



## PUBLIC DISCLOSURE

August 17, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Savings Bank  
Charter Number 708547

201 North 3rd Street  
Beresford, SD 57004

Office of the Comptroller of the Currency

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

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

## TABLE OF CONTENTS

<b>INSTITUTION'S CRA RATING .....</b>	<b>2</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>3</b>
<b>SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....</b>	<b>4</b>
<b>RATINGS .....</b>	<b>4</b>
<b>LOAN-TO-DEPOSIT RATIO .....</b>	<b>5</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>6</b>
<b>STATE OF SOUTH DAKOTA RATING .....</b>	<b>7</b>
<b>STATE OF NEW MEXICO RATING .....</b>	<b>18</b>
<b>STATE OF TEXAS RATING .....</b>	<b>28</b>
<b>STATE OF NEVADA RATING.....</b>	<b>32</b>
<b>STATE OF ARIZONA RATING .....</b>	<b>36</b>
<b>STATE OF NEBRASKA RATING.....</b>	<b>40</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: SUMMARY OF STATE RATINGS.....</b>	<b>B-1</b>

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

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

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

- First Savings Bank's (FSB) loan-to-deposit ratio is reasonable when considering the bank's size, financial condition, and the credit needs of the assessment areas (AAs).<sup>1</sup>
- A substantial majority of the bank's loans are originated inside FSB's AAs.
- The borrower distribution of loans to businesses and farms of different sizes and households of different income levels reflects reasonable penetration of AA demographics.
- The geographic distribution of loans to census tracts of different income levels reflects reasonable dispersion of AA demographics.
- There were no conspicuous lending gaps identified within FSB's AAs.
- Management originated an adequate level of community development (CD) loans. CD loans were primarily provided to small businesses and small farms located in distressed or underserved middle-income census tracts (CTs) in South Dakota and New Mexico.
- CD investments are adequate. CD investments include four bonds and \$1,700 of qualified donations.
- Access to financial services for low- and moderate-income individuals is adequate. One branch is located in a low-income CT, four are located in moderate-income CTs, and six are located in distressed or underserved middle-income CTs.

## **Scope of Examination**

FSB was evaluated under the Intermediate Small Bank examination procedures, which includes a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD Test evaluates the bank's record of responding to the CD needs of its AAs through CD lending and providing qualified investments, donations, and services.

The Lending Test covers FSB's performance from January 1, 2013 to March 31, 2015. The Lending Test evaluated agriculture, commercial, and consumer loans originated by

---

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

management during the evaluation period, as these loan types were determined to be the primary loan products in FSB's individual AAs, which is representative of the bank's lending strategy since the last CRA examination. Refer to Appendix A for a list of primary products identified in each AA.

To evaluate lending performance, we selected a random sample of loans originated and purchased during the evaluation period for each primary loan product type in each AA, with the exception of the El Paso Metropolitan Statistical Area (MSA) AA. Examiners initially sampled 20 loans per primary product type in each AA, with the exception of the Las Cruces MSA AA and the Lake Havasu MSA AA, and used that information in the lending analysis. Examiners based lending performance conclusions on smaller loan samples in the Las Cruces MSA AA and the Lake Havasu MSA AA because management did not originate 20 loans per primary product type during the evaluation period. The consumer loan samples in the New Mexico Non-MSA AA and the South Dakota Non-MSA AA were expanded to 60 loans because the initial analysis did not result in satisfactory findings. Loan data was compared to 2010 U.S. Census data.

The delineation of the El Paso MSA AA changed effective January 1, 2014. To evaluate lending performance in this AA, we selected a random sample of 20 loans originated and purchased between January 1, 2014 and March 31, 2015 for the AA's primary loan product type. Loan data was compared to 2010 U.S. Census data for the AA based on the delineations effective January 1, 2014.

The CD Test covers FSB's performance from July 10, 2012 to August 17, 2015.

## Description of Institution

FSB is a multi-state financial institution headquartered in Beresford, South Dakota. As of June 30, 2015, FSB had \$543 million in total assets. FSB is wholly owned by Beresford Bancorporation, Inc., a one-bank holding company located in Britton, South Dakota. Including the main branch in Beresford, FSB operates 22 branches and 16 automated teller machines (ATMs) in six states. Fourteen of the ATMs are located at FSB branches and two additional ATMs are located offsite at other locations. FSB does not operate any deposit-taking ATMs.

State	Number of Branches	Number of ATMs
South Dakota	10	4
New Mexico	6	6
Texas	3	3
Arizona	1	1
Nebraska	1	1
Nevada	1	1

Management has designated nine AAs across these six states. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income CTs. FSB did not open or close any branches during the evaluation period; however, a loan production office located in Scottsdale, Arizona was closed effective

October 30, 2012. There have been no significant changes to FSB's corporate structure, including mergers or acquisitions, since the previous CRA review. FSB offers traditional loan and deposit products and services to its customers along with offering credit cards to a nationwide market. As of June 30, 2015, net loans accounted for 71 percent of total assets and tier one capital totaled \$85.6 million, or 17 percent of average assets.

Loan Type	Volume by Dollar (000's)	Percent of Total
Commercial	\$216,936	53%
Consumer	\$83,836	21%
One-to-Four Family	\$46,647	11%
Agriculture	\$35,378	9%
Multi-Family	\$25,235	6%

FSB's credit card portfolio totaled \$79 million, or 14 percent of total assets and 19 percent of total loans as of June 30, 2015. Examiners 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 the bank's local markets.

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AAs. FSB received a "Satisfactory" rating in its last performance evaluation dated July 9, 2012.

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

In each state where the bank has an office, at least one AA within that state was selected for a full-scope review. Refer to the "Scope of Evaluation" section under each State Rating section for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of state ratings. The rating for the State of South Dakota was weighted more heavily than the other states because this state accounts for the largest portion of FSB's branches, deposit activity, and loan volume. The rating for the State of New Mexico was given the second most weight, followed by Texas and Nevada. Examiners gave Arizona and Nebraska ratings the least amount of weight in the overall rating.

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.

<b>Table 3 – FSB’s AA Impact</b>			
State	Percent of Branches	Percent of Deposits	Percent of Loans
South Dakota	43%	48%	44%
New Mexico	29%	34%	17%
Texas	13%	7%	16%
Nevada	5%	6%	17%
Arizona	5%	3%	1%
Nebraska	5%	2%	5%

Source: Bank loan reports; FDIC market share report as of June 30, 2014

## Conclusions with Respect to Performance Criteria

FSB’s performance under the Lending Test is satisfactory. FSB’s loan-to-deposit ratio is reasonable. A substantial majority of FSB’s loans are originated to borrowers located inside its AAs.

### Loan-to-Deposit Ratio

FSB’s loan-to-deposit is reasonable given the bank’s size, financial condition, and the AA’s credit needs. FSB’s average quarterly loan-to-deposit ratio was 76 percent for the 12 quarters between September 30, 2012 and June 30, 2015. The ratio ranged from a quarterly low of 70 percent to a quarterly high of 82 percent.

The bank’s loan-to-deposit ratio compares satisfactorily with other community banks of similar size (total assets between \$400 million and \$750 million) operating within at least one of FSB’s designated AAs. The average loan-to-deposit ratio for similar banks was 72 percent for the 12 quarters between September 30, 2012 and June 30, 2015. The ratio ranged from an average quarterly low of 32 percent to an average quarterly high of 102 percent.

### Lending in Assessment Area

FSB originated a substantial majority of its loans to borrowers located inside its designated AAs during the evaluation period. We reviewed 20 commercial loans originated between January 1, 2014 and March 31, 2015 in the El Paso MSA AA and 40 agriculture loans, 118 commercial loans, and 53 consumer loans originated between January 1, 2013 and March 31, 2015 in the remaining AAs to assess performance with this criteria. Management originated 94 percent of their loans by number and 89 percent of their loans by dollar to borrowers within the bank’s AAs.

Table 4 details the bank’s lending within its AAs by number and dollar amount of loans.

<b>Table 4 - Lending in FSB's AAs</b>										
Loan Type	Number of Loans					Dollars of Loans (in 000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	38	95	2	5	40	4,158	97	110	3	4,268
Commercial	127	92	11	8	138	49,817	89	6,343	11	56,160
Consumer	51	96	2	4	53	598	93	45	7	643
Total	216	94	15	6	231	54,573	89	6,498	11	61,071

Source: Loan sample

## Fair Lending or Other Illegal Credit Practices Review

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

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

## State Rating

### State of South Dakota

**CRA Rating for the State of South Dakota: Satisfactory.**

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

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

FSB's performance in the State of South Dakota meets the standards for satisfactory performance.

