

PUBLIC DISCLOSURE

September 20, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bryant State Bank
Certificate Number: 6064

124 Main Avenue
Bryant, South Dakota 57221

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.

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

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of its small farm and small business loans in the assessment area.
- The assessment area does not include any low- or moderate-income geographies; as such, a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

Bryant State Bank operates from its sole office in Bryant, South Dakota. The bank is wholly owned by Bryant Bancshares, Inc., which is also located in Bryant. Bryant State Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated October 20, 2015, based on Interagency Small Institution Examination Procedures.

The institution offers traditional credit products, including agricultural, commercial, and consumer loans. Credit cards are also made available through an arrangement with Capital Preferred Credit, LLC in Sioux Falls, South Dakota. According to management, the bank's primary focus continues to be agricultural lending, closely followed by commercial lending. In addition to conventional lending, Bryant State Bank participates in various government-sponsored loan programs through the Farm Service Agency, USDA Rural Development, and Small Business Administration (SBA). For example, the bank originated 126 loans totaling \$4.9 million through the SBA's Paycheck Protection Program, which assisted small businesses struggling with the impact of the COVID-19 pandemic. Bryant State Bank also provides a variety of standard deposit services, including checking and savings accounts and certificates of deposit. Alternative banking services include internet banking, mobile banking, and mobile check deposit.

As of June 30, 2021, Bryant State Bank reported total assets of \$43.9 million, total loans of \$27.6 million, and total deposits of \$34.1 million; the table below illustrates the loan portfolio. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

Loan Portfolio Distribution as of June 30, 2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	4,897	17.8
Secured by 1-4 Family Residential Properties	382	1.4
Secured by Multi-family (5 or more) Residential Properties	440	1.6
Secured by Nonfarm Nonresidential Properties	5,209	18.9
Total Real Estate Loans	10,928	39.7
Agricultural Production and Other Loans to Farmers	5,551	20.1
Commercial and Industrial Loans	8,012	29.1
Consumer Loans	2,408	8.7
Obligations of State and Political Subdivisions in the U.S.	662	2.4
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	27,561	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Bryant State Bank has designated a single assessment area in nonmetropolitan South Dakota. The assessment area remains unchanged since the prior evaluation and is comprised of the western half of Hamlin County (census tract 9552) and all of Clark and Kingsbury counties.

Economic and Demographic Data

The assessment area is rural in nature and primarily dependent on agriculture and related industries. Per bank management, the agricultural sector is doing well. Farmers are in a good position due to decent commodity prices and yields, as well as an influx of government funds. Dairy production has expanded in recent years, and supporting businesses are thriving. Management also stated that loan demand, as well as the use of off-farm income, have decreased recently due to government stimulus payments. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	11,982	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,738	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,725	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,144	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	869	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,216	0.0	0.0	100.0	0.0	0.0
Farms by Geography	333	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,190	15.1	18.2	24.8	41.9	0.0
Household Distribution by Income Level	4,869	19.2	15.9	18.3	46.6	0.0
Median Family Income – Nonmetropolitan South Dakota	\$60,845		Median Housing Value			\$91,191
			Median Gross Rent			\$490
			Families Below Poverty Level			6.2%

*Source: 2015 ACS and 2020 D&B Data
(* The NA category consists of geographies that have not been assigned an income classification.*

Competition

Bryant State Bank operates in a moderately competitive market for financial services. According to Reports of Condition and Income filed by financial institutions, 7 other banks with deposits ranging between \$4.7 million and \$132.2 million operate either a main office or a branch office within the assessment area. Of these institutions, Bryant State Bank ranked third with a 10.0 percent deposit market share. Management stated that Farm Credit Services of America, located in Watertown, South Dakota, is also a major competitor with respect to agricultural loans.

