



PUBLIC DISCLOSURE

SEPTEMBER 28, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**SUNDANCE STATE BANK
RSSD# 94755**

**123 NORTH 2nd STREET
SUNDANCE, WYOMING 82729**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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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INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

Sundance State Bank (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- The geographic distribution of loans throughout the AA was not evaluated as the AA consists entirely of middle-income census tracts and the analysis would not have been meaningful.
- Lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's Eastern Wyoming AA. The following data was reviewed:

- The bank's 17-quarter average NLTD ratio.
- Statistical samples of the bank's small business and motor vehicle secured loans originated between January 1, 2019 through December 31, 2019:
 - Small Business Loans – 79 loans selected from a universe of 129 loans
 - Motor Vehicle Secured Loans – 71 loans selected from a universe of 110 loans
- Small business lending was given more weight in this evaluation due to the bank's focus on commercial lending.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Sundance, Wyoming. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Sundance Bancshares, Inc.
- The bank has total assets of \$211.0 million (MM) as of June 30, 2020.
- The bank operates one full-service branch in Sundance, Wyoming with a cash-only automated teller machine and drive-through services.

- In addition, the bank maintains a loan production office located in Spearfish, South Dakota.
- The bank’s primary business focus includes commercial and agricultural lending.

TABLE 1		
COMPOSITION OF LOAN PORTFOLIO AS OF JUNE 30, 2020		
Loan Type	\$(000)	%
Commercial	54,756	45.2
Agricultural	42,907	35.4
Residential Real Estate	16,599	13.7
Consumer	6,598	5.5
Other	281	0.2
Gross Loans	121,141	100.0

Note: Percentages may not total 100.0 percent due to rounding.

The bank was rated Satisfactory under the CRA at its September 19, 2016 performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s Eastern Wyoming AA is comprised of Crook County, Wyoming, in its entirety, as well as three census tracts in Lawrence County, South Dakota, and one census tract in Butte County, South Dakota (see Appendix A for an AA map).

- The AA is composed of six middle-income census tracts. Since the prior CRA evaluation, one census tract changed from a moderate-income to a middle-income census tract.
- Since the prior evaluation, the AA has expanded to include four adjacent census tracts in South Dakota.
- According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks fourth out of nine FDIC-insured institutions operating in the AA, with a deposit market share of 15.2 percent.
- One community contact was conducted by the Reserve Bank to determine the credit needs of the community, responsiveness of area financial institutions in meeting those credit needs, and local economic conditions. The community member was a representative of an economic development organization located in the AA.

TABLE 2 POPULATION CHANGE			
Area	2010 Population	2015 Population	Percent Change
Crook County, WY	7,083	7,229	2.1
Butte County, SD	10,110	10,292	1.8
Lawrence County, SD	24,097	24,645	2.3
State of Wyoming	563,626	579,679	2.8

*Source: 2010 U.S. Census Bureau Decennial Census
2011-2015. Census Bureau: American Community Survey*

- Overall, the AA is rural in nature, with a relatively stable population. The majority of the AA population is located in the cities of Belle Fourche, and Spearfish, South Dakota.
- The population of the cities of Sundance, Belle Fourche, and Spearfish are 1,694, 5,702, and 11,756 residents, respectively.

TABLE 3 MEDIAN FAMILY INCOME CHANGE			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Crook County, WY	55,765	68,012	22.0
Butte County, SD	52,829	58,026	9.8
Lawrence County, SD	60,209	66,067	9.7
State of Wyoming	65,964	73,194	11.0

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

- In addition to overall wage growth, in 2015 the AA included fewer families with incomes below the poverty line than other rural areas of Wyoming at 5.9 percent and 7.9 percent, respectively.

TABLE 4 HOUSING COSTS CHANGE						
Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Crook County, WY	151,100	205,800	36.2	612	743	21.4
Butte County, SD	114,300	118,600	3.8	467	617	32.1
Lawrence County, SD	155,100	180,100	16.1	543	629	15.8
State of Wyoming	174,000	194,800	12.0	666	789	18.5

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

- A community member stated housing values often fluctuate based on the employment opportunities offered by the oil, gas, and mining industry, which in turn impacts local demand for available housing.

- Furthermore, the community member indicated that affordable housing remains an issue for some residents, stating the current average housing costs in Spearfish range from \$300,000 to \$350,000. However, the community member also indicated the city of Spearfish is currently working with a private developer to build 150 homes, of which 80.0 percent will be geared towards first time homebuyers.