- The distribution of loans to households of different income levels and businesses and farms of different sizes reflects reasonable penetration of AA demographics.
- The geographic distribution of loans to low- and moderate-income geographies reflects reasonable dispersion of AA demographics.
- FSB's CD activities demonstrate adequate responsiveness to the CD needs of the AA.

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

FSB operates three AAs in South Dakota: Sioux City MSA AA, South Dakota Non-MSA AA, and Sioux Falls MSA AA.

#### Sioux City MSA AA

The Sioux City MSA AA includes a portion of the Sioux City IA-NE-SD multi-state MSA (#43580). The multi-state MSA includes Union County in South Dakota, Woodbury and Plymouth Counties in Iowa, and Dakota and Dixon Counties in Nebraska. FSB operates one branch in this AA. The branch is located in Beresford, South Dakota and is the bank's main branch. Beresford is located on the northern border of Union County, which is the northernmost county in the multi-state MSA. FSB includes only one CT in Union County as their Sioux City MSA AA, which is reasonable given the branch location. Because the bank's operations in the AA are limited to the South Dakota portion of the multi-state MSA, this AA was incorporated into the State of South Dakota rating.

This AA accounted for 18 percent of the bank's deposits and nine percent of the bank's loans during the evaluation period. FSB reported \$73 million of deposits in the Sioux City MSA AA as of June 30, 2014, which ranked the bank fourth in deposit market share with a market share of 17 percent. Primary lending products in the Sioux City MSA AA are agriculture and commercial loans.

The Sioux City MSA AA includes one CT, which is middle-income. Four thousand people, or two thousand households, lived in the AA in 2015. Of the households, 20

percent were low-income, 18 percent were moderate-income, 21 percent were middle-income, and 41 percent were upper-income. Eight percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$47,946 in 2015.

Sixty-nine percent of the housing units in the Sioux City MSA AA were owner-occupied and 21 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$103,200 and the weighted-average of monthly gross rent was \$428.

The Sioux City MSA AA included 483 businesses in 2015. Seventy-five percent of the businesses were non-farm businesses and 79 percent employed fewer than five people. Eighty-five percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the Sioux City MSA AA was favorable during the evaluation period. According to the South Dakota Department of Labor and Regulation, the unemployment rate for Union County ranged from a high of 3.70 percent in June 2012 to a low of 2.65 percent in October 2014. The unemployment rate was 3.15 percent in July 2015, which is below the State of South Dakota average of 3.80 percent. Major employers in the Sioux City MSA AA include the healthcare industry, manufacturing companies, and the local school system.

Competition in the Sioux City MSA AA is moderate and primarily includes local community banks. As of June 30, 2014, there were six institutions with 10 banking offices located in Union County.

We completed one community contact in the Sioux City MSA AA in conjunction with this examination. The contact was the President of an organization that supports business development. The contact identified agriculture and business loans as the primary credit needs in the AA, and noted opportunities for CD involvement are limited.

### South Dakota Non-MSA AA

The South Dakota Non-MSA AA includes all of Bon Homme, Brown, Clay, Day, Marshall, and Moody Counties in South Dakota. FSB operates seven branches in this AA. The branches are located in the towns of Hecla, Britton, Veblen, Bristol, Waybay, Flandreau, and Springfield. FSB does not operate a branch in Clay County; however, the bank's Beresford branch is located less than two miles from the county line.

This AA accounted for 25 percent of the bank's deposits and 14 percent of the bank's loans during the evaluation period. FSB reported \$107 million of deposits in the South Dakota Non-MSA AA as of June 30, 2014, which ranked the bank eighth in deposit market share with a market share of five percent. Primary lending products in the South Dakota Non-MSA AA are agriculture and consumer loans.

The South Dakota Non-MSA AA includes 19 CTs. Seventeen of the CTs are middle-income and two of the CTs are upper-income. Seventy-four thousand people, or 29

thousand households, lived in the AA in 2015. Of the households, 23 percent were low-income, 16 percent were moderate-income, 19 percent were middle-income, and 42 percent were upper-income. Fifteen percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$42,814 in 2015.

Sixty percent of the housing units in the South Dakota Non-MSA AA were owner-occupied and 26 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$103,691 and the weighted-average of monthly gross rent was \$480.

The South Dakota Non-MSA AA included 7,393 businesses in 2015. Seventy-eight percent of the businesses were non-farm businesses and 75 percent employed fewer than five people. Eighty-two percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the South Dakota Non-MSA AA was favorable during the evaluation period. According to the South Dakota Department of Labor and Regulation, the unemployment rate for AA remained below the state average in all counties except Day County during the evaluation period. The unemployment rate in Day County ranged from a high of 8.20 percent in January 2014 to a low of 3.50 percent in October 2014. Major employers in the South Dakota Non-MSA AA include the agriculture industry, manufacturing companies, and local government.

Competition in the South Dakota Non-MSA AA is moderate and primarily includes local community banks. As of June 30, 2014, there were 22 institutions with 47 banking offices located in the AA.

We completed one community contact in the South Dakota Non-MSA AA in conjunction with this examination. The contact was the Executive Director of an organization that provides affordable housing. The contact identified home and small business loans as the primary credit needs in the AA.

### Sioux Falls MSA AA

The Sioux Falls MSA AA includes a portion of the Sioux Falls, SD MSA (#43620). The MSA includes Lincoln, McCook, Minnehaha, and Turner Counties in South Dakota. FSB considers all of Lincoln, Minnehaha, and Turner Counties as its AA. FSB operates two branches in this AA. The branches are located in Sioux Falls and Parker. FSB does not operate a branch in Lincoln County; however, the bank's Beresford branch is located on the county line.

This AA accounted for five percent of the bank's deposits and 22 percent of the bank's loans during the evaluation period. FSB reported \$20 million of deposits in the Sioux Falls MSA AA as of June 30, 2014, which ranked the bank 28th in deposit market share with a market share near zero percent. The primary lending product in the Sioux Falls MSA AA is commercial loans.

The Sioux Falls MSA AA includes 55 CTs. Fourteen of the CTs are moderate-income, 29 are middle-income, and 12 are upper-income. Two-hundred twenty-three thousand people, or 85 thousand households, lived in the AA in 2015. Of the households, 21 percent were low-income, 18 percent were moderate-income, 20 percent were middle-income, and 41 percent were upper-income. Nine percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$56,170 in 2015.

Sixty-four percent of the housing units in the Sioux Falls MSA AA were owner-occupied and 30 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$147,865 and the weighted-average of monthly gross rent was \$668.

The Sioux Falls MSA AA included 20 thousand businesses in 2015. Ninety-two percent of the businesses were non-farm businesses and 71 percent employed fewer than five people. Seventy-nine percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the Sioux Falls MSA AA was strong during the evaluation period. According to the South Dakota Department of Labor and Regulation, the unemployment rate for the Sioux Falls MSA ranged from a high of 3.90 percent in January and February 2013 to a low of 2.40 percent in July and October 2014. The unemployment rate was 2.60 percent in July 2015, which is below the State of South Dakota average of 3.80 percent. Major employers in the Sioux Falls MSA AA include the healthcare industry, a meat processing plant, and two large banks.

Competition in the Sioux Falls MSA AA is high and includes several large banks with a nationwide presence, regional banks, and local community banks. As of June 30, 2014, there were 31 institutions with 129 banking offices located in the Sioux Falls MSA AA.

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

We completed full-scope reviews of the Sioux City MSA AA and the South Dakota Non-MSA AA and a limited-scope review of the Sioux Falls MSA AA. The State of South Dakota rating is primarily based on the results of the AAs receiving full-scope reviews.

The South Dakota Non-MSA represents the bank's primary AA in South Dakota. The South Dakota Non-MSA AA accounts for 67 percent of FSB's South Dakota locations, 51 percent of South Dakota deposits, and 31 percent of the loans originated in South Dakota during the evaluation period. The Sioux City MSA AA includes FSB's main location and accounts for 38 percent of South Dakota deposits and 20 percent of the loans originated in South Dakota during the evaluation period.

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

FSB's performance under the Lending Test in South Dakota is rated satisfactory. The borrower distribution of loans reflects reasonable penetration among households of different income levels and businesses and farms of different sizes. The geographic distribution of business loans to geographies of different income levels reflects reasonable dispersion among CTs of different income levels.

