

PUBLIC DISCLOSURE

April 8, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Nebraska Bank
Certificate Number: 16116

355 2nd Street
Dodge, Nebraska 68633

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 AREAS.....	2
SCOPE OF EVALUATION.....	3
CONCLUSIONS ON PERFORMANCE CRITERIA.....	4
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	8
NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review.....	9
LINCOLN ASSESSMENT AREA – Full-Scope Review.....	13
APPENDICES	17
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA	17
GLOSSARY	18

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 areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- The bank originated a majority of its small business and small farm loans inside the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes.
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

Nebraska Bank, previously named Farmers State Bank at the prior evaluation, is a state-chartered community bank, headquartered in Dodge, Nebraska. Farmers State Bancshares, Inc., a one-bank holding company, owns the institution. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated May 10, 2021, based on Interagency Small Institution Examination Procedures.

Nebraska Bank operates nine full-service offices throughout Nebraska in the communities of Alliance, Atkinson, Bridgeport, Carroll, Chadron, Dodge, Hemingford, Hickman, and Spencer. The Hemingford location opened as a loan production office on November 8, 2021, and became a full-service branch on July 5, 2022. The bank offers a variety of credit products including commercial,

agricultural, construction and land development, residential real estate, and consumer loans. Nebraska Bank’s primary lending focus continues to be agricultural and commercial loans. The bank also offers several deposit products such as checking, savings, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, and ATMs.

The institution’s December 31, 2023 Reports of Condition and Income (Call Report) reflected total assets of \$432.6 million, total loans of \$343.8 million, total securities of \$39.4 million, and total deposits of \$374.2 million. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	41,153	12.0
Secured by Farmland	58,668	17.1
Secured by 1-4 Family Residential Properties	24,660	7.2
Secured by Multifamily (5 or more) Residential Properties	4,999	1.5
Secured by Nonfarm Nonresidential Properties	86,190	25.1
Total Real Estate Loans	215,670	62.9
Commercial and Industrial Loans	39,843	11.6
Agricultural Production and Other Loans to Farmers	79,626	23.2
Consumer Loans	4,451	1.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	4,206	1.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	343,796	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Nebraska Bank has designated four non-contiguous assessment areas. The Alliance, Atkinson, and Dodge assessment areas include demographically similar nonmetropolitan census tracts, predominantly in Nebraska and to a much lesser extent, in South Dakota. The Lincoln Assessment Area is located in the Lincoln, Nebraska Metropolitan Statistical Area (MSA). Refer to the individual assessment area sections later in this evaluation for detailed descriptions of each assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 10, 2021, to the current evaluation dated April 8, 2024. Nebraska Bank exceeded the asset thresholds as of December 31 for the two consecutive year-ends and became subject to the Interagency Intermediate Small Institution Examination Procedures effective January 1, 2024. Therefore, examiners used the Interagency Intermediate Small Institution Examination Procedures to conduct the evaluation, which includes the Lending and Community Development Tests. Refer to the Appendices for a description of each test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Examiners used full-scope examination procedures to assess the performance in each assessment area. As previously mentioned, the Alliance, Atkinson, and Dodge assessment areas are demographically similar. Examiners analyzed each of these areas separately and did not identify anomalies in performance. Therefore, examiners combined these areas for presentation purposes as the Nonmetropolitan Assessment Area. Performance in the Nonmetropolitan Assessment Area received more weight when drawing overall conclusions since the majority of the bank's operations and lending activities are within this assessment area.

