levels. Examiners gave equal weight to dispersion of farms and consumer loans as there were relatively equal portions of farms and consumers in low- and moderate-income CTs.

*Farm Loans:*

The bank’s geographic distribution of farm loans reflects excellent dispersion throughout CTs of different income levels. The bank’s performance is excellent in moderate-income CTs. The bank originated or purchased ten percent of farm loans sampled in this AA to farms located in moderate-income CTs. This exceeds the five percent of farms in the AA located in moderate-income CTs. There are no low-income CTs in the AA. Additionally, 45 percent of loans sampled were to farms located in nonmetropolitan middle-income distressed or underserved CTs.

Table 3A shows the bank’s performance compared to the percentage of farms in each CT income level.

<b>Table 3A - Geographic Distribution of Loans to Farms in South Dakota Nonmetropolitan AA</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	5	10	84	90	11	0

*Source: Loan sample; 2000 U.S. Census data.*

*Consumer Loans:*

The bank’s geographic distribution of consumer loans reflects reasonable dispersion throughout CTs of different income levels. The bank’s performance is reasonable in moderate-income CTs. The bank originated or purchased six percent of consumer loans sampled in this AA to borrowers located in moderate-income CTs. This is comparable to the six percent of households in the AA located in moderate-income CTs. There are no low-income CTs in the AA.

Table 3B shows the bank’s performance compared to the percentage of households in each CT income level.

<b>Table 3B - Geographic Distribution of Consumer Loans in South Dakota Nonmetropolitan AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	6	6	70	73	24	21

Source: Loan sample; 2000 U.S. Census data.

**Sioux Falls MSA:**

The geographic distribution of loans in this AA reflects reasonable dispersion throughout CTs of different income levels. Examiners gave equal weight to dispersion of business and consumer loans as there were relatively equal portions of businesses and consumers in low- and moderate-income CTs.

**Business Loans:**

The bank’s geographic distribution of business loans reflects reasonable dispersion throughout CTs of different income levels. The bank’s performance is reasonable in moderate-income CTs. The bank originated or purchased nine percent of business loans sampled in this AA to businesses located in moderate-income CTs. This is lower than, but still comparable to, the 16 percent of businesses in the AA located in moderate-income CTs. There are no low-income CTs in the AA.

Table 3C shows the bank’s performance compared to the percentage of businesses in each CT income level.

<b>Table 3C - Geographic Distribution of Loans to Businesses in Sioux Falls MSA</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	16	9	73	77	11	14

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

**Consumer Loans:**

The bank’s geographic distribution of consumer loans reflects poor dispersion throughout CTs of different income levels. The bank’s performance is poor in moderate-income CTs. The bank originated or purchased 12 percent of consumer loans sampled in this AA to borrowers located in moderate-income CTs. This is lower than the 18 percent of households in the AA located in moderate-income CTs. There are no low-income CTs in the AA.



Table 3D shows the bank’s performance compared to the percentage of households in each CT income level.

<b>Table 3D - Geographic Distribution of Consumer Loans in Sioux Falls MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	18	12	68	64	14	24

Source: Loan sample; 2000 U.S. Census data.

**Responses to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the CD test in South Dakota is rated satisfactory.

CorTrust demonstrated adequate responsiveness to the CD needs of the South Dakota AAs through lending, investments, and services. The bank provided an adequate level of CD loans, investments, and services in the AAs. The bank provided 41 CD loans totaling \$4,417,159 and 34 qualifying investments to 18 organizations totaling \$1,284,530. CorTrust CDC continues to hold investment in three projects in the bank’s South Dakota AAs. Thirteen bank employees provided 17 CD services to 17 separate qualifying organizations in the South Dakota AAs. CorTrust also provides banking products and services that are accessible to individuals of different income levels. Eleven of the 22 branches in South Dakota were located in a low- or moderate-income CT, or in a distressed or underserved middle-income nonmetropolitan CT, for a portion of the evaluation period.

**Number and Amount of Community Development Loans**

CorTrust provided an adequate level of CD loans in the South Dakota AAs during the evaluation period.

Nonmetropolitan South Dakota AA:

CorTrust provided an adequate level of CD loans in the Nonmetropolitan SD AA during the evaluation period.