FSB's performance under the CD Test in South Dakota is rated satisfactory. Overall, the volume of CD loans, investments, and services reflects adequate responsiveness to CD needs and opportunities of the bank's AAs.

Performance in the Sioux Falls MSA AA was not inconsistent with FSB's performance in the areas receiving full-scope reviews, with the exception of CD activity. CD activities in the Sioux Falls MSA AA represent very poor responsiveness to the AA's CD needs and opportunities.

### **LENDING TEST**

The bank's performance under the Lending Test in South Dakota is rated satisfactory.

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

The distribution of consumer loans to households of different income levels and businesses and farms of different sizes reflects reasonable penetration of AA demographics during the evaluation period.

#### Sioux City MSA AA

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA's demographics. Seventy-five percent of FSB's commercial loans by number and 72 percent of their commercial loans by dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparator for number of loans for the AA.

Table 5 includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 5 - Borrower Distribution of Commercial Loans in Sioux City MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	75%	20%	5%	100%
% of Bank Loans in AA by \$	72%	21%	7%	100%
% of Aggregate Peer Businesses/Farm Loans by #	60%	40%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	76%	24%	0%	100%

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

The distribution of agriculture loans to farms of different income levels reflects excellent penetration of the AA's demographics. Eighty-five percent of FSB's agriculture loans by number and 81 percent of their agriculture loans by dollar were to farms with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 6 includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 6 - Borrower Distribution of Agriculture Loans in Sioux City MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	85%	5%	10%	100%
% of Bank Loans in AA by \$	81%	17%	2%	100%
% of Aggregate Peer Businesses/Farm Loans by #	60%	40%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	76%	24%	0%	100%

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

### South Dakota Non-MSA AA

The distribution of consumer loans to households of different income levels reflects reasonable penetration of the AA's demographics. Examiners expanded this sample to 60 loans because the initial data revealed FSB's penetration of the AA's demographics was poor. Twenty-three percent of AA households are low-income. Management originated 12 percent of their consumer loans by number to these households. Sixteen percent of AA households are moderate-income. Management originated 28 percent of their consumer loans by number to these households. This meets the comparators for the AA.

Table 7 includes the data used to evaluate the borrower distribution of the bank's consumer loans.

<b>Table 7 - Borrower Distribution of Consumer Loans in South Dakota Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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%	12%	16%	28%	19%	27%	42%	33%

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

The distribution of agriculture loans to farms of different income levels reflects excellent penetration of the AA's demographics. Eighty-five percent of FSB's agriculture loans by number and 82 percent of their agriculture loans by dollar were to farms with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 8 includes the data used to evaluate the borrower distribution of the bank's agriculture loans.

<b>Table 8 - Borrower Distribution of Agriculture Loans in South Dakota Non-MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	82%	18%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by #	58%	42%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	54%	46%	0%	100%

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

### Sioux Falls MSA AA

The distribution of commercial loans to businesses of different income levels reflects reasonable penetration of the AA's demographics. Eighty percent of FSB's commercial loans by number and 27 percent of their commercial loans by dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparator for number of loans for the AA.

The distribution of loans by dollar to businesses with gross annual revenue less than \$1 million is skewed because of two large loans made to a hotel entity during the evaluation period. The loan was initially originated in 2013 for \$3.4 million, then renewed in 2014 for \$3.3 million. The average loan size for the other 18 loans in the sample is \$141 thousand.

Table 9 includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 9 - Borrower Distribution of Commercial Loans in Sioux Falls MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	80%	15%	5%	100%
% of Bank Loans in AA by \$	27%	73%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by #	53%	47%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	48%	52%	0%	100%

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

### **Geographic Distribution of Loans**

The distribution of commercial loans to CTs of different income levels reflects reasonable penetration of AA demographics during the evaluation period.

#### Sioux City MSA AA

There are no low- or moderate-income CTs in the Sioux City MSA AA. A geographic analysis of this AA was not completed because it would not be meaningful.

#### South Dakota Non-MSA AA

There are no low- or moderate-income CTs in the South Dakota Non-MSA AA. A geographic analysis of this AA was not completed because it would not be meaningful.

#### Sioux Falls MSA AA

The distribution of commercial loans to CTs of different income levels reflects reasonable dispersion of the AA's demographics. Twenty percent of FSB's commercial loans by number and 78 percent of their commercial loans by dollar were to businesses located in moderate-income CTs. This exceeds the aggregate peer comparator for dollar of loans for the AA.

The distribution of loans by dollar to businesses located in moderate-income CTs is skewed because of two large loans made to a hotel entity during the evaluation period. Of the 20 loans analyzed, only four were made to moderate-income CTs. However, two of the four loans were the large hotel loans discussed previously, which increased the dollar volume of loans to moderate-income CTs.

Table 10 includes the data used to evaluate the geographic distribution of the bank's commercial loans.

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

<b>Table 10 - Geographic Distribution of Commercial Loans in Sioux Falls MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	0%	20%	75%	5%
% of Bank Loans in AA by \$	0%	78%	17%	5%
% of Aggregate Peer Businesses/Farm Loans by #	0%	32%	47%	21%
% of Aggregate Peer Businesses/Farm Loans by \$	0%	42%	41%	17%

## Responses to Complaints

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in South Dakota is rated satisfactory. CD activities demonstrate adequate responsiveness to CD needs and opportunities in the bank's AAs. CD loans and investments totaled \$19.1 million and represented 22 percent of tier one capital as of June 30, 2015. Members of management provided qualified service hours to two community organizations during the evaluation period.

### Number and Amount of Community Development Loans

Management originated an adequate number of CD loans in the State of South Dakota during the evaluation period. The CD loans are concentrated in the South Dakota Non-MSA AA and are primarily small business and small farm loans to distressed or underserved middle-income CTs.

#### Sioux City MSA AA

Management provided an adequate level of CD loans to the Sioux City MSA AA during the evaluation period. Management originated three loans totaling \$305 thousand during the evaluation period. The loans were small farm and small business loans that benefited distressed or underserved middle-income CTs.

#### South Dakota Non-MSA AA

Management provided an outstanding level of CD loans to the South Dakota Non-MSA AA during the evaluation period. Management originated 225 loans totaling \$17.9 million during the evaluation period. Seventy-two of the loans, or \$3.9 million, were small business loans to distressed or underserved middle-income CTs. One-hundred fifty-three of the loans, or \$14 million, were small farm loans to distressed or underserved middle-income CTs.

Sioux Falls MSA AA

Management provided a weak level of CD loans to the Sioux Falls MSA AA during the evaluation period. No CD loans were originated in this AA during the evaluation period.

**Number and Amount of Qualified Investments**

Management provided an adequate number of CD investments to the State of South Dakota during the evaluation period. The CD investments are concentrated in the South Dakota Non-MSA AA and are primarily bonds purchased in prior evaluation periods.

Sioux City MSA AA

Management provided a weak level of CD investments to the Sioux City MSA AA during the evaluation period. No CD investments or donations were made in this AA during the evaluation period.

South Dakota Non-MSA AA

Management provided an adequate level of CD investments to the South Dakota Non-MSA AA during the evaluation period. Management purchased four bonds in prior evaluation periods that remain on the bank's books. The bonds total \$861 thousand. Two bonds support school system infrastructure in distressed or underserved middle-income CTs where more than 50 percent of the students qualify for free or reduced cost lunches. One bond supports economic development activities in a distressed middle-income CTs, which helps to revitalize and stabilize the area. The final bond supports affordable housing in a distressed middle-income CT.

Management made one qualified donation totaling \$1 thousand during the evaluation period. The donation supports an organization that provides economic development assistance to small businesses.

Sioux Falls MSA AA

Management provided a weak level of CD investments to the Sioux Falls MSA AA during the evaluation period. Management made one qualified donation totaling \$200 during the evaluation period. The donation supports an organization that provides community services to low- and moderate-income individuals.

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

Management provided a weak number of CD services to the State of South Dakota during the evaluation period. The availability of services to low- and moderate-income individuals is adequate. No bank branches in South Dakota are located in low- or moderate-income CTs; however, six branches are located in distressed or underserved

middle-income CTs. The availability of services in those branches is consistent with the availability in branches located in other middle- or upper-income CTs.

