

## **PUBLIC DISCLOSURE**

January 28, 2002  
Date of Evaluation

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## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Sunrise Bank Dakota  
Name of Depository Institution

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354253  
Institution's Identification Number

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Onida, South Dakota  
Address of Institution

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Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291

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

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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a “**Glossary of Common CRA Terms**” is attached as Appendix A at the end of this performance evaluation.*

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

The rating for Sunrise Bank Dakota is based on the following factors:

- First, the bank has a highly satisfactory level of lending to borrowers of different income levels and to farms of different sizes. The majority of the bank's consumer loans were extended to low- and moderate-income borrowers. Similarly, the majority of the bank's small farm loans were originated to small farms with gross annual revenues of \$1 million or less.
- Second, the bank's net loan-to-deposit ratio is reasonable and reflects a fully satisfactory level of lending.
- Third, the bank originated the majority of its loans within the assessment area.
- Finally, the geographic distribution of the bank's loans is reasonable. This category received the least weight in assigning the overall rating because the assessment area does not contain any low- or moderate-income geographies.

## DESCRIPTION OF INSTITUTION

*Offices.* Sunrise Bank Dakota is able to effectively meet the credit needs of the residents in its assessment area. Sunrise Bank Dakota is a full-service bank with one main office located in Onida, South Dakota. The bank operates one cash-dispensing automated teller machine in Onida located at a gas station/convenience store called The Corner.

The bank lobby is open from 9:00 a.m. to 3:00 p.m. Monday through Friday. The drive-up facility is open 8:00 a.m. to 5:00 p.m. Monday through Friday. The bank is in the process of implementing a telephone banking service and Internet banking, which would allow customers to access their accounts at any time.

*Loan portfolio.* According to the September 30, 2001, Report of Condition (“ROC”), the bank’s assets totaled \$21.5 million. The ROC data indicate the bank continues to be a full-service bank with an emphasis on agricultural lending. The bank’s loan portfolio mix is approximately 81% agricultural, 9% commercial, 5% residential real estate, approximately 5% consumer loans, and less than .5% in credit cards. The overall composition of the loan portfolio reflects the level of demand for specific types of loans by residents, farms, and businesses in the bank’s market.

*Credit products.* The bank continues to offer a variety of loan products to fulfill the credit needs of the residents, farms, and businesses within the assessment area. For commercial and agricultural purposes, the bank offers loan programs sponsored by the Small Business Administration and Farm Service Agency in addition to its own loan programs. The bank also offers conventional loans for residential real estate purposes and installment, single-pay, and credit card loans for consumer purposes.

*Previous CRA rating.* The bank received a satisfactory CRA rating at its last evaluation dated December 15, 1997.

## DESCRIPTION OF SUNRISE BANK DAKOTA’S ASSESSMENT AREA

*Assessment area.* The bank defines its assessment area as Sully County, South Dakota, which contains one block numbering area (“BNA”). BNA 9791 is classified as a middle-income geography. There are no low- or moderate-income BNAs in the assessment area. The bank is located in Onida, which is the county seat of Sully County and is approximately 35 miles northeast of Pierre, South Dakota.

There are several competitor banks located in the assessment area. Other banks operate branch offices in Onida, Pierre, and Blunt. Blunt is approximately 14 miles from Onida.

During the evaluation, examiners contacted individuals familiar with the economic and demographic characteristics of the assessment area. Information obtained from the community contacts and discussions with bank management were used to evaluate the bank’s CRA performance.

*Population.* According to the 2000 U.S. Census Bureau data, the assessment area has a population of 1,556. This is a very slight decline from 1990 census data, which stated a population of 1,589. Bank management and the community contacts also indicated that the population in the area has basically remained stable. Table 1 illustrates other demographic characteristics of the assessment area.

