

# **PUBLIC DISCLOSURE**

November 22, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank  
Certificate Number: 13622

914 Lake Avenue  
Gothenburg, Nebraska 69138

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 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 more than reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- A majority of the small business, small farm, and home mortgage loans reviewed were located 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 sizes and individuals of different income levels.
- The bank did not receive any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

**The Community Development Test is rated Outstanding.**

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area(s) 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

First State Bank (FSB) is headquartered in Gothenburg, Nebraska and operates in the following counties in central and western Nebraska: Chase, Cherry, Custer, Dawson, Frontier, Grant, Hayes, Hooker, Keith, Lincoln, Logan, McPherson, Perkins, and Thomas. The bank also operates in Douglas and Sarpy counties in the Omaha-Council Bluffs, NE-IA Metropolitan Statistical Area (MSA).

FSB is owned by First Gothenburg Bancshares, Inc., a one-bank holding company located in Gothenburg. The bank is affiliated through common ownership with First State Bank in Farnam, Nebraska. The bank is also affiliated with Farnam Insurance Agency, a wholly owned subsidiary of Nebraska Bankshares, Inc., and Bacon and Vinton, LLC, a title insurance service provider located in Gothenburg. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated August 6, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

FSB operates six full-service branches and one limited-service teller facility. Four of the branches are located in the Nonmetropolitan Nebraska Assessment Area in the towns of Gothenburg, Mullen, North Platte, and Wallace. An additional a limited-service teller facility is also operated in Gothenburg. The other two branches are located in the Omaha Assessment Area in the cities of Omaha and Ralston. The bank also operates a loan production office that specializes in FSA Guaranteed Loans and has a secondary market consumer lending department located in North Platte. The bank has not closed any branches since the prior evaluation.

FSB offers loan products including commercial, agricultural, home mortgage, and consumer loans; however, commercial and agricultural lending remain the bank's primary lending focus. The bank provides a variety of deposit services including checking, money market, and savings accounts, as well as certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill payment, and seven bank-owned ATMs.

The institution's September 30, 2021 Report of Condition and Income reflected total assets of \$829.5 million, total loans of \$556.5 million, and total deposits of \$596.6 million. The following table reflects the bank's loan portfolio composition.

<b>Loan Portfolio Distribution as of 9/30/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	20,644	3.7
Secured by Farmland	141,708	25.5
Secured by 1-4 Family Residential Properties	16,978	3.0
Secured by Multifamily (5 or more) Residential Properties	15,905	2.9
Secured by Nonfarm Nonresidential Properties	178,843	32.1
<b>Total Real Estate Loans</b>	<b>374,078</b>	<b>67.2</b>
Commercial and Industrial Loans	86,936	15.6
Agricultural Production and Other Loans to Farmers	86,237	15.5
Consumer Loans	4,910	0.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	4,373	0.8
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>556,534</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. FSB has designated two assessment areas. The Nonmetropolitan Nebraska Assessment Area includes portions of nonmetropolitan Nebraska and the Omaha Assessment Area includes portions of the Omaha-Council Bluffs, NE-IA MSA. FSB's assessment areas are unchanged from the prior evaluation. Detailed information on these assessment areas, including demographic and economic information, is provided later in the evaluation.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of Census Tracts</b>	<b># of Branches</b>
Nonmetropolitan Nebraska	Chase, Cherry, Custer, Dawson, Frontier, Grant, Hayes, Hooker, Keith, Lincoln, Logan, McPherson, Perkins, and Thomas counties	33	5
Omaha	Douglas and Sarpy counties	199	2
<i>Source: Bank Data</i>			

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated August 6, 2018, to the current evaluation dated November 22, 2021. Examiners used the Interagency Intermediate Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test and a Community Development Test. Refer to the Appendices for a description of these tests.

Examiners used full-scope examination procedures to assess FSB’s performance in both assessment areas. The Nonmetropolitan Nebraska Assessment Area received more weight for this evaluation as the majority of the bank’s loans and deposits are from the branches inside this assessment area. The following table shows a breakdown of loans, deposits, and branches in each assessment area.

<b>Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Nonmetropolitan Nebraska	366,799	66.5	366,601	64.6	5	71.4
Omaha	184,555	33.5	200,595	35.4	2	28.6
<b>Total</b>	<b>551,354</b>	<b>100.0</b>	<b>567,196</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>

*Source: Bank Records; FDIC Summary of Deposits (06/30/2021). Loan totals are based on outstanding balances as of 09/30/2021.*

### Activities Reviewed

Commercial and agricultural loans, which represent 47.7 and 41.0 percent of the loan portfolio, respectively, are FSB’s primary business lines and central to its overall business strategy. Thus, examiners selected small business and small farm loans to evaluate the bank’s overall performance. In addition, examiners reviewed home mortgage lending. Other loan products, such as consumer loans, do not represent major product lines. As such, examiners did not review any other loan products, as they would not provide material support for conclusions or the rating.

Examiners selected January 1, 2020, to December 31, 2020, for the review period for small business and small farm loans. Bank management indicated this review period was generally an accurate representation of the institution’s lending activity throughout the evaluation period, despite the small business loan activity originated under the Small Business Administration Paycheck Protection Program (PPP). Examiners also reviewed the bank’s 2018, 2019, and 2020 Home Mortgage Disclosure Act Loan Application Registers to analyze the bank’s home mortgage lending.

