

PUBLIC DISCLOSURE

April 21, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank & Trust of Kenmare
Certificate Number: 2057

4 2nd Street Northwest
Kenmare, North Dakota 58746

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 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.
- 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

Jorgenson Holding Company, a two-bank holding company located in Kenmare, North Dakota, wholly owns State Bank & Trust of Kenmare. The bank continues to operate from its main office in Kenmare, as well as from a full-service branch in Berthold, North Dakota, and a detached drive-up facility in Kenmare. The institution received a Satisfactory rating at the previous FDIC Performance Evaluation, dated April 29, 2019, based on Interagency Small Institution Examination Procedures.

State Bank & Trust of Kenmare offers a variety of credit products, including agricultural, commercial, home mortgage, 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 and refers home mortgage loans to a third party. 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 Disease 2019 pandemic. State Bank & Trust of Kenmare also provides a variety of deposit products, including checking, savings, and certificates of deposit accounts. Alternative banking services include internet and mobile banking, mobile check deposit, bill pay, prepaid cards, electronic periodic statements, and 10 cash-dispensing ATMs. Finally, the bank is a member of the MoneyPass network, which gives customers access to more than 40,000 fee-free ATMs nationwide.

As of December 31, 2024, State Bank & Trust of Kenmare reported total assets of \$175.5 million, total loans of \$83.0 million, and total deposits of \$162.1 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	63	0.1
Secured by Farmland	25,726	31.0
Secured by 1-4 Family Residential Properties	7,966	9.6
Secured by Multifamily (5 or more) Residential Properties	1,226	1.5
Secured by Nonfarm Nonresidential Properties	13,606	16.4
Total Real Estate Loans	48,587	58.6
Commercial and Industrial Loans	15,040	18.1
Agricultural Production and Other Loans to Farmers	16,180	19.5
Consumer Loans	2,666	3.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	518	0.6
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	82,991	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

State Bank & Trust of Kenmare has designated a single assessment area comprised of all of Burke County, all of Renville County, the northern portion of Mountrail County, and the eastern portion of Ward County in North Dakota. Based on 2020 U.S. Census data, the assessment area consists of five middle-income census tracts. There were no changes to the assessment area's geographic boundaries since the previous evaluation; however, Renville and Ward counties are part of the newly designated Minot, North Dakota Metropolitan Statistical Area (MSA) as of 2024.

Economic and Demographic Data

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low	Moderate	Middle	Upper	NA*
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	17,049	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	9,185	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	5,385	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,427	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	2,373	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	2,749	0.0	0.0	100.0	0.0	0.0
Farms by Geography	503	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,660	16.3	15.8	23.4	44.4	0.0
Household Distribution by Income Level	6,812	14.2	16.5	20.0	49.4	0.0
Median Family Income Minot, ND MSA		\$85,182	Median Housing Value			\$163,654
Median Family Income Nonmetropolitan ND		\$81,182	Median Gross Rent			\$901
			Families Below Poverty Level			3.7%
Source: 2020 U.S. Census and 2024 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.						

Competition

State Bank & Trust of Kenmare operates in a moderately competitive banking market. Per 2024 FDIC Deposit Market Share data, 14 financial institutions operate 33 offices within Burke, Mountrail, Renville, and Ward counties. Of these institutions, State Bank & Trust of Kenmare ranked 9th with 3.6 percent of the deposit market share.

Community Contact

Examiners reviewed a recent community contact interview conducted with a representative of an organization that promotes economic development in the assessment area. The contact stated that the area's economy is stable and somewhat dependent on the agricultural and energy sectors. The contact added that the oil industry has remained relatively stable, and that the agricultural industry is doing well. Per the contact, the labor shortage has negatively affected area businesses, with some reducing their operating hours. The contact noted that local financial institutions are active in their communities and meeting the area's credit needs. Finally, the contact is not aware of any discriminatory practices by local financial institutions.

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, followed by commercial lending.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior CRA evaluation dated April 29, 2019, to the current evaluation dated April 21, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate State Bank & Trust of Kenmare'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, examiners reviewed small farm and small business loans made in 2024 for this evaluation. Small farm lending received the most weight when assessing the bank's overall performance since agricultural lending is the bank's primary lending focus. Examiners did not review home mortgage loans since these loans comprise only 11.1 percent of the loan portfolio, and are not a major focus of the bank.

For the Lending Test, examiners reviewed all 63 small farm loans totaling \$13.0 million, and 29 small business loans totaling \$5.7 million that were originated, renewed, extended, or purchased in 2024 to evaluate the Assessment Area Concentration criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of 36 small farm loans totaling \$6.9 million, and all 22 small business loans totaling \$3.9 million that were made 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. The 2024 D&B data provided a standard of comparison for the bank's small farm and small business lending performance. Although 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.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

State Bank & Trust of Kenmare demonstrated satisfactory performance under the Lending Test. The bank's combined performance in all applicable criteria supports this conclusion.

Loan-to-Deposit Ratio

State Bank & Trust of Kenmare'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 53.3 percent over the past 23 calendar quarters, which is similar to the ratios of comparable institutions. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus. The average net loan-to-deposit ratio for the bank and comparable institutions decreased since the last evaluation due largely to the Coronavirus Disease 2019 pandemic as loan demand decreased whereas total deposits increased. However, the overall trend of the bank's net loan-to-deposit ratio has been increasing since March 31, 2022.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net Loan-to Deposit Ratio
State Bank & Trust of Kenmare, Kenmare, North Dakota	175,543	53.3
The Citizens State Bank at Mohall, Mohall, North Dakota	72,642	78.8
Liberty State Bank, Powers Lake, North Dakota	139,711	43.2
Source: Reports of Condition and Income 6/30/2019 - 12/31/2024		

Assessment Area Concentration

State Bank & Trust of Kenmare made a substantial majority of its small farm and small business loans within the assessment area as detailed in the following table. As previously noted, small farm lending received the most weight in the analysis.

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 Farm	57	90.5	6	9.5	63	11,636	89.8	1,326	10.2	12,962
Small Business	22	75.9	7	24.1	29	3,932	68.6	1,796	31.4	5,728
Total	79	85.9	13	14.1	92	15,568	83.3	3,122	16.7	18,690
Source: Bank Data. 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 sizes, which is consistent with the small farm and small business lending performance. For this criterion, 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 performance to farms with revenues of \$1 million or less lags demographic data in this revenue category. However, the 2022 Census of Agriculture revealed that 44.6 percent of the producers in Burke, Mountrail, Renville, and Ward counties list their primary occupation as "Other" rather than farming. The 2022 Census of Agriculture also revealed that 52.1 percent of farms in these counties 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. Given this context, the bank's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.8	32	88.9	5,513	79.7
>\$1,000,000	0.0	4	11.1	1,406	20.3
Revenue Not Available	0.2	0	0.0	0	0.0
Total	100.0	36	100.0	6,919	100.0
<i>Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank's performance to businesses with revenues of \$1 million or less lags demographic data in this revenue category. However, this data includes all businesses in the assessment area that voluntarily respond to a survey request, including many very small entities that have limited or no credit needs. Given this context, the bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.7	17	77.3	1,112	28.3
>\$1,000,000	3.1	5	22.7	2,820	71.7
Revenue Not Available	12.2	0	0.0	0	0.0
Total	100.0	22	100.0	3,932	100.0
<i>Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</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 non-farm non-residential 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.