



PUBLIC DISCLOSURE

January 11, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Bank and Trust Company
RSSD# 114859**

**315 East 4th Street
Minden, Nebraska 68959**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

NOTE: 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'S COMMUNITY REINVESTMENT ACT RATING

First Bank and Trust Company (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- The geographic distribution of loans throughout the AA was not evaluated, as the AA consists entirely of middle-income census tracts, which would not render a meaningful analysis.
- Lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and farms of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic, economic characteristics, and credit needs. Lending performance was assessed within the bank's Kearney County AA. The following data was reviewed:

- The bank's 17-quarter average NLTD ratio.
- Statistical samples of the bank's small farm and home mortgage loans originated between August 15, 2016 and December 31, 2019:
 - Small farm loans included a sample of 50 loans selected from a universe of 66 loans.
 - Home mortgage loans included a sample of 43 loans selected from a universe of 55 loans.
- Small farm and home mortgage lending were weighted equally.

DESCRIPTION OF INSTITUTION

The bank is headquartered in Minden, Nebraska. The bank's characteristics include:

- The bank is a wholly owned subsidiary of First of Minden Financial Corporation.
- The bank has total assets of \$76.3 million as of June 30, 2020.
- The bank operates one full-service branch in Minden, Nebraska, that features a full-service automated teller machine (ATM).

- The bank maintains a second full-service ATM in Axtell, Nebraska.
- The bank’s primary business focus is agricultural lending. An additional strategic focus is home mortgage lending, including a growing volume of loans sold to the secondary market.

TABLE 1 COMPOSITION OF LOAN PORTFOLIO AS OF JUNE 30, 2020		
Loan Type	\$(000)	%
Agricultural	17,566	43.6
Commercial	10,153	25.2
Residential Real Estate	9,992	24.8
Consumer	1,876	4.7
Other	709	1.8
Gross Loans	40,296	100.0

Note: Percentages may not total 100.0 percent due to rounding.

The bank’s CRA performance was rated Satisfactory at its August 15, 2016 evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s AA is comprised of Kearney County, Nebraska, in its entirety (see Appendix A for an AA map).

- The AA is composed of two middle-income census tracts, of which the income designations remain unchanged since the previous evaluation.
- According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks second out of four FDIC-insured institutions operating within the AA, with a deposit market share of 29.3 percent.
- One previously conducted community contact was utilized to determine local demographic trends and economic conditions. The community member was a representative of an economic development organization serving south central Nebraska, which includes the bank’s AA.

TABLE 2 POPULATION CHANGE			
Area	2010 Population	2015 Population	Percent Change
Kearney County	6,489	6,549	0.9
State of Nebraska	1,826,341	1,869,365	2.4

*Source: 2010 U.S. Census Bureau Decennial Census
2011-2015 U.S. Census Bureau: American Community Survey*

- The AA is rural in nature, with a relatively stable population.
- The largest town is Minden, which had a population of 2,890 in 2018.
- According to 2015 American Community Survey (ACS) data, a larger percentage of the AA population was 65 years of age and older compared to the statewide population figure. However, this figure is in line with other rural areas of Nebraska.

TABLE 3 MEDIAN FAMILY INCOME CHANGE			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Kearney County	62,718	61,880	(1.3)
State of Nebraska	61,888	67,225	8.6

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

- Notably, a smaller percentage of families in the AA are considered low-income when compared to other rural areas of Nebraska, at 10.8 percent and 18.4 percent of families, respectively. Conversely, a larger percentage of families in the AA are considered moderate-income when compared to other rural areas of Nebraska, with 23.0 percent and 18.8 percent of families, respectively.

TABLE 4 HOUSING COSTS CHANGE						
Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Kearney County	101,100	109,900	8.7	548	703	28.3
State of Nebraska	123,900	133,200	7.5	648	726	12.0

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

- The community contact explained that workers from neighboring rural counties will reside in towns such as Minden, due to low rental unit availability in other counties.
- The community contact also stated there is a need for rental housing in the AA. This is supported by ACS housing data, which indicates the percentage of rental units in the AA is higher than in other rural areas of Nebraska, at 30.3 percent and 25.8 percent, respectively. Housing data also indicates the AA contains fewer vacant housing units compared to other rural areas of Nebraska, at 5.3 percent and 12.8 percent, respectively.