For the Assessment Area Concentration analysis, examiners reviewed all small business, small farm, and home mortgage loans originated and purchased during the review period. For the Geographic Distribution analysis, examiners reviewed all small business, small farm, and home mortgage loans located inside the assessment areas. For the Borrower Profile analysis, examiners sampled small business and small farm loans from inside the assessment areas, but reviewed all home mortgage loans from inside the assessment areas. Examiners did not review small farm loans in the Omaha Assessment Area, as that is not a primary product in that area. Examiners did not identify any trends across the three years of home mortgage lending that materially affected conclusions; therefore, only home mortgage data for 2020 is presented in this evaluation, but relevant activity from 2018 and 2019 is noted in examiner comments for each assessment area. 2020 D&B data provided a standard comparison for small business and small farm loans, while the

2020 HMDA aggregate data and 2015 ACS data provided a standard of comparison for the home mortgage loans.

The following table provides details on the loan universes and samples reviewed.

<b>Loan Products Reviewed</b>						
<b>Loan Category</b>	<b>Assessment Area Concentration</b>		<b>Geographic Distribution</b>		<b>Borrower Profile</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business	792	71,465	548	39,703	113	7,255
Small Farm	230	17,834	184	14,422	52	3,702
Home Mortgage 2020	589	115,892	436	78,911	436	78,911
Home Mortgage 2019	357	68,021	279	46,862	279	46,862
Home Mortgage 2018	255	41,392	199	32,244	199	32,244

*Source: Bank Data*

Small business and small farm loans contributed more weight to overall conclusions than home mortgage loans since these are the primary business focus of the bank. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans. When conducting the Geographic Distribution and Borrower Profile analyses, examiners placed greater weight on the number of loans than the dollar volume of loans, because the number of loans is a better indicator of the geographies and borrowers served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

FSB demonstrated satisfactory performance under the Lending Test. Performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria supports this conclusion.

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

FSB'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 Reports of Condition and Income, averaged 100.5 percent over the last 13 quarters from September 30, 2018, to September 30, 2021. The bank's net loan-to-deposit ratio ranged from a low of 88.5 percent on March 31, 2021 to a high of 113.0 percent on June 30, 2019. Examiners compared FSB's average net loan-to-deposit ratio to four other similarly-situated financial institutions to evaluate the bank's performance. The institutions were selected based on their asset size, geographic location, and lending focus. FSB's average net loan-to-deposit ratio was higher than all the comparable institutions with the exception of one. The following table provides details.

<b>Loan-to-Deposit Ratio (LTD) Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2021 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>First State Bank, Gothenburg, NE</b>	<b>829,468</b>	<b>100.5</b>
Waypoint Bank, Cozad, NE	356,386	80.6
Nebraskaland Bank, North Platte, NE	886,777	76.0
Access Bank, Omaha, NE	858,338	88.2
Dundee Bank, Omaha, NE	458,486	101.9
<i>Source: Reports of Condition and Income 9/30/18 - 9/30/21</i>		

In addition, FSB originates a significant volume of long-term home mortgage loans, which are sold to secondary market investors. Since the bank sells the loans shortly after origination, the loan to deposit ratio does not reflect these loans. The following table provides information regarding the secondary market loans the bank originated since the prior evaluation.

<b>Loans Sold on the Secondary Market (Not reflected in the Loan-to-Deposit Ratio)</b>		
	<b>Number of Loans Sold</b>	<b>Dollar Volume of Loans Sold (000s)</b>
From 8/6/2018	74	13,044
2019	246	45,178
2020	409	80,255
YTD 2021	259	52,562
<b>TOTALS</b>	<b>988</b>	<b>191,039</b>
<i>Source: Bank records from 8/6/2018 to 9/30/2021</i>		

### **Assessment Area Concentration**

A majority of small business, small farm, and home mortgage loans reviewed were located inside the assessment areas. The following table provides details.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business	548	69.2	244	30.8	792	39,703	55.6	31,762	44.4	71,465
Small Farm	184	80.0	46	20.0	230	14,422	80.9	3,412	19.1	17,834
2020 HMDA	436	74.0	153	26.0	589	78,911	68.1	36,981	31.9	115,892
2019 HMDA	279	78.2	78	21.8	357	46,862	68.9	21,159	31.1	68,021
2018 HMDA	199	78.0	56	22.0	255	32,244	77.9	9,148	22.1	41,392
<i>Source: Bank Data.</i>										



### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Reasonable performance in both assessment areas supports this conclusion. Examiners focused on the percentage of loans in low- or moderate-income census tracts. The Nonmetropolitan Nebraska and Omaha Assessment Area sections of this evaluation provide details on the bank's performance.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Reasonable performance in both assessment areas supports this conclusion. Examiners focused on the percentage of loans to businesses and farms with gross annual revenues of \$1 million or less and to low- and moderate-income home mortgage borrowers. The Nonmetropolitan Nebraska and Omaha Assessment Area sections of this evaluation provide details on the bank's performance.

### **Response to Complaints**

The institution has not received any complaints regarding its CRA performance since the previous evaluation. As a result, this criterion did not affect the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

FSB's performance under the Community Development Test is outstanding. The institution's community development performance demonstrates excellent 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. Since the bank was responsive to the community development needs of its assessment areas, community development activities benefiting broader statewide or regional areas were also included in the analysis.

### **Community Development Loans**

The bank originated 1,217 community development loans totaling approximately \$64.8 million during the evaluation period. This includes 936 PPP loans totaling approximately \$37.8 million, which were originated in the assessment areas. The bank also originated 218 PPP loans totaling approximately \$13.4 million benefiting the broader statewide regional areas outside of the two assessment areas. The PPP, established by the Coronavirus Aid, Relief, and Economic Security Act, and implemented through the Small Business Administration, helped small businesses and farms maintain their payroll, hire back employees, and cover applicable overhead expenses during the COVID-19 pandemic. The bank's PPP loans financed businesses and farms and resulted in permanent job creation, retention, and/or improvement for low- and moderate-income individuals.

