

PUBLIC DISCLOSURE

October 7, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Wanda State Bank
Certificate Number: 1908

121 W Main Street
Wanda, Minnesota 56294

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA.....	3
SCOPE OF EVALUATION.....	5
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	8
APPENDICES	9
SMALL BANK PERFORMANCE CRITERIA.....	9
GLOSSARY.....	10

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 Wanda State Bank's (Wanda State Bank) Community Reinvestment Act (CRA) performance under the applicable performance criteria supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small farm and small business loans reviewed were located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different 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

Wanda State Bank operates its sole full-service office in Wanda, Minnesota and is privately owned. The bank has not opened or closed any branches or had any merger or acquisition activities since the prior evaluation. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated December 3, 2018, based on Interagency Small Institution Examination Procedures.

Wanda State Bank’s primary business focus is agricultural lending, although the bank also offers a variety of commercial, home mortgage, and consumer loan products to meet the needs of the communities served. Further, the bank provides a variety of deposit services including checking, savings, health savings accounts, individual retirement accounts, and certificates of deposit. In addition to traditional banking services, customers have access to online banking, including electronic bill pay and periodic statements, and mobile banking, including mobile deposit.

As of June 30, 2024, assets totaled approximately \$178,455,000, loans totaled \$104,442,000, and deposits totaled \$153,528,000. The bank’s loan portfolio distribution is illustrated in the following table.

Loan Portfolio Distribution as of June 30, 2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	44,517	42.6
Secured by 1-4 Family Residential Properties	4,639	4.4
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	2,095	2.0
Total Real Estate Loans	51,251	49.0
Commercial and Industrial Loans	7,141	6.9
Agricultural Production and Other Loans to Farmers	44,457	42.6
Consumer Loans	1,593	1.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Total Loans	104,442	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Wanda State Bank designated a single contiguous assessment area in southwestern Minnesota that includes the following counties in their entirety: Brown, Cottonwood, Redwood, and Renville. These counties are part of the nonmetropolitan area of Minnesota.

Since the prior evaluation, bank management expanded the assessment area to include all census tracts in Cottonwood and Renville counties, as it had previously included only selected census tracts within these counties. Wanda State Bank’s sole office is located in a middle-income census tract in Redwood County.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area is comprised of 2 moderate-income and 22 middle-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	8.3	91.7	0.0	0.0
Population by Geography	67,577	0.0	7.2	92.8	0.0	0.0
Housing Units by Geography	31,846	0.0	7.4	92.6	0.0	0.0
Owner-Occupied Units by Geography	21,405	0.0	6.4	93.6	0.0	0.0
Occupied Rental Units by Geography	6,447	0.0	9.7	90.3	0.0	0.0
Vacant Units by Geography	3,994	0.0	9.4	90.6	0.0	0.0
Businesses by Geography	6,619	0.0	6.8	93.2	0.0	0.0
Farms by Geography	1,572	0.0	4.8	95.2	0.0	0.0
Family Distribution by Income Level	17,665	18.3	19.6	24.5	37.6	0.0
Household Distribution by Income Level	27,852	22.3	17.9	20.5	39.2	0.0
Median Family Income Nonmetropolitan MN	\$74,737	Median Housing Value				\$125,863
		Median Gross Rent				\$671
		Families Below Poverty Level				5.5%
<small>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to 2023 D&B data, service industries represent the largest portion of business operations at 28.4 percent; followed by agriculture, forestry, and fishing at 19.2 percent; and non-classifiable establishments at 13.8 percent. Additionally, 69.2 percent of assessment area businesses have four or fewer employees, and 89.2 percent operate from a single location.

Competition

The assessment area is a highly competitive market for credit products and financial services. According to the June 30, 2024, FDIC Deposit Market Share data, there are 23 financial institutions operating 43 locations within the assessment area. These institutions range from small community banks to larger national financial institutions. Wanda State Bank ranked 7th with 5.7 percent of the deposit market share.

Wanda State Bank is not required to collect or report small farm or small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank's small farm or small business performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small farm and small business loans and the level of competition within the assessment area. According to 2022 aggregate CRA data (most recent available), 21 CRA data reporters collectively reported 676 small farm loans originated within the assessment area. Additionally, 48 CRA data reporters collectively reported 995 small business loans originated within the assessment area. These figures do not include the number of loans originated by smaller institutions that are not required to report small farm or small business lending data but operate within the assessment area. The overall volume of small farm and small business lending in the assessment area reflects a competitive market.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this performance evaluation, examiners reviewed a recently conducted community contact discussion with a representative from an agricultural-based organization that serves the assessment area.

The contact indicated that the local economy has improved and stabilized since the pandemic, with local farmers seeing increased cash flow. However, the contact envisions a potential economic decline resulting from depressed markets, increased interest rates, and lower crop production resulting from weather-related disasters. In addition, the contact noted that land prices increased considerably over the past few years, with new farmers facing challenges obtaining credit to start or expand their operations.

Overall, the contact feels credit area needs are being met, noting there are plenty of financing options in the area. Specifically, financial institutions face competition from other financial institutions and alternative financing options, with some having a very large presence in the area. The contact identified small farm loans, especially to individuals, as the primary credit need in the assessment area.

