

PUBLIC DISCLOSURE

January 16, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bruning Bank
Certificate Number: 18748

104 East Main Street
Bruning, Nebraska 68322

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 Lending Test is rated Satisfactory.

The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small farm and small business loans were located inside the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The bank did not receive any complaints related to its Community Reinvestment Act (CRA) performance since the previous evaluation; therefore, this factor did not affect the 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, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

Bruning Bank is a community bank headquartered in Bruning, Nebraska. Bruning Bancshares, Inc., a one-bank holding company, also located in Bruning, wholly owns the institution. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated February 22, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

Bruning Bank operates six full-service offices in Broken Bow, Bruning, Grand Island, Hebron, Holdrege, and Kearney, Nebraska. Since the previous evaluation, the bank opened the Grand Island branch in an upper-income census tract on March 1, 2023.

The bank offers traditional credit products including agricultural, commercial, residential real estate, and consumer loans. The bank offers a variety of deposit products including checking, savings, money market, individual retirement, and certificate of deposit accounts. Insurance and investment services are also available. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit, person-to-person payments, and ATMs.

As of the September 30, 2023, Bruning Bank reported total assets of \$593.6 million, total loans of \$372.1 million, total securities of \$182.6 million, and total deposits of \$464.5 million. Agricultural and commercial lending remain the bank’s primary business focus and continue to represent the largest portions of the loan portfolio. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 9/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,055	1.4
Secured by Farmland	120,329	32.3
Secured by 1-4 Family Residential Properties	19,037	5.1
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	122,201	32.8
Total Real Estate Loans	266,622	71.6
Commercial and Industrial Loans	47,755	12.8
Agricultural Production and Other Loans to Farmers	51,321	13.8
Consumer Loans	4,407	1.2
Obligations of State and Political Subdivisions in the U.S.	796	0.2
Other Loans	1,220	0.3
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	372,121	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more assessment areas within which its performance will be evaluated. Bruning Bank has three assessment areas in Nebraska: Bruning Assessment Area, Kearney Assessment Area, and Grand Island Assessment Area. The bank added the Grand Island Assessment Area in March 2023 when the Grand Island office location opened. The Bruning and Kearney assessment areas are located in nonmetropolitan areas, while the Grand Island Assessment Area is located in the Grand Island, Nebraska Metropolitan Statistical Area (MSA). Detailed information about each assessment area is presented in subsequent sections of the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 22, 2021, to the current evaluation dated January 16, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Bruning Bank’s CRA performance. These procedures include the Lending Test and the Community Development Test, as described in the Appendices. Financial institutions must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Examiners used full-scope examination procedures to assess the bank’s performance in each assessment area. When arriving at overall conclusions, examiners placed greater weight on the bank’s performance in the Kearney Assessment Area, followed by the Bruning Assessment Area, based on the distribution of loans, deposits, and offices in these assessment areas. Further, examiners placed less weight on the performance in the Grand Island Assessment Area because the bank has only maintained its operations in this assessment area since March 2023, and it represents the smallest volume of loans and deposits. The following table provides a breakdown of the bank’s loans, deposits, and offices by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Offices						
Assessment Area	Loans		Deposits		Offices	
	\$(000s)	%	\$(000s)	%	#	%
Bruning	115,585	31.3	206,447	44.8	2	33.4
Kearney	199,785	54.1	239,125	51.9	3	50.0
Grand Island	53,675	14.6	15,350	3.3	1	16.6
Total	369,045	100.0	460,992	100.0	6	100.0

Source: Bank Data (12/15/2023); FDIC Summary of Deposits (06/30/2023)

Activities Reviewed

Bruning Bank’s primary credit products are agricultural and commercial loans. This conclusion considered the bank’s business strategy, volume of loans originated during the evaluation period, data from Reports of Condition and Income, and discussions with bank management. Therefore, examiners reviewed small farm and small business loans to evaluate the bank’s lending performance. Examiners did not review home mortgage loans because it is not a primary lending focus, comprising only 5.1 percent, by dollar volume, of the loan portfolio.