The following tables illustrate community development loans by assessment area, purpose, and year. Additional details on community development lending activities are located in the Nonmetropolitan Nebraska Assessment Area and the Omaha 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 Nebraska	2	2,925	0	0	642	15,015	18	1,687	662	19,627
Omaha	36	8,296	1	22	299	23,178	1	244	337	31,740
Regional Activities	0	0	0	0	218	13,427	0	0	218	13,427
<b>Total</b>	<b>38</b>	<b>11,221</b>	<b>1</b>	<b>22</b>	<b>1,159</b>	<b>51,620</b>	<b>19</b>	<b>1,931</b>	<b>1,217</b>	<b>64,794</b>

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)
2018 (Partial)	5	1,296	0	0	1	40	3	602	9	1,938
2019	11	1,586	1	22	4	305	6	411	22	2,324
2020	8	2,586	0	0	540	26,206	9	674	557	29,466
2021 YTD	14	5,753	0	0	614	25,069	1	244	629	31,066
<b>Total</b>	<b>38</b>	<b>11,221</b>	<b>1</b>	<b>22</b>	<b>1,159</b>	<b>51,620</b>	<b>19</b>	<b>1,931</b>	<b>1,217</b>	<b>64,794</b>

Source: Bank Data

Examiners compared the bank’s level of community development lending to three similarly-situated intermediate small banks. FSB’s volume of community development loans represented 7.8 percent of total assets and 11.8 percent of net loans as of September 30, 2021. The comparable institutions’ community development loans ranged from 2.2 to 5.7 percent of total assets and from 8.0 to 14.1 percent of net loans. It is important to note that all of the similarly-situated institutions’ community development lending activities included PPP loans. FSB’s level of community development loans significantly exceeded all three comparable intermediate small banks in number and dollar volume of loans reflecting strong performance.

Comparable Intermediate Small Banks				
	Total CD loans to Total Assets (%)*	Total CD loans to Net Loans (%)*	# of CD loans	\$ of CD loans (000s)
<b>First State Bank</b>	<b>7.8</b>	<b>11.8</b>	<b>1,217</b>	<b>61,307</b>
Comparable #1 – Satisfactory 10-5-2020	5.7	8.0	447	45,409
Comparable #2 – Satisfactory 11-2-2020	4.9	14.1	473	26,931
Comparable #3 – Satisfactory 04-5-2021	2.2	8.0	747	19,835

Source: Bank data and Call Report data  
\*These ratios include PPP loans.

### Qualified Investments

FSB purchased, retained, or made 51 qualified investments and donations totaling approximately \$7.2 million during the evaluation period. The following tables illustrate the bank’s qualified investments by assessment area, purpose, and year. Additional information on the bank’s qualified

investment activity is located in the Nonmetropolitan Nebraska Assessment Area and the Omaha Assessment Area sections of the evaluation.

The majority of the qualified investments, by dollar volume, provided affordable housing and revitalized low- and moderate-income census tracts. The majority of qualified grants and donations, by number and dollar volume, were donations to organizations that provide community services to low- and moderate-income families.

The bank's qualified investment figures include 7 investments totaling approximately \$2.6 million that were outside the assessment areas, but in a broader statewide or regional area. The bank received credit for these investments since they meet the purpose of community development, and the institution appropriately addressed the community development needs of its assessment areas.

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Nonmetropolitan Nebraska	5	333	9	33	0	0	6	1,594	20	1,960
Omaha	4	2,686	20	16	0	0	0	0	24	2,702
Regional Activities	1	2,416	2	85	3	50	1	1	7	2,552
<b>Total</b>	<b>10</b>	<b>5,435</b>	<b>31</b>	<b>134</b>	<b>3</b>	<b>50</b>	<b>7</b>	<b>1,595</b>	<b>51</b>	<b>7,214</b>
<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	0	0	0	0
2018 (Partial)	0	0	0	0	2	50	0	0	2	50
2019	3	1,366	0	0	0	0	1	118	4	1,484
2020	2	324	0	0	0	0	1	625	3	949
2021 YTD	2	3,741	0	0	0	0	4	851	6	4,592
<b>Subtotal</b>	<b>7</b>	<b>5,431</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>50</b>	<b>6</b>	<b>1,594</b>	<b>15</b>	<b>7,075</b>
Qualified Grants & Donations	3	4	31	134	1	<1	1	1	36	139
<b>Total</b>	<b>10</b>	<b>5,435</b>	<b>31</b>	<b>134</b>	<b>3</b>	<b>50</b>	<b>7</b>	<b>1,595</b>	<b>51</b>	<b>7,214</b>
<i>Source: Bank Data</i>										

Examiners compared FSB's qualified investment volume to three similarly-situated intermediate small banks. FSB's volume of qualified investments represented 0.9 percent of total assets and 3.6 percent of total securities as of September 30, 2021. The comparable institutions' qualified investments ranged from 0.1 percent to 1.0 percent of total assets and ranged from 0.2 percent to 2.1 percent of total securities. FSB's total investments to total securities significantly exceeded the three comparable banks. In addition, FSB's number and dollar volume of qualified investments significantly exceeded two of the three comparable banks reflecting strong performance.

