

# **PUBLIC DISCLOSURE**

December 8, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank  
Certificate Number: 15539

423 Broadway  
Buxton, North Dakota 58218

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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

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## INSTITUTION RATING

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

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

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

- The average net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The institution made a majority of its small farm, small business, and home mortgage loans within its assessment areas.
- The geographic distribution of small farm, small business, and home mortgage loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels, including low- and moderate-income borrowers.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

First State Bank is owned by Full Service Insurance Agency, Inc., a one-bank holding company located in Buxton, North Dakota. The institution operates its main office in Buxton, with four branches located throughout Grand Forks and Traill counties. First State Bank wholly owns an agricultural credit subsidiary that purchases loans from the bank; however, the lending of the subsidiary was not analyzed during this CRA evaluation. The institution received a CRA rating of “Satisfactory” at its previous FDIC CRA Performance Evaluation, dated January 17, 2023, based on Interagency Small Institution Examination Procedures.

First State Bank offers traditional loan products including agricultural, commercial, home mortgage, and consumer loans. The primary focus differs by assessment area. In the Grand Forks Assessment Area, the primary lending focus is commercial lending followed by agricultural lending. In the Buxton Assessment Area, the primary focus is agricultural lending followed by commercial lending. Additionally, the bank offers both consumer and business credit cards that are originated and serviced through Independent Community Banks of North Dakota. The bank offers a standard array of deposit accounts including checking and savings accounts, certificates of deposit, individual retirement accounts, and health savings accounts. In addition to traditional banking services, the institution offers on-site ATMs, debit/ATM cards, online and mobile banking, electronic statements, mobile check deposit, Person to Person payments, bill pay, and CenterVoice, a telephone banking system. Finally, First State Bank provides access to the MoneyPass Network, which offers surcharge-free ATM transactions for cardholders all over the country.

As of September 30, 2025, assets totaled approximately \$403 million, deposits totaled \$340 million, and loans totaled \$372 million. The following table illustrates the bank’s loan portfolio. Aside from statutory lending limits, examiners did not identify any financial, legal, or other impediments that would limit the bank’s ability to meet the credit needs of its assessment areas.

<b>Loan Portfolio Distribution as of September 30, 2025</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	15,136	4.1
Secured by Farmland	55,455	14.9
Secured by 1-4 Family Residential Properties	52,215	14.0
Secured by Multifamily (5 or more) Residential Properties	15,298	4.1
Secured by Nonfarm Nonresidential Properties	92,879	25.0
<b>Total Real Estate Loans</b>	<b>230,983</b>	<b>62.1</b>
Commercial and Industrial Loans	75,044	20.2
Agricultural Production and Other Loans to Farmers	61,697	16.6
Consumer Loans	3,821	1.0
Obligations of State and Political Subdivisions in the U.S.	103	0.0
Other Loans	42	0.0
Lease Financing Receivable (net of unearned income)	161	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>371,851</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%.</i>		

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. First State Bank continues to designate two contiguous assessment areas located in north-eastern North Dakota. The Grand Forks Assessment Area is composed of the entirety of Grand Forks County, which is part of the Grand Forks, ND-MN MSA. The Buxton Assessment Area comprises the entirety of Steele and Traill counties. The following sections discuss demographic and economic information specific to each assessment area.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated January 13, 2023, to the current evaluation dated December 8, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate First State Bank’s CRA performance. These procedures evaluate the institution’s performance according to the Lending Test criteria as detailed in the Appendices.

Examiners used full-scope examination procedures to evaluate the bank’s performance in each assessment area. To assess overall performance, examiners placed the most weight on the bank’s performance in the Grand Forks Assessment Area, since this is where the majority of the bank’s lending and deposit activity occurs, as depicted in the following table.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans*		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Grand Forks	31,249	55.4	227,852	65.2	2	40.0
Buxton	25,124	44.6	121,441	34.8	3	60.0
<b>Total</b>	<b>56,373</b>	<b>100.0</b>	<b>349,293</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

Source: Bank Data; FDIC Summary of Deposits (6/30/2025)  
\*Small Farm, Small Business, and Home Mortgage loans from 1/1/2024 – 12/31/2024