TABLE 5 UNEMPLOYMENT RATES					
Region	2015	2016	2017	2018	2019
Crook County, WY	3.5	4.6	3.5	3.1	3.2
Butte County, SD	3.4	3.4	3.4	3.3	3.4
Lawrence County, SD	3.3	3.3	3.2	3.0	3.2
State of Wyoming	4.3	5.3	4.2	3.9	3.6

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- Outside of the 2016 spike for Crook County, which was similar to the trend for the state of Wyoming, unemployment rates were stable throughout the AA over the time period reviewed.
- Industries and major employers throughout the AA vary by geography:
 - Major industries providing employment in Crook County include government, agriculture, mining, construction and general retail services.
 - A community member stated that healthcare, education, and natural resources are the leading industries in Butte and Lawrence Counties.
 - The three main employers in the Spearfish region are Monument Health; Black Hills State University; and Neiman Enterprises, a local lumber mill that is headquartered in Spearfish.
- The community member stated employers face a challenge with finding the quantity and quality of workers needed for both skilled and unskilled positions.
- Additionally, the community member indicated that the biggest credit need for small businesses is obtaining working capital and smaller dollar loans for unexpected expenses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and proximity to the AA. The bank’s NLTD ratio is reasonable. The NLTD ratio is above the ratios of three similarly situated institutions, and below the ratio of one other institution.

TABLE 6 COMPARATIVE NLTD RATIOS			
Institution	Location	Asset Size (\$000s)	NLTD Ratio (%)
			17 – Quarter Average
Sundance State Bank	Sundance, WY	210,999	67.6
Pioneer Bank & Trust Company	Belle Fourche, SD	753,764	56.4
Summit National Bank	Hulett, WY	85,286	81.4
First State Bank of Newcastle	Newcastle, WY	166,030	31.4
First National Bank of Gillette	Gillette, WY	632,614	25.9

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. A majority of the bank’s loans, by number and dollar, are originated inside the AA.

TABLE 7 LENDING INSIDE AND OUTSIDE THE AA								
Loan Type	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Motor Vehicle Loans	55	715	77.5	71.3	16	289	22.5	28.7
Small Business Loans	52	3,311	65.8	64.0	27	1,863	34.2	36.0
Total Loans	107	4,026	71.3	65.2	43	2,152	28.7	34.8

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts. The bank’s geographic distribution of loans throughout the AA was not evaluated as the AA consists entirely of middle-income census tracts and the analysis would not have been meaningful.

Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different revenue sizes. The bank’s lending has a reasonable penetration among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending is reasonable. The bank’s lending to small businesses was comparable to the demographic figure.

TABLE 8					
DISTRIBUTION OF 2019 SMALL BUSINESS LENDING					
BY REVENUE SIZE OF BUSINESSES					
	Bank Loans				Total
	#	\$(000)	#%	\$%	Businesses
By Revenue					
\$1 Million or Less	49	3,047	94.2	92.0	92.8
Over \$1 Million	3	264	5.8	8.0	6.0
Not Known	0	0	0.0	0.0	1.1
Total	52	3,311	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	41	1,496	78.8	45.2	
\$100,001 – \$250,000	11	1,815	21.2	54.8	
\$250,001 – \$1 Million	0	0	0.0	0.0	
Total	52	3,311	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	39	1,384	79.6	45.4	
\$100,001 – \$250,000	10	1,664	20.4	54.6	
\$250,001 – \$1 Million	0	0	0.0	0.0	
Total	49	3,048	100.0	100.0	
<i>Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>NOTE: Percentages may not add up to 100.0 and figures may not total exactly due to rounding.</i>					