<b>Comparable Intermediate Small Banks</b>				
	<b>Total Investments to Total Assets (%)</b>	<b>Total Investments to Total Securities (%)</b>	<b># of Qualified Investments</b>	<b>\$ of Qualified Investments \$(000s)</b>
<b>First State Bank</b>	<b>0.9</b>	<b>3.6</b>	<b>51</b>	<b>7,214</b>
Comparable #1 – Satisfactory	0.1	0.6	23	763
Comparable #2 – Satisfactory	0.1	0.2	149	618
Comparable #3 – Satisfactory	1.0	2.1	28	9,312
<i>Source: Bank data and Call Report data</i>				

### **Community Development Services**

FSB representatives provided 65 instances of financial expertise or technical assistance to various community development-related organizations within its assessment areas during the evaluation period. The majority of the qualified activities provided community services to low- and moderate-income residents. The following tables illustrate the bank’s community development service activity by assessment area, purpose, and year. Additional information on the bank’s community development services is located in the Nonmetropolitan Nebraska Assessment Area and the Omaha Assessment Area sections.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Nonmetropolitan Nebraska	0	25	14	16	<b>55</b>
Omaha	0	7	0	0	<b>7</b>
Regional Activities	0	3	0	0	<b>3</b>
<b>Total</b>	<b>0</b>	<b>35</b>	<b>14</b>	<b>16</b>	<b>65</b>
<i>Source: Bank Data</i>					

<b>Community Development Services by Year</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018 (Partial)	0	6	1	4	<b>11</b>
2019	0	12	2	4	<b>18</b>
2020	0	6	4	4	<b>14</b>
2021 YTD	0	11	7	4	<b>22</b>
<b>Total</b>	<b>0</b>	<b>35</b>	<b>14</b>	<b>16</b>	<b>65</b>
<i>Source: Bank Data</i>					

Examiners compared the bank’s level of community development services to three similarly-situated intermediate small banks. These institutions’ provided between 37 and 99 community development services. FSB’s level of community development services is comparable when compared to other intermediate small banks in the area.

<b>Comparable Intermediate Small Banks</b>	
	<b>Number of Services</b>
<b>First State Bank</b>	<b>65</b>
Comparable #1 – Satisfactory	50
Comparable #2 – Satisfactory	99
Comparable #3 – Satisfactory	37
<i>Source: Bank data</i>	

In addition to community development services, the bank offers alternative banking services that are readily accessible to residents in the assessment areas, including low- and moderate-income individuals. This includes internet and mobile banking and seven total ATMs, including six ATMs that take deposits. The bank also has three full-service branches and three ATMs located in moderate-income geographies. The bank offers three different low cost/no cost checking accounts. More specifically, the bank has 1,269 Value Checking accounts, 226 Student Checking accounts, and 1,194 Prestige Checking accounts, which have no monthly fees. These accounts have a low or no opening deposit required and are for all customers, including low- and moderate-income customers. Lastly, the bank has modified approximately 130 loan accounts due to pandemic-related challenges.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

## **NONMETROPOLITAN NEBRASKA ASSESSMENT AREA - Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPOLITAN NEBRASKA ASSESSMENT AREA**

The Nonmetropolitan Nebraska Assessment Area consists of all 33 census tracts in Chase, Cherry, Custer, Dawson, Frontier, Grant, Hayes, Hooker, Keith, Lincoln, Logan, McPherson, Perkins, and Thomas counties. Six census tracts in Cherry (2), Frontier (1), Hayes (1), Perkins (1), and Thomas (1) are distressed, nonmetropolitan, middle-income geographies due to population loss. Additionally, one census tract in Chase County is an underserved, nonmetropolitan, middle-income geography. The following table shows the income designations of the census tracts and provides branch and ATM distribution by geography income level in the assessment area.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	6	18.2	18,032	18.3	2	40.0	2	40.0
Middle	26	78.8	76,432	77.5	2	40.0	2	40.0
Upper	1	3.0	4,106	4.2	1	20.0	1	20.0
NA	0	0.0	0	0.0	0	0	0	0.0
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>98,570</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

*Source: 2015 ACS Data; Bank Data*

### **Economic and Demographic Data**

The following table provides select demographic data for the Nonmetropolitan Nebraska Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Nonmetropolitan Nebraska						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	0.0	18.2	78.8	3.0	0.0
Population by Geography	98,570	0.0	18.3	77.5	4.2	0.0
Housing Units by Geography	48,199	0.0	16.6	79.6	3.8	0.0
Owner-Occupied Units by Geography	28,151	0.0	15.2	79.9	4.9	0.0
Occupied Rental Units by Geography	12,886	0.0	21.3	77.5	1.2	0.0
Vacant Units by Geography	7,162	0.0	13.9	82.5	3.6	0.0
Businesses by Geography	8,514	0.0	18.1	78.3	3.6	0.0
Farms by Geography	1,795	0.0	5.9	88.0	6.1	0.0
Family Distribution by Income Level	27,152	19.3	19.5	23.4	37.8	0.0
Household Distribution by Income Level	41,037	23.1	16.7	20.1	40.1	0.0
Median Family Income Nonmetropolitan - NE		\$61,457	Median Housing Value			\$106,689
			Median Gross Rent			\$625
			Families Below Poverty Level			9.0%

*Source: 2015 ACS and 2020 D&B Data.*

Grant County was part of FEMA’s Severe Storms and Straight-Line Winds major disaster declaration issued on September 6, 2021. Cherry, Custer, Dawson, Frontier, Grant, Hayes, Hooker, Lincoln, and Logan counties were part of FEMA’s Severe Winter Storm, Straight-Line Winds, and Flooding major disaster declaration issued on March 21, 2019. Additionally, Logan and Thomas counties were part of FEMA’s Severe Storms, Tornadoes, Straight-Line Winds, and Flooding major disaster declaration issued on August 27, 2018. Lastly, Custer, Logan, and Keith counties were part

of FEMA’s Severe Winter Storm and Straight-Line Winds major disaster declaration issued on June 29, 2018.