CorTrust originated 14 CD loans in this AA totaling \$2,617,767. The CD loans included the following:

- A \$1,332,500 loan to the Sanborn County Development Corporation. The loan was to remodel and add on to a Medicaid-approved nursing home to provide affordable housing for seniors.
- A \$794,251 loan to the Mitchell Area Development Corporation (MADC). The loan financed a MADC building that was leased to a business that employed about 80 individuals with average wage of about 50 percent of median income.

Sioux Falls MSA:

CorTrust provided an adequate level of CD loans in the Sioux Falls MSA during the evaluation period.

CorTrust originated 27 CD loans in this AA totaling \$1,799,392. The CD loans included the following:

- A \$1,100,000 to Volunteers of Dakotas, an organization that provides various community services including homeless services, employment training, a thrift store, addiction counseling and education, and others. This organization benefits the greater statewide area, including the nonmetropolitan SD AA.
- A \$350,000 loan to an entity that provides affordable housing. This loan was to remodel a 24-unit multi-family housing complex that will be rented to individuals with income less than 50% of median income.

**Number and Amount of Qualified Investments**

CorTrust provided an adequate level of qualified investments in the South Dakota AAs during the evaluation period.

Nonmetropolitan South Dakota AA:

CorTrust provided an adequate level of qualified investments in the Nonmetropolitan SD AA during the evaluation period.

CorTrust made 22 qualifying investments to 11 different organizations totaling \$1,230,083. The qualifying investments consisted of two bond purchases totaling \$1,170,000 and 20 donations totaling \$60,083.

Additionally, CorTrust CDC, the bank's affiliate, continues to own two buildings in the AA. The CDC owns a manufacturing building in Mitchell which continues to be occupied by the same tenant. The CDC also owns a building in Vermillion in which a new tenant moved into during the evaluation period. The new tenant manufactures homes and expects to employ up to 125 people.

Sioux Falls MSA:

CorTrust provided an adequate level of qualified investments in the Sioux Falls MSA during the evaluation period.

CorTrust made 12 qualifying investments to seven different organizations totaling \$54,447. The qualifying investments were all donations.

**Extent to Which the Bank Provides Community Development Services**

CorTrust provided an adequate level of CD services in the South Dakota AAs during the evaluation period.

Nonmetropolitan South Dakota AA:

CorTrust provided an adequate level of CD services in the Nonmetropolitan SD AA during the evaluation period.

Seven bank employees provided 11 CD services to 11 separate qualifying organizations in this AA, primarily related to affordable housing and economic development.

Nine of the 17 branches in the AA were located in low- or moderate-income CTs, or in distressed or underserved middle-income nonmetropolitan CTs, for at least the majority of the evaluation period. This increases access to financial services to low- and moderate-income individuals. The Leola branch was located in a moderate-income CT at the beginning of the evaluation period; however, as a result of the 2010 U.S. Census, the CT is now considered middle-income and was designated a distressed and underserved nonmetropolitan middle-income CT. The Artesian, Letcher, Pierpont, and Webster branches were located in a distressed and underserved middle-income nonmetropolitan CT during the entire evaluation period. The Arlington, Freeman, and Tabor branches were located in underserved middle-income nonmetropolitan CTs during the entire evaluation period. The Vermillion branch was located in a distressed middle-income nonmetropolitan CT at the beginning of the evaluation period; however, the 2012 list published by the FFIEC no longer designates this CT as distressed.

CorTrust provides banking products and services that are accessible to individuals of different income levels. Examples of products and services offered include cashing all government checks without a fee and offering a checking account with no monthly fee and no minimum balance.

Sioux Falls MSA:

CorTrust provided an adequate level of CD services in the Sioux Falls MSA AA during the evaluation period.

Six bank employees provided CD services to six separate qualifying organizations in this AA, primarily related to affordable housing and economic development.

Sioux Empire United Way named CorTrust Bank the 2009 business of the year in the less than 100 employee category. The award honors a company that benefits the United Way through its generosity and employee involvement.

