



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 13, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**CorTrust Bank, National Association
Charter Number 23771**

**100 East Havens
Mitchell, South Dakota 57301**

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

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

INSTITUTION'S CRA RATING

This institution is rated “Satisfactory.”

The Lending Test is rated “Satisfactory.”

- The bank’s quarterly average net loan-to-deposit ratio of 83.41 percent is reasonable and reflective of the bank’s willingness to lend.
- A majority of the bank’s loans by number (86 percent) and by dollar volume (87 percent) are located within its assessment areas.
- Borrower distribution is reasonable for loans to small businesses, loans to small farms, and home refinance loans. Borrower distribution is excellent for home purchase loans.
- Geographic distribution of loans to small businesses and loans to small farms is excellent, while geographic distribution of home refinance and home purchase loans is reasonable.

The Community Development Test is rated “Outstanding.”

- Community development loan volume is excellent and qualified investment volume is good at 10 percent and 2.9 percent of Tier 1 Capital, respectively. Community development loans and investments are responsive to identified assessment area needs.
- Retail services are very accessible to individuals of various income levels throughout the assessment areas.
- Community development services volume is good. Bank employees provided expertise to 18 community development organizations during the evaluation period. Community development services are responsive to identified assessment area needs, particularly affordable housing.

SCOPE OF EXAMINATION

This CRA examination includes commercial, agricultural, and residential home refinance and home purchase loans originated or purchased from January 1, 2003 through September 30, 2005. We also considered community development loans, investments, and services from May 27, 1998 through September 30, 2005.

The volume of home improvement and multifamily loans was too low to result in a meaningful analysis. The bank does not collect or report information on consumer loan originations, and they are not a primary loan product.

DESCRIPTION OF INSTITUTION

CorTrust Bank, National Association (CorTrust Bank) is a \$408 million financial institution headquartered in Mitchell, South Dakota. CorTrust Bank is an intrastate bank with 22 branch offices and 19 automated teller machines (ATMs) located throughout its assessment areas in eastern South Dakota. The bank also has a loan production office located outside of its assessment area in Arlington, South Dakota.

CorTrust Bank is a subsidiary of Hopkins Financial Corporation (HFC), a \$412 million one-bank holding company located in Mitchell, South Dakota. The bank has two related organizations whose activities will be considered in the bank's CRA performance. CorTrust Mortgage Company is a bank subsidiary that originates residential real estate loans for sale on the secondary market. CorTrust Bank Community Development Corporation is a certified community development corporation formed to facilitate some of the bank's CRA activities.

There have been several corporate activities since the last CRA examination. On July 14, 2000, Day County Bank (DCB), Webster, South Dakota merged into CorTrust Bank. CorTrust Bank and DCB were previously affiliated through common ownership by HFC. DCB received a "Satisfactory" rating at its July 6, 1999 CRA examination by the FDIC. On September 22, 2000, CorTrust bank purchased The First National Bank (FNB) of Freeman, Freeman, South Dakota. FNB received a "Satisfactory" rating at its November 30, 1998 CRA examination by the OCC. On July 31, 2002, the bank closed its branch in Volin, South Dakota. On October 7, 2002 the bank opened two locations in grocery stores in Sioux Falls, South Dakota.

Net loans represent 69 percent of total assets at September 30, 2005. By dollar volume, the loan portfolio is comprised of commercial loans (47 percent), residential real estate loans (23 percent), agricultural loans (15 percent), and consumer loans (15 percent). About one-third of consumer loans are credit cards, most of which are targeted to subprime borrowers with nationwide marketing. Tier 1 Capital totaled \$35 million at September 30, 2005.

CorTrust Bank's business focus is community banking. It offers a wide array of products and services to commercial and agricultural customers as well as to individual consumers.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. CorTrust Bank received an "Outstanding" rating at its prior CRA examination by the FDIC dated May 26, 1998.

