

PUBLIC DISCLOSURE

December 8, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First State Bank
Certificate Number: 5835

105 West Main Street
Norton, Kansas 67654

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 reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- A majority of the small farm and small business loans reviewed were located within the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among farms and businesses of different revenue sizes.
- The geographic distribution of loans was not analyzed since there are no low- or moderate-income census tracts in the assessment areas.
- The institution has not received any complaints relating to its Community Reinvestment Act (CRA) performance since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the needs and availability of opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

The First State Bank is a full-service community bank headquartered in Norton, Kansas. Norton Bankshares, Inc., a one-bank holding company, owns the institution and has no other lending affiliates. The bank received a Satisfactory rating at the previous FDIC performance evaluation dated November 8, 2022, using Interagency Intermediate Small Institution Examination Procedures.

The First State Bank predominately serves a rural area and operates five locations – four in northwestern Kansas, and one in southcentral Nebraska. The bank has not opened or closed any offices since the prior evaluation.

The bank offers agricultural, commercial, home mortgage, and consumer loan products. The bank also offers select government guaranteed loan products for agricultural purposes. In addition to its in-house offerings, the bank offers long-term, fixed-rate home mortgage loans through the secondary market. Agricultural lending continues to be the primary focus of the bank.

The bank offers a variety of deposit services including checking, savings, money market accounts, and certificates of deposit. Trust and investment services are also available. Alternative banking services include internet and mobile banking, electronic bill pay, person-to-person transfers, and seven bank-owned ATMs.

According to the September 30, 2025 Reports of Condition and Income, the bank's total assets were \$510.6 million, including \$299.0 million in loans and \$187.4 million in securities. Additionally, the bank's total deposits were \$426.7 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 9/30/2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	4,964	1.7
Secured by Farmland	77,420	25.9
Secured by 1-4 Family Residential Properties	13,596	4.5
Secured by Multi-family (5 or more) Residential Properties	4,808	1.6
Secured by Non-farm Non-Residential Properties	20,523	6.9
Total Real Estate Loans	121,311	40.6
Commercial and Industrial Loans	42,605	14.2
Agricultural Production and Other Loans to Farmers	116,867	39.1
Consumer	17,025	5.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	577	0.2
Lease Financing Receivables (net of unearned income)	635	0.2
Less: Unearned Income	0	0.0
Total Loans	299,020	100.0
<i>Source: Reports of Condition and Income</i>		

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

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. The First State Bank continues to designate two assessment areas, which will be referred to as the Kansas Assessment Area and the Nebraska Assessment Area.

The CRA also requires regulatory agencies to assign ratings for each state in which the bank operates. Therefore, examiners assigned ratings for Kansas and Nebraska, in addition to an overall

CRA rating. The Kansas rating is based on the bank’s performance in the Kansas Assessment Area, and the Nebraska rating is based on the bank’s performance in the Nebraska Assessment Area. There have been no changes in either assessment area since the previous evaluation. Refer to the rated area sections for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 8, 2022, to the current evaluation dated December 8, 2025. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank’s CRA performance. Because a full-scope review must be performed on at least one assessment area in each state, examiners conducted full-scope reviews on both assessment areas. Performance in the Kansas Assessment Area received more weight since the area accounts for the majority of the bank’s operations and activity.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Kansas	341,022	59.5	284,499	69.6	4	80.0
Nebraska	232,273	40.5	124,174	30.4	1	20.0
Total	573,295	100.0	408,673	100.0	5	100.0

Source: Bank Data (All outstanding and paid off loans originated during the review period); FDIC Summary of Deposits (6/30/2025)

Activities Reviewed

Examiners determined the bank’s major product lines are agricultural and commercial lending. Therefore, examiners reviewed small farm and small business loans to evaluate the bank’s performance under the Lending Test. Examiners selected the loan products based on the bank’s business strategy and loan volume during the evaluation period. Since agricultural lending is the institution’s primary lending focus, the small farm loan category received the most weight when determining overall conclusions. The home mortgage loan category was not reviewed since it is not a primary product for the bank, and it does not represent a large portion of the loan composition.

Bank management confirmed that the 2024 lending performance was representative of the entire review period. As such, examiners evaluated lending performance based on all small business and small farm loans originated, renewed, or extended in calendar year 2024. According to 2024 bank records, the bank made 420 small farm loans totaling \$49.4 million, and 186 small business loans totaling \$14.0 million. For the Lending Test, examiners reviewed all these loans for the Assessment Area Concentration criterion. For the Borrower Profile criterion, examiners reviewed a random sample of loans made in 2024 within the Kansas and Nebraska Assessment Areas. These random samples consisted of 58 small farm loans totaling \$6.4 million, and 51 small business loans totaling \$3.8 million.