<b><i>Income Summary</i></b>	
<b>Median Family Income<sup>2</sup> - 1990</b>	<b>\$26,722</b>
Percentage of Low-Income Families	14%
Percentage of Moderate-Income Families	17%
Percentage of Middle-Income Families	28%
Percentage of Upper-Income Families	41%
<b><i>Miscellaneous Information</i></b>	
<b>Total Population</b>	<b>1,589</b>
Percentage of Families Below Poverty Level	11%
<b>Total Housing Units</b>	
Percentage Owner-Occupied to Total Units	56%
Percentage Rental to Total Units	21%
Percentage Vacant to Total Units	23%

*Economy.* According to bank management and community contacts, economic conditions in the assessment area are relatively good. The economy in Sully County is tied to the agricultural community, which has been satisfactory for most farmers. Several government assistance programs have been beneficial to farmers in maximizing their profits. Despite low prices, above-average yield and diversification of crops have contributed to most area farmers' success. The trend for agricultural producers is towards large farm operations. As older farmers retire, small farms are sold to large producers. Most of the farms in Sully County are family-owned with at least one spouse working in another industry. Pierre, South Dakota, also offers numerous employment opportunities for individuals who reside in the assessment area.

The largest employers in Onida are the school district, government entities, the local automobile dealer, the feed store, and two grain elevators. The grain elevators are expanding and are in the process of building fertilizer plants. Several construction projects in the assessment area in recent years have helped keep the area's unemployment rate low. According to December 2001 South Dakota Department of Labor statistics, the state's unemployment rate is relatively low--approximately 3.2%. The unemployment rate for Sully County was 3.7% in December 2001.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance in meeting the credit needs of its assessment area is satisfactory. Table 2 illustrates the bank's loan activity between January and November 30, 2001.

<sup>1</sup>All information based on 1990 census data.

<sup>2</sup>See Appendix A for definitions of low, moderate, middle, and upper income.

<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>Percentage of Loans</i>
Small Business	25	9%
Small Farm	170	58%
Consumer	90	31%
Residential Real Estate	7	2%
Total	292	100%

Given the relatively high number of consumer and agricultural loans originated in 2001, the bank's CRA evaluation is based on consumer and small farm lending. The analysis on the following pages is based on a statistical sample of consumer loans and small farm loans originated in the six-month period between June 2001 and November 2001. Examiners reviewed 42 consumer loans and 56 small farm loans.

The following criteria were analyzed to determine the bank's CRA rating:

- Loan-to-deposit ratio
- Lending inside the assessment area
- Lending to borrowers of different income levels and farms of different sizes
- Geographic distribution of loans
- Record of responding to complaints about the bank's CRA performance

In assigning the overall rating, the greatest weight was placed on the bank's level of lending to borrowers of different income levels and to farms of different sizes.

#### LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable and meets satisfactory standards given the bank's asset size, financial condition, and the assessment area's credit needs. Since the last evaluation, the bank's quarterly net loan-to-deposit ratio has been relatively stable and has averaged 75%. The information in Table 3 shows the average net loan-to-deposit ratios for the past 16 quarters for the bank and for a similarly situated bank that lies within the bank's assessment area.

<i>Bank</i>	<i>Total Assets as of September 30, 2001 (in thousands)</i>	<i>Quarterly Average Net Loan-to-Deposit Ratio</i>
Sunrise Bank Dakota Onida, South Dakota	21,466	75%
Dakota State Bank Blunt, South Dakota	19,791	66%

According to the bank's September 30, 2001, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio of 75% also compares favorably with that of its peer group. The bank's national peer group includes all insured commercial banks having assets between \$10 million and \$25 million with one banking office and located in a nonmetropolitan area. The peer group's net loan-to-deposit ratio was 66%. As discussed, the bank's net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank's lending activity in the overall assessment area is satisfactory. A review of the statistical sample reveals that the bank extended the majority of its loans inside the assessment area. Table 4 shows the percentage of consumer loans and small farm loans that the bank originated in its assessment area.

<b>TABLE 4</b>		
<b>LOANS ORIGINATED INSIDE THE ASSESSMENT AREA</b>		
<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>Percentage of Loans</i>
Consumer	35	83%
Small Farm	44	79%

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO FARMS OF DIFFERENT SIZES

The bank's level of lending to borrowers of different income levels and to farms of different sizes is excellent. Table 5 reflects the percentages of consumer loans made to borrowers of different income levels.