Activities Reviewed

Commercial and agricultural loans represent Nebraska Bank's primary business lines and are central to its overall business strategy, as supported by Call Report data and bank records. Therefore, examiners reviewed small business and small farm loans to evaluate the bank's performance under the Lending Test. Additionally, Nebraska Bank only originated two small farm loans in the Lincoln Assessment Area in 2023. Bank management confirmed the institution's business strategy for the Lincoln Assessment Area is primarily focused on commercial lending. Therefore, agricultural loans do not represent a major product line in the Lincoln MSA Assessment Area and examiners did not review small farm loans in the Lincoln Assessment Area. Even though beginning in 2023, the bank was required to report home mortgage loan data under the Home Mortgage Disclosure Act, the bank only reported 20 home mortgage loans totaling \$4.1 million on their 2023 Loan Application Register. As such, examiners did not review home mortgage loans since residential and multifamily real estate lending do not represent a significant portion of the loan portfolio or origination volume during the evaluation period. Therefore, home mortgage lending would not provide material support for conclusions or the rating.

Nebraska Bank's lending in 2023 was representative of the lending performance during entire evaluation period. Examiners reviewed small farm and small business loans originated or purchased in 2023 to evaluate the Assessment Area Concentration criterion. Examiners reviewed all small business loans located inside the Lincoln MSA Assessment Area to conduct the Geographic Distribution analysis. Examiners did not complete a Geographic Distribution analysis in the Nonmetropolitan Assessment Area because there are no low- or moderate-income census tracts in the assessment area. Lastly, for the Borrower Profile analysis, examiners reviewed a sample of small farm and small business loans in the Nonmetropolitan Assessment Area and the universe of small business loans in the Lincoln Assessment Area. The following table details the loan universes and samples selected for review.

Loan Products Reviewed						
Loan Category	Universe		Universe Inside the Assessment Areas		Borrower Profile	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Farm	201	26,617	174	22,852	101	14,926
Small Business	121	19,102	92	11,281	78	10,657
<i>Source: Bank Data</i>						

Small business and small farm lending performance were given equal weight in overall conclusions since both loan categories are a primary lending focus. While both the number and dollar volume of loans are presented, examiners emphasized performance by the number of loans when conducting the Geographic Distribution and Borrower Profile analyses because the number of loans is generally a better indicator of the number of businesses and farms served. The standard of comparison for small farm and small business loans was 2023 D&B data.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since January 1, 2023, when the bank started collecting community development information. Furthermore, investments that were made before the prior evaluation and remain outstanding are included at the current book values as prior period investments.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Nebraska Bank demonstrated satisfactory performance under the Lending Test. The bank's collective performance under the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment areas. The net loan-to-deposit ratio, calculated from Call Report data, averaged 88.1 percent over the past 11 quarters from June 30, 2021, to December 31, 2023. The bank's net loan-to-deposit ratio ranged from 75.7 percent to 96.0 percent during the evaluation period. Examiners compared Nebraska Bank's average net loan-to-deposit ratio to three other financial institutions. The comparable institutions were selected based on their asset size, geographic location, and lending focus. Nebraska Bank's average net loan-to-deposit ratio is reasonably comparable to these institutions' ratios. The following table provides details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023	Average Net Loan-to-Deposit Ratio
	\$(000s)	%
Nebraska Bank, Dodge, Nebraska	432,628	88.1
Bruning Bank, Bruning Nebraska	616,723	69.9
Riverstone Bank, Eagle, Nebraska	513,854	88.2
Arbor Bank, Nebraska City, Nebraska	582,976	86.1
<i>Source: Reports of Condition and Income 6/30/2021 – 12/31/2023</i>		

Assessment Area Concentration

A majority of loans, by number and dollar volume, were located inside the bank’s assessment areas. The following table provides details.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total	Dollars Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$(000s)	%	\$(000s)	%	\$(000)
Small Farm	174	86.6	27	13.4	201	22,852	85.9	3,765	14.1	26,617
Small Business	92	76.0	29	24.0	121	11,281	59.1	7,821	40.9	19,102
<i>Source: Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion. Examiners focused on the percentage of loans extended in the low- and moderate-income census tracts within the Lincoln Assessment Area. The Nonmetropolitan Nebraska Assessment Area does not contain any low- or moderate-income census tracts. Therefore, this criterion was not evaluated for the Nonmetropolitan Assessment Area, as it would not result in meaningful conclusions. As such, reasonable performance in the Lincoln Assessment Area supports the overall conclusion for this criterion. Detailed discussion of the bank’s performance is included in the Lincoln Assessment Area section of this evaluation.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of \$1 million or less. Reasonable performance in both assessment areas supports this conclusion. Detailed discussion of the bank’s performance is included in the individual assessment areas section of this evaluation.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Nebraska Bank demonstrated satisfactory performance under the Community Development Test. The bank’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such community development opportunities in the assessment areas when evaluating the institution’s performance. Furthermore, examiners evaluated community development activities dating back to the bank’s previous CRA evaluation. However, examiners considered the limited timeframe since Nebraska Bank has become subject to the Interagency Intermediate Small Institution Examination Procedures on January 1, 2024.