The 2024 D&B data provided a standard of comparison for the bank’s small farm and small business lending performance. Although both the number and dollar volume of loans were

analyzed, examiners emphasize performance by number of loans because it is a better indicator of the number of farms and businesses served.

For the Community Development Test, examiners considered data provided by bank management on the institution's community development loans, qualified investments, and community development services since the prior CRA evaluation up to the date of the current evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The First State Bank demonstrated reasonable performance under the Lending Test. The bank's performance in Kansas and Nebraska is consistent with 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 bank's performance was evaluated based on the average quarterly loan-to-deposit ratios since the previous evaluation (12 quarters). As shown in the following table, the bank's net loan-to-deposit ratio was comparable to one similarly situated institution, and lower than the other similarly situated institution. Examiners selected the similarly situated institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2025 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The First State Bank, Norton, Kansas	510,631	57.8
Solutions North Bank, Stockton, Kansas	467,990	72.9
The Bank, Oberlin, Kansas	588,942	60.1
<i>Source: Reports of Condition and Income 12/31/2022-9/30/2025</i>		

Assessment Area Concentration

A majority of loans, both by number and dollar volume, are within the assessment areas. See the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	344	81.9	76	18.1	420	40,596	82.2	8,765	17.8	49,361
Small Business	153	82.3	33	17.7	186	11,398	81.2	2,640	18.8	14,038
Total	497	82.0	109	18.0	606	51,994	82.0	11,405	18.0	63,399
Source: Bank Data, as reported. Due to rounding, totals may not equal 100.0%.										

Geographic Distribution

The assessment areas do not include any low- or 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 a reasonable penetration among farms and businesses of different sizes. The bank's performance in both Kansas and Nebraska is consistent with this conclusion. For this criterion, examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less. A complete discussion of the bank's performance can be found in the applicable assessment area sections 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

The First State Bank 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 institution's capacity and the need and availability of such opportunities in the assessment areas. The bank's performance in Kansas and Nebraska is consistent with this conclusion. As part of determining performance, examiners compared the bank's performance to other similarly situated banks that were recently evaluated for CRA. Overall, the bank's community development performance compared reasonably to the similarly situated institutions.

Community Development Loans

The First State Bank originated 59 community development loans totaling \$87.2 million during the evaluation period. This level of community development lending represents 17.1 percent of total assets, and 29.6 percent of net loans as of September 30, 2025. This volume exceeds that of the similarly situated institutions. Specifically, the similarly situated institutions' community development loans to total assets ranged from 3.4 percent to 9.1 percent, and the community development loans to net loans ranged from 5.7 percent to 18.3 percent. The following tables show the breakdown of the bank's community development loans by qualifying category, year, and assessment/rated area.

Community Development Lending by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022 (Partial)	0	0	0	0	0	0	1	275	1	275
2023	0	0	0	0	6	11,522	17	16,425	23	27,947
2024	0	0	0	0	6	16,972	15	19,312	21	36,284
2025 Year-to-Date (YTD)	0	0	0	0	3	7,470	11	15,206	14	22,676
Total	0	0	0	0	15	35,964	44	51,218	59	87,182
<i>Source: Bank Records</i>										

Community Development Lending by Assessment Area										
Assessment Area/Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Kansas	0	0	0	0	6	12,004	44	51,218	50	63,222
Nebraska	0	0	0	0	9	23,960	0	0	9	23,960
Total	0	0	0	0	15	35,964	44	51,218	59	87,182
<i>Source: Bank Data</i>										

The majority of the bank's community development lending stabilizes underserved and distressed census tracts, and supports job retention for low- and moderate-income individuals by financing local small businesses. Refer to the related sections of this evaluation for details on notable examples of the bank's community development lending in each assessment area.

Qualified Investments

The First State Bank had 15 qualified investments totaling \$1.6 million. This level of investment volume equates to 0.3 percent of total assets, and 0.9 percent of total securities as of September 30, 2025. The bank's volume of qualified investments falls below that of the similarly situated institutions. Specifically, the similarly situated institutions' qualified investments to total assets ranged from 0.6 percent to 2.1 percent, and the qualified investments to total securities ranged from 1.9 percent to 7.2 percent. The following tables show the breakdown of the bank's qualified investments by category, year, and assessment/rated area.