#### Sioux City MSA AA

Management provided a weak number of CD services to the Sioux City MSA AA during the evaluation period. Bank staff did not provide any service hours to qualified CD organizations during the evaluation period.

#### South Dakota Non-MSA AA

Management provided a weak number of CD services to the South Dakota Non-MSA AA during the evaluation period. One employee provided qualified service hours to an organization that provides affordable housing and to an organization that promotes economic development by financing small businesses during the evaluation period.

Six of the seven branches in the South Dakota Non-MSA AA are located in distressed or underserved middle-income CTs, which generally increases access to financial services to low- and moderate-income individuals.

#### Sioux Falls MSA AA

Management provided a weak number of CD services to the Sioux Falls MSA AA during the evaluation period. Bank staff did not provide any service hours to qualified CD organizations during the evaluation period.

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

FSB demonstrated adequate responsiveness to CD needs and opportunities in the State of South Dakota.

We considered the limited CD opportunities in the Sioux City MSA AA and the South Dakota Non-MSA AA during the evaluation period in our analysis. Neither of these AAs have low- or moderate-income CTs. Additionally, both AAs are primarily rural areas that do not offer the traditional community service and affordable housing organizations typically found in metropolitan areas. Because of these limitations, we placed more reliance on the bank's lending to small businesses and small farms in distressed and underserved middle-income CTs in these AAs.

## State Rating

### State of New Mexico

**CRA Rating for the State of New Mexico: Satisfactory.**

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

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

FSB's performance in the State of New Mexico meets the standards for satisfactory performance.

- The distribution of loans to households of different income levels and businesses of different sizes reflects reasonable penetration of AA demographics.
- The geographic distribution of loans to low- and moderate-income geographies reflects reasonable dispersion of AA demographics.
- FSB's CD activities demonstrate adequate responsiveness to the CD needs of the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW MEXICO

FSB operates two AAs in New Mexico: New Mexico Non-MSA AA and Las Cruces MSA AA.

#### New Mexico Non-MSA AA

The New Mexico Non-MSA AA includes all of Grant, Lincoln, Luna, Otero, and Sierra Counties in New Mexico. FSB operates five branches in this AA. The branches are located in the towns of Silver City, Ruidoso, Deming, Alamogordo, and Truth or Consequences.

This AA accounted for 30 percent of the bank's deposits and 14 percent of the bank's loans during the evaluation period. FSB reported \$121 million of deposits in the New Mexico Non-MSA AA as of June 30, 2014, which ranked the bank fourth in deposit market share with a market share of seven percent. Primary lending products in the New Mexico Non-MSA AA are commercial and consumer loans.

The New Mexico Non-MSA AA includes 39 CTs. One CT is low-income, 11 are moderate-income, 21 are middle-income, and six are upper-income. One-hundred fifty-one thousand people, or 59 thousand households, lived in the AA in 2015. Of the households, 25 percent were low-income, 18 percent were moderate-income, 18 percent were middle-income, and 39 percent were upper-income. Nineteen percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$37,267 in 2015.

Fifty-two percent of the housing units in the New Mexico Non-MSA AA were owner-occupied and 20 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$124,165 and the weighted-average of monthly gross rent was \$595.

The New Mexico Non-MSA AA included eight thousand businesses in 2015. Ninety-five percent of the businesses were non-farm businesses and 69 percent employed fewer than five people. Seventy-seven percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the New Mexico Non-MSA AA varied during the evaluation period. According to the Bureau of Labor Statistics (BLS), the unemployment rate in 2012 ranged from a low of 6.40 percent in Lincoln and Otero Counties to a high of 20.20 percent in Luna County. Unemployment rates slowly improved in each county during the evaluation period. Unemployment rates ranged from a low of 5.90 percent in Lincoln County in 2014 to a high of 18 percent in Luna County in 2014. The national unemployment rate was 6.20 percent and the State of New Mexico unemployment rate was 6 percent in 2014. Major employers in the New Mexico Non-MSA AA include the United States Air Force, healthcare industry, and government.

Competition in the New Mexico Non-MSA AA is moderate and primarily includes local community banks and regional banks. As of June 30, 2014, there were 19 institutions with 53 banking offices located in the AA.

We completed one community contact in the New Mexico Non-MSA AA in conjunction with this examination. The contact was the coordinator of an organization that provides affordable housing to low-income people in the AA. The contact identified home loans as the primary credit need in the AA, and noted opportunities for CD involvement are limited.

### Las Cruces MSA AA

The Las Cruces MSA AA includes all of the Las Cruces MSA (#29740). The MSA includes Dona Ana County in New Mexico. FSB operates one branch in this AA. The branch is located in Las Cruces, New Mexico.

This AA accounted for three percent of the bank's deposits and two percent of the bank's loans during the evaluation period. FSB reported \$11 million of deposits in the Las Cruces MSA AA as of June 30, 2014, which ranked the bank 16th in deposit market share with a market share of one percent. The primary lending products in the Las Cruces MSA AA are commercial and consumer loans.

The Las Cruces MSA AA includes 41 CTs. Four of the CTs are low-income, 16 are moderate-income, 7 are middle-income, and 14 are upper-income. Two-hundred and nine thousand people, or 72 thousand households, lived in the AA in 2015. Of the households, 25 percent were low-income, 16 percent were moderate-income, 16 percent were middle-income, and 43 percent were upper-income. Twenty-three percent

of the households in the AA lived below the poverty level. The weighted-average of median household income was \$39,224 in 2015.

Fifty-nine percent of the housing units in the Las Cruces MSA AA were owner-occupied and 31 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$138,556 and the weighted-average of monthly gross rent was \$665.

The Las Cruces MSA AA included 10 thousand businesses in 2015. Ninety-six percent of the businesses were non-farm businesses and 68 percent employed fewer than five people. Seventy-seven percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the Las Cruces MSA struggled during the evaluation period. According to the BLS, the unemployment rate in the Las Cruces MSA increased from 7.20 percent in 2012 to 7.50 percent in 2013 and 2014, then to 8 percent in July 2015. This is above the national unemployment rate of 5.30 percent and the State of New Mexico unemployment rate of 6.50 percent in July 2015. Major employers in the Las Cruces MSA AA include a public university, the public school system, and a missile range.

Competition in the Las Cruces MSA AA is moderate and includes several large banks with a nationwide presence, as well as local community banks. As of June 30, 2014, there were 18 institutions with 48 banking offices located in the Las Cruces MSA AA.

## **SCOPE OF EVALUATION IN NEW MEXICO**

We completed a full-scope review of the New Mexico Non-MSA AA and a limited-scope review of the Las Cruces MSA AA. The State of New Mexico rating is primarily based on the results of the AA receiving a full-scope review.

The New Mexico Non-MSA represents the bank's primary AA in New Mexico. The New Mexico Non-MSA AA accounts for 83 percent of FSB's New Mexico locations, 92 percent of New Mexico deposits, and 85 percent of the loans originated in New Mexico during the evaluation period.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW MEXICO**

FSB's performance under the Lending Test in New Mexico is rated satisfactory. The borrower distribution of loans reflects reasonable penetration among households of different income levels and businesses of different sizes. The geographic distribution of business and consumer loans to geographies of different income levels reflects reasonable dispersion among CTs of different income levels.

FSB's performance under the CD Test in New Mexico is rated satisfactory. Overall, the volume of CD loans reflects adequate responsiveness to CD needs and opportunities of the bank's AAs. The volume of CD investments and services is poor.

Performance in the Las Cruces MSA AA was inconsistent with FSB’s performance in the New Mexico Non-MSA AA. The borrower distribution of loan reflects excellent penetration among households of different income levels and businesses of different sizes in the Las Cruces MSA AA; however, the geographic distribution of business and consumer loans to geographies of different income levels reflects poor dispersion among CTs of different income levels. Additionally, management’s performance under the CD Test in the Las Cruces MSA AA reflects very poor responsiveness to the AA’s CD needs and opportunities.

**LENDING TEST**

The bank’s performance under the Lending Test in New Mexico is rated satisfactory.

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

The distribution of commercial loans to businesses of different sizes and consumer loans to households of different income levels reflects reasonable penetration of AA demographics during the evaluation period.

New Mexico Non-MSA AA

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA’s demographics. Sixty percent of FSB’s commercial loans by number and dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 11 includes the data used to evaluate the borrower distribution of the bank’s commercial loans.

