

# **PUBLIC DISCLOSURE**

August 5, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank of Lakota  
Certificate Number: 16477

125 Main St. N.  
Lakota, ND 58344

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's Community Reinvestment Act (CRA) performance:

- The average loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The institution made a majority of small farm and small business loans in its assessment area.
- The assessment area did not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

State Bank of Lakota is owned by Lakota Bank Holding Company, Inc., a one-bank holding company in Lakota, North Dakota. The institution operates its sole office in Lakota, North Dakota. State Bank of Lakota received a CRA rating of "Satisfactory" at its previous FDIC CRA Performance Evaluation, dated November 4, 2019, based on Interagency Small Institution Examination Procedures.

The State Bank of Lakota offers traditional loan products including agricultural, commercial, home mortgage, and consumer loans. The primary lending focus of the bank is agricultural lending. The bank also participates in various government-sponsored loan programs, including those offered through the Farm Service Agency and Small Business Administration (SBA). Additionally, the bank participated in a pilot program with the Red River Community Housing Development Organization to bring affordable, new construction housing to the area in 2024. Specifically, two homes were constructed and sold in Lakota through this program, with the loans being funded and serviced by the bank. The bank offers a standard array of deposit accounts including checking and

savings accounts and certificates of deposit. In addition to traditional banking services, the institution offers debit/ATM cards, online banking, e-statements, and mobile banking, including mobile check deposit.

As of the March 31, 2025, Consolidated Reports of Condition and Income (Reports of Condition) assets totaled approximately \$67.0 million, deposits totaled \$60.8 million, and total loans were \$37.3 million. The following table illustrates the bank’s loan portfolio. Aside from statutory lending limits, examiners did not identify any financial, legal, or other impediments that would limit the bank’s ability to meet the credit needs of its assessment areas.

<b>Loan Portfolio Distribution as of 03/31/2025</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	474	1.27
Secured by Farmland	5,965	15.99
Secured by 1-4 Family Residential Properties	5,770	15.47
Secured by Multifamily (5 or more) Residential Properties	147	0.39
Secured by Nonfarm Nonresidential Properties	2,270	6.09
<b>Total Real Estate Loans</b>	<b>14,626</b>	<b>39.21</b>
Commercial and Industrial Loans	3,500	9.38
Agricultural Production and Other Loans to Farmers	15,846	42.48
Consumer Loans	2,407	6.45
Obligations of State and Political Subdivisions in the U.S.	823	2.21
Other Loans	101	0.27
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>37,303</b>	<b>100</b>
<i>Source: Reports of Condition and Income</i>		

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. State Bank of Lakota continues to designate one assessment area located in northeastern North Dakota. The assessment area is composed of census tract (CT) 9577 in Ramsey County, CT 9583 in Walsh County, and the entirety of Nelson County (CT 9590). The bank’s sole office is located in Nelson County (CT 9590). Per 2024 Federal Financial Institutions Examination Council (FFIEC) Estimated Income Data, the assessment area consists only of middle-income census tracts.

### **Economic and Demographic Data**

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Lakota Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	6,998	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	4,046	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,357	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	657	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,032	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	870	0.0	0.0	100.0	0.0	0.0
Farms by Geography	307	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,765	19.1	16.3	25.8	39.0	0.0
Household Distribution by Income Level	3,014	25.6	15.1	20.1	39.2	0.0
North Dakota Non-MSA Median Family Income		\$81,182	Median Housing Value Median Gross Rent Families Below Poverty Level			\$115,438 \$593 6.1%

*Source: 2020 Census, 2024 FFIEC Data, and 2024 D&B Data*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.  
 Due to rounding, totals may not equal 100%.

State Bank of Lakota’s assessment area is largely rural, and agricultural plays a significant role in its economy. Bank management indicated that the farming economy has remained relatively positive since the previous evaluation and off-farm income plays an important role in many farming operations.

**Competition**

State Bank of Lakota operates in a moderately competitive market for financial services. Per 2024 FDIC Deposit Market Share data, 10 financial institutions operate 20 offices in the assessment area. Of these institutions, State Bank of Lakota ranked sixth with a deposit market share of 3.6 percent.

**Community Contacts**

As part of the evaluation process, examiners contact third parties knowledgeable of 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 reviewed a community contact interview previously conducted with a representative of an agricultural-related organization within the bank’s Assessment Area. The contact stated that agricultural credit is the most significant credit need in the area. The contact mentioned that the 2024 farm economy struggled due to low commodity prices and high input costs. A few new farmers have emerged in the years prior to 2024, with most new farmers having family ties to farming. The overall population of the area has remained consistent with previous years.

