

PUBLIC DISCLOSURE

March 31, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Rolette State Bank
Certificate Number: 9120

209 Main Street
Rolette, North Dakota 58366

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 loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The institution made a substantial majority of its small farm and small business loans within the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different 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

Rolette State Bank is privately owned and operates from its sole office in Rolette, North Dakota. The institution received a Satisfactory rating at the previous FDIC Performance Evaluation, dated April 22, 2019, based on Interagency Small Institution Examination Procedures.

Rolette State Bank offers a variety of credit products, including agricultural, commercial, and consumer loans. Agricultural lending continues to represent the institution's primary lending focus, followed by commercial lending. In addition, the bank participates in various government-sponsored loan programs. For instance, the bank originated loans through the Small Business Administration's Paycheck Protection Program, which assisted small farms and businesses struggling with the impact of the Coronavirus pandemic. Rolette State Bank also provides a variety of deposit products, including checking, savings, and certificates of deposit accounts. Alternative banking services include internet banking and one ATM.

As of December 31, 2024, Rolette State Bank reported total assets of \$46.5 million, total loans of \$34.9 million, and total deposits of \$40.7 million. The following table depicts the loan portfolio. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment area's credit needs.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	5,742	16.5
Secured by 1-4 Family Residential Properties	525	1.5
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	499	1.4
Total Real Estate Loans	6,766	19.4
Commercial and Industrial Loans	5,387	15.5
Agricultural Production and Other Loans to Farmers	20,706	59.4
Consumer Loans	813	2.3
Obligations of State and Political Subdivisions in the U.S.	1,089	3.1
Other Loans	110	0.3
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	34,871	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

Rolette State Bank has designated a single assessment area comprised of Bottineau, Pierce, Rolette, and Towner counties in North Dakota, which remains unchanged since the prior evaluation. Per 2020 U.S. Census data, the assessment area consists of four moderate- and five middle-income census tracts, as well as one upper-income census tract.

Economic and Demographic Data

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 #
Geographies (Census Tracts)	10	0.0	40.0	50.0	10.0
Population by Geography	24,718	0.0	49.6	43.5	7.0
Housing Units by Geography	13,751	0.0	42.5	50.2	7.3
Owner-Occupied Units by Geography	7,623	0.0	43.5	48.1	8.4
Occupied Rental Units by Geography	2,602	0.0	45.9	49.0	5.1
Vacant Units by Geography	3,526	0.0	37.7	55.6	6.7
Businesses by Geography	2,642	0.0	26.3	62.8	10.9
Farms by Geography	517	0.0	19.7	61.1	19.1
Family Distribution by Income Level	6,519	26.7	19.4	19.1	34.8
Household Distribution by Income Level	10,225	31.9	15.1	17.6	35.4
Median Family Income Non-MSAs - ND		\$81,182	Median Housing Value		\$121,170
Families Below Poverty Level		11.7%	Median Gross Rent		\$560
<i>Source: 2020 U.S. Census and 2024 D&B Data Due to rounding, totals may not equal 100.0%</i>					

Competition

Rolette State Bank operates in a moderately competitive banking market. Per 2024 FDIC Deposit Market Share data, 15 financial institutions operate 22 offices within the assessment area. Of these institutions, Rolette State Bank ranked 11th with 3.6 percent of the deposit market share.

Community Contact

Examiners reviewed a recent community contact interview that was conducted with an individual familiar with the assessment area's agricultural sector. The contact stated that the area's primary credit need is agricultural lending and that local financial institutions are meeting the area's credit needs. The contact noted that low commodity prices and high input costs negatively affected area farm producers in 2024, with some producers stepping away from farming due to financial concerns. Per the contact, the labor shortage is a significant problem in the area.

Credit Needs

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior CRA evaluation dated April 22, 2019, to the current evaluation dated March 31, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate Rolette State Bank's CRA performance.

Activities Reviewed

Bank records indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. The bank’s primary lending focus is agricultural lending, followed by commercial lending. Therefore, small farm lending received the most weight when assessing the bank’s overall performance. Examiners did not review home mortgage loans since the bank no longer offers this product.

Examiners analyzed all 90 small farm loans totaling \$12.5 million and 30 small business loans totaling \$2.9 million that were originated, renewed, extended, or purchased in 2024 for the Assessment Area Concentration criterion. Examiners further analyzed all small farm and small business loans that were originated within the assessment area for the Geographic Distribution criterion. For the Borrower Profile criterion, examiners reviewed a sample of 41 small farm loans totaling \$5.1 million and all 28 small business loans totaling \$2.8 million that were originated within the assessment area in 2024. Bank management confirmed that the sample selected was representative of the bank’s performance during the entire evaluation period. D&B data for 2024 provided a standard of comparison for the small farm and small business loans.

Although the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is generally a better indicator of the number of farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Rolette State Bank demonstrated satisfactory performance under the Lending Test. The bank’s combined performance in all criteria supports this conclusion.

Loan-to-Deposit Ratio

Rolette State Bank’s 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 averaged 76.0 percent over the past 23 calendar quarters, which notably exceeds the ratios of two comparable institutions. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net LTD Ratio (%)
Rolette State Bank, Rolette, North Dakota	46,505	76.0
State Bank of Bottineau, Bottineau, North Dakota	111,713	93.3
First State Bank of Cando, Cando, North Dakota	75,638	45.4
Peoples State Bank, Westhope, North Dakota	70,572	49.9

Source: Reports of Condition and Income 6/30/2019 - 12/31/2024

Assessment Area Concentration

Rolette State Bank made a substantial majority of its small farm and small business loans within the assessment area, as detailed in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	28	93.3	2	6.7	30	2,841	98.4	45	1.6	2,886
Small Farm	82	91.1	8	8.9	90	10,691	85.4	1,822	14.6	12,513

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

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area, which is consistent with the bank’s small farm and small business lending performance. Examiners focused on the percentage of loans in moderate-income census tracts.

Small Farm Loans

As shown in the following table, the geographic distribution of small farm loans reflects excellent dispersion throughout the assessment area. Lending in moderate-income census tracts significantly exceeds D&B data.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	19.7	61	74.4	6,308	59.0
Middle	61.1	21	25.6	4,383	41.0
Upper	19.1	0	0.0	0	0.0
Totals	100.0	82	100.0	10,691	100.0

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

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. All 28 small business loans originated in the assessment area were located within the moderate-income census tracts, whereas D&B data indicates that 26.3 percent of businesses are located in these census tracts.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes, which is consistent with the bank’s small farm lending performance. While the bank’s small business lending performance was excellent, it received less weight in the analysis. Examiners focused on the percentage of small farm and small business loans to entities 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 to farms with gross annual revenues of \$1 million or less trails demographic data. However, the 2022 Census of Agriculture revealed that 43.7 percent of area producers list their primary occupation as “Other” rather than farming. The 2022 Census of Agriculture also revealed that 50.9 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. Finally, the bank did not deny any agricultural loan requests in 2024.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.4	33	80.5	3,718	72.5
>\$1,000,000	0.2	8	19.5	1,410	27.5
Revenue Not Available	0.4	0	0.0	0	0.0
Total	100.0	41	100.0	5,128	100.0

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

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes when compared to D&B data. As shown in the following table, the bank’s lending to businesses with gross annual revenues of \$1 million or less exceeds demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.1	25	89.3	1,514	53.3
>\$1,000,000	4.4	3	10.7	1,327	46.7
Revenue Not Available	12.6	0	0.0	0	0.0
Total	100.0	28	100.0	2,841	100.0

*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.