<b>Table 11 - Borrower Distribution of Commercial Loans in New Mexico Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	60%	30%	10%	100%
% of Bank Loans in AA by \$	60%	38%	2%	100%
% of Aggregate Peer Businesses/Farm Loans by #	47%	53%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	50%	50%	0%	100%

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

The distribution of consumer loans to households of different income levels reflects poor penetration of the AA’s demographics. Examiners expanded this sample to 60 loans because the initial data revealed FSB’s penetration of the AA’s demographics was poor. Twenty-five percent of AA households are low-income. Management originated 10 percent of their consumer loans by number to these households. Eighteen percent of AA households are moderate-income. Management originated 20 percent of their consumer loans by number to these households. This does not meet comparators for the AA.

Table 12 includes the data used to evaluate the borrower distribution of the bank’s consumer loans.

<b>Table 12 - Borrower Distribution of Consumer Loans in New Mexico Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	25%	10%	18%	20%	18%	30%	39%	40%

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

Las Cruces MSA AA

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA’s demographics. Seventy-one percent of FSB’s commercial loans by number and 76 percent of their commercial loans by dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 13 includes the data used to evaluate the borrower distribution of the bank’s commercial loans.

<b>Table 13 - Borrower Distribution of Commercial Loans in Las Cruces MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of Bank Loans in AA by #	71%	29%	0%	100%
% of Bank Loans in AA by \$	76%	24%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by #	47%	53%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	34%	66%	0%	100%

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

The distribution of consumer loans to households of different income levels reflects excellent penetration of the AA’s demographics. Twenty-five percent of AA households are low-income. Management originated 33 percent of their consumer loans by number to these households. Sixteen percent of AA households are moderate-income. Management originated 17 percent of their consumer loans by number to these households. This exceeds the comparators for the AA.

Table 14 includes the data used to evaluate the borrower distribution of the bank’s consumer loans.

<b>Table 14 - Borrower Distribution of Consumer Loans in Las Cruces MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	25%	33%	16%	17%	16%	8%	43%	42%

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

**Geographic Distribution of Loans**

The distribution of commercial and consumer loans to CTs of different income levels reflects reasonable penetration of AA demographics during the evaluation period.

New Mexico Non-MSA AA

The distribution of commercial loans to CTs of different income levels reflects reasonable dispersion of the AA’s demographics. Management did not originate any commercial loans to low-income CTs. Thirty percent of FSB’s commercial loans by number and six percent of their commercial loans by dollar were to businesses located in moderate-income CTs. This exceeds the aggregate peer comparator for number of loans for the AA.

The distribution of loans by dollar to businesses located in middle-income CTs is skewed because of two large loans made during the evaluation period. Of the 20 loans analyzed, six were made to moderate-income CTs, 11 were made to middle-income CTs, and three were made to upper-income CTs. The loans made to moderate-income CTs had an average size of \$87 thousand. The loans made to middle-income CTs had an average size of \$687 thousand because of two large loans, which caused the dollar volume of loans to be skewed in that category.

Table 15 includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 15 - Geographic Distribution of Commercial Loans in New Mexico Non-MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	0%	30%	55%	15%
% of Bank Loans in AA by \$	0%	6%	90%	4%
% of Aggregate Peer Businesses/Farm Loans by #	3%	16%	52%	29%
% of Aggregate Peer Businesses/Farm Loans by \$	3%	10%	50%	37%

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

The distribution of consumer loans to CTs of different income levels reflects reasonable dispersion of the AA’s demographics. One percent of AA households live in low-income CTs. Management originated 15 percent of their consumer loans by number to households in these CTs. Twenty-six percent of AA households live in moderate-

income CTs. Management originated 20 percent of their consumer loans by number to households in these CTs. This meets the comparators for the AA.

Table 16 includes the data used to evaluate the geographic distribution of the bank’s consumer loans.

<b>Table 16 - Geographic Distribution of Consumer Loans in New Mexico Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	1%	15%	26%	20%	54%	45%	19%	20%

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

Las Cruces MSA AA

The distribution of commercial loans to CTs of different income levels reflects poor dispersion of the AA’s demographics. We did not expand this sample because all of the commercial loans originated by management during the evaluation period were analyzed in our initial sample. Management did not originate any commercial loans to low-income CTs. Twenty-one percent of FSB’s commercial loans by number and five percent of their commercial loans by dollar were to businesses located in moderate-income CTs. This does not meet the aggregate peer comparators for the AA.

Table 17 includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 17 - Geographic Distribution of Commercial Loans in Las Cruces MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	0%	21%	36%	43%
% of Bank Loans in AA by \$	0%	5%	31%	64%
% of Aggregate Peer Businesses/Farm Loans by #	7%	27%	50%	30%
% of Aggregate Peer Businesses/Farm Loans by \$	6%	29%	47%	39%

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

The distribution of consumer loans to CTs of different income levels reflects poor dispersion of the AA’s demographics. We did not expand this sample because all of the consumer loans originated by management during the evaluation period were analyzed in our initial sample. Nine percent of AA households live in low-income CTs. Management originated eight percent of their consumer loans by number to households in these CTs. Thirty-one percent of AA households live in moderate-income CTs. Management originated eight percent of their consumer loans by number to households in these CTs. This does not meet the comparators for the AA.

Table 18 includes the data used to evaluate the geographic distribution of the bank’s consumer loans.

Table 18 - Geographic Distribution of Consumer Loans in Las Cruces MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	9%	8%	31%	8%	17%	23%	43%	61%

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

### Responses to Complaints

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD Test in New Mexico is rated satisfactory. CD activities demonstrate adequate responsiveness to CD needs and opportunities in the bank’s AA. CD loans and investments totaled \$8.1 million and represented nine percent of tier one capital as of June 30, 2015. Members of management provided qualified service hours to three community organizations during the evaluation period.

#### Number and Amount of Community Development Loans

Management originated an adequate number of CD loans in the State of New Mexico during the evaluation period. The CD loans are concentrated in the New Mexico Non-MSA AA and are primarily small business and small farm loans to distressed or underserved middle-income CTs.

#### New Mexico Non-MSA AA

Management provided an outstanding level of CD loans to the New Mexico Non-MSA AA during the evaluation period. Management originated 64 loans totaling \$8.1 million during the evaluation period. Fifty-nine of the loans, or \$5.9 million, were small business loans to distressed or underserved middle-income CTs. Four loans, or \$217 thousand, were small farm loans to distressed or underserved middle-income CTs. Management also originated one SBA 504 loan for \$2 million in the AA.

#### Las Cruces MSA AA

Management provided a weak level of CD loans to the Las Cruces MSA AA during the evaluation period. No CD loans were originated in this AA during the evaluation period.

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

Management provided a poor number of CD investments to the State of New Mexico during the evaluation period.

### New Mexico Non- MSA AA

Management provided a weak level of CD investments to the New Mexico Non-MSA AA during the evaluation period. Management made one qualified donation totaling \$500 during the evaluation period. The donation supports an organization that provides community services to low- and moderate-income children.

### Las Cruces MSA AA

Management provided a weak level of CD investments to the Las Cruces MSA AA during the evaluation period. No CD investments or donations were made in this AA during the evaluation period.

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

Management provided a poor number of CD services to the State of New Mexico during the evaluation period. The availability of services to low- and moderate-income individuals is adequate. One branch is located in a low-income CT and two branches are located in moderate-income CTs. The availability of services in those branches is consistent with the availability in branches located in middle- or upper-income CTs.

### New Mexico Non-MSA AA

Management provided a weak number of CD services to the New Mexico Non-MSA AA during the evaluation period. Bank staff did not provide any service hours to qualified CD organizations during the evaluation period.

Three of the five branches in the New Mexico Non-MSA AA are located in low- or moderate-income CTs, which increases access to financial services to low- and moderate-income individuals. The availability of services in these branches is consistent with the availability in branches located in middle- or upper-income CTs.

### Las Cruces MSA AA

Management provided a weak number of CD services to the Las Cruces MSA AA during the evaluation period. One employee provided qualified service hours to an organization that provides affordable housing. Another employee provided qualified service hours to two organizations that provide community services to low- and moderate-income children.

## **Responsiveness to Community Development Needs**

FSB demonstrated adequate responsiveness to CD needs and opportunities in the State of New Mexico.

We considered the limited CD opportunities in the New Mexico Non-MSA AA during the evaluation period in our analysis. While the AA has low- and moderate-income CTs, the community contact in the New Mexico Non-MSA AA noted the area continues to slowly recover from the recession and the opportunities for CD participation are limited. Because of these limitations, we placed more reliance on the bank's lending to small businesses and small farms in distressed and underserved middle-income CTs in this AA.