## **Credit Needs**

Considering information from bank management and the community contact in addition to economic and demographic data, examiners determined that agricultural loans represent the primary credit need within the assessment area, followed by commercial loans.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated November 4, 2019, to the current evaluation dated August 5, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate State Bank of Lakota's CRA performance. These procedures evaluate the institution's performance according to the Lending Test criteria as detailed in the Appendices. Examiners used full-scope examination procedures to evaluate the bank's performance in the assessment area.

### **Activities Reviewed**

Bank records indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. For the purposes of this evaluation, the most recent calendar year ending December 31, 2024, was selected as being representative of the bank's lending performance.

The March 31, 2025, Reports of Condition and Income indicated that agricultural loans made up a majority of the bank's loan portfolio, with commercial and home mortgage loans each making up approximately 16 percent. However, only 9 home mortgage loans were originated during the review period (2024), indicating further analysis would not provide meaningful results. Therefore, examiners reviewed small farm and small business loans originated and subsequently paid off in 2024. Examiners noted that loan renewals and extensions are not routine, and information for these renewals and extensions is not readily available. Further, the bank did not purchase any loans during the review period. Therefore, only originated loans were reviewed.

Examiners analyzed the entire universe of small farm and small business loans to evaluate the Assessment Area Concentration criterion. This included 74 small farm loans totaling \$12.5 million and 34 small business loans totaling \$2.8 million. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small farm loans made within the assessment area as revenue data was not readily available. Specifically, examiners reviewed 36 small farm loans totaling \$5.5 million. Finally, all small business loans made within the assessment area (26 loans totaling \$2.1 million) were reviewed for the Borrower Profile analysis.

Although both the number and dollar volume of loans are presented, examiners emphasize performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served. Further, small farm lending was given the most weight in analyzing the bank's performance as it is the bank's primary lending focus and the assessment area's primary credit need. Finally, 2024 D&B data provided a standard of comparison for small farm and small business lending.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

State Bank of Lakota demonstrated satisfactory performance under the Lending Test. The bank’s performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria support this conclusion.

### Loan-to-Deposit Ratio

State Bank of Lakota’s average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. As shown in the following table, the bank’s net loan-to-deposit ratio is relatively similar to the ratios of comparable institutions. Examiners selected comparable institutions based on their asset size, lending focus, and geographic location.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 03/31/2025 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>State Bank of Lakota Lakota, North Dakota</b>	<b>67,027</b>	<b>58.11</b>
Farmers & Merchants State Bank Langdon, North Dakota	141,703	62.87
Rolette State Bank Rolette, North Dakota	46,886	74.90

*Source: Reports of Condition and Income 12/31/2019 - 03/31/2025*

### Assessment Area Concentration

The majority of small farm and small business loans reviewed, by number and dollar volume, were located inside the assessment area, reflecting reasonable performance. The following table provides details.

<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 \$(000)</b>				<b>Total \$(000)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	#	%	#	%		\$	%	\$	%	
Small Business	26	76.5	8	23.5	34	2,094	73.7	747	26.3	2,841
Small Farm	74	100.0	0	0.0	74	12,489	100.0	0	0.0	12,489
<b>Total</b>	<b>100</b>	<b>92.6</b>	<b>8</b>	<b>7.4</b>	<b>108</b>	<b>14,583</b>	<b>95.1</b>	<b>747</b>	<b>4.9</b>	<b>15,330</b>

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

## **Geographic Distribution**

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes. The bank's reasonable small farm and small business lending performance support this conclusion. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less.

### ***Small Farm Loans***

The distribution of the sampled small farm loans reflects reasonable penetration to operations with gross annual revenues of \$1 million or less when compared to D&B data, as illustrated in the table below. Although the bank's performance is lower than demographic data, there are several mitigating factors. Specifically, the 2022 Census of Agriculture reveals that 59.1 percent of producers in the assessment area do not list farming as their primary occupation. Further, 54.9 percent of farm operations in the assessment area did not report interest expense. Accordingly, there is less opportunity for State Bank of Lakota to lend to smaller farm operations within its assessment area. Finally, as described earlier, there is local competition for small farm loans from other financial institutions, as well as Farm Credit Services. Given this information, the institution's lending performance is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	99.0	31	86.1	4,549	82.8
> \$1,000,000	0.7	5	13.9	945	17.2
Revenue Not Available	0.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>5,494</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data</i>					

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with gross annual revenues of \$1 million or less. As shown in the table below, the bank's lending performance is in line with 2024 D&B data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	84.6	23	88.5	1,824	87.1
> \$1,000,000	2.6	3	11.5	270	12.9
Revenue Not Available	12.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>2,094</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data</i>					

### **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**

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

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.