

PUBLIC DISCLOSURE

July 6, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security First Bank
Certificate Number: 5415

5505 Red Rock Lane
Lincoln, Nebraska 68516

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment areas' credit needs.
- A majority of the small business, small farm, and home mortgage loans reviewed were inside the assessment areas.
- The geographic distribution of loans reflects overall excellent dispersion throughout the assessment areas.
- The distribution by borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The institution did not receive any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

The Community Development Test is rated Satisfactory.

The institution demonstrated adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity as well as the need and availability of community development activities inside the assessment areas.

Discriminatory or Other Illegal Credit Practices

Examiners identified a violation regarding illegal credit practices during the evaluation period; however, this did not warrant a downgrade to the institution's overall CRA Rating.

DESCRIPTION OF INSTITUTION

Security First Bank (SFB) is headquartered in Lincoln, Nebraska and is solely owned by Stockmens Financial Corporation, Rapid City, South Dakota, a one-bank holding company. The bank received a CRA rating of “Satisfactory” at its previous FDIC Performance Evaluation dated June 18, 2018, where examiners used Interagency Small Institution Examination Procedures.

The bank operates 26 full-service offices in Nebraska (22) and South Dakota (4). On January 31, 2020, SFB closed a limited-service branch, located in a middle-income area in Lincoln, Nebraska, and removed the automatic teller machine (ATM) at that location. The bank offers a wide variety of loan products including commercial, agricultural, home mortgage, and consumer loans. In addition, the institution offers multiple deposit products including checking, savings, and certificates of deposit. Alternative banking services include telephone, internet and mobile banking, electronic bill pay, and 29 ATMs.

The institution reported assets of \$1,344,483,000; total loans of \$882,763,000; and total deposits of \$1,148,400,000 on its March 31, 2021 Consolidated Report of Condition and Income (Call Report). Commercial loans are the institution’s primary credit product, followed by agricultural loans. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 3/31/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	30,440	3.6
Secured by Farmland	128,901	15.2
Secured by 1-4 Family Residential Properties	107,742	12.7
Secured by Multifamily (5 or more) Residential Properties	67,901	8.0
Secured by Nonfarm Nonresidential Properties	205,677	24.2
Total Real Estate Loans	540,661	63.6
Commercial and Industrial Loans	87,644	10.3
Agricultural Production and Other Loans to Farmers	101,323	11.9
Consumer Loans	132,097	15.5
Obligations of State and Political Subdivisions in the U.S.	18,031	2.0
Other Loans	15,176	1.8
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	894,932	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet its assessment areas’ credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. SFB designated four assessment areas, all in the states of Nebraska and South Dakota: 1) Nebraska Nonmetropolitan; 2) Lincoln Metropolitan; 3) Rapid City Metropolitan; and 4) South Dakota Nonmetropolitan.

The CRA also requires regulatory agencies to assign performance ratings for each state and multistate Metropolitan Statistical Area (MSA) in which the institution operates. As a result, examiners rated SFB's performance in the states of Nebraska and South Dakota and assigned an overall CRA rating. Examiners based the State of Nebraska rating on SFB's performance in the Nebraska Nonmetropolitan and Lincoln Metropolitan assessment areas. Similarly, examiners based the institution's State of South Dakota rating on its performance in the Rapid City Metropolitan and South Dakota Nonmetropolitan assessment areas. Descriptions of the rated areas and assessment areas are presented later in the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 18, 2018, to the current evaluation dated July 6, 2021. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's performance. These procedures include two tests: 1) Lending Test and 2) Community Development Test. Refer to the Appendices for information on each test.

Examiners used full-scope examination procedures to evaluate SFB's performance in the Nebraska Nonmetropolitan, Lincoln Metropolitan, and Rapid City Metropolitan assessment areas. Examiners used limited-scope examination procedures to evaluate the bank's performance in the South Dakota Nonmetropolitan Assessment Area because SFB has fewer loans and deposits in this area compared to the other South Dakota assessment area.

SFB's performance in Nebraska received more weight when drawing conclusions since the majority of the institution's loans, deposits, and offices are in Nebraska. The following table provides a breakdown of the bank's loans, deposits, and branches by assessment area and state.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Lincoln Metropolitan	124,528	36.4	167,780	16.8	3	11.5
Nebraska Nonmetropolitan	161,072	47.0	640,017	63.9	19	73.1
Nebraska Subtotal	285,600	83.4	807,797	80.7	22	84.6
Rapid City Metropolitan	46,531	13.6	130,810	13.1	3	11.5
South Dakota Nonmetropolitan	10,314	3.0	62,488	6.2	1	3.9
South Dakota Subtotal	56,845	16.6	193,298	19.3	4	15.4
Total	342,445	100.0	1,001,095	100.0	26	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2020)

Activities Reviewed

Examiners selected small business, small farm, and home mortgage loans to evaluate the bank’s lending performance. Examiners selected these products based on the bank’s business strategy, assessment areas’ credit needs, and number and dollar volume of loans originated during the evaluation period.

Examiners reviewed a sample of small business loans originated in 2020 for each assessment area. Examiners also reviewed a sample of small farm loans originated in 2020 for the Nebraska and South Dakota nonmetropolitan assessment areas. Examiners did not review small farm loans for the Lincoln Metropolitan and Rapid City Metropolitan assessment areas as the bank extends few agricultural loans in these areas. 2020 D&B data provided a standard of comparison for the small business and small farm loans reviewed.

Bank management indicated that the loans reviewed were representative of the institution’s performance during the entire evaluation period, and bank data confirms this statement. As a result, examiners did not review any additional years of data.

Examiners also reviewed all home mortgage loan originations reported on the bank’s 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Although examiners reviewed 2018, 2019, and 2020 HMDA data, examiners did not note any material differences between the three years affecting conclusions. Therefore, this evaluation only presented the bank’s 2019 HMDA data, the most recent year aggregate HMDA data is available, under the Geographic Distribution and Borrower Profile criteria. The 2019 HMDA aggregate data and 2015 American Community Survey (ACS) data provided a standard of comparison for the home mortgage loans reviewed.

Small business lending received more weight than small farm and home mortgage lending when drawing conclusions because commercial loans are the bank’s largest credit product. Further, while examiners reviewed both the number and dollar volume of loans, and presented both figures throughout the evaluation, they emphasized performance by number of loans when conducting the Geographic Distribution and Borrower Profile analyses because the number of loans is a better indicator of geographies, businesses/farms, and individuals served.

The following table details the loans reviewed by assessment area.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage				
2018	343	81,164	343	81,164
2019	551	159,109	551	159,109
2020	898	165,670	898	165,670
Small Business				
Nebraska Nonmetropolitan	235	20,371	55	4,942
Lincoln Metropolitan	38	5,764	30	4,161
South Dakota Nonmetropolitan	10	2,244	10	2,244
Rapid City Metropolitan	64	10,503	36	5,521
Small Farm				
Nebraska Nonmetropolitan	429	43,006	60	5,376
Lincoln Metropolitan	6	1,137	-	-
South Dakota Nonmetropolitan	63	5,177	36	3,457
Rapid City Metropolitan	1	75	-	-

Source: Bank Data – 2020 Small Business and Small Farm lending

For the Community Development Test, bank management provided examiners with data on community development loans, qualified investments, and community development services since the prior CRA evaluation. Examiners also considered prior-period qualified investments that were still outstanding at the start of the evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SFB demonstrated satisfactory performance under the Lending Test. Performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion. This performance is consistent with overall conclusions in Nebraska and South Dakota.

