

# **PUBLIC DISCLOSURE**

October 7, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank  
Certificate Number: 15364

102 East Broadway Street  
Randolph, Nebraska 68771

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 .....	5
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.

The following points summarize the bank's performance.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of small farm loans were located inside the assessment area.
- The assessment area consists entirely of middle-income geographies and a review of the geographic distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects reasonable penetration among farms of different sizes.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

First State Bank is a community bank that operates from their headquarters and sole office in Randolph, Nebraska. First State Bancorp, Inc., a one-bank holding company, also located in Randolph, wholly owns the bank. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated October 9, 2018, using the Interagency Small Institution Examination Procedures.

The bank offers traditional credit products including agricultural, commercial, home mortgage, and consumer loans. The bank offers a variety of deposit products including checking, savings, money market, and health savings accounts, as well as certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit, and two ATMs.

As of the June 30, 2024 Reports of Condition and Income (Call Report), the bank reported total assets of \$70.9 million, total loans of \$48.0 million, and total deposits of \$52.0 million. As presented in the following table, agricultural and farmland lending represent the largest portions of the loan portfolio. The lending concentration is consistent with the loan portfolio distribution at the prior evaluation.

<b>Loan Portfolio Distribution as of 6/30/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	13,761	28.7
Secured by 1-4 Family Residential Properties	2,920	6.1
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	3,161	6.6
<b>Total Real Estate Loans</b>	<b>19,842</b>	<b>41.4</b>
Commercial and Industrial Loans	1,202	2.5
Agricultural Production and Other Loans to Farmers	25,999	54.2
Consumer Loans	910	1.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	3	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>47,956</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income Due to rounding, total 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 will be evaluated. First State Bank has designated one assessment area that includes census tract 9772 in Cedar County, census tract 9791 in Pierce County, and census tract 9786 in Wayne County. All three census tracts are in the nonmetropolitan area of northeastern Nebraska. The three census tracts in the assessment area remain middle-income according to 2020 U.S. Census data. Cedar County was designated as underserved throughout the entire evaluation period. The bank’s sole branch and two ATMs are in Cedar County.

**Economic and Demographic Data**

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	11,334	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,397	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,795	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,111	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	491	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,367	0.0	0.0	100.0	0.0	0.0
Farms by Geography	408	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,321	11.6	18.5	25.3	44.7	0.0
Household Distribution by Income Level	4,906	16.9	15.0	20.6	47.6	0.0
Median Family Income – Nonmetropolitan Nebraska	\$71,424	Median Housing Value		\$138,670		
		Median Gross Rent		\$650		
		Families Below Poverty Level		3.2%		
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data Due to rounding, totals may not equal 100.0%</i>						

The assessment area is rural in nature, and the economy is highly dependent on agriculture. According to 2022 U.S. Census of Agriculture data, 1,825 farm operations generated \$1.2 billion in commodity sales in Cedar, Pierce, and Wayne counties. According to 2023 D&B data, the largest business segments in the assessment area include services at 23.5 percent and agriculture, forestry, and fishing at 22.8 percent. In addition, farms and businesses are predominantly small operations with 93.5 percent operating from a single location and 68.3 percent employing less than five employees. The total number of farms within the assessment area increased by 56 farms since the previous evaluation figure of 352 farms. Conversely, the total population within the assessment area decreased by 274 people.

**Competition**

First State Bank operates in a moderately competitive environment for financial services, given the population and rural nature of the assessment area. According to the 2023 FDIC Deposit Market Share data, 7 financial institutions operate 8 branches within the assessment area. Of these institutions, First State Bank ranked 5<sup>th</sup> with 11.6 percent of the deposit market share. Additionally, First State Bank faces competition for agricultural loans from Farm Credit Services, as well as nontraditional creditors and dealers.

**Community Contact**

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

Examiners reviewed a recent community contact interview with a representative from a government services agency that operates within the assessment area. Agriculture is the primary driver of the economy, which is dependent on commodity prices, weather, and input costs. The contact stated that the area has seen a declining population. Further, the size of farming operations has increased, but there are also numerous hobby farms supporting beef and crop

operations on a smaller scale. Further, the community contact stated the loan volume at local financial institutions is down in recent years due to higher commodity prices as farmers have been able to pay down debt as well as increase their working capital and net worth. According to the community contact, the primary credit need is agricultural loans.

