

PUBLIC DISCLOSURE

May 19, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First State Bank of Malta
RSSD #615253

1 South First Street East
P.O. Box 910
Malta, Montana 59538-0910

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
P.O. Box 291
Minneapolis, Minnesota 55480

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

The First State Bank of Malta (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and farms of different sizes.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Examiners utilized The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's AA. Examiners reviewed the following data:

- The bank's 17-quarter average NLTD ratio.
- Statistical samples of 99 small farm loans and 104 consumer loans originated between January 1, 2024, and December 31, 2024. These products represent a significant portion of originations: consumer loans by dollar volume, and small farm loans by number and dollar volume.

Of the five core criteria, examiners placed the greatest weight on the bank's lending to farms of different sizes and borrowers of different income levels. The NLTD ratio and lending inside the AA received lower weight and were weighted equally. The geographic distribution of loans received the least weight. By loan type, examiners placed equal weight on consumer and small farm loans based on dollar and number volume.

DESCRIPTION OF INSTITUTION

The First State Bank of Malta is a community bank headquartered in Malta, Montana. The bank's characteristics include the following:

- The bank is a wholly owned subsidiary of FS Banco, Inc., and does not have affiliates or subsidiaries.
- The bank has total assets of \$169.2 million as of March 31, 2025.

- The bank's only office is in Malta. The bank offers drive-up services, including Saturday hours, and operates a cash-dispensing-only ATM here.
- The bank operates five additional cash-dispensing-only ATMs: three in Malta and two in Saco, Montana. Two of the ATMs are new since the previous evaluation.
- As shown in Table 1, the bank's primary business focus is agricultural lending, but the bank also actively originates consumer loans. The overall composition of the loan portfolio did not change significantly since the previous evaluation. However, as a percentage of the loan portfolio, commercial loans increased slightly, and agricultural loans decreased slightly.

Table 1 Composition of Loan Portfolio as of March 31, 2025		
Loan Type	\$(000)	%
Agricultural	52,529	78.7
Commercial	10,461	15.7
Residential Real Estate	512	0.8
Consumer	2,714	4.1
Other	498	0.7
Gross Loans	66,714	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its March 1, 2021, performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank has one designated AA in Montana that consists of Phillips County. The county seat is Malta where the bank is located (see Appendix A for an AA map and Appendix B for additional demographic data).

- The bank did not change the AA since the previous evaluation.
- Over the evaluation period, the AA consisted of one census tract. The income classification of the tract varied based on census data changes. In 2021 and 2024, the census tract was classified as an underserved, middle-income tract. In 2022 and 2023, the tract was classified as moderate income.
- The AA includes a portion of the Fort Belknap Indian Reservation as well as parcels of Turtle Mountain Indian Reservation trust land.
- According to the June 30, 2024, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks first out of three FDIC-insured financial institutions with offices in Phillips County, with 65.9% of the total deposits.
- Examiners spoke with a community contact familiar with the local agricultural economy.

Table 2 Population Change			
Area	2015 Population	2020 Population	% Change
Malta AA	4,167	4,217	1.2%
NonMSA Montana	465,283	484,395	4.1%
Montana	1,014,699	1,084,225	6.9%
Source: 2020 U.S. Census Bureau: Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey			

- As shown in Table 2, the populations of the AA, the nonmetropolitan areas of Montana, and the state of Montana increased slightly from 2015 to 2020. The population changes in the state of Montana and the nonmetropolitan areas of the state were greater than the change in the AA.
- A community contact mentioned that the population of the area is aging, and younger residents typically leave the area for education or other opportunities.

Table 3 Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	% Change
Malta AA	\$54,121	\$55,250	2.1%
NonMSA Montana	\$60,452	\$64,515	6.7%
Montana	\$66,943	\$72,773	8.7%
Source: 2011-2015 U.S. Census Bureau: American Community Survey 2016-2020 U.S. Census Bureau: American Community Survey Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.			

- The median family income in the AA slightly increased between 2015 and 2020, as shown in Table 3. This increase is less than the increase in the nonmetropolitan areas of the state and the state of Montana.
- Bank management noted that area wages vary by employer, and some employers offer well-paying jobs.
- Based on 2020 census data, the percentage of families living below poverty in the AA is 3.9%, which is lower than the state's percentage of 7.7%.

Table 4 Unemployment Rates			
Area	2021	2022	2023
Malta AA	3.8%	3.8%	4.2%
NonMSA Montana	3.9%	3.1%	3.3%
Montana	3.4%	2.7%	2.9%
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics			

- As shown in Table 4, the AA unemployment rate has been generally stable from 2021 to 2023.
- From 2021 to 2023, the AA unemployment rate was slightly higher than the statewide Montana unemployment rate and generally comparable to the nonmetropolitan areas of Montana.
- The area's largest employers include local schools, a hospital, county government, and federal government. According to a community contact, many residents also work for the railroad. Bank management and the contact noted that it can be difficult for employers to hire workers.
- The community contact noted that the predominant economic activity in the AA is agriculture, specifically cattle operations. The contact noted that cattle prices have been high. Farmers also grow crops, including wheat, barley, as well as others. Farmers faced several challenges during the evaluation period, such as low crop prices, high input costs, and drought conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AA. There are no similarly situated FDIC-insured institutions operating in the bank's AA for comparison purposes.