Loan-to-Deposit Ratio

SFB’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment areas’ credit needs. The bank’s loan-to-deposit ratio, calculated from Call Report data, averaged 85.6 percent over the past 12 quarters from June 30, 2018, to March 31, 2021.

Examiners compared SFB’s average net loan-to-deposit ratio to four other financial institutions. Examiners selected the comparable institutions based on their asset size, geographic location, and lending focus. As shown in the following table, SFB’s average net loan-to-deposit is comparable to the similarly-situated institutions, reflecting reasonable performance.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2021 (\$000s)	Average Net LTD Ratio (%)
Security First Bank, Lincoln, NE	1,344,483	85.6
BankWest, Inc., Pierre, SD	1,440,780	83.5
Cornhusker Bank, Lincoln, NE	788,579	88.4
First State Bank, Gothenburg, NE	778,109	102.8
First State Bank Nebraska, Lincoln, NE	780,227	96.3

Source: Reports of Condition and Income 6/30/2018 - 3/31/2021

Assessment Area Concentration

Overall, a majority of home mortgage, small business, and small farm loans reviewed were located inside the assessment areas. The following table provides details.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	291	84.8	52	15.2	343	41,100	50.6	40,064	49.4	81,164
2019	468	84.9	83	15.1	551	72,450	45.5	86,660	54.5	159,109
2020	702	78.2	196	21.8	898	127,297	76.8	38,373	23.2	165,670
Subtotal	1,461	81.5	331	18.5	1,792	240,846	59.3	165,097	40.7	405,943
Small Business	104	79.4	27	20.6	131	11,857	70.3	5,011	29.7	16,868
Small Farm	90	93.8	6	6.2	96	8,125	92.0	708	8.0	8,833

Source: Bank Data; Due to rounding, totals may not equal 100.0%

While the majority of home mortgage loans originated in 2019, by number, were located inside the assessment areas, the majority, by dollar amount, were located outside the assessment areas. In 2019, two multi-family housing loans with large origination amounts were made to existing bank customers. These two loans were the primary cause of the majority, by dollar, of loans made outside of the assessment areas.

Geographic Distribution

The geographic distribution of loans reflects excellent performance. Examiners focused on the percentage of loans in low- and moderate-income census tracts, as applicable. SFB demonstrated excellent performance in the State of Nebraska and reasonable performance in the State of South Dakota. As previously noted, performance in Nebraska received more weight when drawing conclusions. Refer to the State of Nebraska and State of South Dakota sections for a detailed analysis of the bank's performance.

Borrower Profile

The distribution of borrowers reflects reasonable performance. Examiners focused on the percentage small business and small farm loans to entities with gross annual revenues of \$1 million or less, as well as the percentage of home mortgage loans to low- and moderate-income borrowers. The bank demonstrated reasonable performance in the states of Nebraska and South Dakota. Refer to the State of Nebraska and State of South Dakota sections for a detailed analysis of the bank's performance.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

SFB's performance under the Community Development Test is satisfactory. The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities. Since the bank was responsive to the community development needs of its assessment areas, community development activities benefitting broader statewide or regional areas were also included in the analysis. SFB's overall community development performance is consistent with the conclusions for the states of Nebraska and South Dakota.

Community Development Loans

The bank originated 2,661 community development loans totaling approximately \$101.7 million during the evaluation period. This includes 2,612 Paycheck Protection Program (PPP) loans totaling approximately \$84.6 million. The PPP, established by the Coronavirus Aid, Relief, and Economic Security Act, and implemented through the Small Business Administration (SBA), helped small businesses and farms maintain their payroll, hire back employees, and cover applicable overhead expenses during the COVID-19 pandemic. The bank's PPP loans financed businesses and farms and resulted in permanent job creation, retention, and/or improvement for low- and moderate-income individuals.

SFB's volume of community development loans represented 7.6 percent of total assets and 11.5 percent of net loans as of March 31, 2021. Examiners compared the bank's level of community development lending to three similarly-situated institutions. These institutions' community development loans ranged from 2.2 to 12.6 percent of total assets and from 3.0 to 18.3 percent of net loans. It is important to note that not all of the similarly-situated institutions' community development lending activities included PPP loans due to the timing of the data collected. Nevertheless, SFB's ratio of community development loans compare reasonably to these institutions, even when examiners excluded PPP loans from the analysis.

The bank originated 83 PPP loans totaling approximately \$4.6 million benefiting the regional areas outside of the states of Nebraska and South Dakota. The PPP loans promoted economic development and helped businesses and farms in the regional area impacted by the COVID-19

pandemic. Lending activity benefitting the broader statewide areas is included the states of Nebraska and South Dakota sections of the evaluation.

The following tables illustrate community development loans by rated area, purpose, and year. Additional details on community development lending activities are located in the State of Nebraska and State of South Dakota sections of the evaluation.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Nebraska	14	8,858	5	858	2,098	50,247	20	2,775	2,137	62,738
State of South Dakota	0	0	7	3,445	431	29,760	3	1,183	441	34,388
Regional Activities	0	0	0	0	83	4,591	0	0	83	4,591
Total	14	8,858	12	4,303	2,612	84,598	23	3,958	2,661	101,717

Source: Bank Data

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018 (Partial)	1	300	1	351	0	0	9	500	11	1,151
2019	9	4,925	2	160	0	0	9	2,190	20	7,275
2020	4	3,633	9	3,792	766	46,832	5	1,268	784	55,525
2021 YTD	0	0	0	0	1,846	37,766	0	0	1,846	37,766
Total	14	8,858	12	4,303	2,612	84,598	23	3,958	2,661	101,717

Source: Bank Data

Qualified Investments

SFB purchased, retained, or made 146 qualified investments and donations totaling approximately \$8.4 million during the evaluation period. The volume of qualified investments represented 0.6 percent of total assets and 3.1 percent of total securities as of March 31, 2021. Examiners compared SFB’s qualified investment volume to three similarly-situated institutions. The comparable institutions’ qualified investments ranged from 0.3 percent to 0.7 percent of total assets and ranged from 2.6 percent to 10.8 percent of total securities.

The following tables illustrate the bank’s qualified investments by rated area, purpose, and year. Additional information on the bank’s qualified investment activity is located in the State of Nebraska and State of South Dakota sections of the evaluation.

Community Development Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Nebraska	0	0	39	2,131	1	1	90	6,258	130	8,390
State of South Dakota	0	0	14	32	2	5	0	0	16	37
Total	0	0	53	2,163	3	6	90	6,258	146	8,427
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	28	5,342	28	5,342
2018 (Partial)	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	4	720	4	720
2020	0	0	12	2,075	0	0	1	120	13	2,195
2021 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	12	2,075	0	0	33	6,182	45	8,257
Qualified Grants & Donations	0	0	41	88	3	6	57	76	101	170
Total	0	0	53	2,163	3	6	90	6,258	146	8,427
<i>Source: Bank Data</i>										

Community Development Services

SFB representatives provided 27 instances of financial expertise or technical assistance to various community development-related organizations within its assessment areas during the evaluation period. Examiners compared the bank's level of community development services to three similarly-situated institutions. These institutions' provided between 37 and 118 community development services.

