

PUBLIC DISCLOSURE

September 9, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commercial Bank of Mott
Certificate Number: 15741

325 Brown Avenue
Mott, North Dakota 58646

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 more than 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 its 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 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

Commercial Bank of Mott is employee owned and operates from its sole office in Mott, North Dakota. The institution received a Satisfactory rating at the previous FDIC Performance Evaluation, dated October 1, 2018, based on Interagency Small Institution Examination Procedures.

Commercial Bank of Mott 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. 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. Commercial Bank of Mott also provides a variety of deposit products, including checking, savings, and certificates of deposit accounts. Alternative banking services include one cash-dispensing ATM, internet and mobile banking, bill pay, mobile check deposit, and prepaid cards.

As of June 30, 2024, Commercial Bank of Mott reported total assets of \$143.2 million, total loans of \$108.4 million, and total deposits of \$102.5 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 6/30/2024		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	45,547	42.0
Secured by 1-4 Family Residential Properties	2,447	2.3
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	19,611	18.1
Total Real Estate Loans	67,605	62.4
Commercial and Industrial Loans	4,005	3.7
Agricultural Loans	35,345	32.6
Consumer Loans	1,413	1.3
Other Loans	0	0.0
Less: Unearned Income	0	0.0
Total Loans	108,368	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

Commercial Bank of Mott has designated a single assessment area comprised of Grant and Hettinger counties in North Dakota, which remains unchanged since the previous evaluation. The three census tracts comprising the assessment area are considered middle income per 2020 U.S. Census data.

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 #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	4,790	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,195	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	1,806	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	369	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,020	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	809	0.0	0.0	100.0	0.0	0.0
Farms by Geography	197	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,300	22.3	19.2	25.2	33.3	0.0
Household Distribution by Income Level	2,175	31.4	15.8	20.1	32.7	0.0
Median Family Income Non-Metropolitan - ND		\$81,182	Median Housing Value			\$91,245
			Median Gross Rent			\$635
			Families Below Poverty Level			4.9%
<i>Source: 2020 U.S. Census and 2024 D&B Data</i> <i>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

Commercial Bank of Mott operates in a relatively noncompetitive banking market. Per 2023 FDIC Deposit Market Share data, six financial institutions operate offices within the assessment area. Of these institutions, Commercial Bank of Mott ranked first with 36.3 percent of the deposit market share.

Community Contact

Examiners contacted an individual familiar with the assessment area's agricultural sector. Per the contact, the area's primary credit need is agricultural lending. The contact added that the local economy is heavily reliant on the agriculture industry and that most farms' financial condition improved due to various government programs. The contact stated that livestock prices are strong, but commodity producers are concerned about high input costs and dropping prices. According to the contact, there are limited opportunities for new retail businesses due to the area's sparse population. 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.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior CRA evaluation dated October 1, 2018, to the current evaluation dated September 9, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate Commercial Bank of Mott'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 analyzed all small farm and small business loans that were originated, renewed, extended, or purchased during the 12-month period ending June 28, 2024, for the Assessment Area Concentration criterion. Examiners analyzed the most recent 12-month period rather than the 2023 lending data since the bank originates seasonal agricultural loans, but available loan data did not include paid off loans. As such, the 2023 lending data would not capture the bank's actual lending performance. For the Borrower Profile criterion, examiners reviewed a sample of small farm loans and all small business loans that were originated within the assessment area during the review period. Bank management confirmed that the sample selected was representative of the bank's performance during the entire evaluation period. The table below details the loan products reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	113	20,284	41	7,991
Small Business	33	2,927	27	2,154

Source: Bank Data

D&B data for 2024 provided a standard of comparison for small farm and small business lending. 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. Small farm lending received the most weight when assessing the bank's overall performance since agricultural lending is the bank's primary lending focus. Finally, examiners did not review home mortgage loans since these loans comprise only 2.3 percent of the loan portfolio and are not a major focus of the bank.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Commercial Bank of Mott demonstrated satisfactory performance under the Lending Test. While the Assessment Area Concentration and Loan-to-Deposit Ratio performance were excellent, these did not warrant an overall outstanding rating when considering all performance activity.

Loan-to-Deposit Ratio

Commercial Bank of Mott’s loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. As shown in the table below, the bank’s net loan-to-deposit ratio averaged 91.0 percent over the past 23 calendar quarters, which exceeds the ratios of 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 6/30/2024 (\$000s)	Average Net LTD Ratio (%)
Commercial Bank of Mott, Mott, North Dakota	143,188	91.0
Grant County State Bank, Carson, North Dakota	42,369	74.7
First State Bank of Golva, Golva, North Dakota	110,167	44.6

Source: Reports of Condition and Income 12/31/2018 – 6/30/2024

Assessment Area Concentration

Commercial Bank of Mott made a substantial majority of its small farm and small business loans within its assessment area as detailed in the table below.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	100	88.5	13	11.5	113	18,917	93.3	1,367	6.7	20,284
Small Business	27	81.8	6	18.2	33	2,154	73.6	773	26.4	2,927

Source: Bank Data

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 bank’s small farm and small business lending performance. 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 when compared to D&B data, which is depicted in the following table. Although the bank’s performance is less than demographic data, the 2022 Census of Agriculture revealed that 56.1 percent of area producers list their primary occupation as “Other” rather than farming. The 2022 Census of

Agriculture also revealed that 51.1 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, bank management noted that most of the assessment area’s farm operations are larger, which is supported by the 2022 Census of Agriculture as it indicated that the average farm size is 1,927 acres.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.5	26	63.4	3,666	45.9
>\$1,000,000	0.5	15	36.6	4,325	54.1
Revenue Not Available	0.0	0	0.0	0	0.0
Total	100.0	41	100.0	7,991	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 when compared to D&B data, which is shown in the table below.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.4	23	85.2	1,778	82.5
>\$1,000,000	2.5	4	14.8	376	17.5
Revenue Not Available	11.1	0	0.0	0	0.0
Total	100.0	27	100.0	2,154	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 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.