## State Rating

### State of Texas

#### **CRA Rating for the State of Texas: Satisfactory.**

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

**The Community Development Test is rated: Needs to Improve.**

FSB's performance in the State of Texas meets the standards for satisfactory performance.

- The distribution of loans to businesses of different sizes reflects excellent penetration of AA demographics.
- The geographic distribution of loans to low- and moderate-income geographies reflects excellent dispersion of AA demographics.
- FSB's CD activities demonstrate very poor responsiveness to the CD needs of the AA.

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

FSB operates one AA in Texas. The El Paso MSA AA includes all of the El Paso MSA (#21340). The MSA includes El Paso County in Texas. FSB operates three branches in this AA. All of the branches are located in El Paso, Texas.

This AA accounted for seven percent of the bank's deposits and 16 percent of the bank's loans during the evaluation period. FSB reported \$29 million of deposits in the El Paso MSA AA as of June 30, 2014, which ranked the bank 15th in deposit market share with a market share below one percent. The primary lending product in the El Paso MSA AA is commercial loans.

The El Paso MSA AA includes 161 CTs. Nine CTs are low-income, 57 are moderate-income, 47 are middle-income, and 47 are upper-income. The income level of one CT is unknown. Eight-hundred and one thousand people, or 243 thousand households, lived in the AA in 2015. Of the households, 25 percent were low-income, 16 percent were moderate-income, 17 percent were middle-income, and 42 percent were upper-income. Twenty-four percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$40,075 in 2015.

Fifty-nine percent of the housing units in the El Paso MSA AA were owner-occupied and 33 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$109,330 and the weighted-average of monthly gross rent was \$637.

The El Paso MSA AA included 43 thousand businesses in 2015. Ninety-nine percent of the businesses were non-farm businesses and 68 percent employed fewer than five

people. Seventy-seven percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the El Paso MSA AA was favorable during the evaluation period. According to the BLS, the unemployment rate in the El Paso MSA AA improved from 8.80 percent in June 2012 to 4.90 percent in July 2015, which is above the State of Texas unemployment rate of 4.20 percent in July 2015, but comparable to the national average of 5.10 percent in August 2015. Major employers in the El Paso MSA AA include the local school system, the United States Army, and the local government.

Competition in the El Paso MSA AA is high and includes large national banks, regional banks, and some community banks. As of June 30, 2014, there were 18 institutions with 99 banking offices located in the El Paso MSA AA.

We completed one community contact in the El Paso MSA AA in conjunction with this examination. The contact was the Executive Director of an organization that provides affordable housing. The contact identified home and consumer loans as the primary credit needs in the AA, and noted opportunities there are many opportunities for CD involvement in the MSA.

## **SCOPE OF EVALUATION IN TEXAS**

We completed a full-scope review of the El Paso MSA AA. The State of Texas rating is based wholly on the results of this review.

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

FSB's performance under the Lending Test in Texas is rated outstanding. The borrower distribution of loans reflects excellent penetration among businesses of different sizes. The geographic distribution of business loans to geographies of different income levels reflects excellent dispersion among CTs of different income levels.

FSB's performance under the CD Test in Texas is rated needs to improve. The volume of CD loans, investments, and services reflects very poor responsiveness to CD needs and opportunities of the bank's AA.

## **LENDING TEST**

The bank's performance under the Lending Test in Texas is rated outstanding.

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

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA's demographics. Sixty-five percent of FSB's commercial loans by number and 72 percent of their commercial loans by dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 18 includes the data used to evaluate the borrower distribution of the bank’s commercial loans.

<b>Table 18 - Borrower Distribution of Commercial Loans in El Paso MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	65%	20%	15%	100%
% of Bank Loans in AA by \$	72%	26%	2%	100%
% of Aggregate Peer Businesses/Farm Loans by #	47%	53%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	46%	54%	0%	100%

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

### Geographic Distribution of Loans

The distribution of commercial loans to CTs of different income levels reflects excellent dispersion of the AA’s demographics. Ten percent of FSB’s commercial loans by number and 18 percent of their commercial loans by dollar were to businesses located in low-income CTs. Forty percent of FSB’s commercial loans by number and 49 percent of their commercial loans by dollar were to businesses located in moderate-income CTs. This exceeds the aggregate peer comparators for number and dollar of loans for the AA.

Table 19 includes the data used to evaluate the geographic distribution of the bank’s commercial loans.

<b>Table 19 - Geographic Distribution of Commercial Loans in El Paso MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	10%	40%	30%	20%
% of Bank Loans in AA by \$	18%	49%	16%	17%
% of Aggregate Peer Businesses/Farm Loans by #	6%	29%	25%	40%
% of Aggregate Peer Businesses/Farm Loans by \$	6%	33%	27%	34%

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

### Responses to Complaints

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD Test in Texas is rated needs to improve. CD activities demonstrate very poor responsiveness to CD needs and opportunities in the bank’s AA. Management did not make any CD loans or investments in the El Paso

MSA AA during the evaluation period. One member of management provided qualified service hours to one community organization during the evaluation period.

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

Management provided a weak level of CD loans to the El Paso MSA AA during the evaluation period. No CD loans were originated in this AA during the evaluation period.

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

Management provided a weak level of CD investments to the El Paso MSA AA during the evaluation period. No CD investments or donations were made in this AA during the evaluation period.

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

Management provided a weak number of CD services to the El Paso MSA AA during the evaluation period. One member of management provided qualified service hours to one community organization during the evaluation period. The organization provides community services to low- and moderate-income individuals.

The availability of services to low- and moderate-income individuals is good. Two of the bank's three branches are located in moderate-income CTs. The availability of services in those branches is consistent with the availability in branches located in middle- or upper-income CTs.

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

FSB demonstrated very poor responsiveness to CD needs and opportunities in the State of Texas. The El Paso MSA AA is located in a large, metropolitan area. The CD needs in this AA are vast and there are numerous opportunities for CD participation.

## State Rating

### State of Nevada

**CRA Rating for the State of Nevada: Satisfactory.**

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

**The Community Development Test is rated: Needs to Improve.**

FSB's performance in the State of Nevada meets the standards for satisfactory performance.

- The distribution of loans to businesses of different sizes reflects excellent penetration of AA demographics.
- The geographic distribution of loans to low- and moderate-income geographies reflects reasonable dispersion of AA demographics.
- FSB's CD activities demonstrate very poor responsiveness to the CD needs of the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEVADA

FSB operates one AA in Nevada. The Las Vegas MSA AA includes all of the Las Vegas-Henderson-Paradise MSA (#29820). The MSA includes Clark County in Nevada. FSB operates one branch in this AA. The branch is located in Las Vegas, Nevada.

This AA accounted for six percent of the bank's deposits and 17 percent of the bank's loans during the evaluation period. FSB reported \$26 million of deposits in the Las Vegas MSA AA as of June 30, 2014, which ranked the bank 30th in deposit market share with a market share near zero percent. The primary lending product in the Las Vegas MSA AA is commercial loans.

The Las Vegas MSA AA includes 487 CTs. Twenty-eight CTs are low-income, 113 are moderate-income, 201 are middle-income, and 145 are upper-income. Two million people, or 696 thousand households, lived in the AA in 2015. Of the households, 22 percent were low-income, 18 percent were moderate-income, 20 percent were middle-income, and 40 percent were upper-income. Ten percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$59,524 in 2015.

Fifty percent of the housing units in the Las Vegas MSA AA were owner-occupied and 36 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$253,307 and the weighted-average of monthly gross rent was \$1,061.

The Las Vegas MSA AA included 100 thousand businesses in 2015. Ninety-eight percent of the businesses were non-farm businesses and 67 percent employed fewer than five people. Seventy-six percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the Las Vegas MSA AA improved during the evaluation period. According to the BLS, the unemployment rate in the Las Vegas MSA AA improved from 11.40 percent in June 2012 to 6.80 percent in July 2015. While this remains above the national unemployment average, it is in line with the State of Nevada unemployment rate of 6.80 percent in July 2015. Major employers in the Las Vegas MSA AA include casinos, the hotel industry, local government, and the local school and university system.

Competition in the Las Vegas MSA AA is high and includes large national banks, regional banks, and some community banks. As of June 30, 2014, there were 38 institutions with 367 banking offices located in the Las Vegas MSA AA.