SFB's number of community development services is below the comparable institutions. However, the bank's record of providing community development loans and qualified investments offsets the shortfall. The following tables illustrate the bank's community development service activity by rated area, purpose, and year. Additional information on the bank's community development services is located in the State of Nebraska and State of South Dakota sections.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of Nebraska	0	4	3	4	11
State of South Dakota	3	13	0	0	16
Total	3	17	3	4	27
<i>Source: Bank Data</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018 (Partial)	0	4	0	1	5
2019	1	4	1	1	7
2020	1	5	1	1	8
2021 YTD	1	4	1	1	7
Total	3	17	3	4	27
<i>Source: Bank Data</i>					

In addition to community development services, the bank offers alternative banking services that are readily accessible to assessment area residents, including low- and moderate-income individuals. This includes internet and mobile banking and 29 total ATMs, including 27 ATMs that take deposits. The bank also has one full-service branch located in a moderate-income geography.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The concurrent Consumer Compliance Examination cited a violation regarding illegal credit practices during the evaluation period. The impact and severity of the violation was minimal compared to the overall scale of the bank’s business and lending activity.

Consistent with CRA, regulators must consider discriminatory and other illegal credit practice violations when arriving at the bank’s final CRA rating. Examiners considered the following factors to determine the impact on the rating. The illegal credit practice occurred over a short period and potentially affected a small number of consumers. Management ceased certain practices immediately and committed to correct the deficiency with additional training, monitoring, and program oversight, further reinforcing its commitment to prevent discriminatory or other illegal credit practices. The FDIC concluded that the violation did not warrant a downgrade in the overall rating.

STATE OF NEBRASKA

CRA RATING FOR (RATED AREA #1): SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEBRASKA

SFB maintains two assessment areas in Nebraska: 1) Nebraska Nonmetropolitan and 2) Lincoln Metropolitan. SFB operates 22 full-service offices and 26 ATMs in its Nebraska assessment areas. Refer to the descriptions of the institution's operations in each assessment area later in the evaluation for more information.

SCOPE OF EVALUATION – NEBRASKA

Examiners reviewed small business, small farm, and home mortgage loans in the Nebraska Nonmetropolitan Assessment Area and small business and home mortgage loans in the Lincoln Metropolitan Assessment Area. Small business loans received the most weight when drawing conclusions since commercial loans represent the largest segment of the bank's loan portfolio. Further, SFB's performance in the Nebraska Nonmetropolitan Assessment Area received more weight than its performance in the Lincoln Metropolitan Assessment Area when drawing conclusions due to higher lending volume and more offices. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEBRASKA

LENDING TEST

SFB demonstrated satisfactory performance under the Lending Test in the State of Nebraska. Excellent performance under the Geographic Distribution and reasonable performance under the Borrower Profile criterions supports this conclusion. The bank's lending performance was consistent in both assessment areas.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Nebraska assessment areas. The bank's performance in the Nebraska Nonmetropolitan Assessment Area is excellent, and carried more weight in drawing conclusions, while its performance in the Lincoln Metropolitan Assessment Area is reasonable.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels throughout the Nebraska assessment areas. This performance is consistent with the reasonable performance in each of the Nebraska assessment areas.

COMMUNITY DEVELOPMENT TEST

SFB's community development performance in the state of Nebraska is satisfactory. The bank demonstrated adequate responsiveness to the community development needs of its Nebraska assessment areas through community development loans, qualified investments, and community development services. The bank's performance in both Nebraska assessment areas is consistent with this conclusion.

Community Development Loans

The bank originated 1,917 community development loans totaling \$56.1 million in the Nebraska assessment areas and an additional 220 loans totaling approximately \$6.6 million in the broader statewide area. Of all these, 2,107 loans totaling over \$50.0 million were made as part of the SBA's PPP to provided economic development and assist businesses and farms affected by the pandemic in the Nebraska assessment areas or broader statewide area. However, the bank also made loans that provided affordable housing, community service, and revitalization/stabilization to the Nebraska assessment areas.

Qualified Investments

The bank made 130 qualified investments totaling \$8.4 million in the Nebraska assessment areas. The overwhelming majority, by dollar amount, of investments were debt investments to revitalize and stabilize underserved, nonmetropolitan middle-income geographies. The bank's donations and grants provided assistance for community services, economic development, and revitalization/stabilization throughout the Nebraska assessment areas.

Community Development Services

Bank representatives provided 11 instances of financial expertise or technical assistance to various individuals and community development organizations in the Nebraska assessment areas. These services included providing financial expertise to organizations that provide community services to low- and moderate-income individuals, support economic development, and facilitate essential services to revitalize and stabilize underserved, nonmetropolitan, middle-income geographies within the Nebraska assessment areas.

NEBRASKA NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEBRASKA NONMETROPOLITAN ASSESSMENT AREA

The Nebraska Nonmetropolitan Assessment Area consists of all 29 census tracts in Box Butte, Cherry, Cheyenne, Dawes, Dawson, Gage, Gosper, Sheridan, Sioux, and Thomas counties. These counties form four non-contiguous assessment areas throughout the state of Nebraska, each with similar demographic and economic conditions. Examiners analyzed each assessment area separately with no anomalies in performance noted; therefore, the assessment areas were combined for presentation purposes. The following table shows the income designations of the census tracts and provides branch and ATM distribution by geography income level in the assessment area.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	6.9	7,541	8.3	0	0.0	0	0.0
Middle	24	82.8	73,207	80.1	17	89.5	20	90.9
Upper	3	10.3	10,626	11.6	2	10.5	2	9.1
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	29	100.0	91,374	100.0	19	100.0	22	100.0

Source: 2015 ACS Data; Bank Data

Economic and Demographic Data

The following provides select demographic data for the Nebraska Nonmetropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Nebraska Nonmetropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	29	0.0	6.9	82.8	10.3	0.0
Population by Geography	91,374	0.0	8.3	80.1	11.6	0.0
Housing Units by Geography	43,659	0.0	6.8	82.3	10.8	0.0
Owner-Occupied Units by Geography	25,632	0.0	6.6	80.1	13.4	0.0
Occupied Rental Units by Geography	11,708	0.0	7.9	84.2	7.9	0.0
Vacant Units by Geography	6,319	0.0	6.0	88.1	6.0	0.0
Businesses by Geography	7,451	0.0	6.4	83.4	10.2	0.0
Farms by Geography	1,442	0.0	3.3	83.8	13.0	0.0
Family Distribution by Income Level	24,656	19.3	18.5	24.4	37.8	0.0
Household Distribution by Income Level	37,340	22.6	18.1	18.4	40.9	0.0
Median Family Income nonmetropolitan - NE		\$61,457	Median Housing Value			\$101,594
			Median Gross Rent			\$605
			Families Below Poverty Level			9.5%

Source: 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

Five census tracts in Cherry (2), Sheridan (1), Sioux (1), and Thomas (1) are distressed, nonmetropolitan, middle-income geographies due to population loss. Additionally, 11 census tracts in Box Butte (3), Cherry (2), Cheyenne (2), Dawes (2), Sheridan (1), and Thomas (1) are underserved, nonmetropolitan, middle-income geographies. Box Butte, Cherry, Cheyenne, Dawes, Dawson, Gage, Gosper, Sheridan, and Sioux counties were part of FEMA's Severe Winter Storm, Straight-Line Wind, and Flooding major disaster declaration issued on March 21, 2019.