TABLE 5 UNEMPLOYMENT RATES					
Region	2015	2016	2017	2018	2019
Kearney County	2.2	2.5	2.2	2.1	2.3
State of Nebraska	3.0	3.2	2.9	2.8	3.0

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The community contact stated the regional economy is driven by agriculture, which has been hurt by low commodity prices and flooding.
- Crops make up 42.4 percent of AA agricultural sales with grains, oilseeds, dry beans, and peas being the predominant crops. Livestock and poultry make up the other 57.6 percent of agricultural sales in the AA, with cattle and calves being the predominant product.
- Major employers in Minden include Royal Engineered Composites, Inc.; Kearney County Health Services; Minden Public Schools; Bethany Home; Minden Machine Shops; Wardcraft Homes; KAAPA Ethanol LLC; Cooperative Producers, Inc.; Minden Exchange Bank; and, the City of Minden.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to the ratios of similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on similar loan portfolio concentrations, asset size, and proximity to the bank.

The bank’s NLTD ratio is reasonable. The bank’s NLTD ratio is below the ratios of all four similarly situated institutions. However, the bank’s ratio does not reflect the bank’s volume of secondary market loans which are typically sold the day of origination. Additionally, the ratio does not reflect outstanding loan commitments, which include unutilized portions of open-end credit extended by the bank. Lastly, the bank has experienced limited opportunity to extend credit in its largest business line due to local economic conditions. As indicated by the community contact, low commodity prices and flooding have adversely impacted the local economy. As a result, management has dedicated additional resources and shifted the bank’s strategic focus towards residential real estate lending to offset the lack of growth in the agricultural loan portfolio. In light of these contextual factors, the bank’s NLTD ratio reflects a reasonable effort to meet the credit needs of local communities.

TABLE 6 COMPARATIVE NLTD RATIOS			
Institution	Location	Asset Size (\$000s)	NLTD Ratio (%)
			17-Quarter Average
First Bank and Trust Company	Minden, NE	76,291	62.4
Minden Exchange Bank & Trust Company	Minden, NE	155,776	82.3
Custer Federal State Bank	Broken Bow, NE	114,882	96.2
Thayer County Bank	Hebron, NE	75,477	77.0
Western National Bank	Chester, NE	136,162	98.1

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. A majority of the bank’s loans, by number and dollar, are originated inside the AA.

TABLE 7 LENDING INSIDE AND OUTSIDE THE AA								
Loan Type	Inside				Outside			
	#	\$(000)	#%	\$\$%	#	\$(000)	#%	\$\$%
Home Mortgage Loans	31	3,868	72.1	75.1	12	1,283	27.9	24.9
Small Farm Loans	28	2,137	56.0	60.3	22	1,408	44.0	39.7
Total Loans	59	6,005	63.4	69.1	34	2,690	36.6	30.9

Note: Percentages may not add to 100.0 percent due to rounding.

The remainder of the analysis only considers loans extended within the bank’s delineated AA.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts. The bank’s geographic distribution of loans throughout the AA was not evaluated, as the AA consists entirely of middle-income census tracts, which would not render a meaningful analysis.

Lending to Borrowers of Different Income Levels and Farms of Different Sizes

This performance criterion evaluates the bank’s lending to borrowers of different income levels and farms of different revenue sizes. The bank’s lending has a reasonable penetration among individuals of different income levels and farms of different revenue sizes.

Home Mortgage Lending

The borrower distribution of home mortgage lending is reasonable. The bank’s lending to LMI borrowers was comparable to the demographic figures.

**TABLE 8
DISTRIBUTION OF 2016 – 2019 HOME MORTGAGE LENDING
BY BORROWER INCOME LEVEL**

Borrower Income Level	Bank Loans				Families by Family Income %
	#	\$(000)	#%	\$%	
Low	3	220	9.7	5.7	10.8
Moderate	5	503	16.1	13.0	23.0
Middle	10	1,361	32.3	35.2	25.9
Upper	13	1,784	41.9	46.1	40.2
Unknown	0	0	0.0	0.0	0.0

Source: 2019 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
NOTE: Percentages may not add up to 100.0 due to rounding.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank's lending to small farms was comparable to the demographic figure.