Service industries represent the largest portion of the business sector in the assessment area at 34.7 percent followed by agriculture, forestry, and fishing with 18.5 percent, and retail trade with 11.9 percent, according to 2020 D&B data. The majority of businesses are small with 84.9 percent operating from a single location and 70.9 percent employing four or less employees.

According to 2020 D&B data, the assessment area contains 7,547 non-farm businesses and 1,710 farms. The number of non-farm businesses in the assessment area increased by 62 since the previous evaluation and the number of farms decreased by 110 during the same period. The entire decrease was in farms with gross annual revenue of \$1 million or less. This is consistent with the regional trend of smaller farm operations consolidating into larger farm operations. Despite this trend, farms with gross annual revenue of \$1 million or less still represent the vast majority of all farms in the assessment area at 96.6 percent.

In early 2020, the COVID-19 pandemic spread across the nation, resulting in numerous business closings. Unemployment increased throughout much of the assessment area. Unemployment has since declined to more normalized levels, which has helped stabilize the economy. As of August 2021, the unemployment rate for the counties in the assessment area ranged from 1.2 to 1.7 percent with an average unemployment rate of 1.4. This compared closely to the state unemployment rate at 1.8 percent.

Examiners used information from the Federal Financial Institutions Examination Council (FFIEC) to analyze home mortgage loans under the Borrower Profile criterion. The following table reflects the FFIEC-estimated 2020 median family income for the nonmetropolitan portions of Nebraska, as well as the respective low-, moderate-, middle-, and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>NE Nonmetropolitan Median Family Income (99999)</b>				
2020 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
<i>Source: FFIEC</i>				

**Competition**

The Nonmetropolitan Nebraska Assessment Area is highly competitive for financial services. Per 2021 FDIC Deposit Market Share data, 28 financial institutions operated 82 offices within the assessment area. Of these institutions, FSB ranked 3<sup>rd</sup> with a deposit market share of 8.6 percent.

**Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area’s 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 community contact conducted in October 2020 with a representative of a non-profit organization that assists low- and moderate-income families. The individual stated that unemployment rates are low in the area and businesses have a hard time finding skilled labor. The organization serves a large client base who are below the poverty level. The area also has a growing elderly population. The main credit needs are affordable housing, rental assistance, mortgage assistance, and food security.

Examiners reviewed a community contact conducted in February 2021 with a representative of the University of Nebraska's Extension Office. The contact said the economic conditions are stable including agricultural and other business sectors. Livestock and crop producers have remained stable and the few who have struggled have been assisted with federal payments. Smaller businesses in the area are also stable. The pandemic has had little negative impact on jobs in the area. Housing stock is low and homes sell quickly, often within one or two days. The primary credit needs are agriculture, small business, and home loans.

Lastly, examiners reviewed a community contact conducted in September 2021 with a representative of a quasi-governmental consulting group that assists local governments, businesses, homeowners, landlords, etc. The contact noted a generally stable economy, although the area is experiencing population loss. There is a lack of new businesses moving into the area due to a lack of housing. The current stock of vacant housing is generally uninhabitable. The primary credit need is affordable housing.

### **Credit and Community Development Needs and Opportunities**

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that commercial, home mortgage, and agricultural loans represent the assessment area's primary credit needs. Community development needs and opportunities exist for affordable housing, community services, economic development, and revitalization/stabilization of low- and moderate-income and/or distressed and underserved census tracts.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN NEBRASKA ASSESSMENT AREA**

### **LENDING TEST**

FSB demonstrated satisfactory performance under the Lending Test in the Nonmetropolitan Nebraska Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria support this conclusion.

### **Geographic Distribution**

The geographic distribution of loans in the Nonmetropolitan Nebraska Assessment Area is reasonable. Reasonable small business, small farm, and home mortgage lending performance supports this conclusion. More weight was placed on the small business and small farm performance than the home mortgage performance.



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

The geographic distribution of small business loans reflects reasonable dispersion throughout the Nonmetropolitan Nebraska Assessment Area. The bank's lending to businesses located in moderate-income census tracts slightly lagged the percentage of businesses located within those census tracts; however, the percentages are still comparable. The following table provides details.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Nonmetropolitan Nebraska</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	18.1	41	16.5	1,574	13.2
Middle	78.3	193	77.8	10,208	85.5
Upper	3.6	14	5.7	152	1.3
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>248</b>	<b>100.0</b>	<b>11,934</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data.*

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

The geographic distribution of small farm loans reflects reasonable dispersion throughout the Nonmetropolitan Nebraska Assessment Area. The bank's lending to farms located in moderate-income census tracts slightly lagged the percentage of farms located within those census tracts; however, the percentages are still comparable. The following table provides details.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Assessment Area: Nonmetropolitan Nebraska</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	5.9	7	3.8	405	2.8
Middle	88.0	168	91.3	13,536	93.9
Upper	6.1	9	4.9	481	3.3
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>184</b>	<b>100.0</b>	<b>14,422</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data.*

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Nonmetropolitan Nebraska Assessment Area. Specifically, the percentage of home mortgage loans in the assessment area's moderate-income census tracts exceeds the aggregate performance and percentage of owner-occupied housing units located in these tracts. The bank's performance is trending upward as performance in 2020 was stronger than the performance in 2018 and 2019. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Nonmetropolitan Nebraska						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	15.2	12.5	25	18.0	2,630	13.1
Middle	79.8	81.5	101	72.7	14,926	74.4
Upper	5.0	6.0	13	9.3	2,501	12.5
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>20,057</b>	<b>100.0</b>

Source: 2015 ACS; Bank Data; 2020 HMDA Aggregate Data.