Community Contact

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

Examiners contacted an individual familiar with the agricultural industry in the assessment area. Per the contact, the primary credit need in the area is agricultural lending; however, the contact added that loan demand in general has decreased over the past year due to government stimulus payments. The contact stated that the local economy is heavily reliant on the agricultural industry, which is doing well. The contact also described a recent expansion in area dairy operations that resulted in a significant population increase. Finally, the contact stated that local financial institutions are meeting the credit needs of the area.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area, followed by commercial lending.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 20, 2015, to the current evaluation dated September 20, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate Bryant State Bank's CRA performance.

Activities Reviewed

Bank records indicated that the lending focus and product mix remained generally consistent throughout the evaluation period. As noted earlier, the bank's primary lending focus is agricultural lending, followed by commercial lending. Therefore, examiners reviewed all small farm and small business loans originated or extended in calendar year 2020 for the Assessment Area Concentration analysis. Specifically, examiners reviewed 67 small farm loans totaling \$8.9 million and 89 small business loans totaling \$6.6 million. For the Borrower Profile analysis, as revenue data was not readily available, examiners selected random samples of 36 small farm loans totaling \$4.2 million and 41 small business loans totaling \$2.3 million made within the assessment area. Management confirmed that the selected sample was representative of the bank's performance during the entire evaluation period. D&B data for 2020 provided a standard of comparison for the small farm and small business loans.

While both the 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. Finally, while the bank offers home mortgage loans, they are limited to commercial-purpose rental homes and multi-family properties. The bank only originated three of these loans in 2020, totaling approximately \$250,000. Bank management stated that these loan types are not a lending focus; therefore, they were not reviewed during the evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Bryant State Bank demonstrated reasonable performance under the Lending Test. The bank’s Borrower Profile performance primarily supports this conclusion. While the Loan-to-Deposit Ratio and Assessment Area Concentration performance were strong, this performance did not elevate the overall rating.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. As shown in the following table, Bryant State Bank’s net loan-to-deposit ratio averaged 72.5 percent over the past 23 calendar quarters, which is notably higher than comparable institutions. In addition, the bank’s loan-to-deposit ratio has increased from the previous evaluation, at which time the ratio was 58.3 percent. Finally, total loans have steadily increased since the previous evaluation despite a decline in loan demand within the assessment area. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2021 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Bryant State Bank, Bryant, South Dakota	43,880	72.5
Richland State Bank, Bruce, South Dakota	50,515	45.4
First Security Bank-Hendricks, Hendricks, Minnesota	45,312	47.7
<i>Source: Reports of Condition and Income 12/31/2015 - 6/30/2021</i>		

Assessment Area Concentration

As detailed in the following table, Bryant State Bank originated a substantial majority of its small farm and small business loans within the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	63	94.0	4	6.0	67	8,377	94.2	518	5.8	8,895
Small Business	80	89.9	9	10.1	89	6,233	94.4	367	5.6	6,600
Total	143	91.7	13	8.3	156	14,610	94.3	885	5.7	15,495

Source: Bank Data

Geographic Distribution

As noted earlier, the assessment area is homogeneous and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

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

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank's small farm lending performance is less than demographic data; however, many small farms may not require credit to fund their operations. This is supported by data from the 2017 Census of Agriculture, which indicates that 43.2 percent, 48.1 percent, and 53.7 percent of farms within Clark, Hamlin, and Kingsbury counties, respectively, did not report interest expenses related to their operations. Further, both management and the community contact stated that loan demand has decreased recently due to government stimulus payments. Finally, examiners determined that the five sampled loans to farms with gross annual revenues greater than \$1 million were extended to the same borrower, which skews the analysis. Given this information, the bank's performance is considered reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000	97.3	31	86.1	3,735	89.2
> \$1,000,000	2.7	5	13.9	454	10.8
Total	100.0	36	100.0	4,189	100.0

Source: 2020 D&B Data, Bank Data

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. Examiners determined that 80.5 percent of the sampled small business loans within the assessment area were made to businesses with gross annual revenues of \$1 million or less, which compares favorably to the 77.3 percent of businesses in this revenue category reported by D&B.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

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 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).

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.

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.