Examiners compared the bank’s level of community development activity to three comparable institutions with similar asset sizes operating in Nebraska. These comparable institutions were also evaluated using Interagency Intermediate Small Institution Examination Procedures.

Community Development Loans

Nebraska Bank originated 17 community development loans totaling approximately \$15.8 million. The dollar volume of community development loans represented 3.7 percent of total assets and 4.7 percent of net loans as of December 31, 2023. The comparable institutions’ community development loans ranged from 1.0 percent to 2.9 percent of total assets and 1.6 percent to 3.8 percent of net loans. For comparison purposes, the comparable bank’s ratios exclude loans originated under the Small Business Association’s Paycheck Protection Program, which provided assistance to small farms and small businesses struggling with the impact of the COVID-19 pandemic in 2020 and 2021. Nebraska Bank’s level of community development loans is comparable to these institutions. The following tables illustrate the bank’s community development lending activity by assessment area, purpose, and year. Details on the bank’s community development lending activities are located in the applicable assessment area sections of the evaluation.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Nonmetropolitan	0	0	0	0	7	629	6	2,775	13	3,404
Lincoln	0	0	0	0	2	2,110	2	10,300	4	12,410
Total	0	0	0	0	9	2,739	8	13,075	17	15,814

Source: Bank Data

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	8	2,729	8	13,075	16	15,804
Year-to-Date 2024	0	0	0	0	1	10	0	0	1	10
Total	0	0	0	0	9	2,739	8	13,075	17	15,814

Source: Bank Data

Qualified Investments

Nebraska Bank made 38 qualified investments and donations totaling \$7.3 million during the evaluation period. The dollar volume of qualified investments represented 1.7 percent of total assets and 18.6 percent of total securities as of December 31, 2023. Comparable institutions qualified investment ratios ranged from 0.6 percent to 2.2 percent of total assets and 2.1 percent to 7.2 percent of total securities. Nebraska Bank’s level of qualified investments exceeded these institutions. The following tables illustrate the bank’s qualified investment activity by assessment

area, purpose, and year. Details on the bank’s qualified investment activities are located in the applicable assessment area sections of the evaluation.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Nonmetropolitan	0	0	4	1	0	0	34	7,340	38	7,341
Lincoln	0	0	0	0	0	0	0	0	0	0
Total	0	0	4	1	0	0	34	7,340	38	7,341
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	13	4,610	13	4,610
2021 (Partial)	0	0	0	0	0	0	10	1,305	10	1,305
2022	0	0	0	0	0	0	5	650	5	650
2023	0	0	0	0	0	0	2	560	2	560
Year-to-Date 2024	0	0	0	0	0	0	1	174	0	174
Subtotal	0	0	0	0	0	0	31	7,299	30	7,299
Grants & Donations	0	0	4	1	0	0	3	41	7	42
Total	0	0	4	1	0	0	34	7,340	37	7,341
<i>Source: Bank Data</i>										

Community Development Services

Nebraska Bank employees provided 20 instances of financial expertise or technical assistance to community development organizations totaling 257 hours. Nebraska Bank’s level of community development services is within the range of comparable institutions, who provided between 16 and 83 instances of community development services. The following tables illustrate the bank’s community development service hours by assessment area, purpose, and year. Details on the bank’s community development service activities are located in the applicable assessment area sections of the evaluation.