**TABLE 9
DISTRIBUTION OF 2016 – 2019 SMALL FARM LENDING
BY REVENUE SIZE OF FARMS**

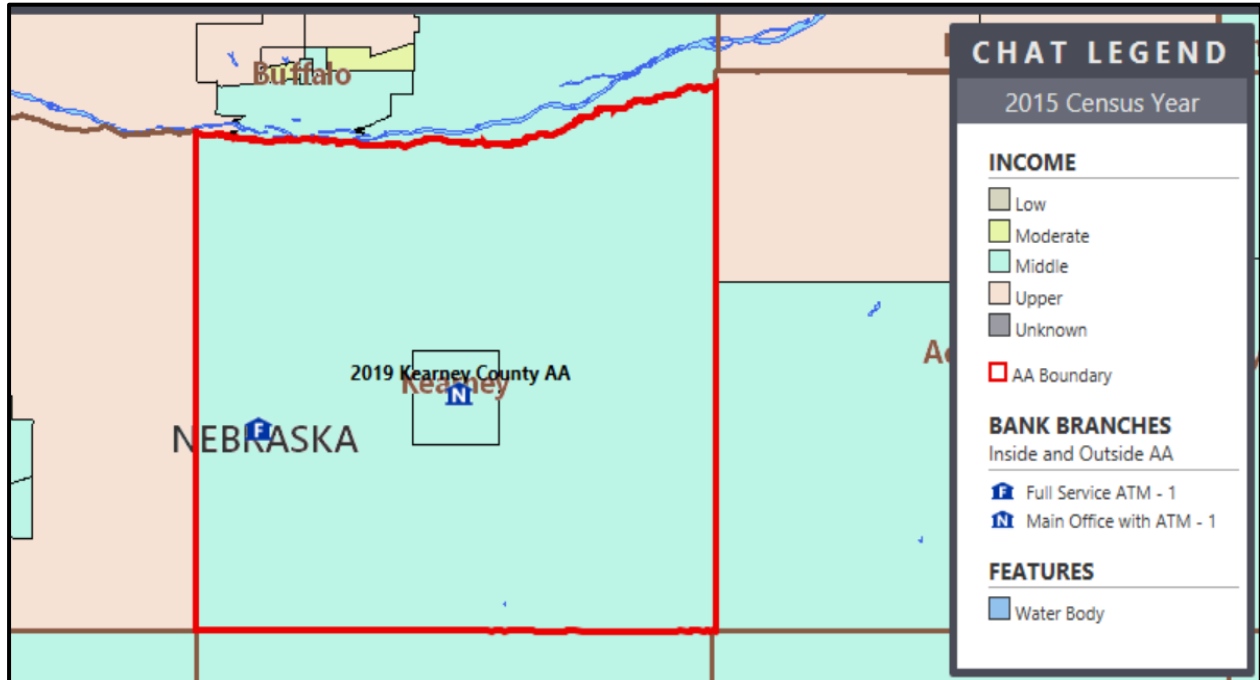
	Bank Loans				Total Farms
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	24	1,897	85.7	88.8	97.3
Over \$1 Million	2	64	7.1	3.0	2.7
Not Known	2	176	7.1	8.2	0.0
Total	28	2,137	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	21	874	75.0	40.9	
\$100,001 – \$250,000	6	863	21.4	40.4	
\$250,001 – \$500,000	1	400	3.6	18.7	
Total	28	2,137	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	17	634	70.8	33.4	
\$100,001 – \$250,000	6	863	25.0	45.5	
\$250,001 – \$500,000	1	400	4.2	21.1	
Total	24	1,897	100.0	100.0	

Source: 2019 Dun & Bradstreet Data
NOTE: Percentages may not add up to 100.0 due to rounding.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

TABLE B-1 2019 KEARNEY COUNTY AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	197	10.8
Moderate	0	0.0	0	0.0	0	0.0	419	23.0
Middle	2	100.0	1,819	100.0	59	3.2	472	25.9
Upper	0	0.0	0	0.0	0	0.0	731	40.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2	100.0	1,819	100.0	59	3.2	1,819	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	2,922	1,883	100.0	64.4	884	30.3	155	5.3
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	2,922	1,883	100.0	64.4	884	30.3	155	5.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	335	100.0	299	100.0	26	100.0	10	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	335	100.0	299	100.0	26	100.0	10	100.0
Percentage of Total Businesses:				89.3		7.8		3.0
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	148	100.0	144	100.0	4	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	148	100.0	144	100.0	4	100.0	0	0.0
Percentage of Total Farms:				97.3		2.7		0.0
<p>Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011 - 2015 U.S. Census Bureau: American Community Survey</p> <p>NOTE: Percentages may not add up to 100.0 due to rounding.</p>								

APPENDIX C – 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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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.

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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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

applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.