DESCRIPTION OF ASSESSMENT AREAS

CorTrust Bank has designated four assessment areas, all of which are in South Dakota. The Mitchell assessment area is comprised of Davison, Sanborn, and Miner Counties, and includes the bank's branches in Mitchell (2), Mount Vernon, Artesian, and Letcher. The Sioux Falls assessment area is comprised of Minnehaha, Lincoln, and Turner Counties, and includes the bank's five Sioux Falls branches. The Aberdeen assessment area is comprised of Brown, Day, and McPherson Counties as well as the west one-half of Edmunds County; this assessment area

includes the bank's branches in Aberdeen (2), Leola, Bowdle, Pierpont, and Webster. The Yankton assessment area is comprised of Yankton and Clay Counties as well as the east one-half of both Hutchinson and Bon Homme Counties; this assessment area includes the bank's branches in Yankton (2), Freeman, Tabor, Vermillion, and Gayville. The total population of the combined assessment areas is 294,607.

The 2000 U.S. Census and 2004 Department of Housing and Urban Development (HUD) estimated median family incomes (MFI) for the non-metropolitan areas of South Dakota are \$39,438 and \$44,900, respectively. The 2000 U.S. Census and 2004 HUD estimated MFI for the Sioux Falls, South Dakota Metropolitan Statistical Area #43620 are \$51,458 and \$58,600, respectively. The following table summarizes the income levels of census tracts and families located within the bank's four assessment areas:

INCOME DISTRIBUTION OF CENSUS TRACTS AND FAMILIES												
Assessment Area	Census Tracts (# and %)								Percentage of Families			
	Low		Moderate		Middle		Upper		Low	Moderate	Middle	Upper
Aberdeen	0	0%	2	13%	10	67%	3	20%	17%	17%	24%	42%
Mitchell	0	0%	0	0%	5	83%	1	17%	16%	17%	24%	43%
Sioux Falls	0	0%	6	17%	24	69%	5	14%	15%	19%	29%	37%
Yankton	0	0%	0	0%	8	89%	1	11%	17%	18%	24%	41%
Total	0	0%	8	12%	47	72%	10	16%	16%	18%	27%	39%

Source: 2000 U.S. Census

The assessment areas comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income census tracts.

Economic conditions in the assessment areas are good. Major industries in the state of South Dakota include tourism, retail trade, health services, farming and ranching, and government employment. As of August 2005, the unemployment rate for the state of South Dakota (3.5 percent) and the nation (4.9 percent) exceeded that of most counties in the assessment areas. For comparison, the average unemployment rate for the assessment area was 3.4 percent, with the low in Lincoln County (2.4 percent) and the high in Miner County (4.9 percent).

Competition from other financial institutions is strong. Including CorTrust Bank, there are 50 financial institutions serving the bank's assessment areas. Wells Fargo Bank, N.A. dominates deposit market share with 78 percent. By comparison, CorTrust Bank has deposit market share of 1 percent, ranking eighth. The bank's primary deposit strengths are in the Mitchell area at 18.5 percent deposit market share (ranking second of 10) and the Yankton area with 12.4 percent deposit market share (ranking third of 17).

We did not identify any unmet credit needs in any of CorTrust Bank's assessment areas. We contacted individuals from state and federal housing and agricultural agencies. Assessment area credit needs are typical of those in most small cities and rural communities and include small business, small farm, residential, and consumer lending.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CorTrust Bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 83.52 percent over 30 quarters from June 30, 1998 to September 30, 2005.

The bank's net loan-to-deposit ratio compares with other community banks of similar size (total assets \$100 million to \$1 billion) in the assessment areas. CorTrust Bank ranks fifth among a total of six similarly situated banks serving the assessment areas. The other five banks had quarterly average net loan-to-deposit ratios averaging 85.30 percent and ranging from 61.79 percent to 96.25 percent over 30 quarters from June 30, 1998 to September 30, 2005.

Lending in Assessment Areas

CorTrust Bank originates a majority of its loans to borrowers located within its defined assessment areas. We reviewed 2,227 commercial, 2,478 agricultural, 1,273 home refinance, and 845 home purchase loans originated during the evaluation period; these are the bank's primary loan products in order of importance. Approximately 86 percent by number and 87 percent by dollar volume of loans were made to businesses, farms, and individuals located within the bank's assessment areas.