Community Development Services by Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Nonmetropolitan	95	85	27	45	252
Lincoln	0	5	0	0	5
Total	95	90	27	45	257
<i>Source: Bank Data</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021 (Partial)	0	0	0	0	0
2022	0	0	0	0	0
2023	78	68	21	30	197
Year-to-Date 2024	17	22	6	15	60
Total	95	90	27	45	257
<i>Source: Bank Data</i>					

In addition to community development services, the bank offers alternative banking services that are readily accessible throughout the assessment areas, including to low- and moderate-income individuals. These services include internet and mobile banking, bill pay, mobile check deposit, and electronic statements. Further, the bank operates branches and ATMs located in distressed or underserved census tracts as discussed in the Nonmetropolitan Assessment Area section of this evaluation.

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 evidence of discriminatory or other illegal credit practices.

NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPOLITAN ASSESSMENT AREA

Nebraska Bank maintains three individual, non-contiguous assessment areas consisting of the counties and surrounding areas where its branches within the nonmetropolitan portion of Nebraska are located. As previously mentioned, no anomalies in performance were identified; therefore, the nonmetropolitan assessment areas were combined for presentation purposes in this evaluation. The following table describes the delineation of the three assessment areas.

Description of Assessment Areas			
Assessment Area	Counties and Census Tracts in the Assessment Area	# of Census Tracts	# of Branches
Alliance	Box Butte, Dawes, and Morrill counties; and Sheridan County census tract 9517 (Nebraska)	7	4
Atkinson	Brown, Boyd, Holt, Keya Paha, and Rock counties (Nebraska); Charles Mix County census tract 9701*; and Gregory County census tract 9712* (South Dakota)	10	2
Dodge	Pierce and Wayne counties, Cedar County census tract 9772, Colfax County census tracts 9646 and 9647, Cuming County census tract 9727, and Dodge County census tracts 9636 and 9637 (Nebraska)	10	2
Total		27	8
<small>Source: 2020 U.S. Census; Bank Data (*) Census tracts are located in South Dakota along the Nebraska-South Dakota border, near the Spencer branch.</small>			

According to the 2020 U.S. Census, the combined Nonmetropolitan Assessment Area contains 26 middle-income census tracts and 1 upper-income census tract. Further, the Nonmetropolitan Assessment area contains 18 census tracts that were classified as distressed and/or underserved nonmetropolitan middle-income census tracts during the evaluation period.

The institution operates its main office and seven full-service branches within the nonmetropolitan portion of Nebraska, which are located in the communities of Alliance, Atkinson, Bridgeport, Carroll, Chadron, Dodge, Hemingford, and Spencer. The bank also maintains an ATM at each office, with deposit-taking ATMs at the Alliance, Bridgeport, and Chadron branches and main office in Dodge.

Economic and Demographic Data

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

Demographic Information of the Nonmetropolitan Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	0.0	0.0	96.3	3.7	0.0
Population by Geography	82,928	0.0	0.0	94.3	5.7	0.0
Housing Units by Geography	42,872	0.0	0.0	94.4	5.6	0.0
Owner-Occupied Units by Geography	25,769	0.0	0.0	94.1	5.9	0.0
Occupied Rental Units by Geography	9,982	0.0	0.0	93.8	6.2	0.0
Vacant Units by Geography	7,121	0.0	0.0	96.1	3.9	0.0
Businesses by Geography	11,526	0.0	0.0	96.9	3.1	0.0
Farms by Geography	2,787	0.0	0.0	98.1	1.9	0.0
Family Distribution by Income Level	22,342	16.9	19.4	24.7	39.0	0.0
Household Distribution by Income Level	35,751	22.6	16.6	19.3	41.5	0.0
Median Family Income – Nonmetropolitan Nebraska		\$71,424	Median Housing Value			\$117,658
Median Family Income – Nonmetropolitan South Dakota		\$73,083	Median Gross Rent			\$684
			Families Below Poverty Level			6.6%
<i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0%</i>						

