

PUBLIC DISCLOSURE

March 3, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank
Certificate Number: 8604

201 Main Street
Hordville, Nebraska 68846

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

The following points summarize the bank's performance.

- 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 loans inside 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 reasonable penetration among farms of different sizes.
- The bank did not receive any complaints related to its Community Reinvestment Act (CRA) performance since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

First State Bank (FSB) operates from a single location in Hordville, Nebraska. FSB is wholly owned by a one-bank holding company, Firststand Co., also located in Hordville, Nebraska. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated May 6, 2019, 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, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit, and two ATMs.

As of the December 31, 2024, Reports of Condition and Income (Call Report), the bank reported total assets of \$47.4 million, total deposits of \$40.6 million, and total loans of \$29.5 million. These figures represent an increase in total assets and deposits and a decrease in total loans since the previous CRA evaluation, where assets totaled \$43.2 million, deposits totaled \$31.0 million, and loans totaled \$36.9 million. As illustrated in the following table, the loan portfolio is primarily composed of agricultural lending; followed by commercial lending, which is consistent with the loan portfolio distribution at the previous evaluation.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	9,853	33.4
Secured by 1-4 Family Residential Properties	3,198	10.9
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	2,034	6.9
Total Real Estate Loans	15,085	51.2
Commercial and Industrial Loans	2,809	9.5
Agricultural Production and Other Loans to Farmers	10,974	37.2
Consumer Loans	443	1.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	173	0.6
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	29,484	100.0
<i>Source: Reports of Condition and Income; 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 the 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. FSB designated one assessment area that includes all of Hamilton, Merrick, and Polk counties. Hamilton and Polk County are located within the nonmetropolitan area of Nebraska; and, Merrick County is part of the Grand Island, Nebraska Metropolitan Statistical Area (MSA). The assessment area has not changed since the previous evaluation and contains six middle-income and two upper-income census tracts. FSB’s sole office is in Hamilton 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)	8	0.0	0.0	75.0	25.0	0.0
Population by Geography	22,311	0.0	0.0	69.2	30.8	0.0
Housing Units by Geography	10,706	0.0	0.0	72.0	28.0	0.0
Owner-Occupied Units by Geography	7,159	0.0	0.0	71.7	28.3	0.0
Occupied Rental Units by Geography	1,841	0.0	0.0	68.1	31.9	0.0
Vacant Units by Geography	1,706	0.0	0.0	77.3	22.7	0.0
Businesses by Geography	3,103	0.0	0.0	64.7	35.3	0.0
Farms by Geography	767	0.0	0.0	72.8	27.2	0.0
Family Distribution by Income Level	6,166	13.3	16.9	25.6	44.1	0.0
Household Distribution by Income Level	9,000	17.4	18.8	18.8	45.0	0.0
Median Family Income Grand Island, Nebraska MSA		\$70,828	Median Housing Value			\$137,546
Median Family Income Nonmetropolitan Nebraska		\$70,804	Median Gross Rent			\$700
			Families Below Poverty Level			4.6%

Source: 2020 U.S. Census and 2024 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.

The assessment area is rural in nature and the economy is highly dependent on agriculture. According to the 2022 Census of Agriculture, the area produced \$1.1 billion in commodity sales and local farms primarily raise pullets or cattle for livestock and grow corn for grain. According to 2024 D&B data, the three largest business segments in the assessment area are services at 25.7 percent, agricultural at 19.8 percent, and non-classifiable establishments at 19.0 percent. Area businesses and farms are predominantly small operations, with 92.3 percent operating from a single location and 69.5 percent employing less than 5 employees.

Competition

Competition for financial services is moderate in the assessment area. According to 2024 FDIC Deposit Market Share data, 8 financial institutions operate 22 offices within the assessment area. Of these institutions, FSB ranked 6th with 4.5 percent of the deposit market share. Additionally, FSB faces competition for agricultural loans from Farm Credit Services, as well as nontraditional creditors and dealers.