Additionally, Thomas County was part of FEMA's Severe Storm, Tornado, Straight-Line Wind, and Flooding disaster declaration issued on August 27, 2018.

Service industries represent the largest portion of the business sector in the assessment area at 32.9 percent followed by agriculture, forestry, and fishing with 16.2 percent, non-classified businesses at 1.8 percent, and retail trade with 11.6 percent, according to 2020 D&B data. The majority of businesses are small with 85.9 percent operating from a single location and 67.8 percent employing four or less employees.

According to 2020 D&B data, the assessment area contains 7,451 non-farm businesses and 1,442 farms. The number of non-farm businesses in the assessment area increased by 791 since the previous evaluation and the number of farms decreased by 118 during the same period. The entire decrease was in farms with gross annual revenue of \$1 million or less. This is consistent with the regional trend of smaller farm operations consolidating into larger farm operations. Overall, farms with gross annual revenue of \$1 million or less represent the vast majority of all farms in the assessment area at 96.9 percent.

Competition

The Nebraska Nonmetropolitan Assessment Area is moderately competitive for financial services. According to the FDIC's June 30, 2020 deposit data, 34 financial institutions operate 74 offices inside the assessment area. Of these institutions, SFB ranked first with a deposit market share of 19.6 percent. The bank competes with these institutions, as well as credit unions, for small business and small farm loans.

Significant home mortgage loan competition exists as well, with 185 lenders reporting 2,740 home mortgage loans in the assessment area in 2019. Of these institutions, SFB ranked third with a mortgage market share of 7.0 percent.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area's credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

Examiners reviewed a community contact with a representative from an agricultural organization in the assessment area. The contact stated that agriculture and agricultural-related businesses are the dominant economic drivers, but a mix of other businesses also thrive in the area. The general economic conditions in the area are stable. Agricultural-related businesses like feedlots and food-manufacturing companies employ numerous individuals. The contact stated that unemployment is low and there are many job opportunities, especially with large employers such as Tyson, Frito Lay, and local hospitals. The contact also stated that the area contains numerous small businesses, such as restaurants, automotive, and retail shops that work to compete with the larger corporations.

The contact stated that there are many banks in the area providing consistent lending for agriculture, business, and mortgage loans. According to the contact, agricultural loans are the area's greatest credit need, and financial institutions are meeting this need.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners concluded that small business, small farm, and home mortgage loans represent the assessment area’s primary credit needs. Furthermore, community development needs include affordable housing, economic development, and revitalizing/stabilizing moderate-income and distressed and/or underserved, middle-income census tracts.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN NEBRASKA
NONMETROPOLITAN ASSESSMENT AREA**

LENDING TEST

SFB demonstrated reasonable performance under the Lending Test in the Nebraska Nonmetropolitan Assessment Area. Excellent performance under the Geographic Distribution and reasonable performance under the Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Nebraska Nonmetropolitan Assessment Area. Excellent small business and small farm lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The percentage of small business loans, by number, in moderate-income census tracts more than doubles the percentage of businesses located in such tracts. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Nebraska Nonmetropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	6.4	7	15.6	309	9.6
Middle	83.4	36	80.0	2,889	89.4
Upper	10.2	2	4.4	32	1.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	45	100.0	3,230	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Small Farm Loans

The geographic distribution of small farm loans reflects excellent dispersion throughout the assessment area. The percentage of small farm loans, by number, in moderate-income census tracts more than doubles the percentage of farms located in such tracts. The following table provides details.

Geographic Distribution of Small Farm Loans					
Assessment Area: Nebraska Nonmetropolitan					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	3.3	4	8.2	139	3.1
Middle	83.8	43	87.8	4,270	96.3
Upper	13.0	2	4.1	25	0.6
Not Available	0.0	0	0.0	0	0.0
Total	100.0	49	100.0	4,434	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Specifically, the percentage of home mortgage loans, by number, in moderate-income census tracts is consistent with the aggregate performance data. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Nebraska Nonmetropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	6.6	5.0	13	7.4	1,694	8.6
Middle	80.1	82.4	154	88.0	16,884	85.3
Upper	13.4	12.6	8	4.6	1,227	6.2
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	175	100.0	19,805	100.0

Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels in the Nonmetropolitan Nebraska Assessment Area. Reasonable small business, small farm, and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The percentage of small business loans to businesses with gross annual revenues of \$1 million or less is consistent with the D&B data. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Nebraska Nonmetropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	79.3	33	73.3	1,621	50.2
>\$1,000,000	4.7	8	17.8	1,472	45.6
Revenue Not Available	16.0	4	8.9	137	4.2
Total	100.0	45	100.0	3,230	100.0
<i>Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Although lending to farms with gross annual revenues of \$1 million or less is below the comparable D&B data, there are several factors explaining the shortfall. Specifically, the 2017 Agriculture Census revealed that 45.8 percent of producers in the assessment area counties do not list farming as their primary occupation. Further, the census data revealed that 51.7 percent of the farming operations did not report interest expense. Consequently, many assessment area farmers have off-farm income and do not rely on credit to support their operations. As a result, the bank's performance in lending to farms of all sizes is reasonable. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Nebraska Nonmetropolitan					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.9	35	71.4	3,343	75.4
>\$1,000,000	1.9	9	18.4	796	18.0
Revenue Not Available	1.2	5	10.2	295	6.7
Total	100.0	49	100.0	4,434	100.0
<i>Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Lending to low- and moderate-income borrowers is consistent with aggregate performance data. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level

Assessment Area: Nebraska Nonmetropolitan

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.3	9.2	18	10.3	1,042	5.3
Moderate	18.5	17.8	38	21.7	2,948	14.9
Middle	24.4	22.1	53	30.3	4,583	23.1
Upper	37.8	30.4	50	28.6	7,649	38.6
Not Available	0.0	20.5	16	9.1	3,583	18.1
Total	100.0	100.0	175	100.0	19,805	100.0

*Source: 2015 ACS; Bank Data; 2019 HMDA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

COMMUNITY DEVELOPMENT TEST

SFB demonstrated adequate responsiveness to the community development needs of the Nebraska Nonmetropolitan Assessment Area. The quantity and responsiveness of community development loans and qualified investments primarily supports this conclusion.

Community Development Loans

The bank originated 1,668 community development loans totaling approximately \$36.8 million in the Nebraska Nonmetropolitan Assessment Area. The loans were particularly responsive to the assessment area’s economic development and revitalization and stabilization needs. The majority of the loans, by number and dollar volume, promoted economic development and helped businesses and farms impacted by the COVID-19 pandemic. The bank’s lending also revitalized and stabilized distressed or underserved middle-income geographies throughout the evaluation period. The following table illustrates the community development loans by year and purpose.

Nebraska Nonmetropolitan Assessment Area Community Development Lending by Year

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018 (Partial)	0	0	0	0	0	0	8	430	8	430
2019	1	105	1	150	0	0	9	2,190	11	2,445
2020	0	0	4	708	412	13,989	3	155	419	14,852
2021 YTD	0	0	0	0	1,250	19,110	0	0	1,250	19,110
Total	1	105	5	858	1,662	33,099	20	2,775	1,688	36,837

Source: Bank Data

The following is a notable example of the bank’s community development loans in the Nebraska Nonmetropolitan Assessment Area:

- The bank made loans to a city located in distressed and underserved, middle-income geography to fund improvements to the water system infrastructure totaling approximately \$531,000.