According to 2020 U.S. Census, the assessment area has experienced a reduction in the number of residents as the total population decreased by 3,359 residents or 3.9 percent compared to 2015 ACS utilized at the previous evaluation. On the contrary, the number of farms and businesses operating in the assessment area has increased since the previous evaluation when compared to 2020 D&B data. The assessment area is primarily rural in nature and the economy is highly dependent on agriculture. Census of Agriculture data for 2022 indicates 8,915 farm operations generated \$6.3 billion in commodity sales in the counties comprising the assessment area. According to 2023 D&B data, the three largest business segments are services, agricultural, and retail trade, which represents 25.9, 19.5, and 8.29 percent, respectively.

Competition

The Nonmetropolitan Assessment Area contains a moderate level competition for financial services. According to the June 30, 2023 FDIC Deposit Market Share data, 47 financial institutions operate 126 offices in the area. Nebraska Bank ranked 3rd amongst these institutions with 5.2 percent of the deposits. Additionally, there is agricultural financing competition 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 understanding economic conditions and identifying the credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to those needs. It also shows what opportunities are available. Examiners conducted an interview with a representative of a regional economic development organization that serves several counties within the assessment area. The contact indicated that agriculture is the primary driver of the economy. Primary needs in the assessment area are related to affordable housing, as well as revitalization and stabilization of the rural communities dealing with population loss and workforce development. Furthermore, agricultural and small business lending are the primary credit needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and economic and demographic data, agricultural loans are the assessment area's primary credit need, followed by commercial and home mortgage loans. Examiners identified affordable housing and the revitalization and stabilization of distressed and underserved areas as the main community development needs in the assessment area. Opportunities exist for banks to participate in community development activities that stimulate economic development for small businesses and farms and within distressed and underserved nonmetropolitan middle-income areas targeted for revitalization and stabilization. However, some community development opportunities to stimulate economic development and job growth, as well as affordable housing and attracting and retaining residents are limited due to the remote nature of the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN ASSESSMENT AREA

LENDING TEST

Nebraska Bank demonstrated reasonable performance under the Lending Test in the Nonmetropolitan Assessment Area. Reasonable performance under the Borrower Profile criterion supports this conclusion.

Geographic Distribution

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

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. The bank's reasonable performance under each loan category supports this conclusion.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the percentage of small farm loans, by number and dollar volume, made to borrowers with gross annual revenues of \$1 million or less is below the percentage of farms in this revenue category. However, 2022 Census of Agriculture data shows that 47.2 percent of producers in the 17 counties that compose the assessment area reported a primary occupation other than farming, and 48.5 percent of farm operations reported not having interest expenses. The data indicates that a significant amount of farms do not have credit needs. Considering these factors, the bank's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category Nonmetropolitan Nebraska Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.5	80	79.3	11,662	78.1
>1,000,000	0.7	19	18.8	3,218	21.6
Revenue Not Available	0.8	2	1.9	46	0.3
Total	100.0	101	100.0	14,926	100.0
<i>Source: 2023 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. The percentage of small business loans made to borrowers with gross annual revenues of \$1 million or less is slightly below the percentage of businesses in this revenue category, but compares reasonably to this data. As such, the bank’s performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category Nonmetropolitan Nebraska Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.2	40	67.8	3,271	37.4
>1,000,000	3.2	16	27.1	5,036	57.5
Revenue Not Available	10.6	3	5.1	450	5.1
Total	100.0	59	100.0	8,757	100.0
<i>Source: 2023 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Nebraska Bank demonstrated adequate responsiveness to the community development needs of the Nonmetropolitan Assessment Area. The quantity and responsiveness of community development loans, qualified investments, and community development services supports this conclusion.

Community Development Loans

Nebraska Bank originated 13 community development loans totaling \$3.4 million in the Nonmetropolitan Assessment Area. The loans were particularly responsive to assessment area’s needs for the revitalization and stabilization of distressed and underserved nonmetropolitan middle-income geographies and economic development. Below are notable examples of the bank’s community development loans in the Nonmetropolitan Assessment Area.