Examiners reviewed small business and small farm loans originated or renewed from December 16, 2022, through December 15, 2023. Examiners selected this review period instead of calendar year 2022, the most recent full calendar year available, in order to capture activity that occurred in the Grand Island Assessment Area after it was added in March 2023. The bank’s lending focus and product mix remained relatively consistent throughout the evaluation period. Further, bank management indicated the review period was an accurate representation of the lending activity throughout the evaluation period.

For Assessment Area Concentration, examiners reviewed all small farm and small business loans originated or purchased during the review period. For Geographic Distribution, examiners

reviewed all small farm and small business loans located inside the Kearney and Grand Island assessment areas. The Bruning Assessment Area does not include of any low- or moderate-income census tracts; therefore, examiners did not evaluate the Geographic Distribution criterion. For Borrower Profile, examiners reviewed a random sample of small farm and small business loans located inside each assessment area. D&B data from 2023 provided a standard of comparison for small farm and small business loans. The following table provides details on the loan products reviewed.

Loan Products Reviewed						
Loan Type	Assessment Area Concentration		Geographic Distribution		Borrower Profile Sample	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Farm	327	49,880	164	23,697	111	15,621
Small Business	336	66,109	228	47,676	126	21,679
<i>Source: Bank Data</i>						

When drawing conclusions, examiners placed equal weight on small farm and small business lending in the Bruning and Kearney assessment areas since both represent the primary lending focus. However, examiners placed more weight on small business lending in the Grand Island Assessment Area based on the credit needs of that assessment area. 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 Geographic Distribution and Borrower Profile analyses. Generally, the number of loans is a better indicator of geographies, farms, and businesses served.

For the Community Development Test, bank management provided examiners with data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated February 22, 2021. Examiners also considered prior period qualified investments that were still outstanding as of January 16, 2024.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

Bruning Bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and the credit needs of the assessment areas. The bank’s net loan-to-deposit ratio, calculated from Call Report data, averaged 69.4 percent over the past 11 quarters from March 31, 2021, to September 30, 2023. Examiners compared Bruning Bank’s average net loan-to-deposit ratio to four comparable institutions. These institutions were selected based on their asset size, geographic location, and lending focus. As shown in the following table, Bruning Bank’s average loan-to-deposit ratio exceeds that of the comparable institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 9/30/2023	Average Net LTD Ratio
	(\$000s)	%
Bruning Bank, Bruning, Nebraska	593,580	69.4
First State Bank, Norton, Kansas	484,675	51.7
Heritage Bank, Wood River, Nebraska	567,551	34.9
Heartland Bank, Geneva, Nebraska	807,381	68.5
Farmers & Merchants Bank, Milford, Nebraska	840,015	34.1
<i>Source: Reports of Condition and Income 3/31/2021 - 9/30/2023</i>		

Assessment Area Concentration

As shown in the following table, Bruning Bank originated a majority of small farm and small business loans inside its assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$(000s)	%	\$(000s)	%	\$(000s)
Small Farm	266	81.3	61	18.7	327	39,327	78.8	10,553	21.2	49,880
Small Business	266	79.2	70	20.8	336	51,093	77.3	15,016	22.7	66,109
Total	532	80.2	131	19.8	663	90,420	78.0	25,569	22.0	115,989
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Examiners focused on the percentage of loans extended in low- and moderate-income census tracts within the assessment areas. Reasonable performance in the Kearney Assessment Area outweighed poor performance in the Grand Island Assessment Area to support this conclusion. As previously mentioned, examiners did not conduct a Geographic Distribution analysis in the Bruning Assessment Area since it does not contain any low- or moderate-income census tracts. Detailed discussion of the bank's performance is included in the applicable assessment area sections of this evaluation.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Examiners focused on the percentage of small farm and small business loans to entities with gross annual revenues of \$1 million or less. Reasonable performance in the Kearney Assessment Area primarily supported this conclusion, as it received the most weight when drawing overall conclusions. Excellent performance in the Bruning Assessment Area and reasonable performance in the Grand Island Assessment Area also supported this conclusion. Detailed discussion of the bank's performance is included 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

Bruning Bank demonstrated satisfactory performance under the Community Development Test. The institution's community development performance demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such community development opportunities when evaluating the institution's performance. Performance is consistent with the conclusions for all three assessment areas. Examiners considered community development activities benefitting the broader regional area in the analysis since the bank was responsive to the community development needs of its assessment areas.