Qualified Investments

The bank purchased or retained 45 qualified debt investments totaling approximately \$8.3 million in the assessment area since the prior evaluation. The majority of the investments helped to provide essential services in underserved, middle-income geographies. The bank also made 77 donations and grants totaling approximately \$85,000 to organizations that provide community services to low- and moderate-income individuals, support economic development, and facilitate essential services to revitalize and stabilize underserved, middle-income geographies. The following table illustrates the bank’s community development services by year and purpose.

Nebraska Nonmetropolitan Assessment Area Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	28	5,342	28	5,342
2018 (Partial)	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	4	720	4	720
2020	0	0	12	2,075	0	0	1	120	13	2,195
2021 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	12	2,075	0	0	33	6,182	45	8,257
Qualified Grants & Donations	0	0	21	18	1	1	55	66	77	85
Total	0	0	33	2,093	1	1	88	6,248	122	8,342

Source: Bank Data

The following are notable examples of the bank’s community development services in the Nebraska Nonmetropolitan Assessment Area:

- The bank purchased bonds for \$390,000 used to fund infrastructure improvements in an underserved, middle-income geography.
- The bank donated \$15,000 to a community foundation located in a distressed and underserved, middle-income geography that provides essential community, health, and education services including to low- and moderate-income individuals.

Community Development Services

Bank personnel provided seven instances of financial expertise or technical assistance to community development organizations in the Nebraska Nonmetropolitan Assessment Area. The following table illustrates the bank’s community development services by year and purpose.

Nebraska Nonmetropolitan Assessment Area Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018 (Partial)	0	0	0	1	1
2019	0	0	1	1	2
2020	0	0	1	1	2
2021 YTD	0	0	1	1	2
Total	0	0	3	4	7

Source: Bank Data

The following are notable examples of the bank’s community development services in the Nebraska Nonmetropolitan assessment area:

- An employee served as a Board member for an economic development organization promoting the development of small businesses.
- An employee served as a Board member and provided financial and technical expertise for an organization that provides fire and ambulance services in underserved, middle-income geographies.

In addition, SFB operates four branches and ATMs in distressed and underserved census tracts in the assessment area.

LINCOLN METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN LINCOLN METROPOLITAN ASSESSMENT AREA

The Lincoln Metropolitan Assessment Area consists of all of Lancaster County, which is one of two counties in the Lincoln, Nebraska MSA. The following table shows the income designations of the census tracts and provides branch and ATM distribution by geography income level in the assessment area.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	5	6.8	16,721	5.6	0	0.0	0	0.0
Moderate	21	28.4	78,480	26.3	0	0.0	0	0.0
Middle	21	28.4	101,440	34.0	2	66.7	2	50.0
Upper	22	29.6	91,974	30.9	1	33.3	2	50.0
NA	5	6.8	9,465	3.2	0	0.0	0	0.0
Total	74	100.0	298,080	100.0	3	100.0	4	100.0

Source: 2015 ACS Data; Bank Data

Economic and Demographic Data

The following provides select demographic data for the Lincoln Metropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Lincoln Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	74	6.8	28.4	28.4	29.7	6.8
Population by Geography	298,080	5.6	26.3	34.0	30.9	3.2
Housing Units by Geography	123,773	7.3	28.2	34.0	29.7	0.8
Owner-Occupied Units by Geography	69,852	1.6	19.5	38.5	40.2	0.2
Occupied Rental Units by Geography	47,815	15.0	39.6	28.8	15.0	1.6
Vacant Units by Geography	6,106	13.0	38.5	23.9	23.6	1.1
Businesses by Geography	22,164	3.7	27.5	30.0	36.9	1.9
Farms by Geography	864	1.2	12.6	22.5	63.7	0.1
Family Distribution by Income Level	70,549	21.3	17.1	21.2	40.5	0.0
Household Distribution by Income Level	117,667	23.7	16.8	17.3	42.1	0.0
Median Family Income MSA - 30700 Lincoln, NE MSA		\$70,200	Median Housing Value			\$152,644
			Median Gross Rent			\$726
			Families Below Poverty Level			9.3%

Source: 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0%
() The NA category consists of geographies that have not been assigned an income classification.*

Lancaster County was part of FEMA’s Severe Winter Storm, Straight-Line Wind, and Flooding major disaster declaration issued on March 21, 2019.

The assessment area supports a diverse make-up of industries. According to 2020 D&B data, service industries represent the largest portion of the business sector in the assessment area at 40.0 percent followed by non-classified businesses at 15.3 percent, retail trade with 11.3 percent, and finance, insurance, and real estate with 10.8 percent. The majority of businesses are small with 87.7 percent operating from a single location and 62.5 percent employing four or less employees. The number of non-farm businesses in the assessment area increased by 4,130 since the previous evaluation and non-farm businesses with gross annual revenue of \$1 million or less represent the vast majority at 83.0 percent.

Competition

The Lincoln Metropolitan Assessment Area is highly competitive for financial services. According to the FDIC’s June 30, 2020 deposit data, 41 financial institutions operate 136 offices inside the assessment area. Of these institutions, SFB ranked 13th with a deposit market share of 1.5 percent. The bank competes with these institutions, as well as credit unions, for loans.

Significant competition for home mortgage loans exists as well, with 276 lenders reporting 16,790 home mortgage loans in the assessment area in 2019. Of these institutions, SFB ranked 13th with a mortgage market share of 1.6 percent.

Credit and Community Development Needs and Opportunities

Considering information from bank management, demographic data, and economic data, examiners concluded that home mortgage and small business loans represent the Lincoln Metropolitan Assessment Area’s primary credit needs. Furthermore, community development needs exist related to affordable housing, economic development, and revitalizing/stabilizing low- and moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LINCOLN METROPOLITAN ASSESSMENT AREA

LENDING TEST

SFB demonstrated reasonable performance under the Lending Test in the Lincoln Metropolitan Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Lincoln Metropolitan Assessment Area. Reasonable small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any small business loans in the area’s low-income geographies; however, only 3.7 percent of businesses are located in these tracts. Lending in the moderate-income census tracts is comparable to the percentage of businesses located in these tracts, reflecting reasonable performance. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Lincoln Metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	3.7	0	0.0	0	0.0
Moderate	27.5	7	38.9	1,559	69.0
Middle	30.0	4	22.2	362	16.0
Upper	36.9	7	38.9	339	15.0
Not Available	1.9	0	0.0	0	0.0
Total	100.0	18	100.0	2,260	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Specifically, the percentage of home mortgage loans, by number, in low- and moderate-income census tracts is consistent with the aggregate performance data. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Lincoln Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.6	1.9	8	3.0	1,115	2.4
Moderate	19.5	17.1	54	20.5	5,591	12.2
Middle	38.5	35.5	91	34.6	14,651	31.8
Upper	40.2	45.2	110	41.8	24,652	53.6
Not Available	0.2	0.2	0	0.0	0	0.0
Total	100.0	100.0	263	100.0	46,009	100.0

*Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the Lincoln Metropolitan Assessment Area. Reasonable small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The percentage of number of small business loans to businesses with gross annual revenues of \$1 million or less is consistent with the D&B data. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Lincoln Metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.0	16	88.9	2,033	90.0
>\$1,000,000	5.6	2	11.1	227	10.0
Revenue Not Available	11.3	0	0.0	0	0.0
Total	100.0	18	100.0	2,260	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Lending to low- and moderate-income borrowers is consistent with aggregate performance data. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Lincoln Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.3	7.9	26	9.9	2,732	5.9
Moderate	17.1	19.6	56	21.3	8,098	17.6
Middle	21.2	21.4	60	22.8	10,646	23.1
Upper	40.5	31.5	80	30.4	19,726	42.9
Not Available	0.0	19.6	41	15.6	4,808	10.4
Total	100.0	100.0	263	100.0	46,010	100.0

*Source: 2015 ACS; Bank Data; 2019 HMDA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

COMMUNITY DEVELOPMENT TEST

SFB demonstrated adequate responsiveness to the community development needs of the Lincoln Metropolitan Assessment Area. The quantity and responsiveness of community development loans primarily supports this conclusion.

Community Development Loans

The bank originated 229 community development loans totaling approximately \$19.3 million in the Lincoln Metropolitan Assessment Area. The loans were particularly responsive to the assessment area’s economic development and affordable housing needs. The majority of the loans, by number and dollar volume, promoted economic development and helped businesses impacted by the COVID-19 pandemic. The bank’s lending also provided affordable housing to low-and moderate-income individuals throughout the evaluation period. The following table illustrates the community development loans by year and purpose.

Lincoln Metropolitan Assessment Area Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018 (Partial)	1	300	0	0	0	0	0	0	1	300
2019	8	4,820	0	0	0	0	0	0	8	4,820
2020	4	3,633	0	0	123	6,943	0	0	127	10,576
2021 YTD	0	0	0	0	93	3,611	0	0	93	3,611
Total	13	8,753	0	0	216	10,554	0	0	229	19,307

Source: Bank Data

Qualified Investments

The bank made eight qualified donations totaling approximately \$48,000 in the Lincoln Metropolitan Assessment Area. The majority of the investments were donations to nonprofit organizations that provide services to low- and moderate-income individuals. The bank also donated to a foundation that supports the redevelopment of low-income geographies pursuant to the city of Lincoln’s Downtown Redevelopment plan. The following table illustrates the qualified investments by year and purpose.

Lincoln Metropolitan Assessment Area Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018 (Partial)	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Qualified Grants & Donations	0	0	6	38	0	0	2	10	8	48
Total	0	0	6	38	0	0	2	10	8	48

Source: Bank Data

Community Development Services

Bank personnel provided four instances of financial expertise or technical assistance to community development organizations in the Lincoln Metropolitan Assessment Area. The following table illustrates the bank’s community development services by year and purpose.

Lincoln Metropolitan Assessment Area Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018 (Partial)	0	1	0	0	1
2019	0	1	0	0	1
2020	0	1	0	0	1
2021 YTD	0	1	0	0	1
Total	0	4	0	0	4

Source: Bank Data

STATE OF SOUTH DAKOTA

CRA RATING FOR (RATED AREA #2): SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH DAKOTA

SFB maintains two assessment areas in South Dakota: 1) Rapid City Metropolitan and 2) South Dakota Nonmetropolitan. SFB operates four full-service offices and three ATMs in its South Dakota assessment areas. Refer to the descriptions of the institution's operations in each assessment area later in the evaluation for more information.

SCOPE OF EVALUATION – SOUTH DAKOTA

Examiners reviewed small business and home mortgage loans in the Rapid City Metropolitan Assessment Area and small business, small farm, and home mortgage loans in the South Dakota Nonmetropolitan Assessment Area. Small business loans received the most weight when drawing conclusions since commercial loans represent the largest segment of the bank's loan portfolio. Further, SFB's performance in the Rapid City Metropolitan Assessment Area received more weight than its performance in the South Dakota Nonmetropolitan Assessment Area when drawing conclusions due to higher lending volume and more offices. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH DAKOTA

LENDING TEST

SFB demonstrated satisfactory performance under the Lending Test in South Dakota. Reasonable performance under the Geographic Distribution and Borrower Profile criterions supports this conclusion. The bank's lending performance was consistent across both assessment areas.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the South Dakota assessment areas. This is consistent with the performance in each of the assessment areas.

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans throughout the South Dakota assessment areas. This is consistent with the performance in each of the assessment areas.

COMMUNITY DEVELOPMENT TEST

SFB's community development performance in the State of South Dakota is satisfactory. The bank demonstrated adequate responsiveness to the community development needs of the state of South Dakota by extending community development loans, making qualified investments, and providing

community development services. The bank’s performance in both South Dakota assessment areas is consistent with this conclusion.

Community Development Loans

The bank originated 381 community development loans totaling approximately \$33 million in the South Dakota assessment areas and an additional 60 loans totaling approximately \$1.4 million in the broader statewide area. The overwhelming majority of these loans promoted economic development to the South Dakota assessment areas or the broader statewide area to assist businesses and farms due to the pandemic.

Qualified Investments

The bank made 16 qualified donations totaling approximately \$37,000 in the South Dakota assessment areas. The majority of the investments were donations to nonprofit organizations that provide services to low- and moderate-income individuals.

Community Development Services

Bank representatives provided 16 instances of financial expertise or technical assistance to various individuals and community development organizations in the South Dakota assessment areas. These services included providing financial expertise to organizations that provide community services to low- and moderate-income individuals and provide affordable housing within the Rapid City Metropolitan Assessment Area.

RAPID CITY METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN RAPID CITY METROPOLITAN ASSESSMENT AREA

The Rapid City Metropolitan Assessment Area consists of all of Pennington County, which is one of two counties in the Rapid City, South Dakota MSA. The following table shows the income designations of the census tracts and provides branch and ATM distribution by geography income level in the assessment area.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	1	4.4	797	0.8	0	0.0	0	0.0
Moderate	6	26.1	24,383	23.0	1	33.3	1	50.0
Middle	11	47.8	54,563	51.4	1	33.3	0	0.0
Upper	5	21.7	26,342	24.8	1	33.3	1	50.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	23	100.0	106,085	100.0	3	100.0	2	100.0

Source: 2015 ACS Data; Bank Data

Economic and Demographic Data

The following provides select demographic data for the Rapid City Metropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Rapid City Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	4.3	26.1	47.8	21.7	0.0
Population by Geography	106,085	0.8	23.0	51.4	24.8	0.0
Housing Units by Geography	46,206	0.6	22.0	49.7	27.7	0.0
Owner-Occupied Units by Geography	27,909	0.1	16.3	51.5	32.1	0.0
Occupied Rental Units by Geography	13,761	1.7	35.1	50.4	12.8	0.0
Vacant Units by Geography	4,536	0.6	17.9	36.4	45.1	0.0
Businesses by Geography	10,930	0.6	24.6	50.7	24.1	0.0
Farms by Geography	366	0.3	9.8	61.5	28.4	0.0
Family Distribution by Income Level	26,542	19.6	18.5	21.9	40.0	0.0
Household Distribution by Income Level	41,670	21.7	17.8	19.5	41.0	0.0
Median Family Income MSA - 39660 Rapid City, SD MSA		\$63,471	Median Housing Value			\$169,908
			Median Gross Rent			\$780
			Families Below Poverty Level			8.3%

Source: 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

Pennington County was part of FEMA’s Severe Storms and Flooding major disaster declaration issued on September 23, 2019, and Severe Winter Storm, Snowstorm, and Flooding major disaster declaration issued on June 7, 2019.