The bank's NLTD ratio is reasonable. The bank's 17-quarter average NLTD ratio is 42.0%. At the previous evaluation, the bank's 19-quarter average NLTD ratio was 77.5%. The NLTD ratio fluctuated from a high of 48.3% to a low of 36.5% during the current period. Various factors impacted the NLTD ratio, including public deposits, fluctuations in the bank's lending and other deposit activity, as well as economic factors such as interest rate changes.

As of March 31, 2025, the bank's NLTD ratio is 44.2%, which is below peer at 67.0%. The bank's national peer group includes insured commercial banks having assets between \$100 million and \$300 million, with two or fewer full-service offices, and not located in a metropolitan statistical area.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. The bank originated a substantial majority of the bank's loans, by number and dollar, inside the AA, as shown in Table 5. The bank originated very few loans outside the AA; most loans were originated in nearby counties.

Table 5 Lending Inside and Outside the AA								
Loan Type	Inside				Outside			
	#	#%	\$(000)	%	#	#%	\$(000)	%
Consumer	94	90.4	427	83.1	10	9.6	87	16.9
Small Farm	96	97.0	9,739	94.3	3	3.0	594	5.7
Total Loans	190	93.6	10,166	93.7	13	6.4	681	6.3
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts with consideration given to the dispersion of loans throughout the AA. The bank's geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA. In 2024, the bank's AA consists of one middle-income census tract. The bank originated consumer and small farm loans in the tract.

Lending to Borrowers of Different Income Levels and to Farms of Different Sizes

This performance criterion evaluates the bank's lending to borrowers of different income levels and farms of different revenue sizes. The bank's lending has a reasonable distribution among individuals of different income levels and farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. As shown in Table 6, demographic data indicates that 99.3% of farms in the AA have revenues of \$1 million or less. The bank originated 91.7% of its small farm loans to farms with gross annual revenues of \$1 million or less. Of the bank's small farm loans, 67.7% are for \$100,000 or less, which indicates a willingness to serve the credit needs of small farms. Bank management noted high competition for farm loans in the AA with low loan demand.

In addition, the bank participated in the Paycheck Protection Program (PPP) lending through the Small Business Administration during the evaluation period. These loans were designed to help entities keep their workforces employed during the COVID-19 pandemic. In May 2021, the bank originated two agriculture-related PPP loans, totaling \$24,903 in Phillips County.

Table 6 Distribution of 2024 Small Farm Lending By Revenue Size of Farms Malta AA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	88	91.7	7,708	79.1	99.3
Over \$1 Million	8	8.3	2,031	20.9	0.7
Revenue Unknown	0	0.0	0	0.0	0.0
Total	96	100.0	9,739	100.0	100.0
By Loan Size					
\$100,000 or Less	65	67.7	2,442	25.1	
\$100,001 - \$250,000	23	24.0	4,103	42.1	
\$250,001 - \$500,000	8	8.3	3,194	32.8	
Total	96	100.0	9,739	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	65	73.9	2,442	31.7	
\$100,001 - \$250,000	17	19.3	3,022	39.2	
\$250,001 - \$500,000	6	6.8	2,244	29.1	
Total	88	100.0	7,708	100.0	
Source: 2024 FFIEC Census Data 2024 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

