

# **PUBLIC DISCLOSURE**

May 6, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Andes State Bank  
Certificate Number: 18483

213 Main St  
Lake Andes, South Dakota 57356

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut St, 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 following points summarize the institution's Community Reinvestment Act (CRA) performance:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area's credit needs.
- The bank originated a majority of its small farm and small business loans inside its assessment area.
- The bank's assessment area is comprised of one moderate-income geography, so a geographic distribution analysis would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different revenue sizes.
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

Andes State Bank continues to operate from its sole office in Lake Andes, South Dakota. Randall Bancshares, Inc., Lake Andes, South Dakota, a one-bank holding company owns 100 percent of the institution. The institution has not opened or closed any branches, and no merger or acquisition activities have occurred since the previous evaluation. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated June 18, 2018, based on Interagency Small Institution Examination Procedures.

The bank continues to offer traditional credit products including agricultural, commercial, and consumer loans, with agricultural and commercial lending being its primary focus. Additionally, during the evaluation period the bank participated in government-sponsored loan programs designed to assist small farms and businesses. Specifically, the bank originated 57 loans totaling approximately \$689 thousand through the Small Business Administration's Paycheck Protection Program, which was established by the Coronavirus Aid, Relief, and Economic Security Act, and assisted small farms and businesses struggling with the impact of the Coronavirus Disease 2019 (COVID-19) pandemic. Additionally, the bank offers loans with guarantees from the Farm Service Agency (FSA). As of the date of the evaluation, Andes State Bank had four FSA loans on its books. The institution also provides a variety of traditional deposit services including checking,

savings, money market, and certificates of deposit. Alternative banking services include internet banking and debit cards.

As of March 31, 2024, the institution reported total assets of \$26.7 million, total loans of \$9.1 million, and total deposits of \$23.6 million. The table below illustrates the bank’s loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	1,083	11.9
Secured by 1-4 Family Residential Properties	776	8.6
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	1,020	11.2
<b>Total Real Estate Loans</b>	<b>2,879</b>	<b>31.7</b>
Commercial and Industrial Loans	2,331	25.7
Agricultural Production and Other Loans to Farmers	2,325	25.6
Consumer Loans	1,101	12.2
Obligations of State and Political Subdivisions in the U.S.	415	4.6
Other Loans	17	0.2
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>9,068</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Andes State Bank designated a single assessment area within nonmetropolitan southeastern South Dakota, which consists of the central portion of Charles Mix County (census tract 9402).

### **Economic and Demographic Data**

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	100.0	0.0	0.0	0.0
Population by Geography	3,366	0.0	100.0	0.0	0.0	0.0
Housing Units by Geography	1,312	0.0	100.0	0.0	0.0	0.0
Owner-Occupied Units by Geography	652	0.0	100.0	0.0	0.0	0.0
Occupied Rental Units by Geography	337	0.0	100.0	0.0	0.0	0.0
Vacant Units by Geography	323	0.0	100.0	0.0	0.0	0.0
Businesses by Geography	241	0.0	100.0	0.0	0.0	0.0
Farms by Geography	60	0.0	100.0	0.0	0.0	0.0
Family Distribution by Income Level	698	34.1	19.8	16.2	29.9	0.0
Household Distribution by Income Level	989	28.0	19.0	16.1	36.9	0.0
Median Family Income Non-MSAs - SD		\$73,083	Median Housing Value			\$104,500
			Median Gross Rent			\$528
			Families Below Poverty Level			17.0%
<i>Source: 2020 U.S. Census and 2023 D&amp;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>						

According to 2023 D&B data, the service industry represents the largest portion of the business sector in the assessment area at 27.2 percent and is followed by agricultural, forestry, and fishing and non-classifiable establishments each at 19.9 percent. The majority of businesses are small with 88.4 percent operating from a single location and 60.5 percent employing four or less employees. The assessment area is rural and dependent on the agricultural economy, and area farmers have experienced some lower yields and commodity prices in recent years. There are few other employment opportunities in the area, which are predominately related to education and the Fort Randall Casino and Hotel.

### **Competition**

Andes State Bank operates in a competitive banking market, given the population and rural nature of the assessment area. Per the FDIC Deposit Market Share data as of June 30, 2023, six financial institutions operate six offices within Charles Mix County. Of these institutions, Andes State Bank ranked sixth with deposit market share of 5.5 percent.