We completed one community contact in the Las Vegas MSA AA in conjunction with this examination. The contact was the Director of an organization that supports economic development in the AA. The contact identified home and commercial loans as the primary credit needs in the AA.

## **SCOPE OF EVALUATION IN NEVADA**

We completed a full-scope review of the Las Vegas MSA AA. The State of Nevada rating is based wholly on the results of this review.

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

FSB's performance under the Lending Test in Nevada is rated satisfactory. The borrower distribution of loans reflects excellent penetration among businesses of different sizes. The geographic distribution of business loans to geographies of different income levels reflects reasonable dispersion among CTs of different income levels.

FSB's performance under the CD Test in Nevada is rated needs to improve. The volume of CD loans, investments, and services reflects very poor responsiveness to CD needs and opportunities of the bank's AA.

## **LENDING TEST**

The bank's performance under the Lending Test in Nevada is rated satisfactory.

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

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA's demographics. One-hundred percent of FSB's commercial loans by number and dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 20 includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 20 - Borrower Distribution of Commercial Loans in Las Vegas MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by #	49%	51%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	34%	66%	0%	100%

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

## Geographic Distribution of Loans

The distribution of commercial loans to CTs of different income levels reflects reasonable dispersion of the AA's demographics. Five percent of FSB's commercial loans by number and six percent of their commercial loans by dollar were to businesses located in low-income CTs. This exceeds the aggregate peer comparator for number and dollar of loans for the AA. Ten percent of FSB's commercial loans by number and 15 percent of their commercial loans by dollar were to businesses located in moderate-income CTs. This is near the aggregate peer comparator for number and dollar of loans for the AA.

Table 21 includes the data used to evaluate the geographic distribution of the bank's commercial loans.

<b>Table 21 - Geographic Distribution of Commercial Loans in Las Vegas MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	5%	10%	55%	30%
% of Bank Loans in AA by \$	6%	15%	44%	35%
% of Aggregate Peer Businesses/Farm Loans by #	3%	17%	42%	38%
% of Aggregate Peer Businesses/Farm Loans by \$	4%	21%	42%	33%

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

## Responses to Complaints

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in Nevada is rated needs to improve. CD activities demonstrate very poor responsiveness to CD needs and opportunities in the bank's AA. Management did not make any CD loans or investments in the Las Vegas MSA AA during the evaluation period. Additionally, management did not provide any qualified service hours to community organizations during the evaluation period.

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

Management provided a weak level of CD loans to the Las Vegas MSA AA during the evaluation period. No CD loans were originated in this AA during the evaluation period.

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

Management provided a weak level of CD investments to the Las Vegas MSA AA during the evaluation period. No CD investments or donations were made in this AA during the evaluation period.

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

Management provided a weak number of CD services to the Las Vegas MSA AA during the evaluation period. Bank staff did not provide any service hours to qualified CD organizations in this AA during the evaluation period.

The availability of services to low- and moderate-income individuals is adequate. The Las Vegas branch is located in a middle-income CT; however, management makes banking services available to all customers via non-traditional methods such as mobile and Internet banking, which increases the availability of services to all individuals.

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

FSB demonstrated very poor responsiveness to CD needs and opportunities in the State of Nevada. The Las Vegas MSA AA is located in a large, metropolitan area. There are numerous opportunities for CD participation in this AA.

## State Rating

### State of Arizona

**CRA Rating for the State of Arizona: Satisfactory.**

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

**The Community Development Test is rated: Needs to Improve.**

FSB's performance in the State of Arizona meets the standards for satisfactory performance.

- The distribution of loans to businesses of different sizes reflects excellent penetration of AA demographics.
- The geographic distribution of loans to low- and moderate-income geographies reflects poor dispersion of AA demographics.
- FSB's CD activities demonstrate very poor responsiveness to the CD needs of the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

FSB operates one AA in Arizona. The Lake Havasu MSA AA includes all of the Lake Havasu-Kingman MSA (#29420). The MSA includes Mohave County in Arizona. FSB operates one branch in this AA. The branch is located in Lake Havasu City, Arizona.

This AA accounted for three percent of the bank's deposits and one percent of the bank's loans during the evaluation period. FSB reported \$13 million of deposits in the Lake Havasu MSA AA as of June 30, 2014, which ranked the bank 11th in deposit market share with a market share of one percent. The primary lending product in the Lake Havasu MSA AA is commercial loans.

The Lake Havasu MSA AA includes 43 CTs. Six CTs are moderate-income, 34 are middle-income, and three are upper-income. Two-hundred thousand people, or 80 thousand households, lived in the AA in 2015. Of the households, 21 percent were low-income, 18 percent were moderate-income, 21 percent were middle-income, and 40 percent were upper-income. Fourteen percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$40,206 in 2015.

Fifty-three percent of the housing units in the Lake Havasu MSA AA were owner-occupied and 21 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$175,295 and the weighted-average of monthly gross rent was \$801.

The Lake Havasu MSA AA included 12 thousand businesses in 2015. Ninety-eight percent of the businesses were non-farm businesses and 73 percent employed fewer than five people. Eighty-one percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the Lake Havasu MSA AA improved during the evaluation period, but unemployment rates remain above national and state averages. According to the BLS, the unemployment rate in the Lake Havasu MSA AA improved from 11.30 percent in June 2012 to 8.50 percent in July 2015. This is above the national unemployment rate of 5.30 percent in July 2015 and the State of Arizona unemployment rate of 6.10 percent in July 2015. Major employers in the Lake Havasu MSA AA include the local school system, local government, and the healthcare industry.

Competition in the Lake Havasu MSA AA is moderate and includes large national banks and regional banks. As of June 30, 2014, there were 12 institutions with 45 banking offices located in the Lake Havasu MSA AA.

We completed one community contact in the Lake Havasu MSA AA in conjunction with this examination. The contact was the President of an organization that provides community services to low- and moderate-income individuals in the AA. The contact identified home loans as the primary credit need in the AA. The contact also stated the AA has several CD needs, including affordable housing, homeless shelters, and financial education.

## **SCOPE OF EVALUATION IN ARIZONA**

We completed a full-scope review of the Lake Havasu MSA AA. The State of Arizona rating is based wholly on the results of this review.

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

FSB's performance under the Lending Test in Arizona is rated satisfactory. The borrower distribution of loans reflects excellent penetration among businesses of different sizes. The geographic distribution of business loans to geographies of different income levels reflects poor dispersion among CTs of different income levels.

FSB's performance under the CD Test in Arizona is rated needs to improve. The volume of CD loans, investments, and services reflects very poor responsiveness to CD needs and opportunities of the bank's AA.

## **LENDING TEST**

The bank's performance under the Lending Test in Arizona is rated satisfactory.

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

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA's demographics. Sixty-seven percent of FSB's commercial loans by number and 91 percent of their commercial loans by dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 22 includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 22 - Borrower Distribution of Commercial Loans in Lake Havasu MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	67%	33%	0%	100%
% of Bank Loans in AA by \$	91%	9%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by #	46%	54%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	44%	56%	0%	100%

Source: 2010 U.S. Census, loan sample

## Geographic Distribution of Loans

The distribution of commercial loans to CTs of different income levels reflects poor dispersion of the AA's demographics. We did not expand this sample because all of the commercial loans originated by management during the evaluation period were analyzed in our initial sample. Management did not make any commercial loans to low- or moderate-income CTs during the evaluation period. This does not meet the comparators for the AA.

Table 23 includes the data used to evaluate the geographic distribution of the bank's commercial loans.

<b>Table 23 - Geographic Distribution of Commercial Loans in Lake Havasu MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	0%	0%	67%	33%
% of Bank Loans in AA by \$	0%	0%	65%	35%
% of Aggregate Peer Businesses/Farm Loans by #	0%	6%	87%	7%
% of Aggregate Peer Businesses/Farm Loans by \$	0%	4%	89%	7%

Source: 2010 U.S. Census, loan sample

## **Responses to Complaints**

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in Arizona is rated needs to improve. CD activities demonstrate very poor responsiveness to CD needs and opportunities in the bank's AA. Management did not make any CD loans or investments in the Lake Havasu MSA AA during the evaluation period. One member of management provided qualified service hours to one community organization during the evaluation period.

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

Management provided a weak level of CD loans to the Lake Havasu MSA AA during the evaluation period. No CD loans were originated in this AA during the evaluation period.