- The bank made a \$40,000 loan to fund the renovation of a building in a small rural community within an underserved county.
- The bank made a \$500,000 loan to finance infrastructure expansion to rural areas in the Nebraska Panhandle, which includes several underserved counties.

Qualified Investments

The bank made 38 qualified investments totaling \$7.3 million in the Nonmetropolitan Assessment Area. This activity primarily helped to revitalize and stabilize distressed and underserved nonmetropolitan middle-income areas. Below are notable examples of the bank's qualified investments in the Nonmetropolitan Assessment Area.

- The bank invested \$250,000 to finance improvements to a county courthouse and jail located in an underserved county.
- The bank invested \$120,000 to finance the construction of a hospital addition within an underserved county.

Community Development Services

Bank representatives provided 19 instances totaling 252 hours of financial expertise or technical assistance to community development organizations in the Nonmetropolitan Assessment Area. Below are notable examples of community service involvement during the evaluation period in the Nonmetropolitan Assessment Area.

- In 2023, one bank officer who served on the Board of Directors for a local Community Redevelopment Authority. Their duties included reviewing tax increment financing applications and evaluating storefront improvement grants, promoting economic development and revitalization and stabilization efforts in an underserved nonmetropolitan middle-income area.
- In 2023 and 2024, a loan officer served as the secretary and treasurer on the Board of Directors for a local economic development corporation. The individual also served on the Rural Workforce Housing Fund Committee, which administers state government-sponsored workforce housing investment funds and approves applications for eligible projects to increase the supply of affordable workforce housing in Nebraska's rural communities.

Further, the bank makes banking services available to low- and moderate-income persons by operating its Alliance, Atkinson, Bridgeport, Chadron, and Spencer branches and ATMs in distressed and/or underserved nonmetropolitan middle-income census tracts within the assessment area.

LINCOLN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LINCOLN ASSESSMENT AREA

The Lincoln Assessment Area consists of Lancaster County, which is one of two counties in the Lincoln, Nebraska, MSA. Nebraska Bank has one full-service branch in the City of Hickman within the assessment area, which is located in an upper-income census tract. The bank also maintains an ATM at the Hickman branch. According to 2020 U.S. Census data, the assessment area contains 6 low-, 17 moderate-, 26 middle-, and 27 upper-income census tracts, and 5 census tracts without an income designation. All low- and moderate-income census tracts are located within the city limits of Lincoln.

Economic and Demographic Data

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

Demographic Information of the Lincoln Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	81	7.4	21.0	32.1	33.3	6.2
Population by Geography	322,608	6.2	20.7	35.9	33.9	3.3
Housing Units by Geography	133,081	8.4	23.2	36.3	31.2	1.0
Owner-Occupied Units by Geography	74,937	2.3	15.6	41.2	40.7	0.1
Occupied Rental Units by Geography	51,729	16.4	33.7	29.0	19.0	1.9
Vacant Units by Geography	6,415	15.9	26.4	37.1	17.7	2.9
Businesses by Geography	35,643	5.7	16.6	31.9	43.1	2.6
Farms by Geography	1,454	3.4	8.5	32.3	55.0	0.7
Family Distribution by Income Level	76,036	19.3	18.7	22.2	39.8	0.0
Household Distribution by Income Level	126,666	22.9	17.1	19.6	40.5	0.0
Median Family Income – Lincoln, Nebraska MSA		\$82,381	Median Housing Value			\$191,979
			Median Gross Rent			\$879
			Families Below Poverty Level			6.8%

*Source: 2020 U.S. Census and 2023 D&B Data
Due to rounding, totals may not equal 100.0%*

The assessment area experienced growth since the previous evaluation with increases in the population and number of businesses. The assessment area is a mix of rural and urban areas. Lincoln is the second largest city in the state and continues to be the main urban, retail, and economic center for the MSA. According to 2023 D&B data, the three largest business segments in the assessment area are services, finance and insurance, and retail trade, which represent 36.2, 12.6, and 8.9 percent of businesses, respectively.