Motor Vehicle Secured Lending

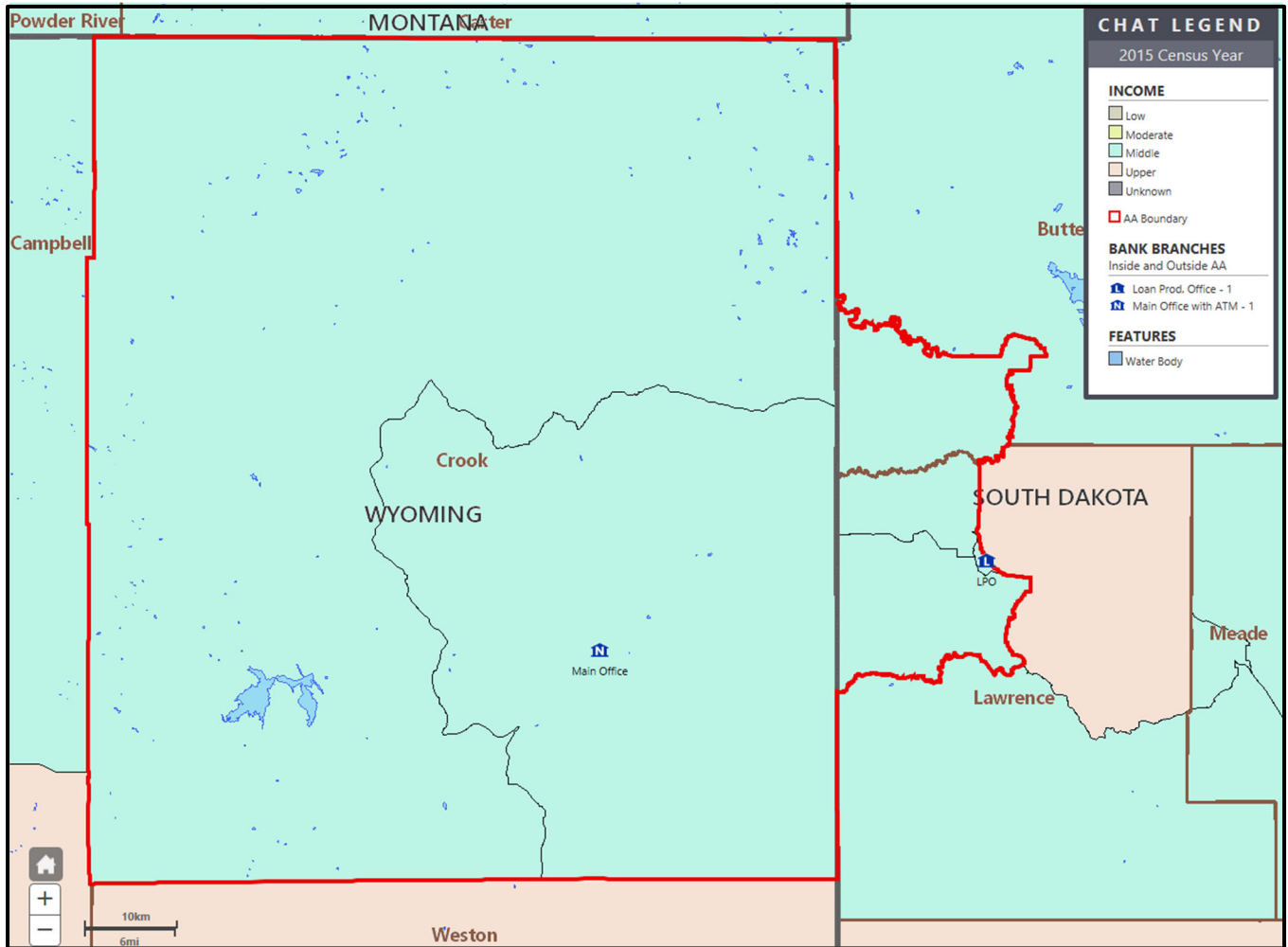
The borrower distribution of motor vehicle secured lending is excellent. The bank’s lending to LMI borrowers exceeded the percentage of the households in these income categories. Of particular note, lending to low-income borrowers was more than double the demographic figure by both number and dollar volume.

TABLE 9					
DISTRIBUTION OF 2019 MOTOR VEHICLE SECURED LENDING					
BY BORROWER INCOME LEVEL					
Borrower Income Level	Bank Loans				% of Households
	#	\$(000)	#%	\$%	
Low	34	366	61.8	51.3	24.9
Moderate	12	151	21.8	21.1	19.2
Middle	4	78	7.3	10.9	19.7
Upper	5	119	9.1	16.7	36.2
Unknown	0	0	0.0	0.0	0.0
<i>Source: 2019 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>NOTE: Percentages may not add up to 100.0 due to rounding.</i>					

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

TABLE B-1 2019 EASTERN WYOMING AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,306	18.5
Moderate	0	0.0	0	0.0	0	0.0	1,720	24.4
Middle	6	100.0	7,050	100.0	416	5.9	1,295	18.4
Upper	0	0.0	0	0.0	0	0.0	2,729	38.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	6	100.0	7,050	100.0	416	5.9	7,050	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	13,146	7,567	100.0	57.6	3,872	29.5	1,707	13.0
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	13,146	7,567	100.0	57.6	3,872	29.5	1,707	13.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,538	100.0	1,428	100.0	93	100.0	17	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,538	100.0	1,428	100.0	93	100.0	17	100.0
Percentage of Total Businesses:				92.8		6.0		1.1
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	140	100.0	140	100.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	140	100.0	140	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0
<p>Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</p> <p>NOTE: Percentages may not add up to 100.0 due to rounding.</p>								

APPENDIX C – 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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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.

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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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

applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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

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

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

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

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