

# **PUBLIC DISCLOSURE**

May 19, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Heartland State Bank  
Certificate Number: 9007

302 East 7th Avenue  
Redfield, South Dakota 57469

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.

## **TABLE OF CONTENTS**

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	1
DESCRIPTION OF ASSESSMENT AREA.....	2
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	4
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	7
APPENDICES .....	8
SMALL BANK PERFORMANCE CRITERIA.....	8
GLOSSARY.....	9

## 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 loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The institution made a majority of its small farm and small business loans in the assessment area.
- The assessment area does not include any low- or 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 has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

Heartland State Bank, headquartered in Redfield, South Dakota, is owned by Wessington Bankshares, Inc., a one-bank holding company located in Wessington, South Dakota. The bank operates four full-service offices (Redfield, Highmore, Tulare, and Wessington) in east-central South Dakota. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 24, 2019, based on FFIEC Interagency Small Institution Examination Procedures. No merger or acquisition activities have occurred since the last evaluation.

Heartland State Bank offers a variety of credit products including agricultural, commercial, and consumer loans, primarily focusing on agricultural lending. It also assists applicants in obtaining long-term home mortgage loans through a referral program. The institution also provides a variety of deposit products including checking, savings, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, as well as a cash dispensing ATM.

As of March 31, 2025, the institution reported total assets of \$150.6 million, total loans of \$103.2 million, and total deposits of \$126.0 million. The bank's loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 3/31/2025</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	20,271	19.7
Secured by 1-4 Family Residential Properties	1,245	1.2
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	5,505	5.3
<b>Total Real Estate Loans</b>	<b>27,021</b>	<b>26.2</b>
Commercial and Industrial Loans	5,092	4.9
Agricultural Production and Other Loans to Farmers	69,745	67.6
Consumer Loans	1,329	1.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>103,187</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 CRA performance will be evaluated. Heartland State Bank designated a single assessment area comprised of Hand and Hyde counties, as well as the western portions of Beadle and Spink counties, in South Dakota. The assessment area previously consisted of one moderate-income and four middle-income census tracts; however, the bank added one new census tract (in Hand County) to its designated assessment area. Based on 2020 U.S. Census data, the assessment area now consists of six middle-income census tracts. Since the prior evaluation, Hand County has been designated underserved due to the remote rural location, while Hyde and Spink counties have been designated distressed and underserved due to population loss and remote rural location.

## **Economic and Demographic Data**

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

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	6	0.0	0.0	100.0	0.0	0.0
Population by Geography	10,715	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,064	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,687	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,261	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,116	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,714	0.0	0.0	100.0	0.0	0.0
Farms by Geography	507	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,256	15.6	18.5	25.1	40.8	0.0
Household Distribution by Income	4,948	17.7	16.6	21.1	44.7	0.0
Median Family Income Nonmetropolitan SD	\$72,374	Median Housing Value				\$119,990
		Median Gross Rent				\$614
		Families Below Poverty Level				4.6%
<i>Source: 2020 U.S. Census and 2024 D&amp;B Data; 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>						

## **Competition**

Heartland State Bank operates in a competitive banking market given its rural nature. According to June 30, 2024, FDIC Deposit Market Share data, 9 financial institutions operate 17 offices within Hand, Hyde, Beadle, and Spink counties. Of these institutions, Heartland State Bank ranks 3<sup>rd</sup> with 11.6 percent of the deposit market share. In addition to area banks, there is significant competition from non-bank lenders, such as agricultural and automobile dealerships, that offer competitive rates to farm operators and individuals but are not included in the market share data above.

## **Community Contact**

As part of the evaluation process, examiners contact third parties 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 contacted an individual familiar with the local economy. The contact stated that the agriculture sector drives the local economy and represents the primary credit need. The individual indicated that the area's agricultural industry is generally stable but added that the agricultural market has been affected by low crop prices as well as higher input prices that have put some strain on local farmers. Small businesses and the service industry have also been facing increased pressure due to inflation and local conditions. However, despite current economic conditions, the contact stated that local financial institutions are meeting the credit needs of the area.