The assessment area supports a diverse make-up of industries. According to 2020 D&B data, service industries represent the largest portion of the business sector in the assessment area at 37.9 percent followed by non-classified businesses at 20.0 percent, retail trade with 11.2 percent, and finance, insurance, and real estate with 10.1 percent. The majority of businesses are small with 89.3 percent operating from a single location and 69.7 percent employing four or less employees. The number of non-farm businesses in the assessment area increased by 2,872 since the previous evaluation and non-farm businesses with gross annual revenue of \$1 million or less represent the vast majority at 84.9 percent.

Competition

The Rapid City Metropolitan Assessment Area is moderately competitive for financial services. According to the FDIC’s June 30, 2020 deposit data, 19 financial institutions operate 34 offices inside the assessment area. Of these institutions, SFB ranked 9th with a deposit market share of 2.8 percent. The bank competes with these institutions, as well as credit unions, for loans

Significant home mortgage loan competition exists as well, with 178 lenders reporting 5,362 home mortgage loans in the assessment area in 2019. Of these institutions, SFB ranked 37th with a mortgage market share of 0.5 percent.

Credit and Community Development Needs and Opportunities

Considering information from bank management, demographic data, and economic data, examiners concluded that home mortgage and small business loans represent the Rapid City Metropolitan Assessment Area’s primary credit needs. Furthermore, community development needs exist related to affordable housing, economic development, and revitalizing/stabilizing low- and moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN RAPID CITY METROPOLITAN ASSESSMENT AREA

LENDING TEST

SFB demonstrated reasonable performance under the Lending Test in the Rapid City Metropolitan Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Rapid City Metropolitan Assessment Area. Reasonable small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any small business loans in the area’s one low-income geography; however, only 0.6 percent of businesses are located in these tracts. Lending in the moderate-income census tracts is comparable to the percentage of businesses located in these tracts, reflecting reasonable performance. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Rapid City Metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.6	0	0.0	0	0.0
Moderate	24.6	8	25.8	527	11.1
Middle	50.7	12	38.7	3,608	76.0
Upper	24.1	11	35.5	612	12.9
Not Available	0.0	0	0.0	0	0.0
Total	100.0	31	100.0	4,747	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Specifically, the percentage of home mortgage loans, by number, in low-income census tracts exceeds aggregate performance data, while lending in moderate-income census tracts lags comparable data. Overall, lending is reasonably dispersed throughout the geographies. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Rapid City Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.1	0.4	2	9.1	1,990	31.9
Moderate	16.3	14.1	2	9.1	205	3.3
Middle	51.5	57.8	11	50.0	2,470	39.6
Upper	32.1	27.7	7	31.8	1,568	25.2
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	22	100.0	6,233	100.0

*Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among businesses of all sizes and individuals of all income levels in the Rapid City Metropolitan Assessment Area, as supported primarily by the institution's small business lending performance. Examiners noted poor distribution of borrowers for home mortgage loans. However, small business lending carried more weight in evaluating the bank's performance.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank's lending activity to businesses with gross annual revenues of \$1 million or less is below the percentage of businesses reporting revenue in this category; however, the bank's willingness to meet the credit needs of businesses of varying sizes, including small businesses, by originating SBA PPP loans during the COVID-19 pandemic supports reasonable performance under this criterion. The 12 loans included in the sample made to businesses without revenues available were SBA PPP loans. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Rapid City Metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.9	12	38.7	633	13.3
>\$1,000,000	5.3	7	22.6	2,598	54.7
Revenue Not Available	9.8	12	38.7	1,516	31.9
Total	100.0	31	100.0	4,747	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The distribution of borrowers reflects poor penetration among individuals of different income levels. SFB did not make any home mortgage loans to low- or moderate-income borrowers. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Rapid City Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.6	4.2	0	0.0	0	0.0
Moderate	18.5	16.9	0	0.0	0	0.0
Middle	21.9	21.9	1	4.5	177	2.8
Upper	40.0	35.2	6	27.3	1,631	26.2
Not Available	0.0	21.8	15	68.2	4,425	71.0
Total	100.0	100.0	22	100.0	6,233	100.0

Source: 2015 ACS; Bank Data; 2019 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

SFB demonstrated adequate responsiveness to the community development needs of the Rapid City Metropolitan Assessment Area. The quantity and responsiveness of community development loans and services primarily supports this conclusion.

Community Development Loans

The bank originated 161 community development loans totaling approximately \$24.2 million in the Rapid City Metropolitan Assessment Area. The loans were particularly responsive to the assessment area's economic development needs. The overwhelming majority of the loans, by number and dollar volume, promoted economic development and helped businesses impacted by the COVID-19 pandemic. The bank's lending also provided essential community services to low-and

moderate-income individuals throughout the evaluation period. The following table illustrates the community development loans by year and purpose.

Rapid City Metropolitan Assessment Area Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018 (Partial)	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	1,799	98	17,028	0	0	99	18,827
2021 YTD	0	0	0	0	62	5,346	0	0	62	5,346
Total	0	0	1	1,799	160	22,374	0	0	161	24,173

Source: Bank Data

The following is a notable example of the bank’s community development loans in the Rapid City Metropolitan Assessment Area:

- The bank made a \$1.8 million loan to a community organization that provides funding, social services, and educational support to low- and moderate-income individuals.

Qualified Investments

The bank made 15 qualified donations totaling approximately \$36,000 in the Rapid City Metropolitan Assessment Area. The majority of the donations were to nonprofit organizations that provide services to low- and moderate-income individuals. The bank also made donations to an organization that supports small businesses and job creation for low- and moderate-income jobs in Rapid City. The following table illustrates the qualified investments by year and purpose.

Rapid City Metropolitan Assessment Area Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018 (Partial)	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Qualified Grants & Donations	0	0	13	31	2	5	0	0	15	36
Total	0	0	13	31	2	5	0	0	15	36

Source: Bank Data

Community Development Services

Bank personnel provided 16 instances of financial expertise or technical assistance to community development organizations in the Rapid City Metropolitan Assessment Area. The following table illustrates the bank’s community development services by year and purpose.

Rapid City Metropolitan Assessment Area Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018 (Partial)	0	3	0	0	3
2019	1	3	0	0	4
2020	1	4	0	0	5
2021 YTD	1	3	0	0	4
Total	3	13	0	0	16

Source: Bank Data

The following are notable examples of the bank’s community development services in the Rapid City Metropolitan Assessment Area:

- An employee served on the Board and as a member of the affordable housing committee for a community organization that provides funding, social services, and educational support to low- and moderate-income children.
- An employee served as a Board member for a community organization that provides affordable housing funding and support for low- and moderate-income seniors.
- An employee served as treasurer and as a member of the Executive Board for a community organization that provides administrative support and funding for affordable housing and essential community services for low- and moderate-income individuals. The community organization provides low interest loans for low- and moderate-income housing and provides food distribution to low- and moderate-income individuals.

SOUTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA

The South Dakota Nonmetropolitan Assessment Area consists of Bennett, Jackson, Mellette, Oglala Lakota, and Todd counties. These counties form one contiguous nonmetropolitan assessment area in southwest South Dakota. According to the 2015 ACS, the assessment area contains three low-income, five moderate-income, and two middle-income census tracts. SFB operates one full-service office and one ATM in the City of Marting, which is in a middle-income census tract in this assessment area. The following table provides select demographic data for the South Dakota Nonmetropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: South Dakota Nonmetropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	30.0	50.0	20.0	0.0	0.0
Population by Geography	32,856	40.9	50.8	8.3	0.0	0.0
Housing Units by Geography	9,986	36.9	50.4	12.7	0.0	0.0
Owner-Occupied Units by Geography	4,473	36.4	47.2	16.5	0.0	0.0
Occupied Rental Units by Geography	3,954	36.5	55.4	8.1	0.0	0.0
Vacant Units by Geography	1,559	39.3	47.1	13.6	0.0	0.0
Businesses by Geography	657	9.1	57.7	33.2	0.0	0.0
Farms by Geography	150	0.0	77.3	22.7	0.0	0.0
Family Distribution by Income Level	6,293	45.8	21.8	15.7	16.7	0.0
Household Distribution by Income Level	8,427	38.5	18.0	18.9	24.6	0.0
Median Family Income Nonmetropolitan - SD		\$60,845	Median Housing Value			\$40,377
			Median Gross Rent			\$451
			Families Below Poverty Level			38.5%

*Source: 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.*

One middle-income census tract in Bennett County is underserved and distressed due to poverty and one middle-income census tract in Jackson County is underserved and distressed due to poverty and unemployment. Additionally, Bennett, Jackson, Mellette, Oglala Lakota, and Todd counties were part of FEMA’s Severe Winter Storm, Snowstorm, and Flooding major disaster declaration issued on June 7, 2019.

CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH DAKOTA NONMETROPOLITAN ASSESSMENT AREA

LENDING TEST

The institution’s lending performance in the South Dakota Nonmetropolitan Assessment Area is consistent with the lending performance for the State of South Dakota.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the South Dakota Nonmetropolitan Assessment Area. This is based on reasonable dispersion of small business loans and excellent dispersion of small farm loans.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Lending in low-income census tracts compares closely to the percentage of

businesses in these tracts. Lending in moderate-income census tracts is below the percentage of businesses in these tracts; however, the bank extended only ten small business loans in the assessment area in 2020 and the overall dispersion is reasonable. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: South Dakota Nonmetropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	9.1	1	10.0	195	12.0
Moderate	57.7	2	20.0	64	4.0
Middle	33.2	7	70.0	1,361	84.0
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	10	100.0	1,620	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Small Farm Loans

The geographic distribution of small farm loans reflects excellent dispersion throughout the assessment area. Lending in the low- and moderate-income census tracts greatly exceeds the percentage of farms located in these tracts. Although the demographic data indicates there are no small farms in the low-income tracts in this assessment area, D&B Data uses voluntary sampling, so when the number of respondents is low, this can skew the data. The following table provides details.

Geographic Distribution of Small Farm Loans					
Assessment Area: South Dakota Nonmetropolitan					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	4	10.3	467	12.9
Moderate	77.3	32	82.1	3,032	83.7
Middle	22.7	3	7.7	122	3.4
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	39	100.0	3,621	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans poor dispersion throughout the assessment area. SFB did not make any loans in low-income census tracts; however, aggregate data shows that there is relatively low demand in these tracts. The percentage of home mortgage loans, by number, in moderate-income census tracts also lags aggregate performance data. However, the bank only

extended eight home mortgage loans in this assessment area, and home mortgage lending carried less weight in the overall analysis. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: South Dakota Nonmetropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	36.4	4.9	0	0.0	0	0.0
Moderate	47.2	51.2	3	37.5	241	60.0
Middle	16.5	43.9	5	62.5	161	40.0
Upper	0.0	0.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	8	100.0	402	100.0

*Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different incomes. Performance in each lending product supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the South Dakota Nonmetropolitan Assessment Area. Although the percentage of small business loans, by number, to businesses with gross annual revenues of \$1 million or less is below demographic data, the lending, by dollar, is comparable to demographic data. Therefore, the overall performance is reasonable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: South Dakota Nonmetropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	67.4	5	50.0	1,030	63.6
>\$1,000,000	6.1	5	50.0	590	36.4
Revenue Not Available	26.5	0	0.0	0	0.0
Total	100.0	10	100.0	1,620	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The bank's lending activity to farms with gross annual revenues of \$1 million or less is slightly below

the percentage of farms reporting revenue in this category, but the performance is still reasonable. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: South Dakota Nonmetropolitan					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	100.0	35	89.7	2,616	72.2
>\$1,000,000	0.0	1	2.6	500	13.8
Revenue Not Available	0.0	3	7.7	505	13.9
Total	100.0	39	100.0	3,621	100.0

Source: 2020 D&B Data and Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Lending to low-income borrowers exceeds aggregate performance data, and lending to moderate-income borrowers is consistent with the aggregate performance data. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: South Dakota Nonmetropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	45.8	7.3	2	25.0	120	29.9
Moderate	21.9	19.5	3	37.5	109	27.1
Middle	15.7	24.4	2	25.0	53	13.1
Upper	16.7	34.1	0	0.0	0	0.0
Not Available	0.0	14.6	1	12.5	120	29.9
Total	100.0	100.0	8	100.0	402	100.0

Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

SFB’s community development performance in the South Dakota Nonmetropolitan Assessment Area is consistent with the institution’s community development performance in the State of South Dakota.

Community Development Loans

As noted in the following table, the bank originated 220 community development loans, including 211 PPP loans in the South Dakota Nonmetropolitan Assessment Area. The overwhelming majority of

the loans, by number and dollar volume, promoted economic development and helped businesses impacted by the COVID-19 pandemic.

South Dakota Nonmetropolitan Assessment Area Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018 (Partial)	0	0	1	351	0	0	1	70	2	421
2019	0	0	1	10	0	0	0	0	1	10
2020	0	0	4	1,285	41	2,951	2	1,113	47	5,349
2021 YTD	0	0	0	0	170	3,088	0	0	170	3,088
Total	0	0	6	1,646	211	6,039	3	1,183	220	8,868

Source: Bank Data

Qualified Investments

In 2021, the bank donated one qualified investment totaling approximately \$1,000 in the South Dakota Nonmetropolitan Assessment Area. The donation was to a nonprofit organization that provides services to low- and moderate-income individuals.

Community Development Services

The bank did not provide any community development services in the South Dakota Nonmetropolitan Assessment Area. However, SFB operates a mobile, deposit-taking courier service to provide services to the area. The mobile deposit-taking courier service, Badlands Express, is a limited-service facility that serves low-income areas on the Pine Ridge Reservation that otherwise has restricted access to banking services. The mobile bank operates on a regular schedule and allows customers to open deposit accounts, make deposits, and get cashier’s checks and money orders. This service demonstrates the bank’s responsiveness to an essential community development need.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
Overall	Satisfactory	Satisfactory	Satisfactory
State of Nebraska	Satisfactory	Satisfactory	Satisfactory
State of South Dakota	Satisfactory	Satisfactory	Satisfactory

GLOSSARY

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

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved, nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.