Qualified Investments by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	7	777	7	777
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025 (YTD)	0	0	0	0	0	0	1	830	1	830
Subtotal	0	0	0	0	0	0	8	1,607	8	1,607
Grants & Donations	0	0	3	2	0	0	4	5	7	7
Total	0	0	3	2	0	0	12	1,612	15	1,614
<i>Source: Bank Records</i>										

Qualified Investments by Assessment Area										
Assessment Area/Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Kansas	0	0	3	2	0	0	12	1,612	15	1,614
Nebraska	0	0	0	0	0	0	0	0	0	0
Total	0	0	3	2	0	0	12	1,612	15	1,614
<i>Source: Bank Data</i>										

A large number of prior period investments matured since the previous evaluation, resulting in a decline from the bank's \$2.6 million in qualified investments at the previous evaluation. Despite this, The First State Bank's qualified investment activity reflects adequate responsiveness to the community development needs of its assessment areas. The substantial majority of the bank's qualified investments are bonds issued to help serve the essential needs of underserved areas. Refer to the related sections of this evaluation for details on notable examples of the bank's qualified investments in each assessment area.

Community Development Services

The First State Bank employees provided 42 qualified community development services during the evaluation period. These activities primarily included bank representatives providing their financial expertise and serving in key roles for qualifying community organizations. The bank's level of qualified services fell within the range of the similarly situated institutions, with community services ranging from 18 to 56. The following tables show the breakdown of the bank's community development services by category, year, and assessment/rated area.

Community Development Services by Year					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2023	1	1	8	10	20
2024	1	2	6	4	13
2025 (YTD)	1	1	6	1	9
Total	3	4	20	15	42
<i>Source: Bank Records</i>					

Community Development Services by Assessment Area					
Assessment Area/Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Kansas	0	1	12	15	28
Nebraska	3	3	8	0	14
Total	3	4	20	15	42
<i>Source: Bank Data</i>					

Refer to the related sections of this evaluation for details on notable examples of the bank's community development services in each assessment area.

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 Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

KANSAS – Full-Scope Review

CRA RATING FOR KANSAS: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN KANSAS

The Kansas Assessment Area contains four of the bank’s offices, including the main office in Norton, and branch offices in Plainville, Hill City, and Hoxie. The Kansas Assessment Area is located in the nonmetropolitan area of Kansas, and consists of the contiguous counties of Graham, Norton, Rooks, and Sheridan. The following shows information from the 2020 U.S. Census and 2024 D&B data for this assessment area.

Economic and Demographic Data

The Kansas Assessment Area is comprised of four middle-income census tracts, and one upper-income census tract. The area is sparsely populated and consists largely of rural countryside and farmland. All of the census tracts in Graham, Norton, and Rooks counties are categorized as underserved, and the sole census tract in Graham County is also designated as distressed. The following table shows select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0	0.0
Population by Geography	15,240	0.0	0.0	83.9	16.1	0.0
Housing Units by Geography	8,021	0.0	0.0	84.4	15.6	0.0
Owner-Occupied Units by Geography	4,848	0.0	0.0	82.2	17.8	0.0
Occupied Rental Units by Geography	1,516	0.0	0.0	85.6	14.5	0.0
Vacant Units by Geography	1,657	0.0	0.0	89.6	10.4	0.0
Businesses by Geography	1,401	0.0	0.0	88.8	11.2	0.0
Farms by Geography	302	0.0	0.0	76.2	23.8	0.0
Family Distribution by Income Level	3,925	13.6	24.6	22.7	39.0	0.1
Household Distribution by Income Level	6,364	21.1	18.4	21.6	39.0	0.0
Kansas Non-MSA Median Family Income		\$65,183	Median Housing Value			\$ 84,441
Families Below Poverty Level		5.2%	Median Gross Rent			\$605
Source: 2020 Census and 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.						

According to 2024 D&B data, the agricultural industry represents the largest portion of businesses in the assessment area at 17.7 percent, followed by the service industry at 10.0 percent, and retail trade at 8.9 percent. The data also indicates a notable number of these operations are relatively small, with 75.1 percent of the businesses having four or fewer employees, and 87.1 percent operating from one location.