Competition

The assessment area contains a high level of competition for financial services. According to the June 30, 2023 FDIC Deposit Market Share data, 29 financial institutions operate 119 offices in the assessment area. Nebraska Bank ranks 23rd with 0.22 percent deposit market share. Nebraska Bank is not required to collect or report its small business loan data, and it has not elected to do so; therefore, the analysis of small business loans does not include comparisons against aggregate data. However, this data reflects the level of demand and competition for such loans. Aggregate data for 2022 shows that 75 lenders reported 5,713 small business loans in the assessment area. Similar to Nebraska Bank, many smaller institutions would not be required to report the above information. The volume of loans and number of lenders indicates there is a high level of competition for small business loans throughout the assessment area, much of this competition is within the City of Lincoln.

Credit and Community Development Needs and Opportunities

Considering information from bank management and economic and demographic data, commercial and home mortgage loans are the primary credit needs of the assessment area. Economic development, affordable housing, and revitalization and stabilization of low- and moderate-income geographies are the primary community development needs in the assessment area. Opportunities

exist for banks to participate in community development activities that stimulate economic development for small businesses, affordable housing projects, and provide community services to low- and moderate-income individuals. The assessment area also provides opportunities for revitalization and stabilization efforts in the low- and moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LINCOLN ASSESSMENT AREA

LENDING TEST

Nebraska Bank demonstrated reasonable performance under the Lending Test in the Lincoln Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, Nebraska Bank did not extend any small business loans in low-income census tracts; however, the data suggests there are relatively few businesses in these areas. Nebraska Bank’s lending activity lags the percentage of businesses in moderate-income census tracts. When evaluating this performance, examiners considered that the Hickman branch is located approximately 17 miles from the nearest moderate-income census tract in the assessment area. Given the significant level of competition, including many institutions located in closer proximity to the low- and moderate-income census tracts, the bank’s performance is reasonable.

Geographic Distribution of Small Business Loans Lincoln Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.7	0	0.0	0	0.0
Moderate	16.6	1	5.3	300	15.8
Middle	31.9	0	0.0	0	0.0
Upper	43.1	15	78.9	567	29.8
Not Available	2.6	3	15.8	1,033	54.4
Totals	100.0	19	100.0	1,900	100.0
<small>Source: 2023 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</small>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, lending to businesses with gross annual revenues of \$1 million or less lags demographic data. However, four of the eight loans made to businesses with gross annual revenues greater than \$1 million were made to two borrowers. This notably impacted the percentage of loans to businesses with gross annual revenues equal to or less than \$1 million. Considering these factors, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category Lincoln Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	88.5	11	57.9	288	15.2
>\$1,000,000	3.3	8	42.1	1,612	84.8
Revenue Not Available	8.2	0	0.0	0	0.0
Total	100.0	19	100.0	1,900	100.0
<i>Source: 2023 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Nebraska Bank demonstrated adequate responsiveness to the community development needs of the Lincoln Assessment Area. The quantity and responsiveness of community development loans and community development services supports this conclusion.

Community Development Loans

Nebraska Bank originated four community development loans totaling \$12.4 million in the Lincoln Assessment Area. The loans were particularly responsive to assessment area's needs for the revitalization and stabilization of low- and moderate-income geographies and promotion of economic development. Community development lending activity in the Lincoln Assessment Area included a \$3.4 million loan to revitalize a historical building in a low-income census tract.

Qualified Investments

The bank did not make any qualified investments in the Lincoln Assessment Area during the review period. However, examiners considered the short timeframe since the bank's transition to an intermediate small bank on January 1, 2024, and the notably smaller portion of the bank's operations within the assessment area.

Community Development Services

Bank representatives provided one instance totaling five hours of financial expertise or technical assistance in the Lincoln Assessment Area. All five hours were for responsive the community service needs of low- and moderate-income individuals.

APPENDICES

INTERMEDIATE 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).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Qualified Investment: A 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.