### Activities Reviewed

Bank records indicate that the lending focus and product mix remained relatively consistent throughout the evaluation period. According to September 30, 2025, Reports of Condition and Income, commercial loans comprise 45.2 percent of the bank’s loan portfolio with agricultural and home mortgage loans making up 31.5 percent and 14.0 percent, respectively. First State Bank is a Home Mortgage Disclosure Act (HMDA) Reporter; therefore, examiners analyzed the 2022, 2023, and 2024 HMDA Loan Application Registers. However, only the 2024 analysis is presented in this evaluation, as it is the most recent year with available aggregate data.

Examiners analyzed all small farm, small business, and HMDA loans that were originated or renewed (including those subsequently paid off) in 2024 for the Assessment Area Concentration analysis. The Geographic Distribution criterion was only analyzed in the Grand Forks Assessment Area based on an analysis of all small farm, small business, and HMDA loans made within the

assessment area. The Buxton Assessment Area does not include any low- or moderate-income census tracts, so a review of Geographic Distribution in this assessment area would not result in meaningful conclusions. Examiners reviewed a sample of small farm and small business loans and all HMDA loans made within the respective assessment areas for the Borrower Profile analysis. The universes and sample sizes used in the analyses are depicted in the following table.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Borrower Profile Samples</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Farm	151	29,275	71	12,902
Small Business	143	34,546	66	13,974
Home Mortgage	71	15,617	71	15,617
<i>Source: Bank Data</i>				

The bank’s performance was compared to 2020 U.S. Census data, 2024 D&B data, and HMDA aggregate data, as applicable. Although both the number and dollar volume of loans are presented, examiner emphasized performance by number of loans because it is a better indicator of the number of borrowers served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

First State Bank demonstrated satisfactory performance under the Lending Test. The bank’s performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria supports this conclusion. While the bank’s average net loan-to-deposit ratio was more than reasonable, this performance did not enhance the overall conclusion.

### **Loan-to-Deposit Ratio**

First State Bank’s loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and credit needs of the assessment areas. The bank’s average net loan-to-deposit ratio exceeds that of two comparable institutions, which were chosen based on asset size, geographic location, branching structure, and lending focus. See the following table for details.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2025 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
<b>First State Bank Buxton, North Dakota</b>	<b>402,945</b>	<b>103.5</b>
Dakota Heritage Bank Hunter, North Dakota	417,130	88.6
Horizon Financial Bank Munich, North Dakota	198,395	79.1
<i>Source: Reports of Condition and Income 3/31/2023 through 9/30/2025</i>		

### **Assessment Area Concentration**

First State Bank is helping to meet the credit needs of its assessment areas by originating a majority of small farm, small business, and home mortgage loans within the assessment areas. This performance reflects the institution’s willingness to reinvest deposits into the local community through loans. See 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 \$(000)</b>				<b>Total \$(000)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Farm	124	82.1	27	17.9	151	25,534	87.2	3,741	12.8	29,275
Small Business	110	76.9	33	23.1	143	22,870	66.2	11,676	33.8	34,546
Home Mortgage	44	62.0	27	38.0	71	7,969	51.0	7,648	49.0	15,617
<b>Total</b>	<b>278</b>	<b>76.2</b>	<b>87</b>	<b>23.8</b>	<b>365</b>	<b>56,373</b>	<b>71.0</b>	<b>23,065</b>	<b>29.0</b>	<b>79,438</b>
<i>Source: Imported Bank Data Due to rounding, totals may not equal 100.0%.</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Grand Forks Assessment Area. Detailed discussion of this performance is noted in the applicable assessment area section of this evaluation. The Buxton Assessment Area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion in this assessment area would not result in meaningful conclusions. Therefore, this criterion was not evaluated in the Buxton Assessment Area, which did not affect the rating.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels, including low- and moderate-income borrowers, in the assessment areas. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less and to low- and moderate-income borrowers. Detailed discussion of this performance is noted in the applicable assessment area sections of this evaluation.