TOTAL LOANS REVIEWED								
Loan Type	In Assessment Areas				Out of Assessment Areas			
	Number	% of Number	Dollars (000s)	% of Amount	Number	% of Number	Dollars (000s)	% of Amount
Commercial	2,002	90%	\$112,951	90%	225	10%	\$13,032	10%
Agricultural	2,014	81%	\$75,662	80%	464	19%	\$18,744	20%
Home Refinance	1,135	89%	\$109,445	90%	138	11%	\$12,567	10%
Home Purchase	687	81%	\$68,447	85%	158	19%	\$12,486	15%
Total	5,838	86%	\$366,505	87%	985	14%	\$56,829	13%

Source: Bank records (verified by examiners)

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

Overall borrower distribution is reasonable for loans to small businesses and loans to small farms, which are the bank's highest volume loan products. Borrower distribution is also reasonable for home refinance loans and excellent for home purchase loans, which are lower volume products.

Distribution of loans to businesses of various revenue sizes is reasonable. The bank's lending by both number and dollar volume of loans is adequate, but somewhat below community demographics in the Sioux Falls assessment area; this is the bank's highest volume assessment area for commercial loans. Distribution of commercial loans is excellent in the Aberdeen, Mitchell, and Yankton assessment areas where the bank's lending by number of loans substantially exceeds community demographics.

BORROWER DISTRIBUTION OF COMMERCIAL LOANS												
Gross Annual Revenue	Aberdeen			Mitchell			Sioux Falls			Yankton		
	% of Number	% of Amount	Business Data	% of Number	% of Amount	Business Data	% of Number	% of Amount	Business Data	% of Number	% of Amount	Business Data
<=\$1 million	80%	75%	60%	77%	47%	66%	55%	45%	63%	84%	61%	66%
>\$1 million	19%	24%	6%	10%	48%	5%	32%	42%	8%	11%	35%	6%
Revenue unavailable	1%	1%	34%	13%	5%	29%	13%	13%	29%	5%	4%	28%
Totals	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (2004)

Distribution of loans to farms of various revenue sizes is reasonable. The bank's lending by both number and dollar volume of loans is good, just slightly below community demographics in the Mitchell and Yankton assessment areas; these are the bank's highest volume assessment areas for agricultural loans. Distribution of agricultural loans is excellent in the Aberdeen assessment area and reasonable in the Sioux Falls assessment area.

BORROWER DISTRIBUTION OF LOANS TO SMALL FARMS												
Gross Annual Revenue	Aberdeen			Mitchell			Sioux Falls			Yankton		
	% of Number	% of Amount	Farm Data	% of Number	% of Amount	Farm Data	% of Number	% of Amount	Farm Data	% of Number	% of Amount	Farm Data
<=\$1 million	99%	87%	96%	81%	86%	97%	81%	73%	96%	93%	91%	98%
>\$1 million	1%	13%	3%	1%	2%	3%	9%	14%	2%	0%	0%	2%
Revenue unavailable	0%	0%	1%	18%	12%	0%	10%	13%	2%	7%	9%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (2004)

The bank has a significant volume of commercial and agricultural loans in the Mitchell, Sioux Falls, and Yankton assessment areas with no revenue information. Based on reported revenue information and the bank’s underwriting practices, we estimate that most of the “revenue unavailable” loans in the Mitchell and Yankton assessment areas would have gross annual revenues of less than \$1 million.

Distribution of home refinance loans to borrowers of various income levels is reasonable. The bank’s lending by both number and dollar volume of loans to moderate-income borrowers is good and to low-income borrowers is adequate in the Sioux Falls assessment area; this is the bank’s highest volume assessment area for home refinance loans. Distribution of home refinance loans is also reasonable in the Aberdeen, Mitchell, and Yankton assessment areas.