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

Community Development Loans

Bruning Bank originated 351 community development loans totaling approximately \$16.1 million during the evaluation period. The dollar volume of community development loans represented 2.7 percent of total assets and 4.4 percent of net loans as of September 30, 2023. These ratios have decreased since the prior evaluation, when these ratios were 5.8 percent and 9.2 percent, respectively. Further, the dollar volume of community development lending decreased from \$24.6 million at the previous evaluation. Bruning Bank's community development lending levels are below the comparable institutions' lending levels. The comparable institutions' community development loans ranged from 3.2 percent to 6.4 percent of total assets and from 6.8 percent to 13.2 percent of net loans.

Community development lending activity included 322 loans totaling \$5.9 million originated under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) to promote economic development. The SBA administered these loans as part of the Coronavirus Aid, Relief, and Economic Security Act, helped businesses maintain payroll, retain employees, and cover applicable overhead expenses during the economic hardship resulting from the pandemic.

The following tables illustrate the bank's community development loans by assessment area, purpose, and year. Details on the bank's community development lending activities are located in the applicable assessment area sections of the evaluation.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bruning	2	463	0	0	116	2,130	2	160	120	2,753
Kearney	2	4,489	0	0	158	5,773	0	0	160	10,262
Grand Island	1	110	0	0	3	286	0	0	4	396
Regional Activities	8	1,901	0	0	55	758	4	57	67	2,716
Total	13	6,963	0	0	332	8,947	6	217	351	16,127
<i>Source: Bank Data</i>										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	1	235	0	0	323	6,116	0	0	324	6,351
2022	10	2,421	0	0	3	1,777	0	0	13	4,198
2023	2	4,307	0	0	6	1,054	6	217	14	5,578
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Total	13	6,963	0	0	332	8,947	6	217	351	16,127
<i>Source: Bank Data</i>										

The regional activities included loans extended under the SBA PPP to promote economic development, as well as loans to meet affordable housing needs through single- and multi-family housing projects. Notable community development lending activity in the broader regional area included a \$445,500 loan to construct 17 multi-family affordable housing units to benefit low- and moderate-income individuals.

Qualified Investments

Bruning Bank purchased, retained, or donated 130 qualified investments and donations totaling approximately \$13.2 million during the evaluation period. The dollar volume of qualified investments represented 2.2 percent of total assets and 7.2 percent of total securities as of September 30, 2023. These ratios have increased since the prior evaluation, when these ratios were 1.5 percent and 5.4 percent, respectively. Further, the dollar volume of qualified investments increased from \$6.5 million at the previous evaluation. Bruning Bank’s qualified investment levels significantly exceed the comparable institutions’ investment levels. The comparable institutions’ community development investments ranged from less than 0.1 percent to 0.1 percent of total assets and from 0.1 percent to 0.6 percent of total securities.

The following tables illustrate the bank’s qualified investments by assessment area, purpose, and year. Details on the bank’s community development investment activities are located in the applicable assessment area sections of the evaluation.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Bruning	0	0	10	2	1	0	63	5,735	74	5,737
Kearney	1	1	18	306	21	29	0	0	40	336
Grand Island	0	0	2	<1	0	0	0	0	2	<1
Regional Activities	0	0	8	5,267	0	0	6	1,879	14	7,146
Total	1	1	38	5,575	22	29	69	7,614	130	13,219

Source: Bank Data

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	2	685	0	0	27	4,213	29	4,898
2021 (Partial)	0	0	1	1,000	0	0	13	3,095	14	4,095
2022	0	0	3	2,250	0	0	1	250	4	2,500
2023	0	0	3	1,635	0	0	0	0	3	1,635
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	9	5,570	0	0	41	7,558	50	13,128
Qualified Grants & Donations	1	1	29	5	22	29	28	56	80	91
Total	1	1	38	5,575	22	29	69	7,614	130	13,219

Source: Bank Data

The regional activities included investments in municipal bonds that address community service needs of low- and moderate-income individuals, as well as revitalization and stabilization needs of distressed and underserved areas. Notable community development investment activity in the broader regional area included a \$1 million investment in a municipal bond to construct new school facilities benefitting low- and moderate-income students.