**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.

**GRAND FORKS ASSESSMENT AREA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN GRAND FORKS ASSESSMENT AREA**

The Grand Forks Assessment Area is located in north-eastern North Dakota and is comprised of the entirety of Grand Forks County, which is part of the Grand Forks, ND-MN MSA. Based on 2024 Federal Financial Institutions Examination Council (FFIEC)-Estimated Income data, the assessment area consists of one low-, seven moderate-, eight middle-, and five upper-income census tracts, as well as one census tract with no income designation. Since the previous evaluation, the assessment area had some census tract boundaries redrawn and income level designation changes. Specifically, 2015 American Community Survey data, which was relied on at the previous evaluation, depicted one low-, three moderate-, eleven middle-, and three upper-income census tracts in the assessment area.

Two of the bank’s branches are located within this assessment area: one in Thompson and the other in Grand Forks, which are in an upper-income census tract and a non-designated census tract, respectively. This reflects a change from the previous evaluation when the Grand Forks branch was located in a moderate-income census tract; however, the change is due to a redesignation of the income level for the census tract and not a change in location of the branch.

**Economic and Demographic Data**

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

<b>Demographic Information of the Assessment Area Grand Forks 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>N/A* % of #</b>
Geographies (Census Tracts)	22	4.6	31.8	36.4	22.7	4.6
Population by Geography	73,170	3.3	26.1	37.5	29.8	3.3
Housing Units by Geography	33,267	2.2	27.5	39.9	26.2	4.2
Owner-Occupied Units by Geography	14,954	0.1	18.0	40.3	37.8	3.8
Occupied Rental Units by Geography	15,825	3.6	37.0	37.4	17.2	4.9
Vacant Units by Geography	2,488	6.6	24.8	52.6	14.2	1.9
Businesses by Geography	5,700	0.4	30.3	41.2	27.2	0.9
Farms by Geography	312	0.0	9.9	63.1	26.6	0.3
Family Distribution by Income Level	15,659	23.5	14.9	21.5	40.2	0.0
Household Distribution by Income Level	30,779	24.9	16.0	17.0	42.1	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$82,257	Median Housing Value		\$ 197,713	
			Median Gross Rent		\$851	
			Families Below Poverty Level		8.0%	
<i>Source: 2020 Census, 2024 FFIEC-Estimated Income Data, And 2024 D&amp;B Data            Due to rounding, totals may not equal 100%.            (*) The NA category consists of geographies that have Not been assigned an income classification.</i>						

The FFIEC median family income is used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the 2024 median family income ranges for the Grand Forks, ND-MN MSA.

<b>Estimated Median Family Income Ranges Grand Forks Assessment Area</b>					
<b>Year</b>	<b>MFI</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥ 120%</b>
<b>Grand Forks, ND-MN</b>					
2024	\$ 104,300	< \$52,150	\$52,150 to < \$83,440	\$83,440 to < \$125,160	≥ \$125,160
<i>Source: FFIEC</i>					

## **Competition**

First State Bank operates in a highly competitive market for financial services. According to June 30, 2025, FDIC Market Share data, 15 FDIC-insured institutions operate 25 offices in the assessment area. Of these institutions, First State Bank ranked 5<sup>th</sup> with a deposit market share of 7.4 percent.

Many financial institutions offer similar loan products; consequently, there is a high level of competition for small farm and small business loans within the assessment area. Specifically, 2024 aggregate CRA data reveals that 16 lenders reported 265 small farm loans, and 54 lenders reported 1,338 small business loans originated or purchased within the assessment area. First State Bank was not required to report its small farm or small business loan data during the evaluation period; however, the data is included as an indicator of the level of demand for these products.

Competition for home mortgage loans is also present amongst banks, credit unions, and non-depository mortgage lenders. In 2024, 110 lenders reported 1,272 home mortgage loans originated or purchased within the assessment area. The 3 most prominent lenders originated or purchased 37.7 percent of the market share, by number, within the assessment area. First State Bank ranked 11<sup>th</sup> with a market share of 2.6 percent. These figures do not contain loans originated or purchased by smaller banks operating in the assessment area that are not required to report home mortgage loan data. Therefore, the overall volume of home mortgage lending in the assessment area indicates a competitive market.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in at least one of the assessment areas to assist in identifying the credit needs of the area. This information helps determine what credit opportunities are available and whether local financial institutions are responsive to credit needs. For this evaluation, examiners reviewed a community contact interview previously conducted with a representative of an economic development organization within the Grand Forks Assessment Area.