### **Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and excellent penetration among individuals of different income levels. Examiners focused on the percentage of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income borrowers. However, more weight was placed on the small business and small farm lending performance than home mortgage lending performance.

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

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Although the bank's lending activity, by number of loans, was below the percentage of businesses with gross annual revenues of \$1 million or less, the dollar amount of loans is comparable. In addition, 38 of the 39 loans with reported revenues had revenues of \$1 million or less, which reflects the bank's commitment to lending to small businesses. In addition, the 17 loans made to borrowers where revenue was not available were made under the PPP and were responsive to the credit needs in the assessment area at the time. Therefore, the bank's performance is reasonable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Nonmetropolitan Nebraska					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	79.4	38	67.9	2,144	80.6
>\$1,000,000	4.5	1	1.8	26	1.0
Revenue Not Available	16.1	17	30.3	490	18.4
<b>Total</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>2,660</b>	<b>100.0</b>

Source: 2020 D&B Data; Bank Data.

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

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Although the bank's lending activity, by number of loans, was below the percentage of farms with

gross annual revenues of \$1 million or less, 37 of the 41 loans with reported revenues were to borrowers in that category, which reflects the bank’s commitment to lending to small farms. In addition, the 11 loans made to borrowers where revenue was not available were made under the PPP and were responsive to the credit needs in the assessment area at the time. Therefore, the bank’s performance is reasonable. The following table provides details.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Nonmetropolitan Nebraska</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	96.6	37	71.2	3,268	88.3
>\$1,000,000	2.0	4	7.7	188	5.1
Revenue Not Available	1.4	11	21.1	246	6.6
<b>Total</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>3,702</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data.*

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank’s performance significantly exceeds the aggregate performance and mirrors the comparable percentage of families. Although not presented in the table, the bank’s performance in 2018 and 2019 also exceeded the aggregate data, and was similar to the comparable percentage of families.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Nonmetropolitan Nebraska</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	19.3	6.6	11	7.9	827	4.1
Moderate	19.5	18.4	43	30.9	4,586	22.9
Middle	23.4	20.3	23	16.5	3,028	15.1
Upper	37.8	35.0	52	37.4	10,947	54.6
Not Available	0.0	19.7	10	7.3	669	3.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>20,057</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data.*

## **COMMUNITY DEVELOPMENT TEST**

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

**Community Development Loans**

The bank originated 662 community development loans totaling approximately \$19.6 million in the Nonmetropolitan Nebraska Assessment Area since the prior evaluation. The loans were particularly responsive to the assessment area’s economic development and revitalization and stabilization needs. The majority of the loans, by number and dollar volume, promoted economic development and helped businesses and farms impacted by the COVID-19 pandemic. The bank’s lending also revitalized and stabilized low- or moderate-income census tracts or distressed and/or underserved middle-income geographies. The following table illustrates the community development loans by year and purpose.

<b>Nonmetropolitan Nebraska Assessment Area Community Development Lending by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2018 (Partial)	0	0	0	0	1	40	3	602	4	642
2019	1	25	0	0	2	152	6	411	9	588
2020	0	0	0	0	261	7,958	9	674	270	8,632
2021 YTD	1	2,900	0	0	378	6,865	0	0	379	9,765
<b>Total</b>	<b>2</b>	<b>2,925</b>	<b>0</b>	<b>0</b>	<b>642</b>	<b>15,015</b>	<b>18</b>	<b>1,687</b>	<b>662</b>	<b>19,627</b>

*Source: Bank Data*

**Qualified Investments**

The bank purchased or retained 20 qualified debt investments totaling approximately \$2.0 million in the Nonmetropolitan Nebraska assessment area since the prior evaluation. The majority of the equity investments helped to revitalize or stabilize low- and moderate-income census tracts or distressed and/or underserved middle-income geographies. The bank also made 11 donations and grants totaling approximately \$35,000 to organizations that provide affordable housing and community services to low- and moderate-income individuals. The following table illustrates the bank’s community development investments by year and purpose.

<b>Nonmetropolitan Nebraska Assessment Area Qualified Investments by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	0	0	0	0
2018 (partial)	0	0	0	0	0	0	0	0	0	0
2019	2	157	0	0	0	0	1	118	3	275
2020	1	174	0	0	0	0	1	625	2	799
YTD 2021	0	0	0	0	0	0	4	851	4	851
<b>Subtotal</b>	<b>3</b>	<b>331</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>1,594</b>	<b>9</b>	<b>1,925</b>
Qualified Grants & Donations	2	2	9	33	0	0	0	0	11	35
<b>Total</b>	<b>5</b>	<b>333</b>	<b>9</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>1,594</b>	<b>20</b>	<b>1,960</b>

*Source: Bank Data*

**Community Development Services**

Bank personnel provided 55 instances of financial expertise or technical assistance to community development organizations in the Nonmetropolitan Nebraska Assessment Area since the prior evaluation. The majority of the qualified activities provided community services to low- and moderate-income residents. The following table illustrates the bank’s community development services by year and purpose.

<b>Nonmetropolitan Nebraska Assessment Area Community Development Services by Year</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018 (Partial)	0	6	1	4	<b>11</b>
2019	0	7	2	4	<b>13</b>
2020	0	5	4	4	<b>13</b>
2021 YTD	0	7	7	4	<b>18</b>
<b>Total</b>	<b>0</b>	<b>25</b>	<b>14</b>	<b>16</b>	<b>55</b>
<i>Source: Bank Data</i>					

In addition, FSB operates two branches and two ATMs in moderate-income census tracts in the assessment area.

