

PUBLIC DISCLOSURE

April 14, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank of Roscoe
Certificate Number: 9005

202 North Mitchell Street
Roscoe, South Dakota 57471

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 loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small farm and small business loans in the assessment area.
- The geographic distribution criterion was not evaluated as the bank's assessment area is comprised solely of middle-income geographies. As a result, the analysis would not result in meaningful conclusions.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

First State Bank of Roscoe is headquartered in Roscoe, South Dakota, and operates in the north central portion of the state. In addition to the main office, the bank operates two full-service branches in Bowdle and Eureka, South Dakota. No merger or acquisition activities have occurred since the last evaluation. The bank received a satisfactory rating at its previous CRA Performance Evaluation conducted by the FDIC using Interagency Small Institution Procedures as of April 1, 2019.

The bank continues to offer traditional credit products, including agricultural, commercial, and consumer loans, with the primary focus being agricultural loans. The bank also participates in government-sponsored loan programs through the Farm Service Agency. First State Bank of Roscoe also provides a variety of deposit services, including checking, savings, certificates of deposit, and individual retirement accounts. Alternative banking services include online banking, electronic bill pay services, and electronic periodic statements.

As of December 31, 2024, the institution reported total assets \$131.8 million, total loans of \$75.2 million, and total deposits of \$111.3 million. The bank's loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,282	1.7
Secured by Farmland	38,028	50.6
Secured by 1-4 Family Residential Properties	492	0.7
Secured by Multifamily (5 or more) Residential Properties	395	0.5
Secured by Nonfarm Nonresidential Properties	4,146	5.5
Total Real Estate Loans	44,343	59.0
Commercial and Industrial Loans	7,453	9.9
Agricultural Production and Other Loans to Farmers	22,549	30.0
Consumer Loans	856	1.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	75,201	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. First State Bank of Roscoe has designated a single assessment area that includes a nonmetropolitan portion of South Dakota. The assessment area is comprised of Edmunds, Faulk, McPherson, and Potter counties in north central South Dakota. The bank's offices are located in middle-income census tracts in Edmunds and McPherson counties. Further, Edmunds, Faulk, and Potter counties have been considered distressed and underserved due to population loss and remote rural geographies every year since the prior evaluation.

Economic and Demographic Data

According to the 2020 U.S. Census data, the assessment area is comprised entirely of middle-income geographies. 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)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	10,994	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,295	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,507	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	956	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,832	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,765	0.0	0.0	100.0	0.0	0.0
Farms by Geography	613	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,857	17.1	18.8	22.3	41.8	0.0
Household Distribution by Income Level	4,463	23.4	17.1	16.8	42.7	0.0
Median Family Income Non-MSAs - SD		\$72,374	Median Housing Value			\$100,667
			Median Gross Rent			\$587
			Families Below Poverty Level			5.5%
Source: 2020 U.S. Census and 2024 D&B Data Due to rounding, totals may not equal 100.0%						

According to 2024 D&B data, the agriculture, forestry, and fishing industry represents the largest portion of the business sector in the assessment area at 25.7 percent and is followed by the service industry and non-classifiable establishments at 23.4 percent and 18.1 percent, respectively. A substantial majority of businesses are small with 90.8 percent operating from a single location and 69.7 percent employing four or less employees. The assessment area is dependent on the agricultural economy, and area farmers have experienced fair yields but lower crop prices in the prior year, according to bank management.

Competition

First State Bank of Roscoe operates in a moderately competitive banking market. According to June 30, 2024, FDIC Deposit Market Share data, there were 9 financial institutions operating 12 offices within the assessment area. Of these institutions, First State Bank of Roscoe ranks first with a deposit market share of 19.8 percent. Additionally, there is significant competition from non-bank lenders in the area that offer competitive rates to agriculture borrowers for operating lines and equipment.

Community Contact

As part of the evaluation process, examiners contact third parties in the assessment area to assist in identifying the credit needs of the area. This information helps determine what credit opportunities are available and whether local financial institutions are responsive to credit needs.

For this evaluation, examiners conducted a community contact interview with an individual knowledgeable of the area economy. Information received from the contact indicated that agriculture provides employment opportunities to most residents in the area and represents the area's primary credit need. The contact stated that the local economy is overall in poor condition, as the area suffers from an ongoing drought since the prior year. Further, grain prices were stated as low. In addition, housing stock was described as unaffordable, causing people to commute greater distances for employment. However, despite current economic conditions, local financial institutions were stated as meeting the credit needs of the area.

Credit Needs

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

SCOPE OF EVALUATION

General Information

This evaluation covers the time period from the prior evaluation dated April 1, 2019, to the current evaluation dated April 14, 2025. Examiners used the Interagency Small Institution Examination Procedures to evaluate First State Bank of Roscoe's CRA performance. These procedures considered the institution's performance according to the following Lending Test criteria as detailed in the Appendices.