### **Community Contacts**

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

For this evaluation, examiners conducted an interview with a representative that works in agriculture throughout the area. The contact stated that many of the businesses in the area are

focused on agriculture, which is the primary credit need in the area. Due to drier weather in recent years, yields have been lower than anticipated; however, commodity prices have not been as impacted. The area is diversified in row crops as well as livestock. Finally, the contact stated that local financial institutions are responsive to the credit needs in the assessment area and making credit readily available.

### **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.

## **SCOPE OF EVALUATION**

### **General Information**

The evaluation covers the period from the prior evaluation dated June 18, 2018, to the current evaluation dated May 6, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate Andes State Bank's CRA performance.

### **Activities Reviewed**

Bank records and discussions with bank management indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. The bank's primary lending focus is agricultural and commercial lending. Therefore, examiners reviewed all small farm and small business loans originated or extended from March 30, 2023, to March 29, 2024, for the Assessment Area Concentration criterion. Specifically, examiners reviewed 23 small farm loans totaling \$1.5 million, and 21 small business loans totaling \$1.2 million. For the Borrower Profile criterion, examiners reviewed all 17 small farm loans inside the assessment area totaling \$1.4 million, and 15 small business loans inside the assessment area totaling \$717 thousand. The 2023 D&B data provided a standard of comparison for the bank's small farm and small business lending performance.

The bank's small farm and small business lending performance were given equal weight to overall conclusions since they are both the bank's primary lending focus. 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. Examiners did not review home mortgage loans because they do not represent a primary lending focus for the bank. As of March 31, 2024, home mortgage loans comprised 8.6 percent of the loan portfolio, which is relatively comparable to the prior evaluation. From March 30, 2023, to March 29, 2024, Andes State Bank originated, renewed, extended, or purchased one closed-end home mortgage loan.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Andes State Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under all of the evaluated criteria supports this conclusion.

**Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment area. The bank’s ratio ranged from a low of 35.6 percent to a high of 58.2 percent since the previous evaluation. The loan-to-deposit ratio is similar to that noted at the prior evaluation. Examiners compared the bank’s performance to two comparable institutions. Examiners selected the comparable institutions based on their asset size, branching structure, geographic location, and lending focus. Comparable institutions have experienced a decline in the loan-to-deposit ratio due to fluctuations in net loans and total deposits. Finally, Andes State Bank’s net loan-to-deposit ratio averaged 45.6 percent over the past 23 calendar quarters, which is similar to comparable institutions. The following table provides details.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2023 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
Community Bank, Avon, South Dakota	65,973	54.6
<b>Andes State Bank, Lake Andes, South Dakota</b>	<b>28,748</b>	<b>45.6</b>
Farmers & Merchants State Bank, Scotland, South Dakota	34,209	47.5

*Source: Reports of Condition and Income 6/30/2018-12/31/2023. Banks listed alphabetically by state then city.*

**Assessment Area Concentration**

As detailed in the following table, a majority of the small farm and small business loans reviewed were located inside the assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business	15	71.4	6	28.6	21	717	60.7	464	39.3	1,181
Small Farm	17	73.9	6	26.1	23	1,379	89.0	170	11.0	1,549

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

**Geographic Distribution**

The bank’s assessment area is comprised of one moderate-income geography, so a geographic distribution analysis would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

**Borrower Profile**

Overall, the distribution of borrowers reflects excellent penetration throughout the assessment area. The bank’s excellent small farm and small business lending performances support this conclusion.

***Small Farm Loans***

The distribution of borrowers reflects excellent penetration among farms of different sizes throughout the assessment area. All 17 small farm loans reviewed originated in the assessment area

were to farms with gross annual revenue of \$1 million or less. The comparable D&B data reveals that 98.3 percent of the farms in this assessment area have gross annual revenue of \$1 million or less.

***Small Business Loans***

The distribution of borrowers reflects excellent penetration among businesses of different sizes throughout the assessment area. All 15 small farm loans reviewed originated in the assessment area were to businesses with gross annual revenue of \$1 million or less. The comparable D&B data reveals that 80.1 percent of the businesses in this assessment area have gross annual revenue of \$1 million or less.

**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.