**OMAHA ASSESSMENT AREA - Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE OMAHA ASSESSMENT AREA**

The Omaha Assessment Area consists of all 199 census tracts in Douglas and Sarpy Counties. The following table shows the income designations of the census tracts and provides branch and ATM distribution by geography income level in the assessment area.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	28	14.1	74,053	10.5	0	0.0	0	0.0
Moderate	43	21.6	149,441	21.1	1	50.0	1	50.0
Middle	72	36.2	260,488	36.9	1	50.0	1	50.0
Upper	56	28.1	222,865	31.5	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>199</b>	<b>100.0</b>	<b>706,847</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data</i>								

## **Economic and Demographic Data**

The following table provides select demographic data for the Omaha Assessment Area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Omaha</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	199	14.1	21.6	36.2	28.1	0.0
Population by Geography	706,847	10.5	21.1	36.9	31.5	0.0
Housing Units by Geography	289,932	10.9	21.8	38.9	28.4	0.0
Owner-Occupied Units by Geography	172,022	5.7	18.2	38.4	37.7	0.0
Occupied Rental Units by Geography	98,502	17.1	27.5	41.0	14.4	0.0
Vacant Units by Geography	19,408	25.0	24.6	33.2	17.2	0.0
Businesses by Geography	55,575	6.4	15.3	42.8	35.5	0.0
Farms by Geography	1,759	3.9	11.7	42.8	41.6	0.0
Family Distribution by Income Level	174,986	20.6	17.5	20.7	41.2	0.0
Household Distribution by Income	270,524	23.4	16.4	18.1	42.1	0.0
Median Family Income MSA - 36540 Omaha-Council Bluffs, NE-IA MSA		\$73,632	Median Housing Value			\$154,606
			Median Gross Rent			\$840
			Families Below Poverty Level			9.0%

*Source: 2015 ACS and 2020 D&B Data.*

Douglas and Sarpy Counties were part of FEMA’s Severe Storms and Straight-Line Winds major disaster declaration issued on September 6, 2021. In addition, Douglas and Sarpy Counties were part of FEMA’s Severe Winter Storm, Straight-Line Winds, and Flooding major disaster declaration issued on March 21, 2019.

Service industries represent the largest portion of the business sector in the assessment area at 44.6 percent, followed by retail trade with 12.8 percent and non-classified establishments at 9.6 percent according to 2020 D&B data. The majority of businesses are small with 86.0 percent operating from a single location and 64.6 percent employing four or less employees.

According to 2020 D&B data, the assessment area contains 42,779 non-farm businesses and 1,375 farms. The number of non-farm businesses in the assessment area increased by 1,279 since the previous evaluation, and the number of farms increased by 47 during the same period. Overall, businesses with gross annual revenues of \$1 million or less represent the vast majority of all businesses in the assessment area at 79.8 percent.

In early 2020, the COVID-19 pandemic spread across the nation, resulting in numerous business closings. Unemployment increased throughout much of the assessment area. Unemployment has since declined to more normalized levels, which has helped stabilize the economy. As of August 2021, the unemployment rate for the counties in the assessment area ranged from 1.8 to 2.2 percent

with an average unemployment rate of 2.0. This compared closely to the state unemployment rate at 1.8 percent.

Examiners used information from the Federal Financial Institutions Examination Council (FFIEC) to analyze home mortgage loans under the Borrower Profile criterion. The following table reflects the FFIEC-estimated 2020 median family income for the MSA, which includes the Omaha Assessment Area, as well as the respective low-, moderate-, middle-, and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Omaha-Council Bluffs, NE-IA MSA Median Family Income (36540)</b>				
2020 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280
<i>Source: FFIEC</i>				

**Competition**

The Omaha Assessment Area is highly competitive for financial services. Per the 2021 FDIC Deposit Market Share data, 42 financial institutions operated 211 offices within the assessment area. Of these institutions, FSB ranked 19<sup>th</sup> with a deposit market share of 0.63 percent.

**Community Contacts**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area’s 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 community contact conducted in August 2021 with a representative from an organization that supports economic and business development. The contact stated the local economy is strong with a large amount of business and economic growth. There have been many new small businesses openings in 2021. Small businesses struggled during the pandemic in 2021, but were able to obtain loans and other support. Very few businesses failed and the economy and businesses are back to pre-pandemic conditions. Sarpy County has been reported as the fastest growing county in Nebraska. Western Sarpy County has large data centers supporting growth. Small businesses throughout the county are doing well. The primary credit need is small business loans.

**Credit and Community Development Needs and Opportunities**

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that commercial and home mortgage loans represent the assessment area’s primary credit needs. In addition, community development needs and opportunities exist for affordable housing, community services, economic development, and revitalization/stabilization of low- and moderate-income and/or distressed and underserved census tracts.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN THE OMAHA ASSESSMENT AREA

### LENDING TEST

FSB demonstrated satisfactory performance under the Lending Test in the Omaha Assessment Area. Reasonable performance under the Geographic Distribution and Borrower Profile criteria support this conclusion.

#### **Geographic Distribution**

The geographic distribution of loans in the Omaha Assessment Area reflects reasonable dispersion. Reasonable small business and excellent home mortgage lending performance supports this conclusion. More weight was placed on the small business performance than the home mortgage performance.

