

# **PUBLIC DISCLOSURE**

May 5, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Richland State Bank  
Certificate Number: 1675

602 First Street  
Bruce, South Dakota 57220

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.

Richland State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance.

- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small farm and small business loans in the assessment area.
- A geographic distribution analysis was not conducted, as the bank's assessment area is comprised entirely of middle- and upper-income geographies. Therefore, an analysis would not result in meaningful conclusions.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the CRA rating.

## DESCRIPTION OF INSTITUTION

### **Background**

Richland State Bank operates in eastern South Dakota with its sole office located in Bruce. On August 30, 2018, Bryant Bancshares, Inc., Bryant, South Dakota, acquired 100 percent of Richland State Bank from the Gladys M. Jensen estate. In addition, the bank wholly owns Richland Loan Processing Center, Sioux Falls, South Dakota, a subsidiary that processes and underwrites student loan applications. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 2, 2014, using Interagency Small Institution Examination procedures.

### **Operations**

Richland State Bank offers a range of loan products including agricultural, commercial, home mortgage, and consumer loans, but primarily focuses on agricultural lending with a secondary emphasis on commercial lending. Government-sponsored loans through the Farm Service Agency and Small Business Administration (SBA) are also utilized to assist in serving the credit needs of the bank's assessment area. Additionally, just prior to the start of this evaluation, the bank completed 17 loans totaling \$1.3 million through the SBA's Paycheck Protection Program for local businesses inside its assessment area impacted by the current health pandemic. The institution also provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include online and mobile banking. The bank did not open or close any branches since the previous evaluation.

### **Ability and Capacity**

Assets totaled approximately \$36 million as of December 31, 2019, and included total loans of approximately \$14 million and total deposits of approximately \$32 million. The loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 12/31/2019</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	1,206	8.9
Secured by 1-4 Family Residential Properties	814	6.0
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	1,981	14.5
<b>Total Real Estate Loans</b>	<b>4,001</b>	<b>29.4</b>
Commercial and Industrial Loans	2,088	15.3
Agricultural Production and Other Loans to Farmers	3,957	29.1
Consumer Loans	3,563	26.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>13,609</b>	<b>100.0</b>
<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 the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Richland State Bank designated a single assessment area within the non-metropolitan portion of South Dakota that includes the eastern half of Hamlin County, the eastern half of Kingsbury County, and portions of Brookings County in eastern South Dakota. The following sections discuss economic and demographic information for the assessment area.

### Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	14,788	0.0	0.0	74.4	25.6	0.0
Housing Units by Geography	7,146	0.0	0.0	77.4	22.6	0.0
Owner-Occupied Units by Geography	4,674	0.0	0.0	74.3	25.7	0.0
Occupied Rental Units by Geography	1,220	0.0	0.0	78.5	21.5	0.0
Vacant Units by Geography	1,252	0.0	0.0	88.1	11.9	0.0
Businesses by Geography	1,245	0.0	0.0	67.0	33.0	0.0
Farms by Geography	356	0.0	0.0	66.9	33.1	0.0
Family Distribution by Income Level	4,042	12.0	14.7	26.7	46.6	0.0
Household Distribution by Income Level	5,894	15.4	12.7	18.3	53.6	0.0
Median Family Income Nonmetropolitan South Dakota	\$60,845	Median Housing Value				\$127,420
		Median Gross Rent				\$586
		Families Below Poverty Level				5.0%
<i>Source: 2015 ACS Census and 2019 D&amp;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.</i>						

The assessment area’s business economy is stable and includes several small businesses such as a grocery store, meat locker, auto body shop, and restaurants. According to bank management, many main street businesses in Bruce are well established and do not require financing. Additionally, management stated that the composition of the area combined with half of the town being in a flood plain makes it hard to attract new businesses to the area. Furthermore, although not included in the

bank's assessment area, the City of Brookings, South Dakota is located about 15 miles from Bruce and has a population of approximately 24,028 persons. As such, the bank's proximity to Brookings and other financial institutions in the area make it difficult for the bank to compete for loans, especially small business loans.

Based on 2019 D&B data, a large portion of the assessment area is rural and dependent on agriculture with 22.2 percent of the businesses operating in agriculture. According to bank management, the largest employer in the assessment area is Adee Honey Farms. Other major employers in the area are located in Brookings and include South Dakota State University, Daktronics, and 3M. As such, management stated that a significant majority of individuals in the assessment area commute to Brookings for employment where they also perform many of their banking activities.

### **Competition**

According to the FDIC Deposit Market Share data as of June 2019, the tri-county area is competitive for financial products and services with 15 financial institutions operating 28 full-service branches. Of these institutions, Richland State Bank ranked 10<sup>th</sup> with 1.7 percent deposit market share. Further, significant competition for agricultural financing also comes from non-bank entities.