Credit Needs

Examiners considered information received from the community contact, bank management, and demographic and economic data, to determine that small farm loans, including start-up or expansion funding, represent an area credit need. Additionally, small business and home mortgage loans represent credit needs in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated December 3, 2018, to the current evaluation dated October 7, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank’s CRA performance under the Lending Test, as detailed in the Appendices.

Activities Reviewed

Examiners determined that the bank’s major product line is agricultural loans followed by commercial loans. This conclusion considered discussions with management regarding the bank’s business strategy, review of bank records of the number and dollar volume of loans originated during the evaluation period, and a review of the Report of Condition. Small farm loans received the most weight followed by small business loans when deriving overall conclusions. This is consistent with management’s stated business focus and the volume of loans originated. Examiners did not review home mortgage lending as it represents a small portion of the loan portfolio, is not a business focus of the institution, and provides no material support for conclusions.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small farm and small business loans originated, purchased, or renewed in 2023, as this period was considered representative of the bank’s performance during the entire evaluation period. D&B data for 2023 provided a standard of comparison for the bank’s small farm and small business lending performance.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. Finally, examiners reviewed a sample of small farm and small business loans originated inside the assessment area, to evaluate the Borrower Profile criterion. The table below provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed/Sampled	
	#	\$(000s)	#	\$(000s)
Small Farm	397	48,416	58	5,990
Small Business	74	5,570	36	3,588
<i>Source: Bank Records</i>				

While the evaluation considered the number and dollar volume of loans reviewed, examiners emphasized performance by number of loans because it is a better indicator of the number of farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Wanda State Bank demonstrated satisfactory performance under the Lending Test. The bank’s performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

Wanda State Bank’s average net loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 65.2 percent over the past 23 calendar quarters from December 31, 2018, to June 30, 2024. The ratio ranged from a high of 81.7 percent as of March 31, 2019, to a low of 51.9 percent as of March 31, 2022. The bank’s net loan-to-deposit ratio has trended slightly downwards during the CRA evaluation period.

Wanda State Bank’s average net loan-to-deposit ratio reasonably compares to most of the similarly situated institutions, which were selected based on asset size, location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2024 (\$000s)	Average Net LTD Ratio (%)
The Wanda State Bank Wanda, Minnesota	178,455	65.2
First Security Bank Sleepy Eye, Minnesota	178,983	49.6
Farmers and Merchants State Bank of Springfield Springfield, Minnesota	135,086	70.1
Integrity Bank Plus Wabasso, Minnesota	89,971	75.8
<i>Source: Reports of Condition and Income 12/31/2018 - 6/30/2024</i>		

Assessment Area Concentration

Wanda State Bank originated a majority of small farm and small business loans within the assessment area, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	359	90.4	38	9.6	397	43,999	90.9	4,417	9.1	48,416
Small Business	58	78.4	16	21.6	74	4,831	86.7	739	13.3	5,570
<i>Source: 2023 Bank records</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable small farm and small business lending performance primarily supports this conclusion. Examiners focused on the percentage of loans made in the two moderate-income census tracts within the assessment area. As previously stated, there were no low-income census tracts in the assessment area.

Small Farm Loans

The geographic distribution of small farms loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank’s lending performance in moderate-income census tracts compares reasonably to demographic data, especially when considering the small percentage (4.8 percent) of farms located in these census tracts.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	4.8	7	1.9	250	0.6
Middle	95.2	352	98.1	43,749	99.4
Totals	100.0	359	100.0	43,999	100.0

Source: 2023 D&B Data; 2023 Bank Data

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank did not make any loans in moderate-income census tracts, although there are 6.8 percent of businesses located in these tracts. As stated previously, competition for small business loans affects lending opportunities in these areas as confirmed by aggregate data. Examiners’ review of Report of Condition data filed by financial institutions confirmed that 3 competing financial institutions operate offices in these moderate-income census tracts and engage in small business lending. Additionally, the bank’s sole office is distant from the moderate-income tracts located in the cities of Redwood Falls and Mountain Lake, which makes it difficult to meet lending needs in these areas. Considering these factors, the bank’s performance is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	6.8	0	0.0	0	0.0
Middle	93.2	58	100.0	4,831	100.0
Totals	100.0	58	100.0	4,831	100.0

Source: 2023 D&B Data; 2023 Bank Data

Borrower Profile

The bank’s lending performance demonstrates reasonable penetration among farms and businesses of different revenue sizes. The bank’s reasonable small farm and small business lending

performance support this conclusion. Examiners focused on the percentage of lending to farms and businesses with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s lending to farms with gross annual revenues of \$1 million or less reasonably compares to demographic data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.2	52	89.7	4,950	82.6
>1,000,000	1.1	6	10.3	1,040	17.4
Revenue Not Available	0.7	0	0.0	0	0.0
Totals	100.0	58	100.0	5,990	100.0

Source: 2023 D&B Data; 2023 Bank Data

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s lending to businesses with gross annual revenues of \$1 million or less reasonably compares to demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.2	31	86.1	2,621	73.1
>1,000,000	4.5	5	13.9	967	26.9
Revenue Not Available	13.3	0	0.0	0	0.0
Totals	100.0	36	100.0	3,588	100.0

Source: 2023 D&B Data; 2023 Bank Data

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 to 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.