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the Omaha Assessment Area. The bank's performance slightly lagged the comparable demographic data in low-income CTs, but exceeded the comparable demographic data in moderate-income CTs, reflecting reasonable performance. The following table provides details.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Omaha</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	6.4	14	4.7	1,277	4.6
Moderate	15.3	64	21.3	6,148	22.1
Middle	42.8	108	36.0	10,786	38.8
Upper	35.5	114	38.0	9,558	34.5
Not Available	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>300</b>	<b>100.0</b>	<b>27,769</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data.*

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Omaha Assessment Area. Specifically, the percentage of home mortgage loans, by number, in low- and moderate-income census tracts significantly exceeds the aggregate performance data and comparable census data. Although not presented in the table, similarly strong numbers were noted in 2018 and 2019 when the bank's home mortgage lending, by number, in low- and moderate-income census tracts also exceeded aggregate performance. The following table provides details.



<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Omaha</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	5.7	2.7	30	10.1	3,019	5.1
Moderate	18.2	11.5	56	18.9	10,605	18.0
Middle	38.4	33.6	95	32.0	18,419	31.3
Upper	37.7	52.2	116	39.0	26,811	45.6
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>	<b>58,854</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data.*

### **Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Examiners focused on the percentage of small business loans to businesses with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income borrowers. However, more weight was placed on the small business lending performance than home mortgage lending performance.

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

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Although the bank's lending activity, by number of loans, was below the percentage of businesses with gross annual revenues of \$1 million or less, the dollar amount of loans is reasonably comparable. In addition, 35 of the 47 loans with reported revenues were to businesses with gross annual revenue of \$1 million or less, which reflects the bank's commitment to lending to small businesses. In addition, the 10 loans made to borrowers where revenue was not available were made under the PPP and were responsive to the credit needs in the assessment area at the time. Therefore, the bank's performance is reasonable. The following table provides details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Omaha</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	84.1	35	61.4	2,508	54.6
>\$1,000,000	5.8	12	21.1	1,646	35.8
Revenue Not Available	10.1	10	17.5	441	9.6
<b>Total</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>4,595</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data.*

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The percentage of loans to both low- and moderate-income borrowers slightly exceeds the aggregate data in both categories.

Although not presented in the table, 2018 and 2019 performance was similar to 2020 performance. The following table provides details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Omaha</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	20.6	5.9	23	7.7	2,336	4.0
Moderate	17.5	16.3	52	17.5	7,848	13.3
Middle	20.7	20.2	61	20.5	11,434	19.4
Upper	41.2	35.4	102	34.3	25,583	43.5
Not Available	0.0	22.2	59	20.0	11,653	19.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>	<b>58,854</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data; 2020 HMDA Aggregate Data.*

## **COMMUNITY DEVELOPMENT TEST**

FSB demonstrated excellent responsiveness to the community development needs of the Omaha Assessment Area. The quantity and responsiveness of community development loans and qualified investments primarily supports this conclusion.

### **Community Development Loans**

The bank originated 337 community development loans totaling approximately \$31.7 million in the Omaha Assessment Area. The loans were particularly responsive to the assessment area’s economic development and affordable housing needs. The majority of the loans, by number and dollar volume, promoted economic development and helped businesses impacted by the COVID-19 pandemic. The bank’s lending also provided affordable housing to low-and moderate-income individuals throughout the evaluation period. The following table illustrates the community development loans by year and purpose.

<b>Omaha Assessment Area Community Development Lending by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2018 (Partial)	5	1,296	0	0	0	0	0	0	5	1,296
2019	10	1,561	1	22	2	153	0	0	13	1,736
2020	8	2,586	0	0	181	12,774	0	0	189	15,360
2021 YTD	13	2,853	0	0	116	10,251	1	244	130	13,348
<b>Total</b>	<b>36</b>	<b>8,296</b>	<b>1</b>	<b>22</b>	<b>299</b>	<b>23,178</b>	<b>1</b>	<b>244</b>	<b>337</b>	<b>31,740</b>

*Source: Bank Data*

### **Qualified Investments**

The bank made 24 qualified investments totaling approximately \$2.7 million in the Omaha Assessment Area. Three equity investments for affordable housing were noted; however, the

majority of the investments, by number, were donations to nonprofit organizations that provide services to low- and moderate-income individuals. The following table illustrates the qualified investments by year and purpose.

<b>Omaha Assessment Area Qualified Investments by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	0	0	0	0
2018 (Partial)	0	0	0	0	0	0	0	0	0	0
2019	1	1,209	0	0	0	0	0	0	1	1,209
2020	1	150	0	0	0	0	0	0	1	150
2021 YTD	1	1,324	0	0	0	0	0	0	1	1,324
<b>Subtotal</b>	<b>3</b>	<b>2,683</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2,683</b>
Qualified Grants & Donations	1	3	20	16	0	0	0	0	21	19
<b>Total</b>	<b>4</b>	<b>2,686</b>	<b>20</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>2,702</b>
<i>Source: Bank Data</i>										

### **Community Development Services**

Bank personnel provided seven instances of financial expertise or technical assistance to community development organizations in the Omaha Assessment Area. Although the level of community development services is low in this assessment area, the strong community development lending and qualified investments augment the lower number of qualified services. The following table illustrates the bank’s community development services by year and purpose.

<b>Omaha Assessment Area Community Development Services by Year</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2018 (Partial)	0	0	0	0	0
2019	0	4	0	0	4
2020	0	0	0	0	0
2021 YTD	0	3	0	0	3
<b>Total</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>7</b>
<i>Source: Bank Data</i>					

In addition, FSB operates one branch and one ATM in a moderate-income census tract in the assessment area.

## 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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.