BORROWER DISTRIBUTION OF HOME REFINANCE LOANS												
Borrower Income Level	Aberdeen			Mitchell			Sioux Falls			Yankton		
	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	3%	0%	17%	5%	2%	16%	7%	4%	15%	3%	3%	17%
Moderate	15%	10%	17%	12%	8%	17%	18%	13%	19%	15%	9%	18%
Middle	33%	33%	24%	21%	17%	24%	32%	29%	29%	27%	22%	24%
Upper	49%	57%	42%	62%	73%	43%	43%	54%	37%	55%	66%	41%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (2004)

Distribution of home purchase loans to borrowers of various income levels is excellent. The bank’s lending by both number and dollar volume of loans to moderate-income borrowers is excellent and to low-income borrowers is good in the Sioux Falls assessment area; this is the bank’s highest volume assessment area for home purchase loans. Distribution of home purchase loans to moderate-income borrowers is also excellent in the Aberdeen, Mitchell, and Yankton assessment areas. Distribution of home purchase loans to low-income borrowers is adequate in the Aberdeen, Mitchell, and Yankton assessment areas.

BORROWER DISTRIBUTION OF HOME PURCHASE LOANS												
Borrower Income Level	Aberdeen			Mitchell			Sioux Falls			Yankton		
	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	6%	5%	17%	7%	4%	16%	12%	8%	15%	4%	3%	17%
Moderate	34%	27%	17%	26%	19%	17%	25%	22%	19%	21%	16%	18%
Middle	29%	29%	24%	26%	27%	24%	30%	27%	29%	32%	28%	24%
Upper	31%	39%	42%	41%	50%	43%	33%	43%	37%	43%	53%	41%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (2004)

Geographic Distribution of Loans

Overall geographic distribution is excellent for commercial and agricultural loans, which are the bank's highest volume loan products. Overall geographic distribution is reasonable for home refinance and home purchase loans, which are lower volume products.

Geographic distribution of commercial loans is excellent. The bank's lending by both number and dollar volume of loans substantially exceeds community demographics for 2003 and meets community demographics for 2004/2005 in the Sioux Falls assessment area; this is the bank's highest volume assessment area for commercial loans. Geographic distribution of commercial loans is reasonable in the Aberdeen assessment area.

GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS									
Tract Income Level	Aberdeen			Sioux Falls 2004/2005			Sioux Falls 2003		
	% of Number	% of Amount	% of Businesses	% of Number	% of Amount	% of Businesses	% of Number	% of Amount	% of Businesses
Low	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate	17%	15%	25%	22%	23%	24%	49%	65%	33%
Middle	79%	72%	51%	71%	73%	68%	43%	30%	59%
Upper	4%	13%	24%	7%	4%	8%	8%	5%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (2004)

Geographic distribution of agricultural loans is excellent. The bank's lending by both number and dollar volume of loans substantially exceeds community demographics in the both the Aberdeen and Sioux Falls assessment areas.

GEOGRAPHIC DISTRIBUTION OF AGRICULTURAL LOANS						
Tract Income Level	Aberdeen			Sioux Falls		
	% of Number	% of Amount	% of Farms	% of Number	% of Amount	% of Farms
Low	0%	0%	0%	0%	0%	0%
Moderate	27%	42%	14%	45%	24%	16%
Middle	73%	57%	67%	50%	67%	82%
Upper	0%	1%	19%	5%	9%	2%
Total	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (2004)

Geographic distribution of home refinance loans is reasonable. The bank's lending by both number and dollar volume of loans is adequate, but somewhat below community demographics for 2003 and meets community demographics for 2004/2005 in the Sioux Falls assessment area; this is the bank's highest volume assessment area for home refinance loans. Geographic distribution of home refinance loans is poor in the Aberdeen assessment area.

GEOGRAPHIC DISTRIBUTION OF HOME REFINANCE LOANS									
Tract Income Level	Aberdeen			Sioux Falls 2004/2005			Sioux Falls 2003		
	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate	1%	1%	11%	12%	9%	12%	8%	5%	17%
Middle	73%	74%	56%	64%	65%	70%	64%	65%	64%
Upper	26%	25%	33%	24%	26%	18%	28%	30%	19%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (2004)

Geographic distribution of home purchase loans is reasonable. The bank's lending by both number and dollar volume of loans is adequate, but somewhat below community demographics for both the Aberdeen and Sioux Falls assessment areas.

