

PUBLIC DISCLOSURE

April 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sunrise Bank Dakota
Certificate Number: 15847

201 South Main Street
Onida, South Dakota 57564

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 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 business loans in the assessment area.
- The geographic distribution criterion was not evaluated as the bank's assessment area is comprised solely of middle- and upper-income geographies. As a result, the analysis would not result in meaningful conclusions.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Sunrise Bank Dakota is a community bank headquartered in Onida, South Dakota. The Adino Company, Onida, South Dakota, a one-bank holding company, owns 100 percent of the institution. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated April 3, 2017, based on Interagency Small Institution Examination Procedures.

Sunrise Bank Dakota operates a full-service facility in central South Dakota. The bank continues to offer traditional credit products including agricultural, commercial, residential real estate, and consumer loans, with agricultural lending being its primary focus. The bank also offers government guaranteed loans through the Small Business Administration and Farm Service Agency. For instance, the bank originated Paycheck Protection Program loans, which assisted small businesses and farms struggling with the impact of the Coronavirus pandemic. The institution also offers basic deposit products including checking, savings, and certificate of deposit accounts. The bank provides its customers online and mobile banking options as alternative retail channels, as well as one cash-dispensing ATM located outside the bank in Onida.

Assets totaled approximately \$64.7 million as of December 31, 2022, and included total loans of \$21.0 million. Total deposits equaled \$59.0 million as of the same date. The following table reflects the bank's loan portfolio composition.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	4,232	20.1
Secured by 1-4 Family Residential Properties	1,641	7.8
Secured by Nonfarm Nonresidential Properties	1,559	7.4
Total Real Estate Loans	7,432	35.3
Commercial and Industrial Loans	1,805	8.6
Agricultural Loans	9,810	46.7
Obligations of States and Political Subdivisions in the United States	999	4.8
Consumer Loans	964	4.6
Other Loans	3	0.0
Total Loans	21,013	100.0
<i>Source: Reports of Condition and Income (Call Report)</i>		
<i>Due to rounding, totals may not equal 100%</i>		

The bank's legal lending limit could constrain the bank's ability to lend to some larger borrowers within the area. Examiners did not identify any other impediments that affect the bank's ability to meet the assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Sunrise Bank Dakota designated a single assessment area in nonmetropolitan South Dakota in the central portion of the state. The assessment area includes all of Potter and Sully counties, as well as the rural portions of Hughes County; specifically excluding the census tracts that make up the town of Pierre, South Dakota. The institution's sole office is located in census tract 9791 in Sully County.

Economic and Demographic Data

The following table provides select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Onida AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	66.7	33.3	0.0
Population by Geography	7,125	0.0	0.0	55.0	45.0	0.0
Housing Units by Geography	3,751	0.0	0.0	65.1	34.9	0.0
Owner-Occupied Units by Geography	2,311	0.0	0.0	55.3	44.7	0.0
Occupied Rental Units by Geography	482	0.0	0.0	64.5	35.5	0.0
Vacant Units by Geography	958	0.0	0.0	89.1	10.9	0.0
Businesses by Geography	986	0.0	0.0	66.7	33.3	0.0
Farms by Geography	367	0.0	0.0	73.0	27.0	0.0
Family Distribution by Income Level	1,906	15.3	16.1	24.1	44.5	0.0
Household Distribution by Income Level	2,793	15.5	16.0	17.6	50.9	0.0
Median Family Income Non-MSAs - SD		\$73,083	Median Housing Value			\$132,949
			Median Gross Rent			\$572
			Families Below Poverty Level			4.4%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area is mostly rural and dependent on agriculture and agriculture-related businesses. Corn, sunflowers, and wheat make up the primary crops in the area. Management and the community contact noted that, as a whole, the agriculture economy has been relatively strong. Management further noted recent droughts have affected area yields, but this has been offset by the higher commodity prices, allowing for solid returns. Due to government programs and strong agricultural years, management noted that many area farms are less reliant on agriculture lending and able to operate more on a cash basis. Additionally, management stated that given the rise in land prices in the last several years, fewer operations are borrowing to expand operations.

According to 2020 U.S. Census Data, the assessment area has a population of approximately 7,125 persons. The largest towns in the assessment area are Gettysburg and Onida with populations of approximately 1,104 and 658 persons, respectively. D&B data from 2022 indicates the agricultural represents the largest portion of employment in the area at 27.1 percent, followed by the service industry at 23.5 percent. In addition, 70.4 percent of area businesses and farms have four or fewer employees, and 93.3 percent operate from a single location.

In early 2020, the Coronavirus pandemic began to spread, resulting in government-mandated business closings across the country. However, management noted many of the area businesses were largely unaffected by the pandemic. Most businesses remained open in some capacity, and employees continued to work. The Bureau of Labor Statistics confirms this, as the assessment area maintained roughly 3 percent unemployment since the last CRA evaluation.

Competition

The bank's assessment area is fairly competitive for financial services. According to the 2022 FDIC Deposit Market Share report, there are 10 FDIC-insured financial institutions, with 16 branches, operating within Hughes, Potter, and Sully counties. Of these institutions, Sunrise Bank Dakota ranks eighth in deposit market share at 3.4 percent. This data is fairly skewed towards the population center of Pierre, South Dakota. Specifically, five of the six largest banks by deposit market share in the area are located in Pierre, just outside the bank's assessment area in Hughes County. Sunrise Bank Dakota's sole office is located in Sully County. There is only one other institution located within Sully County. As of June 30, 2022, the bank maintains roughly 46 percent of the deposit market share in Sully County. According to management, the bank's primary competitor for loans is Farm Credit Services of America, due to the low rates they can offer.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners contacted an individual knowledgeable of the agriculture economy within the bank's assessment area.