Competition

The competition for financial services in the Kansas Assessment Area is notable for a rural area. According to FDIC Deposit Market Share data as of June 30, 2025, there are 8 institutions operating 16 offices in the assessment area. Of these institutions, The First State Bank ranked first with a deposit market share of 38.0 percent.

Community Contact

Examiners contact community members or other third parties in the assessment area to help gain insight into the area's economy, demographic trends, and business environment. This information not only helps in identifying credit and community development needs and opportunities, but also in determining whether local financial institutions are responsive to those needs.

Discussions with a member of an area community organization indicated the local economy is stable. The economy is heavily dependent on agricultural conditions. The area currently has a number of ongoing community development initiatives, including several programs and funding partners that provide interest rate breaks for new farming operations. The contact indicated that area financial institutions are generally active in community initiatives and responsive to identified needs.

Credit and Community Development Needs and Opportunities

Examiners identify the credit needs of the assessment area based on information from the community contact, bank management, and demographic and economic data. Based on this information, examiners determined small farm and small business loans are the primary credit needs. The community development needs include economic development and revitalization and stabilization, as evidenced by the number of small businesses in the assessment area as well as the presence of underserved and distressed geographies.

SCOPE OF EVALUATION - KANSAS

Examiners evaluated the bank's CRA performance for the State of Kansas through a full-scope review of the Kansas Assessment Area. Refer to the overall Scope of Evaluation for the weighting and descriptions of the products reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA IN KANSAS

LENDING TEST

The First State Bank demonstrated reasonable performance under the Lending Test in Kansas. The bank's Borrower Profile performance supports this conclusion.

Geographic Distribution

The assessment area does not include any low- or 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 within the Kansas Assessment Area reflects reasonable penetration among farms and businesses of different sizes. This conclusion is supported by the bank's reasonable performance in both loan categories reviewed.

Small Farm Loans

The distribution of small farm loans in the assessment area reflects reasonable penetration to farms with revenues of \$1 million or less. As shown in the following table, the bank's lending performance to farming operations with revenues of \$1 million or less is commensurate with demographic data in this revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<= \$1,000,000	98.7	33	91.7	1,632	68.5
> \$1,000,000	0.7	3	8.3	750	31.5
Revenue Not Available	0.7	0	0.0	0	0.0
Total	100.0	36	100.0	2,382	100.0
<i>Source: 2024 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 to businesses with revenues of \$1 million or less. As shown in the following table, the bank's lending performance to businesses with revenues of \$1 million or less is commensurate with demographic data in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<= \$1,000,000	80.7	27	87.1	1,125	81.1
> \$1,000,000	4.6	4	12.9	262	18.9
Revenue Not Available	14.	0	0.0	0	0.0
Total	100.0	31	100.0	1,387	100.0
<i>Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

The First State Bank demonstrated adequate responsiveness to the community development needs of the Kansas Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, the bank originated 50 community development loans in the Kansas Assessment Area totaling \$63.2 million. The community development loans included a focus on supporting economic development by creating, retaining, or improving jobs for low- and moderate-income individuals, and promoting revitalization and stabilization efforts in distressed and underserved geographies. Examples of community development loans that were particularly responsive to the area's needs include loans supporting business retention in distressed areas, and loans funding businesses employing predominantly low- and moderate-income individuals.

Qualified Investments

The First State Bank reported 15 investments totaling \$1.6 million in the Kansas Assessment Area. These investments and donations were made to organizations that provide essential community services to low- and moderate-income individuals, or revitalize and stabilize a local underserved community. Activities that were particularly responsive to community needs include a donation to an organization that helps combat food insecurity in the assessment area, and an investment in a local bond that funded improvements to a school building in an underserved area.

Community Development Services

The First State Bank completed 28 qualifying community development services in the Kansas Assessment Area during the review period. The services were provided to organizations that provided community services for low- and moderate-income individuals, promoted economic development, and helped revitalize and stabilize distressed or underserved communities. Examples of services that were particularly responsive to the assessment area's needs include serving on the Board of Directors of organizations that help create or retain businesses in distressed communities, and providing financial education to students in an underserved area.

NEBRASKA – Full Scope Review

CRA RATING FOR NEBRASKA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEBRASKA

The Nebraska Assessment Area is located in the nonmetropolitan area of Nebraska, and consists solely of Phelps County. The bank’s only operations in this assessment area are in the town of Holdrege where the bank maintains a branch office. The following shows demographic and economic information from the 2020 U.S. Census and 2024 D&B data for this assessment area.