Two of the five branches in the AA were located in low- or moderate-income CTs for a portion of the evaluation period which generally increases access to financial services to low- and moderate-income individuals. The South Minnesota Avenue branch was located in a moderate-income CT for the entire evaluation period. The Cherapa Place branch was located in a middle-income CT at the beginning of the evaluation period; however, as a result of the 2010 U.S. Census, the CT is now considered moderate-income. Additionally, the bank had a branch (in a grocery store) located in a moderate-income CT that closed during the evaluation period. The branch closure was not in the bank's control as the grocery store was sold.

CorTrust provides banking products and services that are accessible to individuals of different income levels. Examples of products and services offered include cashing all government checks without a fee and offering a checking account with no monthly fee and no minimum balance.

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

CorTrust's CD activities demonstrated adequate responsiveness to CD needs in the South Dakota AAs. Small business lending for start up businesses was identified as a credit need of the Nonmetropolitan SD AA and affordable housing was identified as a credit need of the Sioux Falls MSA. The bank provides these CD activities in both AAs consistent with these needs. Thirteen of the 17 branches in South Dakota were located in a low- or moderate-income CT, or in a distressed or underserved middle-income nonmetropolitan CT, for a portion of the evaluation period. This generally increases access to financial services to low- and moderate-income individuals. The branch locations in low- and moderate- income and distressed and underserved nonmetropolitan geographies create opportunities for CD activities.

## State Rating

### State of Minnesota

#### **CRA Rating for Minnesota: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community Development test is rated: Satisfactory**

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

- The bank's distribution of loans to businesses reflects reasonable penetration among businesses of different sizes.
- The bank's geographic distribution of business loans reflects reasonable dispersion throughout CTs of different income levels.
- The bank provided an adequate level of CD loans and services in the AA.
- The bank did not provide any qualifying investments in the AA.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA**

The Washington County MSA AA consists of Washington County within the Minneapolis-St. Paul-Bloomington MN-WI MSA (#33460). The entire MSA consists of 11 counties in Minnesota and two counties in Wisconsin with a total of 772 CTs. CorTrust operates one branch in this AA in Woodbury, MN, which is in Washington County. The bank only includes Washington County in their AA. This is reasonable given the bank has only one branch located in the MSA. The MSA is large and CorTrust's one branch cannot reasonably be expected to meet the needs of the entire MSA. The excluded counties in the MSA are serviced by the banks located in these counties. The one CorTrust branch in this AA represents seven percent of the bank's total deposits as of June 30, 2012.

The Washington County MSA AA consists of 50 CTs. There are 22 upper-income, 24 middle-income, and 2 moderate-income CTs; there are no low-income CTs. In addition, there are 2 CTs that do not have a designated income category.

Competition in the Washington County MSA is high. There are 26 institutions operating 64 branches within Washington County. Wells Fargo Bank, N.A. leads the market with 24 percent of the deposit market share. CorTrust ranks 16th with 1.2 percent of the deposit market share.

The population of the Minneapolis-St. Paul-Bloomington MN-WI MSA is 3,279,833 and the population of Washington County is 238,136 according to the 2010 U.S. Census. The 2011 HUD estimated median family income for the MSA is \$82,700.

Economic conditions in the area have improved. According to the BLS, the unemployment rate for Washington County as of September 2012 was 5.2 percent, which is in line with the unemployment rate of the Minneapolis-St. Paul-Bloomington MN-WI MSA and the State of Minnesota which are both 5.3 percent. The AA's unemployment rate is below the national unemployment rate of 7.6 percent. Major employers in the Minneapolis area include state and federal government, two hospitals, University of Minnesota, and Target Corporation.

## **SCOPE OF EVALUATION IN MINNESOTA**

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

The primary loan product in the Washington County MSA was business loans which represented 49 percent by number and 87 percent by dollar volume of lending at the branch within this AA. Examiners analyzed the distribution of 13 business loans for the lending test; these were all the business loans originated to businesses located in this AA.

This is the first CRA examination in which this AA is being analyzed. The bank acquired this branch from another institution in September 2009, just before the start of the last CRA examination. The bank was focused on transitioning operational activities in this branch at the start of this evaluation period. As a result, the volume of new originations during the evaluation period was low.

Examiners did not make or review any community contacts in Minnesota during this evaluation.

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

CorTrust's CRA performance in Minnesota is satisfactory. The bank's performance is satisfactory under both the lending test and the CD test.