Consumer Lending

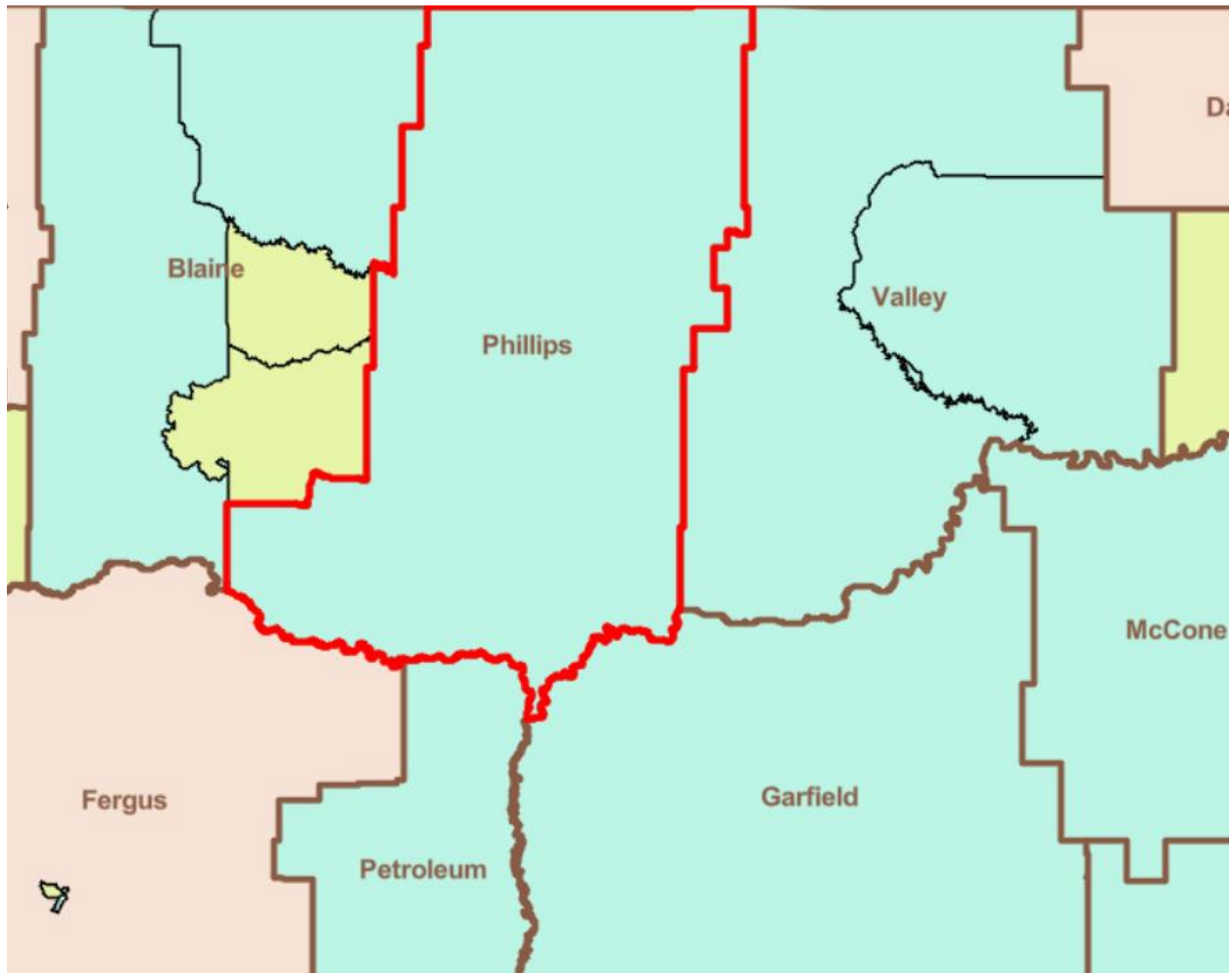
The borrower distribution of consumer lending is reasonable. Overall, the bank extended 30.8% of consumer loans to LMI borrowers. According to demographic data, 39.0% of households in the AA are LMI, as shown in Table 7. The bank's lending to low-income borrowers is slightly higher than demographics, which show 19.2% of households are low income. The bank's lending to moderate-income borrowers is below demographics, which show 19.8% of households are moderate income. The bank is willing to make small dollar loans. Of the bank's consumer loans, 73.4% were in amounts of \$3,000 or less, and 20.2% of these loans were to LMI borrowers. Lastly, as shown in Table 7, the bank originated 58.5% of consumer loans to borrowers with unknown incomes. The bank participates in a local loan program that does not require income documentation, with the purpose of providing short-term, small-dollar, no-interest loans to borrowers. Given the loan program characteristics, it is likely that LMI borrowers benefit from this program.

Table 7 Distribution of 2024 Consumer Lending By Borrower Income Level Malta AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	\$%	
Low	21	22.3	122	28.6	19.2
Moderate	8	8.5	95	22.2	19.8
Middle	6	6.4	74	17.3	25.7
Upper	4	4.3	82	19.2	35.3
Unknown	55	58.5	54	12.6	0.0
Total	94	100.0	427	100.0	100.0
<i>Source: 2024 FFIEC Census Data</i> <i>2016-2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B – Equal Credit Opportunity Act and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

Combined Demographics Report Malta AA 2024								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	189	17.7
Moderate-income	0	0.0	0	0.0	0	0.0	289	27.1
Middle-income	1	100.0	1,066	100.0	41	3.8	303	28.4
Upper-income	0	0.0	0	0.0	0	0.0	285	26.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1	100.0	1,066	100.0	41	3.8	1,066	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	2,357	1,401	100.0	59.4	355	15.1	601	25.5
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	2,357	1,401	100.0	59.4	355	15.1	601	25.5
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	257	100.0	227	100.0	21	100.0	9	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	257	100.0	227	100.0	21	100.0	9	100.0
Percentage of Total Businesses:				88.3		8.2		3.5
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	135	100.0	134	100.0	1	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	135	100.0	134	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.3		0.7		0.0
Source: 2024 FFIEC Census Data and 2024 D&B Information								

APPENDIX C – 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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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, other secured consumer loans, and other unsecured consumer loans.

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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.