The contact stated that overall the population of Sully County is declining. Specifically, area residents continue to age and fewer people are moving to the area. In general, most new residents have some family ties or connection to the area.

The contact stated that agriculture drives most things in Sully County, and the agriculture economy as a whole has been strong the last several years. The major crops in the area (corn, sunflowers, and wheat) have had fairly favorable prices. To demonstrate agriculture's involvement in the local economy, the contact noted that even the local car dealership is also an implement dealer. The contact noted that the area producers are very experienced and incredibly knowledgeable. Despite droughts in recent years, the agriculture economy continues to be successful, which is a testament to the abilities of area farmers.

The contact noted there does not appear to be a significant amount of competition in the area from local financial institutions, as each of the two banks in Onida have their own established customer base. According to the contact, the area financial institutions appear to be meeting the needs of the community, and they are not aware of any discriminatory practices occurring.

Credit Needs

Considering information from the community contact, bank management, demographic, and economic data, examiners determined that small farm lending is the assessment area's primary credit need. This need comes in the form of agriculture-related operating lines, real estate, and machinery loans.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 3, 2017, to the current evaluation dated April 10, 2023. Examiners used Interagency Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test.

Activities Reviewed

Examiners determined the bank's major product lines to be agricultural lending followed by commercial lending. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Home mortgage loans were not reviewed since they are not a primary product line for the institution and do not represent a significant portion of the loan portfolio.

Examiners reviewed all small farm loans and small business loans originated, renewed, or extended in 2022 for the Assessment Area Concentration analysis. This consisted of 55 farm loans totaling approximately \$6.3 million and 27 business loans totaling \$3.9 million. The Borrower Profile analyses further evaluated the small farm and small business loans originated, renewed, or extended in 2022 that were located within the bank's assessment area. D&B data for 2022 provided a standard for comparison. Examiners did not review the Geographic Distribution criterion for this evaluation as there are no low- or moderate-income geographies within the bank's assessment area. Given the loan volume and the bank's lending focus, small farm loans received greater weight in the overall rating than small business loans. Additionally, examiners placed greater weight on the number of loans than the dollar volume of loans, as it is a better indicator of the small farms served. Bank management indicated 2022 was representative of the bank traditional lending patterns for small farm and small business loans.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Sunrise Bank Dakota demonstrated satisfactory performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criterion supports this conclusion.

Loan-to-Deposit Ratio

Sunrise Bank Dakota's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. This ratio, calculated from Reports of Income and Condition data, averaged 63.3 percent over the past 23 calendar quarters. The bank's net loan-to-deposit ratio ranged from 89.2 percent to 30.9 percent during the evaluation period. Management noted the bank's loan-to-deposit ratio has generally trended down since the last evaluation. Discussions with management revealed this decrease is due to a decline in loan demand as farmers have more cash and are carrying less debt. Examiners compared Sunrise Bank Dakota's average net loan-to-deposit ratio to two other financial institutions as shown below. The comparable institutions were selected based on their asset size, lending focus, and geographic location.

Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net Loan-To-Deposit Ratio (%)
Sunrise Bank Dakota, Onida, SD	64,738	63.3
Dakota Prairie Bank, Fort Pierre, SD	131,187	74.0
Western Dakota Bank, Timber Lake, SD	69,720	38.5

Source: Reports of Condition and Income 6/30/2017 – 12/31/2022

Assessment Area Concentration

As detailed in the table below, Sunrise Bank Dakota made a majority of its small farm and small business loans, by number and dollar volume, within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%	\$	%	\$	%		
Small Farm	45	81.8	10	18.2	55	5,354	85.5	911	14.5	6,265
Small Business	19	70.4	8	29.6	27	3,170	80.7	758	19.3	3,928

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

Geographic Distribution

The assessment areas do not include any low- and moderate-income geographies, 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. Sunrise Bank Dakota’s reasonable small farm and small business lending performances support this conclusion. Examiners primarily focused on the percentage of loans, by number, to farms and businesses with gross annual revenues of \$1 million or less. Additionally, as mentioned above, a greater weight was placed on the bank’s small farm lending performance as it is a credit need for the area and a credit focus for the financial institution.

Small Farm Lending

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The following table indicates 82.2 percent of the small farm loans, by number, that were located in the assessment area have a gross revenue of \$1 million or less. The bank is lagging D&B data for farms in the area; however, it should be noted two of the bank’s customers make up seven of the small farm loans to borrowers with gross revenues that exceed \$1 million. As such, with regards to customers served, the bank is more closely aligned with the demographic data. Additionally, roughly 45 percent of area producers are report a primary occupation other than farming and 46 percent of farms operate without any interest expense, therefore would not need any credit financing. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Onida AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.5	37	82.2	3,504	65.4
>\$1,000,000	2.2	8	17.8	1,850	34.6
Revenue Not Available	0.3	0	0.0	0	0.0
Total	100.0	45	100.0	5,354	100.0
<i>Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Lending

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the below table, the bank lags D&B data for businesses in the area by number and dollar amount. However, D&B data reflects information for all businesses that chose to report, including those that may not need credit. Management also noted most of the dollar volume of loans to borrowers with gross revenues of over a million are to two specific borrowers and are in the form of undispersed commitments. These commitments are drawn on only a few times per year, but remain available to the customer year round. In addition, demand for small business loans within the assessment area is relatively low. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Onida AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.0	14	73.7	1,035	32.6
>\$1,000,000	2.8	5	26.3	2,135	67.4
Revenue Not Available	10.1	0	0.0	0	0.0
Total	100.0	19	100.0	3,170	100.0
<i>Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, examiners did not evaluate the bank's record of responding to CRA-related complaints.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

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.