### **Community Contacts**

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

For this evaluation, examiners used information from two previously conducted community contacts familiar with the assessment area, one from an agricultural-related organization and one from an economic-development-related organization in the assessment area. One contact noted that the last couple of years have been challenging for farmers due to poor weather conditions, tariffs, low prices, and varying yields. Additionally, larger farms continue to grow and take over some of the smaller farming operations, and many farm families in the assessment area rely on off-farm employment for health insurance or another source of income. Another contact noted that the retail sector continues to grow and major industries in the area are agricultural and manufacturing related. Overall, the contacts stated that local financial institutions have been responsive to the credit needs in the assessment area.

### **Credit Needs**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small farm and small business loans represent the primary credit needs for the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated June 2, 2014, to the current evaluation dated May 5, 2020. Examiners used the Interagency Small Institution Examination Procedures to conduct the evaluation, which contains the Lending Test. Refer to the Appendices for a description of the criteria used to evaluate the bank's performance under the Lending Test.

### **Activities Reviewed**

Examiners determined the bank's major product lines are agricultural and commercial loans. This conclusion considered the bank's business strategy, local area credit needs, and the number and dollar volume of loans originated during the evaluation period. Further, bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners reviewed the bank's small farm and small business loans to complete the Lending Test. Home mortgage loans were not included in this evaluation because the volume of loans originated represents a relatively small portion of the loan portfolio and they are not a lending focus for the bank. Consumer loans were also not included in the evaluation as the volume of originated loans is skewed based on some student loans that were table funded, but subsequently sold.

Examiners reviewed all small farm and small business loans originated, renewed, or extended in 2019 to evaluate the bank's performance under the Assessment Area Concentration criterion. Specifically, 47 small farm loans totaling approximately \$6.5 million and 36 small business loans totaling approximately \$4.0 million were reviewed. Additionally, examiners reviewed all 40 small farm loans totaling approximately \$5.4 million and all 23 small business loans totaling approximately \$1.3 located inside the assessment area to evaluate the Borrower Profile criterion. For comparison purposes, 2019 D&B data was used for small farm and small business lending.

Small farm loans contributed the greatest weight to overall conclusions because of the higher volume of loans originated compared to other loan products. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Richland State Bank demonstrated reasonable performance under the Lending Test. The Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile performance support this conclusion.

### **Loan-to-Deposit Ratio**

Richland State Bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio shown in the table below, calculated from Reports of Condition and Income data, is an average over the past 23 quarters from June 30, 2014, to December 31, 2019. The ratio ranged from a low of 39.6 percent on September 30, 2019, to a high of 50.4 percent on December 31, 2016. Examiners compared the bank's average net

loan-to-deposit ratio to three similarly-situated financial institutions. The comparable institutions were selected based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2019 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Richland State Bank, Bruce, South Dakota</b>	<b>36,477</b>	<b>44.6</b>
Bryant State Bank, Bryant, South Dakota	38,078	72.2
DNB National Bank, Clear Lake, South Dakota	81,877	41.8
First Security Bank-Hendricks, Hendricks, Minnesota	32,646	49.8
<i>Source: Reports of Condition and Income 6/30/2014 – 12/31/2019</i>		

### **Assessment Area Concentration**

As shown in the following table, the bank made a majority of small farm loans, by number and dollar volume, and a majority of small business loans, by number, within its assessment area. Although a majority of small business loans, by dollar volume, was outside the bank’s assessment area, this is primarily due to two large participations that the bank purchased totaling \$1.6 million.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Farm	40	85.1	7	14.9	47	5,354	82.7	1,120	17.3	6,474
Small Business	23	63.9	13	36.1	36	1,273	31.5	2,771	68.5	4,044
<i>Source: Bank Data Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

Richland State Bank’s assessment area is comprised solely of middle- and upper-income census tracts; therefore, a geographic distribution analysis was not conducted as it would not result in meaningful conclusions.

### **Borrower Profile**

The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes in the assessment area. The bank’s excellent performance of small farm and small business lending supports this conclusion. Examiners focused on the percentage of loans, by number, to farms and businesses with gross annual revenues of \$1 million or less.

#### ***Small Farm Loans***

The distribution of borrowers reflects excellent penetration among farms of different sizes. All of the small farm loans originated within the assessment area were to farms with gross annual revenues of \$1 million or less. This exceeds 2019 D&B data, which indicates that 97.8 percent of assessment area farms are in the same revenue category.

***Small Business Loans***

The distribution of borrowers reflects excellent penetration among businesses of different sizes. All of the small business loans originated within the assessment area were to businesses with gross annual revenues of \$1 million or less. This exceeds 2019 D&B data, which indicates that 80.9 percent of assessment area businesses are in the same revenue category.

**Response to Complaints**

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

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this did not affect the institution's rating.

## APPENDICES

### 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 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;
- 4) The geographic distribution of the bank's loans; 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).

## 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.

**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.

**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.

**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.

**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.

**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 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.

**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.