Community Development Services

Bruning Bank representatives provided 83 instances of financial expertise or technical assistance to various community development organizations during the evaluation period. The bank more than doubled the number of instances considered at the previous evaluation from 40 instances. Bruning Bank's performance compares favorably to the performance of comparable institutions, which provided between 28 and 87 community development services.

The following tables illustrate the bank's community development services by assessment area, purpose, and year. Details on the bank's community development services are located in the applicable assessment area sections of the evaluation.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Bruning	3	5	4	40	52
Kearney	0	4	10	0	14
Grand Island	4	7	6	0	17
Total	7	16	20	40	83
<i>Source: Bank Data</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	1	3	3	11	18
2022	2	4	6	11	23
2023	2	5	6	11	24
Year-to-Date 2024	2	4	5	7	18
Total	7	16	20	40	83
<i>Source: Bank Data</i>					

In addition to community development services, the bank offers alternative banking services that are readily accessible throughout the assessment areas, including to low- and moderate-income individuals. These services include internet and mobile banking, electronic bill pay, remote deposit, and person-to-person payments. The bank also operates six ATMs. Lastly, the bank offers a free checking account with no minimum balance requirement that is available to all customers, including low- or moderate-income customers.

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 evidence of discriminatory or other illegal credit practices.

BRUNING ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BRUNING ASSESSMENT AREA

The Bruning Assessment Area is comprised of Fillmore, Thayer, and York counties in the nonmetropolitan portion of Nebraska. According to 2020 U.S. Census data, the assessment area contains six middle- and two upper-income census tracts. There have been no changes to the assessment area since the previous evaluation. Both census tracts in Thayer County (9631 and 9632) and one census tract in Fillmore County (0916) were designated as distressed and underserved due to population loss, throughout the evaluation period. Bruning Bank operates two full-service offices in the assessment area in Bruning and Hebron. Both offices are located in middle-income census tracts in Thayer County. The bank also operates two ATMs in the assessment area.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Bruning Assessment Area.

Demographic Information of the Bruning Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	8	0.0	0.0	75.0	25.0
Population by Geography	24,710	0.0	0.0	67.5	32.5
Housing Units by Geography	12,044	0.0	0.0	69.1	30.9
Owner-Occupied Units by Geography	7,830	0.0	0.0	69.2	30.8
Occupied Rental Units by Geography	2,590	0.0	0.0	69.2	30.8
Vacant Units by Geography	1,624	0.0	0.0	68.2	31.8
Businesses by Geography	3,525	0.0	0.0	61.9	38.1
Farms by Geography	846	0.0	0.0	73.6	26.4
Family Distribution by Income Level	6,671	14.2	17.6	24.1	44.1
Household Distribution by Income Level	10,420	21.0	15.2	19.1	44.7
Median Family Income nonmetropolitan NE		\$71,424	Median Housing Value		\$112,931
Families Below Poverty Level		5.8%	Median Gross Rent		\$678
<i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0%</i>					

The assessment area is rural in nature and highly dependent on agriculture. According to 2017 Census of Agriculture data, the assessment area generated \$809.6 million in commodity sales. The three largest business segments in the assessment area are services (25.2 percent), agriculture (19.4 percent), and non-classifiable establishments (18.8 percent). These businesses are predominantly small operations with 90.5 percent operating from a single location and 67.1 percent employing less than five employees, according to 2023 D&B data.

The population has remained stable since the previous evaluation, while the number of farms and businesses operating in the assessment area has increased by 39.6 percent and 48.4 percent, respectively. Unemployment levels have remained consistently low throughout the evaluation period averaging 1.9 percent, according to the U.S. Bureau of Labor Statistics, which is consistent with the State of Nebraska average at 2.4 percent.

Competition

The Bruning Assessment Area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 13 financial institutions operated 35 offices within the assessment area. Of these institutions, Bruning Bank ranked 3rd with a deposit market share of 9.1 percent.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in understanding economic conditions and identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what opportunities are available.