Economic and Demographic Data

The Nebraska Assessment Area consists of three middle-income census tracts. The following table shows select demographic characteristics for this assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	8,968	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	4,268	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,775	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,125	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	368	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,209	0.0	0.0	100.0	0.0	0.0
Farms by Geography	295	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,398	17.6	16.6	20.5	45.3	0.0
Household Distribution by Income Level	3,900	24.4	14.3	18.7	42.6	0.0
Nebraska Non-MSA Median Family Income		\$70,804	Median Housing Value			\$ 137,008
Families Below Poverty Level		9.4%	Median Gross Rent			\$647
Source: 2020 Census and 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.						

According to 2024 D&B data, the agricultural industry represents the largest portion of businesses in the assessment area at 19.6 percent, followed by the service industry at 8.8 percent, and retail trade at 6.7 percent. The data also indicates a notable number of these operations are relatively small, with 75.2 percent having four or fewer employees, and 90.3 percent operating from one location.

Competition

The competition for financial services in the Nebraska Assessment Area is notable. According to FDIC Deposit Market Share data as of June 30, 2025, there are seven banks operating eight offices in the assessment area. Of these institutions, The First State Bank ranked second with a deposit market share of 25.8 percent.

Credit and Community Development Needs and Opportunities

Based on information from bank management and demographic data, examiners identified small farm and small business loans as primary credit needs in this assessment area. The community development opportunities are limited as Phelps County is entirely middle-income, and there are no census tracts that are distressed or underserved. The community development opportunities include, to a limited extent, economic development and affordable housing.

SCOPE OF EVALUATION – NEBRASKA

Examiners evaluated the bank's CRA performance for the State of Nebraska through a full-scope review of the Nebraska Assessment Area. Refer to the overall Scope of Evaluation for the weighting and descriptions of the products reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEBRASKA

LENDING TEST

The First State Bank demonstrated reasonable performance under the Lending Test in the Nebraska Assessment Area. The bank's Borrower Profile performance supports this conclusion.

Geographic Distribution

The assessment area does not include any low- or 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 within the Nebraska Assessment Area reflects a reasonable penetration among farms and businesses of different sizes. This conclusion is supported by the bank's reasonable performance in both loan categories reviewed.

Small Farm Loans

The distribution of small farm loans in the assessment area reflects reasonable penetration among farms of different sizes. The following table shows the bank's lending performance to operations with revenues of \$1 million or less falls below comparable data. However, the 2022 Agricultural Census revealed 40.1 percent of farms in the assessment area had no interest expenses. This data appears to indicate a sizeable percentage of farms in the assessment area had little or no need for credit.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<= \$1,000,000	95.9	18	81.8	2,886	71.5
> \$1,000,000	3.7	4	18.2	1,150	28.5
Revenue Not Available	0.3	0	0.0	0	0.0
Total	100.0	22	100.0	4,036	100.0
<i>Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Small Business Loans

The distribution of small business loans in the assessment area reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank's lending performance to businesses with revenues of \$1 million or less is commensurate with demographic data in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<= \$1,000,000	83.5	15	75.0	844	35.0
> \$1,000,000	3.3	5	25.0	1,570	65.0
Revenue Not Available	13.2	0	0.0	0	0.0
Total	100.0	20	100.0	2,414	100.0
<i>Source: 2024 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

The First State Bank demonstrated adequate responsiveness to the community development needs of its Nebraska Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, the bank originated 9 community development loans totaling \$24.0 million in the Nebraska Assessment Area. The community development loans included a focus on supporting economic development by creating, retaining, or improving jobs for low- and moderate-income individuals. Examples of community development loans that were particularly responsive to the area's needs include a number of loans to businesses who employ predominantly low- and moderate-income individuals.

Qualified Investments

The bank did not make any qualified investments in the Nebraska Assessment Area since the prior evaluation.

Community Development Services

The First State Bank completed 14 qualifying community development services during the evaluation period. The services were provided to organizations that promoted affordable housing, provided community services for low- and moderate-income individuals, and promoted economic development. Examples of services that were particularly responsive to the area's needs include serving on the Board of Directors for an organization that provides affordable housing and participates in the Housing and Urban Development's Section 8 Housing Voucher program, and serving as Treasurer for an organization that helps businesses expand and relocate.

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.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
KANSAS	Satisfactory	Satisfactory	Satisfactory
NEBRASKA	Satisfactory	Satisfactory	Satisfactory

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.