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

Management provided a weak level of CD investments to the Lake Havasu MSA AA during the evaluation period. No CD investments or donations were made in this AA during the evaluation period.

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

Management provided a weak number of CD services to the Lake Havasu MSA AA during the evaluation period. One member of management provided qualified service hours to one community organization during the evaluation period. The organization provides community services to low- and moderate-income individuals.

The availability of services to low- and moderate-income individuals is adequate. The Lake Havasu branch is located in an upper-income CT; however, management makes banking services available to all customers via non-traditional methods such as mobile and Internet banking, which increases the availability of services to all individuals.

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

FSB demonstrated very poor responsiveness to CD needs and opportunities in the State of Arizona. The Lake Havasu MSA AA is located in a large, metropolitan area. There are numerous opportunities for CD participation in this AA.

## State Rating

### State of Nebraska

**CRA Rating for the State of Nebraska: Satisfactory.**

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

**The Community Development Test is rated: Needs to Improve.**

FSB's performance in the State of Nebraska meets the standards for satisfactory performance.

- The distribution of loans to businesses of different sizes reflects excellent penetration of AA demographics.
- The geographic distribution of loans to low- and moderate-income geographies reflects excellent dispersion of AA demographics.
- FSB's CD activities demonstrate very poor responsiveness to the CD needs of the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEBRASKA

The Omaha MSA AA includes a portion of the Omaha-Council Bluffs NE-IA multi-state MSA (#36540). The multi-state MSA includes Cass, Douglas, Sarpy, Saunders, and Washington Counties in Nebraska and Harrison, Mills, and Pottawattamie Counties in Iowa. FSB operates one branch in this AA. The branch is located in Omaha, Nebraska. FSB includes all of Douglas and Sarpy Counties in Nebraska as its Omaha MSA AA, which is reasonable given the bank's branch location and the large size of the multi-state MSA. Since FSB's operations in the AA are limited to the Nebraska portion of the multi-state MSA, we provided a State of Nebraska rating rather than a rating for the entire multi-state MSA.

This AA accounted for two percent of the bank's deposits and six percent of the bank's loans during the evaluation period. FSB reported \$9 million of deposits in the Omaha MSA AA as of June 30, 2014, which ranked the bank 71st in deposit market share with a market share of near zero percent. The primary lending product in the Omaha MSA AA is commercial loans.

The Omaha MSA AA includes 199 CTs. Twenty-eight CTs are low-income, 40 are moderate-income, 71 are middle-income, and 59 are upper-income. The income level of one CT is unknown. Six-hundred seventy-six thousand people, or 255 thousand households, lived in the AA in 2015. Of the households, 23 percent were low-income, 17 percent were moderate-income, 18 percent were middle-income, and 42 percent were upper-income. Eleven percent of the households in the AA lived below the poverty level. The weighted-average of median household income was \$59,430 in 2015.

Sixty-one percent of the housing units in the Omaha MSA AA were owner-occupied and 31 percent were renter-occupied in 2015. The weighted-average of median housing cost was \$150,078 and the weighted-average of monthly gross rent was \$746.

The Omaha MSA AA included 46 thousand businesses in 2015. Ninety-seven percent of the businesses were non-farm businesses and 69 percent employed fewer than five people. Seventy-seven percent of the total businesses in the AA reported gross annual revenue under \$1 million.

The economy in the Omaha MSA AA was favorable during the evaluation period. According to the BLS, the unemployment rate in the Omaha MSA AA improved from 4.40 percent in June 2012 to 3.10 percent in July 2015. This is slightly above the State of Nebraska unemployment rate of 2.70 percent in July 2015, but below the national unemployment rate of 5.30. Major employers in the Omaha MSA AA include the United States Air Force, the public school system, and the healthcare industry.

Competition in the Omaha MSA AA is high and includes large national banks, regional banks, and local community banks. As of June 30, 2014, there were 75 institutions with 340 banking offices located in the Omaha MSA AA.

We completed one community contact in the Omaha MSA AA in conjunction with this examination. The contact was the Director of an organization that provides redevelopment and education services to low-income neighborhoods in the AA. The contact identified home and small business loans as the primary credit needs in the AA. The contact also stated the AA has several CD needs, including affordable housing and financial education.

## **SCOPE OF EVALUATION IN NEBRASKA**

We completed a full-scope review of the Omaha MSA AA. The State of Nebraska rating is based wholly on the results of this review.

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

FSB's performance under the Lending Test in Nebraska is rated outstanding. The borrower distribution of loans reflects excellent penetration among businesses of different sizes. The geographic distribution of business loans to geographies of different income levels reflects excellent dispersion among CTs of different income levels.

FSB's performance under the CD Test in Nebraska is rated needs to improve. The volume of CD loans, investments, and services reflects very poor responsiveness to CD needs and opportunities of the bank's AA.

## LENDING TEST

The bank's performance under the Lending Test in Nebraska is rated outstanding.

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

The distribution of commercial loans to businesses of different income levels reflects excellent penetration of the AA's demographics. Ninety-five percent of FSB's commercial loans by number and 90 percent of their commercial loans by dollar were to businesses with gross annual revenue less than \$1 million. This exceeds the aggregate peer comparators for the AA.

Table 24 includes the data used to evaluate the borrower distribution of the bank's commercial loans.

<b>Table 24 - Borrower Distribution of Commercial Loans in Omaha MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	90%	10%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by #	46%	54%	0%	100%
% of Aggregate Peer Businesses/Farm Loans by \$	36%	64%	0%	100%

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

### Geographic Distribution of Loans

The distribution of commercial loans to CTs of different income levels reflects excellent dispersion of the AA's demographics. Five percent of FSB's commercial loans by number were to businesses located in low-income CTs. Forty percent of FSB's commercial loans by number and 56 percent of their commercial loans by dollar were to businesses located in moderate-income CTs. This exceeds the aggregate peer comparators for the AA.

Table 25 includes the data used to evaluate the geographic distribution of the bank's commercial loans.

<b>Table 25 - Geographic Distribution of Commercial Loans in Omaha MSA AA</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper
% of Bank Loans in AA by #	5%	40%	15%	40%
% of Bank Loans in AA by \$	< 1%	56%	14%	30%
% of Aggregate Peer Businesses/Farm Loans by #	6%	14%	43%	37%
% of Aggregate Peer Businesses/Farm Loans by \$	7%	17%	47%	29%

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

## **Responses to Complaints**

Neither the bank nor the OCC received any CRA-related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in Nebraska is rated needs to improve. CD activities demonstrate very poor responsiveness to CD needs and opportunities in the bank's AA. Management did not make any CD loans or investments in the Omaha MSA AA during the evaluation period. Additionally, management did not provide any qualified service hours to community organizations during the evaluation period.

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

Management provided a weak level of CD loans to the Omaha MSA AA during the evaluation period. No CD loans were originated in this AA during the evaluation period.

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

Management provided a weak level of CD investments to the Omaha MSA AA during the evaluation period. No CD investments or donations were made in this AA during the evaluation period.

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

Management provided a weak number of CD services to the Omaha MSA AA during the evaluation period. Bank staff did not provide any service hours to qualified CD organizations during the evaluation period.

The availability of services to low- and moderate-income individuals is adequate. The Omaha branch is located in a middle-income CT; however, management makes banking services available to all customers via non-traditional methods such as mobile and Internet banking, which increases the availability of services to all individuals.

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

FSB demonstrated very poor responsiveness to CD needs and opportunities in the State of Nebraska. The Omaha MSA AA is located in a large, metropolitan area. There are numerous opportunities for CD participation in this AA.

## 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: 1/1/2013 to 3/31/2015 Community Development Test: 7/10/2013 to 8/17/2015	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First Savings Bank (FSB) Beresford, South Dakota	See below.	
<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>
South Dakota Sioux City MSA #43580 Non-MSA AA Sioux Falls MSA #43620 New Mexico Non-MSA AA Las Cruces MSA #29740 Texas El Paso MSA #21340 Nevada Las Vegas MSA #29820 Arizona Lake Havasu MSA #29420 Nebraska Omaha MSA #36540	Full-Scope Full-Scope Limited-Scope  Full-Scope Limited-Scope  Full-Scope  Full-Scope  Full-Scope Full-Scope	Agriculture and Commercial Loans Agriculture and Consumer Loans Commercial Loans  Commercial and Consumer Loans Commercial and Consumer Loans  Commercial Loans  Commercial Loans  Commercial Loans Commercial Loans

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

---

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