Examiners contacted a representative from an economic development organization that serves the assessment area. The contact stated that the primary employment in the area is agricultural jobs. However, manufacturing, county government, local schools, and hospitals also serve as primary employers. There are many job opportunities in the area, but not enough people to fill the positions. The contact stated that there is a shortage of local housing supply and oftentimes applicants turn down job offers because they cannot find housing. The contact indicated that agricultural, commercial, and home mortgage loans are the primary credit needs of the area and that local financial institutions are responsive to credit needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, agricultural, commercial, and home mortgage loans represent the primary credit needs of the assessment area. Community development needs include affordable housing, economic development, and revitalization and stabilization efforts in the distressed and underserved areas. Opportunities exist for banks to participate in community development activities that stimulate economic development for small businesses and within distressed and underserved areas targeted for revitalization and stabilization. However, some community development opportunities to stimulate economic development and job growth, as well as attracting and retaining residents and businesses are limited due to the shortage of housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BRUNING ASSESSMENT AREA

LENDING TEST

Bruning Bank demonstrated excellent performance under the Lending Test in the Bruning Assessment Area. Excellent performance under the Borrower Profile criterion supports this conclusion.

Geographic Distribution

The assessment area does not include any low- or moderate-income census tracts, 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 excellent penetration among farms and businesses of different sizes. Reasonable small farm lending performance and excellent small business lending performance supports this conclusion.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As illustrated in the following table, the percentage of small farm loans made to farms with gross annual revenues of \$1 million or less is slightly below the percentage of farms in this revenue category, but compares reasonably to this data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.8	43	91.5	5,814	83.1
>\$1,000,000	1.3	4	8.5	1,183	16.9
Revenue Not Available	0.9	0	0.0	0	0.0
Totals	100.0	47	100.0	6,997	100.0
<small>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</small>					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. As reflected in the following table, the percentage of small business loans to businesses with gross annual revenues of \$1 million or less exceeds the percentage of businesses reporting revenues in this category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.1	36	94.7	2,732	80.0
>\$1,000,000	4.1	2	5.3	685	20.0
Revenue Not Available	11.9	0	0.0	0	0.0
Totals	100.0	38	100.0	3,417	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

COMMUNITY DEVELOPMENT TEST

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

Community Development Loans

Bruning Bank originated 120 community development loans totaling approximately \$2.8 million in the assessment area. The bank's community development loans were particularly responsive to the area's economic development needs. The majority of the loans used for economic development purposes were extended to small businesses under the SBA's PPP. The following table illustrates the bank's community development loans by year and purpose.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	0	0	0	0	114	1,925	0	0	114	1,925
2022	2	463	0	0	0	0	0	0	2	463
2023	0	0	0	0	2	205	2	160	4	365
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Total	2	463	0	0	116	2,130	2	160	120	2,753

Source: Bank Data

Notable community development lending activity in the Bruning Assessment Area included a \$150,000 loan to finance a sewer improvement project in an underserved area.

Qualified Investments

Bruning Bank made or retained 74 qualified investments totaling approximately \$5.7 million in the assessment area, including 39 donations totaling approximately \$58,000. The investments were primarily responsive to the revitalization and stabilization needs of the distressed and underserved areas through municipal bonds. The following table illustrates the bank's qualified investments by year and purpose.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	22	2,794	22	2,794
2021 (Partial)	0	0	0	0	0	0	12	2,635	12	2,635
2022	0	0	0	0	0	0	1	250	1	250
2023	0	0	0	0	0	0	0	0	0	0
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	35	5,679	35	5,679
Qualified Grants & Donations	0	0	10	2	1	0	28	56	39	58
Total	0	0	10	2	1	0	60	5,735	74	5,737
<i>Source: Bank Data</i>										

Notable community development investment activity in the Bruning Assessment Area included a \$250,000 municipal bond to fund the construction of an addition and improvements for a community hospital located in an underserved area.

Community Development Services

Bruning Bank representatives provided 52 instances of financial expertise or technical assistance to community development organizations in the assessment area. The majority of the services were responsive to revitalization and stabilization needs of distressed and underserved areas. The following table illustrates the bank's community development services by year and purpose.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	0	1	1	11	13
2022	1	1	1	11	14
2023	1	2	1	11	15
Year-to-Date 2024	1	1	1	7	10
Total	3	5	4	40	52
<i>Source: Bank Data</i>					

Throughout the evaluation period, a bank employee served as president of the board for a community organization that promotes infrastructure improvement, community service enhancement, and economic development to attract and retain residents and businesses for a distressed and underserved area.