### **Credit Needs**

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the time period from the prior evaluation dated June 24, 2019, to the current evaluation dated May 19, 2025. Examiners used the Interagency Small Institution Examination Procedures to evaluate Heartland State Bank's CRA performance. These procedures considered the institution's performance according to the Lending Test criteria 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 the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Bank management indicated that the lending focus and product mix remained consistent throughout the evaluation period.

The bank originated, renewed, extended, or purchased 231 small farm loans totaling \$39.8 million and 62 small business loans totaling \$6.2 million in 2024. This period was considered representative of the bank's performance during the entire evaluation period. Examiners analyzed all of these loans for the Assessment Area Concentration, while random samples were reviewed for the Borrower Profile criterion since revenue data was not readily available. The samples consisted of 51 small farm loans totaling \$8.3 million and 36 small business loans totaling \$3.0. Examiners did not analyze Geographic Distribution as there are no low- or moderate-income census tracts within the assessment area and doing so would not provide meaningful conclusions.

Small farm lending was given the greatest weight when reaching overall conclusions since it is the bank's primary lending focus and comprises the majority of the loan portfolio by number and dollar volume. Examiners used 2024 D&B data as a standard of comparison for the sampled small farm and small business loans. 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 analyze home mortgage loans since the bank's residential loan portfolio consists solely of a small number of home equity lines of credit and is not a lending focus of the institution.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Heartland State Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under all 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 assessment area credit needs. Heartland State Bank’s net loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 80.4 percent over the past 24 calendar quarters ending March 31, 2025. The net loan-to-deposit ratio ranged from a low of 59.4 percent as of June 30, 2022, to a high of 102.4 percent as of September 30, 2019. Although the bank’s average net loan-to-deposit ratio has declined since the prior evaluation, at which time it was 96.5 percent, the decline is attributed to increased competition from dealerships and farm credit services, as well as a general decrease in agricultural credit needs during the period in which businesses and farms were granted Paycheck Protection Program (PPP) loans in order to retain employees during the Covid-19 pandemic. Similar trends were noted with the comparable banks. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2025 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Heartland State Bank Redfield, South Dakota</b>	<b>150,614</b>	<b>80.4</b>
First State Bank of Roscoe Roscoe, South Dakota	138,085	63.7
Campbell County Bank Herreid, South Dakota	215,284	96.8
<i>Source: Reports of Condition and Income 6/30/2019 – 3/31/2025</i>		

**Assessment Area Concentration**

Heartland State Bank originated a majority of its small farm and small business loans within the assessment area as detailed in the following table.

<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</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>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	
Small Farm	193	83.5	38	16.5	231	31,833	80.0	7,949	20.0	39,782
Small Business	54	87.1	8	12.9	62	5,535	88.7	703	11.3	6,238
<i>Source: Bank Data; Due to rounding, totals may not equal 100.0%</i>										

**Geographic Distribution**

The assessment area does not include any low- or 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 sizes. Small farm lending performance is considered reasonable. While small business lending performance is excellent, greater weight was given to small farm lending performance since it is the primary lending focus of the institution. Examiners focused on the percentage of

small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less.

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

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the bank’s lending is lower than demographic data; however, there are several mitigating factors explaining the shortfall. Specifically, demographic data is from a voluntary survey request to farms and businesses; therefore, it is only used as a general indicator of demographics within the assessment area. In addition, data from the 2022 Census of Agriculture revealed that 49.4 percent of area producers list their primary occupation as “Other” rather than farming. This same data also revealed that 46.3 percent of farms in the assessment area did not report interest expenses related to their operations. This information indicates that many farms in the assessment area have off-farm income and may not need credit to finance farm operations. Furthermore, as described earlier, there is competition for small farm loans from other banks and non-bank entities.

<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	98.0	35	68.6	5,045	60.7
>\$1,000,000	1.0	16	31.4	3,263	39.3
Revenue Not Available	1.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>8,308</b>	<b>100.0</b>

*Source: 2024 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%*

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

The distribution of borrowers, as indicated in the following table, reflects excellent penetration among businesses of different sizes, demonstrating the bank’s efforts to lend to small businesses.

<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	81.6	32	88.9	1,170	39.4
>\$1,000,000	3.0	4	11.1	1,800	60.6
Revenue Not Available	15.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>2,970</b>	<b>100.0</b>

*Source: 2024 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%*

### **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.