

# **PUBLIC DISCLOSURE**

June 7, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Nebraska State Bank  
Certificate Number: 13696

301 Prairie Street  
Bristow, Nebraska 68719

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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	1
DESCRIPTION OF ASSESSMENT AREA .....	2
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA .....	4
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	6
APPENDICES .....	7
SMALL BANK PERFORMANCE CRITERIA .....	7
GLOSSARY .....	8

## 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.

Nebraska State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the institution's performance:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment area.
- The bank made a substantial majority of its small farm and small business loans in the assessment area.
- The assessment area does not contain any low- or moderate-income census tracts. Therefore, examiners did not evaluate the geographic distribution of loans.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

Nebraska State Bank is privately owned and is affiliated by common ownership with Nebraska State Bank, Lynch, Nebraska. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated May 4, 2015, based on Interagency Small Institution Examination Procedures.

Nebraska State Bank operates its sole office in Bristow, Nebraska. The bank has not opened or closed any offices since the previous evaluation, nor has it had any merger or acquisition activity. Nebraska State Bank offers a variety of credit products, including agricultural, commercial, and consumer loans. However, it does not offer home mortgage loans. While the bank is willing to originate loans using Farm Service Agency and Small Business Administration loan programs, the bank currently has none in its portfolio. Agricultural lending continues to be the institution's primary lending focus, followed by commercial lending. Nebraska State Bank offers a full line of traditional deposit products, including checking, savings, and certificates of deposit accounts.

As of March 31, 2021, the institution reported total assets of \$21.0 million, total loans of \$10.7 million, and total deposits of \$18.2 million. The following table illustrates the bank's loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	1,150	10.8
Secured by 1-4 Family Residential Properties	224	2.1
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	242	2.3
<b>Total Real Estate Loans</b>	<b>1,616</b>	<b>15.2</b>
Commercial and Industrial Loans	2,076	19.5
Agricultural Production and Other Loans to Farmers	6,574	61.7
Consumer Loans	388	3.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	4	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>10,658</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

Nebraska State Bank operates in one nonmetropolitan assessment area in Nebraska. Specifically, the assessment area includes all of Boyd County (CT 9758), the northern portion of Holt County (CTs 9740, 9742, and 9743), and the western portion of Knox County (CT 9762). The bank has not changed the boundaries of the assessment area since the previous evaluation.

### **Economic and Demographic Data**

The assessment area is rural and primarily dependent on agriculture and related industries. According to 2015 American Community Survey (ACS) data, all five of the census tracts that comprise the bank's assessment area are middle-income census tracts. The assessment area previously consisted of four middle- and one moderate-income census tracts based on 2010 U.S. Census data. The following table provides additional demographic characteristics of the assessment area.

<b>Demographic Information of the 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>NA* % of #</b>
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	12,855	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,914	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,169	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,457	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,288	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,507	0.0	0.0	100.0	0.0	0.0
Farms by Geography	353	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,544	17.0	21.5	25.0	36.5	0.0
Household Distribution by Income Level	5,626	26.8	14.1	21.3	37.8	0.0
Median Family Income Nonmetropolitan - Nebraska	\$61,457	Median Housing Value				\$86,767
		Median Gross Rent				\$600
		Families Below Poverty Level				6.1%

*Source: 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0%  
 (\*) The NA category consists of geographies that have not been assigned an income classification.*

### **Competition**

Nebraska State Bank operates in a competitive banking market, especially given the rural nature of the assessment area. According to the June 30, 2020 FDIC Deposit Market Share data, 15 FDIC-insured institutions operate 25 offices within the counties that make up the bank’s assessment area. Of these institutions, Nebraska State Bank ranks 13th with 1.8 percent of the deposit market share. Management stated that the bank’s primary competitor is AgCountry Farm Credit Services for loans and local community banks for deposits.

### **Community Contact**

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

Examiners conducted an interview with an individual familiar with agriculture activity in the assessment area. The contact indicated that the area’s economy is highly dependent on agriculture and agricultural-related businesses. The individual further indicated that agricultural loans are the primary credit need, which is being met by local financial institutions in the assessment area.

### **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural loans represent the primary credit need in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated May 4, 2015, to the current evaluation dated June 7, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate the institution's CRA performance. This evaluation does not include any lending activity performed by affiliates.

