

PUBLIC DISCLOSURE

September 19, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Brunswick State Bank
Certificate Number: 13692

226 2nd Street
Brunswick, Nebraska 68720

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

The following points summarize the bank's Community Reinvestment Act (CRA) performance.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and the assessment area's credit needs.
- A majority of the small farm and small business loans reviewed were inside the assessment area.
- The assessment area consists entirely of middle-income geographies and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Brunswick State Bank is a rural, community bank headquartered in Brunswick, Nebraska, with primary operations in Antelope and Knox counties. The bank is wholly owned by BSB Bancshares, Inc., a one-bank holding company located in Brunswick, Nebraska. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 15, 2016, based on Interagency Small Institution Examination Procedures. Brunswick State Bank continues to operate its main office in Brunswick, Nebraska, and a full-service branch in Winnetoon, Nebraska. There have been no changes to the bank's branches since the previous CRA evaluation.

Brunswick State Bank offers a variety of loan products, including agricultural, commercial, consumer, and home mortgage. The bank's primary business focus is agricultural lending. In addition, the bank offers a variety of deposit services including checking, savings, money market, and NOW accounts. Alternative banking services include internet banking, mobile banking, online bill pay, and ATMs.

As of June 30, 2022, the bank reported total assets of \$146.8 million, total loans of \$119.2 million, and total deposits of \$130.9 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 06/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	20,869	17.5
Secured by 1-4 Family Residential Properties	2,225	1.9
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	22,282	18.7
Total Real Estate Loans	45,376	38.1
Commercial and Industrial Loans	31,153	26.1
Agricultural Production and Other Loans to Farmers	36,710	30.8
Consumer Loans	5,290	4.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	630	0.5
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	119,159	100.0
<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 its assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Brunswick State Bank designated a single assessment area in northeast Nebraska, which is comprised of the entire counties of Antelope and Knox. The counties are adjacent to one another and are located in the nonmetropolitan area of Nebraska.

Economic and Demographic Data

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	6	0.0	0.0	100.0	0.0	0.0
Population by Geography	15,042	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	8,062	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,864	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,673	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,525	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,459	0.0	0.0	100.0	0.0	0.0
Farms by Geography	553	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,375	21.8	19.6	22.1	36.5	0.0
Household Distribution by Income Level	6,537	26.4	16.2	19.2	38.2	0.0
Median Family Income Non-MSAs - NE		\$61,457	Median Housing Value			\$81,991
			Median Gross Rent			\$479
			Families Below Poverty Level			9.6%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The 2017 United States Department of Agricultural Census data identified 1,660 farm operations in the counties that comprise the bank's assessment area. The same census data indicated total commodity sales in excess of \$817 million were reported in the assessment area counties, demonstrating the significant economic role the agricultural industry holds in the assessment area. According to 2021 D&B data, area businesses are predominantly small operations with 88.5 percent of farms and businesses operating out of a single location, and 73.5 percent employing less than five employees.

Economically the assessment area is relatively healthy, as reflected in its low unemployment rates, based the U.S. Bureau of Labor Statistics. Over the past three years, Antelope and Knox counties have generally reported lower unemployment rates than the state of Nebraska and the nation as a whole. In March 2020, both Antelope and Knox counties experienced an increase in unemployment rates due to the Coronavirus Disease 2019 (COVID-19) pandemic, which was 3.6 and 5.0 percent respectively. This increase in unemployment was also experienced both statewide and nationwide during the same timeframe. Unemployment levels in the assessment area have since returned to historic lows. As of June 2022, the unemployment rates were 1.9 percent for Antelope County, and 2.4 percent for Knox County, as compared to the September 2016 unemployment rates of 2.2 percent for Antelope County, and 2.7 percent for Knox County.

Competition

The assessment area is somewhat competitive for financial products and services. According to the June 2021 FDIC Deposit Market Share data, nine financial institutions operated 16 branches in the

assessment area. Of these institutions, Brunswick State Bank ranked first with 21.2 percent of the deposit market share. Agricultural financing competition also comes from non-bank entities with options for operating, machinery, and land loans.

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 contacted a person familiar with the area's agricultural needs and initiatives. The contact stated that agricultural-related businesses are the dominant economic driver in the area. The area is experiencing overall good economic conditions. Most businesses that closed during the COVID-19 pandemic have re-opened and have returned to pre-pandemic revenue levels. The negative impact of the mandated closures during the pandemic were short-term and manageable for businesses that participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The contact identified agriculture, small business, and residential real estate as the credit needs of the area. The contact indicated that the financial institutions overall are responsive to the area's credit needs.