The contact stated that the major sources of employment in the area by primary industry are government, healthcare, professional services, and a growing defense sector. The contact stated that the population in the area has stabilized within the last three to four years, which has resulted in a slowing of the overall economy and softening of the manufacturing economy. The contact noted that local manufacturers have real growth opportunities; however, the biggest limitation in serving the community is the lack of workforce, due to the low unemployment rate.

According to the contact, the demand for commercial loans, especially new start-ups or loans to small businesses, has leveled off. Moreover, the contact noted a decrease in building permits compared to prior years. All businesses in the area are paying much higher than the minimum wage due to workforce constraints forcing them to offer higher wages and benefits. In addition, the retail sector in the area is down from pre-COVID levels; however, unique and locally-owned restaurants seem to be doing well, and downtown businesses remain stable.

The housing market, especially affordable housing continues to be tight. The contact noted that the inventory in the area is low for single family homes, but the demand has decreased slightly as people are reluctant to purchase homes with the higher interest rates and inflated home prices. For multi-family housing, there is enough supply to meet the current demand; however, the current vacancy rate is only 2 percent, which is reflective of the need for more multi-family housing in the near future.

Regarding agriculture, potatoes and sugar beets in the area are doing well while most other crops have been breaking even within the last couple of years. Finally, the contact stated there is plenty of opportunity for agri-businesses in the area.

### **Credit Needs**

Considering information from the community contact, bank management, as well as demographic and economic data, examiners determined that agricultural, commercial, and home mortgage loans all represent credit needs for the Grand Forks Assessment Area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN GRAND FORKS ASSESSMENT AREA**

### **LENDING TEST**

First State Bank demonstrated reasonable performance under the Lending Test in the Grand Forks Assessment Area. This is supported by the bank's performance under the Geographic Distribution and Borrower Profile analyses.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Grand Forks Assessment Area, which is consistent with the small farm and small business lending performance. While the home mortgage performance is excellent, more weight was given to the small farm and small business performance; therefore, the home mortgage performance did not enhance the overall assessment.

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

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Although the bank did not originate any small farm loans in low- or moderate-income census tracts, very few farms are located in these geographies, as depicted in the following table. Given this information, the bank's performance is considered reasonable.

<b>Geographic Distribution of Small Farm Loans Grand Forks Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	9.9	0	0.0	0	0.0
Middle	63.1	19	46.3	4,110	49.1
Upper	26.6	22	53.7	4,268	50.9
NA	0.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>8,378</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, the bank’s performance is significantly less than D&B data. While the bank is not required to collect or report its small business loan data and has not elected to do so, aggregate data can be used to provide context about the areas in which other banks are able to lend. The 2024 small business aggregate data revealed that 0.0 percent of small business loans were to businesses located in the low-income census tract and 22.9 percent were to businesses in moderate-income census tracts, which is comparable to First State Bank’s lending performance.

<b>Geographic Distribution of Small Business Loans Grand Forks Assessment Area</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.4	0	0.0	0	0.0
Moderate	30.3	12	17.7	3,180	19.1
Middle	41.2	23	33.8	5,649	33.9
Upper	27.2	33	48.5	7,837	47.0
NA	0.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>16,666</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank’s performance to moderate-income borrowers notably exceeds both 2020 U.S. Census data and 2024 HMDA Aggregate data. While none of the bank’s home mortgage loans were in the low-income census tract, the bank’s performance is comparable to 2020 U.S. Census data

and 2024 HMDA aggregate data. Given this information, the bank’s performance is considered excellent. See the following table for details.