Community Contacts

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

For this evaluation examiners contacted a representative from an economic development organization that serves the assessment area. The contact indicated that agriculture is the primary driver of the economy, which is dependent on commodity prices, weather, and input costs.

Currently, high cattle prices have boosted parts of the agricultural economy, while lower grain prices have caused some downturn in the industry. Other leading industries include manufacturing, government, and healthcare. Further, the contact indicated that local businesses are struggling to hire due to the lack of housing within the area. Aging infrastructure and high prices have made it difficult for many to find affordable homes. According to the contact, the primary credit needs of the area are agriculture and home mortgage loans and that local banks were meeting area credit needs.

Credit Needs

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 6, 2019, to the current evaluation dated March 3, 2025. Examiners used the Interagency Small Institution Examination Procedures to evaluate FSB’s CRA performance. These procedures include a review of performance according to the Lending Test, as outlined in the Appendices.

Activities Reviewed

FSB’s primary lending focus is agricultural lending; therefore, examiners reviewed small farm loans to evaluate the bank’s CRA performance. Examiners selected the loan product based on the bank’s business strategy, assessment area credit needs, and the number and dollar volume of loans originated during the evaluation period. Examiners did not review small business 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 2024 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. Examiners reviewed all small farm loans originated or purchased in 2024 to assess the bank’s performance under the Assessment Area Concentration criterion. For Borrower Profile, examiners reviewed a sample of small farm loans made in the assessment area. D&B data for 2024 provided a standard of comparison. The following table provides details on the loans reviewed.

Loan Products Reviewed				
Loan Type	Universe		Borrower Profile Sample	
	#	\$(000’s)	#	\$(000’s)
Small Farm	49	8,696	32	5,724
<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 it is

generally a better indicator of the number of farms served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FSB demonstrated satisfactory performance under the Lending Test. The bank’s collective performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

FSB’s net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and the credit needs of the assessment area. The bank’s net loan-to-deposit ratio, calculated from Call Report data, averaged 81.5 percent over the past 23 quarters from June 30, 2019, to December 31, 2024, and represents a decrease since the previous evaluation when the average was calculated at 111.9 percent. The ratio ranged from a high of 110.1 percent as September 30, 2019, to a low of 57.3 percent as of March 31, 2023. The ratio has increased since it hit the low point in March of 2023 and was 71.2 percent as of December 31, 2024.

Examiners compared FSB’s average net loan-to-deposit ratio to three similarly situated financial 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 following table, FSB’s average net loan-to-deposit ratio is reasonable in comparison to the similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
First State Bank, Hordville, Nebraska	47,432	81.5
Community State Bank, Colon, Nebraska	44,028	51.1
First Bank of Utica, Utica, Nebraska	70,455	90.4
State Bank of Scotia, Scotia, Nebraska	57,969	82.2
<i>Source: Reports of Condition and Income 6/30/2019 – 12/31/2024</i>		

Assessment Area Concentration

The bank made a majority of small farm loans, by number and dollar volume, within its assessment area. The following table provides details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Small Farm	43	87.8	6	12.2	49	7,350	84.5	1,346	15.5	8,696
<i>Source: Bank Data; Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The assessment area does not contain any low- or moderate-income census tracts. Therefore, examiners did not evaluate the Geographic Distribution of loans, as it would not result in meaningful conclusions.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes. For this criterion, examiners focused on the percentage of loans to farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s percentage of loans to farms with revenues of \$1 million or less lags D&B data. However, according to 2022 Census of Agriculture data, the opportunity to lend within the assessment area is limited. Specifically, 52.7 percent of farms within the assessment area do not report an interest expense, indicating that they do not borrow funds for their operations. In addition, 47.9 percent of agricultural producers report a primary occupation other than farming. Considering this information, the bank’s performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.0	26	81.3	4,522	79.0
>\$1,000,000	0.8	6	18.8	1,202	21.0
Revenue Not Available	0.3	0	0.0	0	0.0
Total	100.0	32	100.0	5,724	100.0
<i>Source: 2024 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The bank did not receive 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 practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of 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.