Credit Needs

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that the primary credit needs for the assessment area are agricultural and small business loans. Home mortgage lending demand and opportunity are also available throughout the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 15, 2016, to the current evaluation dated September 19, 2022. Examiners used Interagency Small Institution Examination Procedures, which includes a Lending Test, to evaluate Brunswick State Bank's CRA performance. Refer to the Appendices later in the evaluation for a description of the criteria used to evaluate the bank's performance under the Lending Test.

Activities Reviewed

Examiners reviewed small farm and small business loans to evaluate the bank's performance. Examiners selected these products based on the bank's business strategy, and the number and dollar volume of the loans originated during the evaluation period. No other loan types, such as home mortgage or consumer loans, represented a major product line. Therefore, examiners did not review any other loan products, since they would not have provided material support for conclusions or the rating.

Examiners reviewed all small farm and small business loans originated or purchased between January 1, 2021, and December 31, 2021. All SBA PPP loans were excluded from the review of

small business and small farm lending for the 2021 review period. In 2021, the bank made a total of 219 PPP loans totaling over \$3.3 million. Bank management indicated that the loans reviewed were representative of the institution's performance during the entire evaluation period, and bank data confirmed this statement. As a result, the evaluation does not contain any additional years of data.

For the Lending Test, examiners reviewed the universe of 2021 loans to evaluate the Assessment Area Concentration criterion. This consisted of 350 small farm loans totaling \$33.2 million, and 257 small business loans totaling \$29.8 million. Examiners then sampled small farm and small business loans extended to farms and businesses located within the assessment area to evaluate the Borrower Profile criterion. Specifically, examiners reviewed 55 small farm loans totaling \$5.5 million, and 51 small business loans totaling \$3.2 million. The 2021 D&B data provided a standard of comparison for the bank's small farm and small business lending performance.

Small farm lending received slightly more weight than small business lending when drawing conclusions under the Lending Test. This is because agricultural loans comprise a larger percentage of the bank's loan portfolio, and are considered the bank's primary credit product. Further, while examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation, they emphasized performance by number of loans when conducting the Borrower Profile analysis. This is because the number of loans is a better indicator of the farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Brunswick State Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion.

Loan-to-Deposit Ratio

Brunswick State Bank's net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area's credit needs. The bank's net loan-to-deposit ratio, calculated from the Consolidated Reports of Condition and Income data, averaged 95.6 percent over the past 24 quarters from September 30, 2016, to June 30, 2022. Examiners compared Brunswick State Bank's average net loan-to-deposit ratio to five other similarly situated financial institutions. Examiners selected the institutions based on their asset size, geographic location, and lending focus. As shown in the following table, Brunswick State Bank's average net loan-to-deposit ratio is comparable to the two institutions with the highest ratios, and reveals a high level of lending, reflecting more than reasonable performance.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/22 \$(000s)	Average Net LTD Ratio (%)
Brunswick State Bank, Brunswick, Nebraska	146,783	95.6
Bank of Elgin, Elgin, Nebraska	72,386	83.0
Bank of Hartington, Hartington, Nebraska	127,783	79.8
Chambers State Bank, Chambers, Nebraska	78,174	103.2
Farmers and Merchants State Bank, Bloomfield, Nebraska	199,240	74.0
First State Bank, Randolph, Nebraska	78,608	100.5

Source: Reports of Condition and Income 9/30/16 through 6/30/22

Assessment Area Concentration

A majority of small farm and small business loans reviewed, by number and dollar volume, were located in the assessment area. The following table provides details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	172	66.9	85	33.1	257	16,671	55.9	13,167	44.1	29,838
Small Farm	276	78.9	74	21.1	350	25,772	77.6	7,426	22.4	33,198
Total	448	73.8	159	26.2	607	42,443	67.3	20,593	32.7	63,036

*Source: Bank Data
Due to rounding, totals may not equal 100.0%*

Geographic Distribution

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

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. The bank's reasonable small farm lending performance is the driver for this conclusion; although the bank's small business performance is excellent. Examiners focused on the percentage of small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. The bank's record of lending to farms with revenues of \$1 million or less is comparable to demographic data in this revenue category. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.2	50	90.9	3,636	66.3
>\$1,000,000	1.6	5	9.1	1,850	33.7
Revenue Not Available	0.2	0	0.0	0	0.0
Total	100.0	55	100.0	5,486	100.0

Source: 2021 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. The percentage of small business loans made to businesses with revenues of \$1 million or less exceeds the demographic data in this revenue category. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	78.4	46	90.2	2,890	90.5
>\$1,000,000	4.2	5	9.8	304	9.5
Revenue Not Available	17.3	0	0.0	0	0.0
Total	100.0	51	100.0	3,194	100.0

Source: 2021 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.