### **Activities Reviewed**

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. As noted earlier, the bank's primary lending focus is agricultural lending with commercial lending as a secondary focus. Therefore, examiners reviewed all small farm and small business loans originated, renewed, extended, or purchased in 2020, including those that were subsequently paid off during the evaluation period. The bank's lending activity in 2020 was considered representative of the bank's performance during the entire evaluation period. Specifically, examiners reviewed 112 small farm loans totaling approximately \$5.2 million and 21 small business loans totaling approximately \$1.1 million for the Assessment Area Concentration criterion. For the Borrower Profile criterion analysis, examiners reviewed a sample of 47 small farm loans, totaling approximately \$1.9 million, originated within the assessment area. In addition, examiners analyzed all 17 small business loans, totaling approximately \$720,000, originated within the assessment area. Examiners did not analyze home mortgage or consumer loans since these loans do not represent a significant portion of the loan portfolio or a lending focus of the institution.

D&B data for 2020 provided a standard of comparison for small farm and small business lending. The bank's small farm lending performance contributed greater weight to overall conclusions since agricultural lending is the bank's lending focus and is the primary credit need in the assessment area. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because this a better indicator of the number of farms and businesses served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Nebraska State Bank demonstrated an overall reasonable performance under the Lending Test. The loan-to-deposit ratio, assessment area concentration, and borrower profile support this conclusion. While assessment area concentration reflects a substantial majority of lending within the assessment area and borrower profile indicates excellent penetration, this performance does not elevate the overall conclusion.

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

When compared to other similarly situated institutions, the bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

The institution's loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 64 percent over the past 24 calendar quarters from June 30, 2015, to March 31, 2021. This is similar to the previous evaluation, at which time the net loan-to-deposit ratio averaged 63 percent. The ratio

ranged from a low of 55.8 percent as of June 30, 2015, to a high of 75.6 percent as of June 30, 2019. The ratio has fluctuated during the evaluation period due to the cyclical nature of the agricultural industry, as well as the impact of deposits from the Small Business Administration’s Paycheck Protection Program, which provided assistance to farms and businesses negatively impacted by the COVID-19 pandemic.

The ratio does not reflect farm and business loan applications that were referred to the affiliated bank under the Small Business Administration’s Paycheck Protection Program. It also does not include a net amount of loan participations sold totaling approximately \$12 million. The bank’s average net loan-to-deposit ratio, as well as those of comparable institutions, is shown in the following table.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2021 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
<b>Nebraska State Bank, Bristow, Nebraska</b>	<b>20,977</b>	<b>64.0</b>
Butte State Bank, Butte, Nebraska	51,568	70.8
Chambers State Bank, Chambers, Nebraska	71,957	101.8
Nebraska State Bank, Lynch, Nebraska*	20,532	53.4

*Source: Reports of Condition and Income 6/30/2015 – 3/31/2021. Banks listed alphabetically by city. \*Affiliated institution*

**Assessment Area Concentration**

As detailed in the following table, Nebraska State Bank originated a substantial majority of its small farm and small business loans within the assessment area.

<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 \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>			<b>Total</b>	<b>Inside</b>		<b>Outside</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Small Farm	104	92.9	8	7.1	112	4,973	95.1	254	4.9	5,227
Small Business	17	81.0	4	19.0	21	720	63.1	421	36.9	1,141

*Source: Bank Data. Due to rounding, totals may not equal 100.0%*

**Geographic Distribution**

The assessment area does not include any low- or moderate-income geographies, and a review of the geographic distribution of loans would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

**Borrower Profile**

Overall, borrower profile performance is excellent. This conclusion is based on excellent penetration among farms of different revenue sizes, which received the most weight in the analysis. Examiners focused on lending to farms and businesses with gross annual revenues of \$1 million or less.

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

The distribution of borrowers reflects excellent penetration among farms. Specifically, the analysis revealed that all 47 of the small farm loans sampled were originated to farms with gross annual revenues of \$1 million or less. Comparable D&B data indicates that 98.9 percent of farm in the assessment area are in the same income category.

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

The distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank's small business lending performance, by number of loans, is comparable to D&B data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	78.4	12	70.6	349	48.5
>\$1,000,000	5.4	5	29.4	371	51.5
Revenue Not Available	16.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>720</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%*

### **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.