### **LENDING TEST**

The bank's performance under the lending test in Minnesota is rated satisfactory. CorTrust has reasonable penetration among businesses of different sizes and reasonable geographic dispersion 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 penetration among businesses of different sizes. The bank originated or purchased 62 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 lower than, but still comparable to, the demographic data that shows 71 percent of businesses in the AA are considered small businesses. More weight was given to the bank’s performance based on the percentage of loans by number rather than the percentage of loans by dollar volume because the demographic comparator is based on the percentage of businesses in the AA by number.

Table 4A shows the distribution of business loans among different sized businesses in the AA.

<b>Table 4A - Borrower Distribution of Loans to Business in Washington County MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	71	2	27	100
% of Bank Loans in AA by #	62	38	0	100
% of Bank Loans in AA by \$	22	78	0	100

Source: Loan sample; Dun and Bradstreet data

### Geographic Distribution of Loans

The bank’s geographic distribution of business loans reflects reasonable dispersion throughout CTs of different income levels. The bank’s performance is reasonable in moderate-income CTs. Although the bank did not originate or purchase any business loans in our sample to businesses located in moderate-income CTs in the AA, this is reasonable because there were limited opportunities to lend to businesses in moderate-income CTs. Only two of 50 CTs in the AA designated at moderate-income and only five percent of AA businesses located in these moderate-income CTs. There are no low-income CTs in the AA.

Table 4B details the bank’s performance compared to the percentage of businesses in each CT income level.

<b>Table 4B - Geographic Distribution of Loans to Businesses in Washington County MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	49	31	46	69

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

## **Responses to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in Minnesota is rated satisfactory.

CorTrust demonstrated adequate responsiveness to the CD needs of the Minnesota AA through lending, investments, and services. The bank provided an adequate level of CD loans and services in the AA. The bank provided one CD loan totaling \$1,354,233 and five qualifying services in the AA. CorTrust also provides banking products and services that are accessible to individuals of different income levels. The bank did not provide any qualifying investments in the AA.

### **Number and Amount of Community Development Loans**

CorTrust provided an adequate level of CD loans in the Minnesota AA during the evaluation period.

CorTrust originated one CD loan in this AA for \$1,354,233. This loan was to an organization that provides affordable, interim housing (up to 24 months) and other community services to individuals released from Minnesota prisons. The organization meets the needs of the Minneapolis-St. Paul-Bloomington MN-WI MSA, including Washington County.

### **Number and Amount of Qualified Investments**

CorTrust did not make any qualified investments in the Minnesota AA during the evaluation period.

### **Extent to Which the Bank Provides Community Development Services**

CorTrust provided an adequate level of CD services in the Minnesota AA during the evaluation period.

One employee provided CD services to five qualifying organizations in this AA, primarily related to community service and economic development.

CorTrust provides banking products and services that are accessible to individuals of different income levels. Examples of products and services offered include cashing all government checks without a fee and offering a checking account with no monthly fee and no minimum balance.



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

CorTrust's CD activities demonstrated adequate responsiveness to CD needs in the Minnesota AA. The CD loans and services provided included a variety of purposes including community services, economic development, and job creation. The level of CD activities provided in Minnesota is consistent with the level of staff in the one branch in the AA and with the branch's deposit and lending activity in relation to the whole bank.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/10 to 06/30/12 Community Development Test: 11/03/09 to 10/15/12	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
CorTrust Bank National Association (CorTrust or Bank) Mitchell, SD	See list below for each AA	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
CorTrust Mortgage Company (CorTrust Mortgage)	Subsidiary	Home loans
CorTrust Bank Community Development Corporation (CorTrust CDC)	Subsidiary	Community development activities
<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 Nonmetropolitan SD Sioux Falls MSA #43620 (Partial)	Full-scope Limited-scope	Farm loans, Consumer loans Business loans, Consumer loans
Minnesota Washington County MSA (Partial of Minneapolis-St. Paul- Bloomington MN-WI MSA #33460)	Full-scope	Business loans

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

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State Rating
CorTrust Bank, NA	Satisfactory	Satisfactory	Satisfactory
South Dakota	Satisfactory	Satisfactory	Satisfactory
Minnesota	Satisfactory	Satisfactory	Satisfactory