<b>TABLE 5</b>								
<b>DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA</b>								
<b>BY BORROWER INCOME LEVELS*</b>								
	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Consumer Loans	15	43%	17	48%	3	9%	0	0%
Percentage of Families by Assessment Area**	14%		17%		28%		41%	
*2001 Median Family Income \$43,400								
**According to 1990 census data.								

*Consumer lending.* The bank's level of consumer lending to low- and moderate-income borrowers is very good. The consumer lending to low- and moderate-income borrowers exceeds the relative number of such families in the assessment area. The bank's lending to low-income borrowers is over three times the percentage of low-income families in the assessment area. Likewise, the level of the bank's lending to moderate-income borrowers is almost three times the percentage of moderate-income families in the assessment area. The bank also serves the needs of low- and moderate-income people by extending small-dollar loans. Approximately 57% of the sampled consumer loans were originated for \$3,000 or less. Of the loans in this subcategory, all were originated to low- and moderate-income borrowers. The borrower income analysis indicates the bank's willingness to lend to borrowers of various income levels.

*Small farm lending.* The bank also has a good distribution of loans to small farms with different revenues. Refer to the glossary for definitions corresponding to small farm lending. Table 6 shows the percentage of loans made to farms of different sizes.

**TABLE 6**  
**SMALL FARM LENDING**

<i>Small Farm Originations</i>	<i>Less than \$100,000</i>	<i>More than \$100,000 to less than \$250,000</i>	<i>More than \$250,000 to less than \$1,000,000</i>	<i>Total Originations</i>
Percentage of Small Farm Loans	91%	9%	0%	100%
% of Loans to Farms With Revenues Less Than \$1 Million	100%	100%	0%	100%

The CRA sample loan data revealed that the bank extended 100% of small farm loans to entities with gross annual revenues of \$1 million or less. According to data published by Dun & Bradstreet as of June 1999, 98% of the farms in the assessment area had gross annual revenues of \$1 million or less. Comparing the bank's loan data to the industry figures, the bank's lending activity to small entities is fully satisfactory. As Table 6 illustrates, the vast majority of the bank's small business loans were originated for amounts of \$100,000 or less. The loans in this category were originated to small farm entities.

Overall, the bank's lending to individuals of different income levels and to farms of different sizes is very strong. A significant number of the bank's consumer loans are extended to low- and moderate-income borrowers. A vast majority of small farm loans were loans for \$100,000 or less. The bank demonstrates very good responsiveness to meeting the credit needs of all residents in its assessment area.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans in the assessment area is reasonable and does not reveal any unexplained gaps in lending patterns. As previously stated, there are no low-, moderate-, or upper-income BNAs in the assessment area. The bank has one BNA in the assessment area that is classified as a middle-income tract. Therefore, further analysis of the bank's lending in geographies of different income levels is not meaningful.

#### GENERAL

The bank has not received any CRA-related complaints since the previous evaluation. In addition, the evaluation did not reveal any fair lending issues or concerns.



## Appendix A Glossary of Common CRA Terms

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)

**Assessment Area** - The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated teller machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Block Numbering Areas (BNAs)** - BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

**Census Tracts** - Census tracts are small, relatively permanent geographic entities within counties delineated by committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

**Community Development** - Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Development Loan** - A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank):

1. has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan, and
2. benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community Development Service** - A service that has as its primary purpose community development is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area, and has not been claimed by other affiliated institutions.

**Consumer Loans** - Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

**Dun & Bradstreet Data** - Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. This data can be sorted by geographies.

**Income Level** - Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In non-MSA areas, the level is based on the statewide, non-MSA median income.

- **Low Income** - Less than 50 percent of the area median income.
- **Moderate Income** - At least 50 percent and less than 80 percent of area median income.
- **Middle Income** - At least 80 percent and less than 120 percent of the area median income.
- **Upper Income** - At least 120 percent or more of the area median income.

**Metropolitan Statistical Area (MSA)** - A federally designated geographical unit consisting of an urbanized area with a central city of at least 50,000 residents and a regional population of 100,000. MSAs may cross state boundaries.

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

**Small Business** - A business with gross annual revenues of \$1 million or less.

**Small Business Loan** - A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

**Small Farm** - A farm with gross annual revenues of \$1 million or less.

**Small Farm Loan** - A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”