**Credit Needs**

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

**SCOPE OF EVALUATION**

**General Information**

This evaluation covers the period from the prior evaluation dated October 9, 2018, to the current evaluation dated October 7, 2024. Examiners used the Interagency Small Institution Examination Procedures to evaluate First State Bank’s CRA performance. These procedures included a review of performance according to the Lending Test, as outlined in the Appendices.

**Activities Reviewed**

First State Bank’s primary credit product is agricultural loans. Therefore, examiners selected small farm loans to review the bank’s CRA performance. The products reviewed were selected based on the volume of loans originated and the loan portfolio composition. Examiners did not review small business loans or home mortgage loans, as neither are a primary lending focus of the bank, and both comprise only a small portion of the loan portfolio. A review of these loan types would not provide material support for conclusions or the rating.

Examiners selected calendar year 2023 as the review period. The lending focus and product make-up remained consistent throughout the evaluation period, and bank management indicated the review period was an accurate representation of the lending activity throughout the evaluation period. For Assessment Area Concentration, examiners reviewed all small farm loans originated or purchased in 2023. First State Bank’s assessment area does not include any low- or moderate- income census tracts; therefore, examiners did not evaluate the Geographic Distribution criterion. For Borrower Profile, examiners reviewed the small farm loans made inside the assessment area. D&B data from 2023 provided the standard of comparison for small farm loans. The following table provides details on the loans reviewed.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Farm	109	16,942	106	15,805
<i>Source: Bank Data</i>				

While examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation, they emphasized performance by the number of loans because the number of loans is generally a better indicator of borrowers served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

First State Bank demonstrated satisfactory performance under the Lending Test. While the bank demonstrated excellent performance under the Loan-to-Deposit Ratio and Assessment Area Concentration criteria, this did not warrant an overall outstanding rating when considering the performance under the Borrower Profile criterion.

#### Loan-to-Deposit Ratio

First State Bank’s loan-to-deposit ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Call Report data, averaged 94.2 percent over the past 23 quarters from December 31, 2018, to June 30, 2024. The average net loan-to-deposit ratio increased slightly since the previous evaluation figure of 93.7 percent.

Examiners compared First State Bank’s average net loan-to-deposit ratio to four similarly-situated institutions to evaluate the bank’s performance. These institutions were selected based on their asset size, geographic location, and lending focus. As shown in the table below, First State Bank’s loan-to-deposit ratio significantly exceeds the ratios of all four similarly-situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 06/30/2024 (\$000s)</b>	<b>Average Net Loan- to-Deposit Ratio (%)</b>
<b>First State Bank, Randolph, Nebraska</b>	<b>70,914</b>	<b>94.2</b>
Bank of Elgin, Elgin, Nebraska	78,644	77.5
Cedar Security Bank, Fordyce, Nebraska	55,022	65.1
Farmers and Merchants State Bank, Bloomfield, Nebraska	204,503	72.8
Security Bank, Laurel, Nebraska	305,950	71.3
<i>Source: Reports of Condition and Income 12/31/2018 – 6/30/2024</i>		

#### Assessment Area Concentration

As detailed in the following table, First State Bank made a substantial majority of small farm loans, by number and dollar amount, within its 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</b>				<b>Total</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	#	%	#	%	#	\$(000s)	%	\$(000s)	%	\$(000s)
Small Farm	106	97.2	3	2.8	109	15,805	93.3	1,140	6.7	16,945
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The assessment area does not include any low- or moderate-income census tracts, and a review of the Geographic Distribution criterion would not result in any meaningful conclusions. Therefore, this criterion was not evaluated.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the percentage of small farm loans made to farms with gross annual revenues of \$1 million or less is below the percentage of farms reporting revenues in this category. The 106 small farm loans located in the assessment area were made to 41 borrowers. Therefore, when considering the number of borrowers served, as opposed to loans originated, 75.6 percent of borrowers were farming operations with gross annual revenues less than \$1 million. Furthermore, according to 2022 Census of Agriculture data, the opportunity to lend to farms in the assessment area is limited as many farms do not have credit needs. Specifically, 49.5 percent of farms in Cedar, Pierce, and Wayne counties do not report an interest expense, indicating that they do not borrow funds for their operations. In addition, 52.3 percent of agricultural producers report a primary occupation other than farming. Considering this information, the bank's performance is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	98.8	71	67.0	9,747	61.7
> \$1,000,000	0.5	35	33.0	6,059	38.3
Revenue Not Available	0.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>15,806</b>	<b>100.0</b>

*Source: 2023 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.