GEOGRAPHIC DISTRIBUTION OF HOME PURCHASE LOANS									
Tract Income Level	Aberdeen			Sioux Falls 2004/2005			Sioux Falls 2003		
	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families	% of Number	% of Amount	% of Families
Low	0%	0%	0%	0%	0%	0%	0%	0%	0%
Moderate	4%	4%	11%	6%	4%	12%	8%	5%	17%
Middle	63%	57%	56%	75%	74%	70%	73%	74%	64%
Upper	33%	39%	33%	19%	22%	18%	19%	21%	19%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (2004)

Sioux Falls assessment area loans are split between 2003 and 2004/2005 due to the significant demographic changes that occurred in 2004 because of the expansion of the Sioux Falls MSA. Analysis of lending by geographic distribution is not meaningful for the Mitchell and Yankton assessment areas as they contain only middle- and upper-income census tracts.

Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

Community Development Loans, Qualified Investments, and Community Development Services

CorTrust Bank's volume of community development lending is excellent. Retail banking services are very accessible to individuals of all income levels. The bank generated a good level of qualified investments and community development services.

CorTrust Bank provided an excellent level of community development lending. The bank originated 15 community development loans totaling \$3.5 million, or 10 percent of Tier 1 Capital. The following highlights most of the bank's qualified community development loans:

- Six loans totaling \$339 thousand to an affordable housing nonprofit organization. These funds were primarily used to facilitate a large-scale housing development in Sioux Falls. About 20 homes slated for demolition were moved to a permanent site, rehabilitated, and sold to low- and moderate-income families.
- Two loans totaling \$200 thousand to a statewide economic development revolving loan fund. This organization is a qualified Community Development Financial Institution.
- Five loans totaling \$2.9 million to a nonprofit human services organization. The funds were used for various purposes including construction and permanent financing for a new health, education, and recreation facility, operating capital, and loan consolidation. Programs cover a 14-county area of southeastern South Dakota and provide multiple services including a youth center, transitional living programs, 24-hour runaway hotline, and family crisis intervention.

CorTrust Bank generated a good level of qualified investments and grants given the high competition and limited investment opportunities available in the assessment areas. The bank made the following 29 investments and donations totaling \$1 million, or 2.9 percent of Tier 1 Capital:

- Two investments totaling \$366 thousand to a local housing authority and a housing tax credit fund. These investments assisted with funding 38 affordable housing units in Tabor and Vermillion, South Dakota.
- Acting with its affiliate, CorTrust Bank Community Development Corporation, the bank invested \$475 thousand to purchase a manufacturing building in Vermillion, South Dakota. The building is currently leased to a small business that is providing about seven jobs for low- and moderate-income individuals.
- Twenty-six donations totaling \$184 thousand to organizations supporting social services and job skills training for low- and moderate-income individuals, small business development, and affordable housing.

Retail services are very accessible to individuals of different income levels. The percentage of branch offices (18 percent) and ATMs (16 percent) located in moderate-income census tracts exceeds the percentage of the population residing in those census tracts (12 percent). The bank's record of opening and closing offices had a positive impact on retail services available in moderate-income census tracts. During the evaluation period, CorTrust Bank opened or acquired seven branches (two in moderate-income and five in middle-income census tracts) and closed one branch in a middle-income census tract.

CorTrust Bank provides a good level of community development services, sometimes in a leadership role. In total, 15 bank officers and employees provided qualified services to 18 community development organizations serving the assessment area. These organizations address assessment area needs for affordable housing, economic development, and social services to low- and moderate-income individuals. The following examples illustrate some of the services provided:

- A bank officer serves as board member on a nonprofit affordable housing organization. This organization's mission is to expand affordable housing opportunities in Sioux Falls, South Dakota and the surrounding area.
- Several bank employees serve on boards and in other capacities for an additional four affordable housing organizations. These organizations provide a wide range of affordable housing services to low- and moderate-income families including home ownership education and home construction, purchase, maintenance, and loan closing cost assistance to facilitate home ownership.
- A bank employee serves on the credit board for a statewide economic development revolving loan fund.
- Two bank officers serve in various capacities for a nonprofit organization in Yankton, South Dakota that provides job training, social services, and support for low- and moderate-income individuals with developmental disabilities.

Fair Lending or Other Illegal Credit Practices Review

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