<b>Geographic Distribution of Home Mortgage Loans Grand Forks Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner Occupied Housing Units</b>	<b>HMDA Aggregate % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.1	--	0	0.0	0	0.0
Moderate	18.0	18.3	13	39.4	2,377	38.3
Middle	40.3	37.2	6	18.2	725	11.7
Upper	37.8	42.7	14	42.4	3,103	50.0
NA	3.8	1.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>6,205</b>	<b>100.0</b>
<i>Source: 2020 Census; Imported Bank Data; 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels, including low- and moderate-income borrowers throughout the Grand Forks Assessment Area. The bank’s overall assessment under the Borrower Profile criterion is supported by the small farm, small business, and home mortgage lending performance. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers.

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

The distribution of small farm loans reflects reasonable penetration among farms of different sizes in the Grand Forks Assessment Area. While the bank’s lending to farm operations with gross annual revenues of \$1 million or less is lower than 2024 D&B data, the bank’s performance is still considered reasonable as a majority of farm operations in the assessment area likely do not require financing. This is illustrated by the 2022 Census of Agriculture, which reveals that 55.9 percent of farm operations in the assessment area did not report interest expense, 51.6 percent did not report farming as their primary occupation, and 44.4 percent reported less than \$2,500 in annual sales.

Further, while bank is not required to collect or report its small farm loan data and has not elected to do so, aggregate data can be used to provide context about the size of farms to which other banks are able to lend. The 2024 aggregate data shows that 42.8 percent of small farm loans were to operations with gross annual revenues of \$1 million or less, which is comparable to the bank’s lending activity.

Finally, the bank operates in a highly competitive market for small farm loans. Given the aforementioned information, the bank’s performance is considered reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category Grand Forks Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	97.1	15	50.0	2,423	40.4
> \$1,000,000	1.3	15	50.0	3,579	59.6
Revenue Not Available	1.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>6,002</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

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

The distribution of small business loans reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, the bank's lending to businesses with gross annual revenues of \$1 million or less is lower than 2024 D&B data. Examiners again used aggregate data to provide context about the size of businesses in which other banks are able to lend. The 2024 aggregate data shows that 45.3 percent of small business loans were to businesses with gross annual revenues of \$1 million or less, which is relatively comparable to the bank's performance.

Additionally, bank management indicated that retail is struggling in the area. Big box stores combined with the convenience of online shopping have made it more challenging for start-up businesses to survive, also limiting small business lending opportunities. This is further supported by the community contact, who indicated demand for commercial lending has leveled off. Further, the market for small business loans is high. Finally, First State Bank's lending performance is similar to that of other banks operating in the Grand Forks Assessment Area. Given this information, the bank's performance is considered reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Grand Forks Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	83.9	14	38.9	2,163	23.8
> \$1,000,000	4.2	22	61.1	6,922	76.2
Revenue Not Available	11.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>9,085</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

## Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank’s performance falls below 2020 U.S. Census data and 2024 HMDA aggregate data for both low- and moderate-income borrowers. The bank operates in a competitive market for home mortgage loans as discussed above. Further, the majority of home mortgage loans the bank originates are to businesses; therefore, those loans fall under the not applicable category and cause the percentage of loans in the other income level categories to decrease. The total number of home mortgage loans originated, excluding those to businesses, is 15; therefore, 6.7 percent are to low-income borrowers and 20.0 percent are to moderate-income borrowers, which is generally in line with aggregate data. Given this information, the bank’s performance is considered reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Grand Forks Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>HMDA Aggregate % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	23.5	7.6	1	3.0	70	1.1
Moderate	14.9	22.8	3	9.1	440	7.1
Middle	21.5	22.3	4	12.1	873	14.1
Upper	40.2	30.3	7	21.2	1,432	23.1
NA	0.0	17.0	18	54.6	3,390	54.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>6,205</b>	<b>100.0</b>
<i>Source: 2020 Census; Imported Bank Data; 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

## **BUXTON ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN BUXTON ASSESSMENT AREA**

The Buxton Assessment Area is in nonmetropolitan north-eastern North Dakota and is comprised of the entirety of Steel and Traill counties. Based on 2024 FFIEC Estimated Income data, the assessment area consists of four middle-income census tracts and one upper-income census tract. Since the previous evaluation, the assessment area had some census tracts redrawn and income level designation changes. Specifically, 2015 American Community Survey data, which was relied on at the previous evaluation, depicted five middle-income census tracts located in the assessment area.