Activities Reviewed

Examiners determined that the bank's major product line is agricultural loans followed by commercial loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Bank management indicated that the bank's lending focus and product mix remained consistent throughout the evaluation period.

The bank originated, renewed, or extended 248 small farm loans totaling \$62.6 million and 111 small business loans totaling \$13.9 million between January 1, 2024, and December 31, 2024. This period was considered representative of the bank's performance during the entire evaluation period. Examiners analyzed all of these loans for the Assessment Area Concentration, while random samples of these products were reviewed for the Borrower Profile criterion as revenue data was not readily available. The sample consisted of 51 small farm loans and 36 small business loans following outstanding interagency sampling guidance. The Geographic Distribution criterion was not included in this evaluation, as there are no low- or moderate-income census tracts within the assessment area, and no meaningful conclusions could be drawn.

There were no home mortgage loans originated, renewed, or extended in the review period. As such, they were not reviewed as they would not have impacted the evaluation. The bank's small farm lending provided the most weight when reaching overall conclusions since it is the bank's primary lending focus and comprises the majority of the bank's lending when considering number and dollar volume. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served. D&B data for 2024 provided a standard of comparison for the sampled small farm and small business loans.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

First State Bank of Roscoe demonstrated satisfactory performance under the Lending Test. The bank's performance under all the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. First State Bank of Roscoe's net loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 63.7 percent over the course of 23 calendar quarters from June 30, 2019 to December 31, 2024. The bank's net loan-to-deposit ratio ranged from a low of 44.8 percent as of March 31, 2023, to a high of 95.5 percent as of June 30, 2019. Although the bank's average net loan-to-deposit ratio has declined since the prior evaluation, at which time it was 90.2 percent, the decline is attributed to increased lending competition from dealerships, farm credit services, and cooperatives in the area. Further, since March 31, 2023, net loans have increased steadily on a quarterly basis, resulting in improved quarterly loans-to-deposit ratios, which is currently at 66.7 percent. The comparable institutions were selected based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net LTD Ratio (%)
First State Bank of Roscoe, Roscoe, South Dakota	131,821	63.7
Campbell County Bank, Herreid, South Dakota	202,948	117.0
Ipswich State Bank, Ipswich, South Dakota	66,845	57.2
Heartland State Bank, Redfield, South Dakota	146,535	85.3
Source: Reports of Condition and Income 06/30/2019 – 12/31/2024		

Assessment Area Concentration

As detailed in the following table, First State Bank of Roscoe made a majority of its small business and small farm loans inside the assessment area. By dollar amount of loans, 56.5 of small business loans were outside the assessment area. However, discussions with bank management affirmed that this was primarily due to a few larger borrowers in Aberdeen, South Dakota, located in Brown County. Brown County is adjacent to the bank's assessment area. As previously stated, examiners emphasized performance by number of loans.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total (\$000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Small Business	61	63.5	35	36.5	96	2,876	43.5	3,742	56.5	6,618
Small Farm	137	64.0	77	36.0	214	19,805	62.7	11,774	37.3	31,579
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 businesses and farms of different revenue sizes. Excellent small business and reasonable small farm lending performance support this conclusion. Examiners focused on the percentage of loans, by number, to businesses and farms with gross annual revenues of \$1 million or less. As previously stated, greater weight was given to small farm lending as this is considered the primary lending focus for the institution.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As noted in the following table, the bank's lending performance is similar to D&B data. The sampled small farm loans demonstrate that 88.2 percent of the loans were originated to farms with gross annual revenues of \$1 million or less. In addition, according to the 2022 Census of Agriculture, 46.6 percent of farm operations in Edmunds, Faulk, McPherson, and Potter counties did not report interest expenses. This data supports that many farm operations have limited or no credit needs. Considering these factors, the performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.9	45	88.2	4,745	77.9
>\$1,000,000	2.0	6	11.8	1,348	22.1
Revenue Not Available	1.1	0	0.0	0	0.0
Total	100.0	51	100.0	6,093	100.0
Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. As noted in the following table, the bank's lending performance exceeds D&B data. Of the 36 borrowers, 94.4 percent had gross annual revenues of \$1 million or less, which demonstrates the bank's efforts to lend to small businesses. As previously stated, examiners emphasized performance by number of loans as that is a better indicator of businesses served.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.6	34	94.4	1,652	86.9
>\$1,000,000	3.1	2	5.6	250	13.1
Revenue Not Available	14.3	0	0.0	0	0.0
Total	100.0	36	100.0	1,902	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.