The bank’s main office and its branches in Mayville and Portland are all located within middle-income census tracts in this assessment area.

**Economic and Demographic Data**

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

<b>Demographic Information of the Assessment Area Buxton 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>N/A* % of #</b>
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0	0.0
Population by Geography	9,795	0.0	0.0	81.6	18.4	0.0
Housing Units by Geography	5,030	0.0	0.0	76.5	23.5	0.0
Owner-Occupied Units by Geography	3,109	0.0	0.0	79.3	20.7	0.0
Occupied Rental Units by Geography	1,089	0.0	0.0	85.3	14.7	0.0
Vacant Units by Geography	832	0.0	0.0	54.8	45.2	0.0
Businesses by Geography	1,272	0.0	0.0	79.1	20.9	0.0
Farms by Geography	330	0.0	0.0	78.2	21.8	0.0
Family Distribution by Income Level	2,692	13.3	18.1	23.7	44.8	0.0
Household Distribution by Income Level	4,198	19.6	15.6	18.5	46.2	0.0
North Dakota Non-MSA Median Family Income	\$81,182	Median Housing Value		\$ 135,070		
		Median Gross Rent		\$619		
		Families Below Poverty Level		3.0%		
<i>Source: 2020 Census, 2024 FFIEC-Estimated Income Data, And 2024 D&amp;B Data            Due to rounding, totals may not equal 100%.            (*) The NA category consists of geographies that have Not been assigned an income classification.</i>						

The following table illustrates the 2024 median family income ranges for the non-metropolitan portion of North Dakota.

<b>Estimated Median Family Income Ranges Buxton Assessment Area</b>					
<b>Year</b>	<b>MFI</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥ 120%</b>
<b>Non-Metropolitan Median Family Income For NORTH DAKOTA</b>					
2024	\$ 98,800	< \$49,400	\$49,400 to < \$79,040	\$79,040 to < \$118,560	≥ \$118,560
<i>Source: FFIEC</i>					

## **Competition**

First State Bank operates in a relatively competitive market for financial services. According to June 30, 2025, FDIC Market Share data, 7 FDIC-insured institutions operate 13 offices in the assessment area. Of these institutions, First State Bank ranked 2<sup>nd</sup> with a deposit market share of 26.3 percent.

Many financial institutions offer similar loan products; consequently, there is a high level of competition for small farm and small business loans within the assessment area. Specifically, 2024 aggregate CRA data reveals that 14 lenders reported 117 small farm loans, and 35 lenders reported 157 small business loans originated or purchased within the assessment area. This data does not include loans originated by smaller banks operating in the assessment area that are not required to report. First State Bank was not required to report its small farm or small business loan data during the evaluation period; however, the data is included as an indicator of the level of demand for these products.

Competition for home mortgage loans is also present amongst banks, credit unions, and non-depository mortgage lenders. In 2024, 61 lenders reported 182 home mortgage loans originated or purchased within the assessment area. The 3 most prominent lenders originated or purchased 23.6 percent of the market share, by number, within the assessment area. First State Bank ranked 3<sup>rd</sup> with a market share of 6.0 percent. These figures do not contain loans originated or purchased by smaller banks operating in the assessment area that are not required to report home mortgage loan data. Therefore, the overall volume of home mortgage lending in the assessment area indicates a competitive market.

## **Community Contact**

For this assessment area, examiners reviewed a community contact previously conducted with a representative of an economic development organization located within Traill County.

The contact stated that the economic conditions of the area are strong for both farming operations and small businesses. The agricultural economy remains diverse with potato, small grain, organic, and sugar beet farming. The contact stated many local farmers are in solid financial standing. The commercial market is seeing slower but steady growth. The contact stated that retail stores and local restaurants tend to struggle. The area sees some commuting to Grand Forks and Fargo for employment. American Crystal Sugar is the largest employer along with Mayville State University, the school district and healthcare facilities. The housing market is very tight in the area with very little supply, as homes sell quickly.

The contact stated that the primary credit need in the area is agricultural, followed by commercial loans. The contact indicated that opportunities are in place for institutions to participate in financing. They stated that the smaller institutions are generally conservative and would like to see banks be more aggressive with their lending activities. However, the contact indicated that the local financial institutions are addressing the credit needs of the community. Competition remains “friendly” between banks in the area. The contact was not aware of any discriminatory practices by any lenders in the area.

## **Credit Needs**

Considering information from bank management, as well as demographic and economic data, examiners determined that agricultural, commercial, and home mortgage loans all represent credit needs for the Buxton Assessment Area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BUXTON ASSESSMENT AREA**

### **LENDING TEST**

First State Bank demonstrated reasonable performance under the Lending Test in the Buxton Assessment Area. This is supported by the bank's reasonable penetration in the Borrower Profile analysis.

### **Geographic Distribution**

There are no low- or moderate-income census tracts located in the Buxton Assessment Area; therefore, this criterion did not affect the rating.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels, including low- and moderate-income borrowers. This conclusion is supported by the small farm and small business lending performance. While the home mortgage performance is excellent, more weight was given to the small farm and small business performance; therefore, the home mortgage performance did not enhance the overall assessment. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers.

### ***Small Farm***

The distribution of small farm loans reflects reasonable penetration among farms of different sizes in the Buxton Assessment Area. While the bank's lending to farm operations with gross annual revenues of \$1 million or less is lower than 2024 D&B data, this is still considered reasonable as nearly a majority of farm operations in the assessment area do not require financing. This is illustrated by the 2022 Census of Agriculture, which reveals that 46.3 percent of farm operations in the assessment area did not report interest expense and 47.5 percent did not report farming as their primary occupation.

Further, the bank is not required to collect or report its small farm loan data and has not elected to do so; however, aggregate lending data can be used to provide context about the size of farms in other banks are lending to within the assessment area. The 2024 aggregate data shows that 37.6

percent of small farm loans were to operations with gross annual revenues of \$1 million or less, which is significantly lower than the bank’s lending activity.

Additionally, land prices have increased to where only large operators are able to afford to purchase new ground. Per an annual survey of farmers in North Dakota funded by the North Dakota Department of Trust Lands, the average price of rented non-irrigated cropland was \$3,180 and \$5,371 during 2024 in Steele and Traill counties, respectively. This is a significant increase from the average over a five-year period (2019-2023), which was \$2,826 for Steele County and \$4,221 for Traill County. Finally, the bank operates in a highly competitive market for small farm loans. Given the aforementioned information, the bank’s performance is considered reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category Buxton Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	98.5	33	80.5	4,570	66.2
> \$1,000,000	0.9	8	19.5	2,330	33.8
Revenue Not Available	0.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>6,900</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

### ***Small Business***

The distribution of small business loans reflects reasonable penetration among businesses of different sizes in the Buxton Assessment Area. As illustrated in the following table, the bank’s lending to businesses with gross annual revenues of \$1 million or less is slightly lower than 2024 D&B data. Using aggregate data for context, the 2024 aggregate data shows that 51.6 percent of small business loans were to businesses with gross annual revenues of \$1 million or less, which is lower than the bank’s lending activity. Finally, the bank operates in a highly competitive market for small business loans. Given this information, the bank’s performance is considered reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Buxton Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	82.3	22	73.3	2,131	43.6
> \$1,000,000	4.8	8	26.7	2,758	56.4
Revenue Not Available	12.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>4,889</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

## Home Mortgage

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank's performance exceeds 2020 U.S. Census data and 2024 HMDA Aggregate data for both low- and moderate-income borrowers.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Buxton Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>HMDA Aggregate % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	13.3	4.4	2	18.2	200	11.3
Moderate	18.1	25.8	3	27.3	375	21.3
Middle	23.7	26.9	3	27.3	435	24.7
Upper	44.8	24.2	3	27.3	754	42.7
NA	0.0	18.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1,764</b>	<b>100.0</b>
<i>Source: 2020 Census; Imported Bank Data; 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

## 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 institution'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 institution 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.