KEARNEY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE KEARNEY ASSESSMENT AREA

The Kearney Assessment Area is comprised of Buffalo, Custer, and Phelps counties in the nonmetropolitan portion of Nebraska. According to 2020 U.S. Census data, the assessment area contains 1 low-, 1 moderate-, 13 middle-, and 3 upper-income census tracts. There have been no changes to the assessment area since the previous evaluation. Bruning Bank operates three full-service offices in the assessment area in Broken Bow (Custer County), Holdrege (Phelps County), and Kearney (Buffalo County). The offices are all located in middle-income census tracts. The bank also operates three ATMs in the assessment area.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Kearney Assessment Area.

Demographic Information of the Kearney Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	18	5.6	5.6	72.2	16.7
Population by Geography	69,597	7.8	3.4	65.6	23.2
Housing Units by Geography	30,585	5.5	3.2	69.1	22.1
Owner-Occupied Units by Geography	18,729	3.1	3.4	69.7	23.8
Occupied Rental Units by Geography	9,015	10.7	3.6	64.4	21.3
Vacant Units by Geography	2,841	5.5	0.8	79.9	13.8
Businesses by Geography	8,946	2.7	1.9	72.3	23.1
Farms by Geography	1,411	0.6	0.9	88.8	9.7
Family Distribution by Income Level	17,416	17.4	16.0	21.7	44.9
Household Distribution by Income Level	27,744	22.3	15.0	17.8	44.8
Median Family Income nonmetropolitan NE		\$71,424	Median Housing Value		\$162,910
Families Below Poverty Level		6.8%	Median Gross Rent		\$751
<i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0%</i>					

The assessment area is largely rural in nature with several communities that serve as central hubs for employment, as well as goods and services. The largest communities based on population are Kearney (33,959), Holdrege (5,491), and Broken Bow (3,466). While service industries account for the largest portion of the business sector by number at 29.5 percent, agriculture is the primary driver of the economy. According to the 2017 Census of Agriculture, the assessment area generated \$1.7 billion of commodity sales. Businesses operating in the assessment area are predominantly small operations with 91.2 percent operating from a single location and 66.3 percent employing less than five employees, according to 2023 D&B data.

The population has slightly increased since the previous evaluation (2.4 percent), while the number of farms and businesses operating in the assessment area has increased by 40.3 percent and 49.8 percent, respectively. Unemployment levels have remained consistently low through the evaluation period averaging 1.8 percent, according to the U.S. Bureau of Labor Statistics, which is consistent with the State of Nebraska average at 2.4 percent.

Competition

The Kearney Assessment Area is competitive for financial services. Per FDIC Deposit Market Share data as of June 30, 2023, 24 financial institutions operated 47 offices within the assessment area. Of these institutions, Bruning Bank ranked 4th with a deposit market share of 7.7 percent. Additionally, there is agricultural financing competition from Farm Credit Services, as well as nontraditional creditors and dealers. There is also a high level of competition for commercial loans in the assessment area.

Community Contact

Examiners reviewed a recent community contact interview that was conducted with a representative from an economic development organization that serves the area. The contact stated that agriculture is the primary driver of the economy, but that other businesses are also thriving. Several businesses in the area are expanding and hiring for new positions or planning to expand within five years. The biggest need in the community is workforce housing. The contact referenced a February 2023 survey of local employers that found that 69 percent of respondents stated that the lack of availability of workforce housing is a significant problem in trying to find employees. Some rural communities have received Rural Workforce Housing Grants that provide funds to construct workforce housing, but it is difficult for communities that have not received such grants to attract workforce housing development projects. The contact indicated community development opportunities exist for financial institutions to work with rural community investment organizations that provide capital and funding for economic development and rehabilitation of downtown area buildings for storefronts and housing. The contact indicated that local financial institutions actively participate in community development activities when opportunities are available.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, agricultural, commercial, and home mortgage loans represent the primary credit needs of the assessment area. Community development needs include affordable housing and economic development. Opportunities exist for banks to participate in community development activities that stimulate economic development for small businesses and affordable housing projects. However, community development opportunities for affordable housing are limited due to the overall shortage of housing availability in many communities. The assessment area also provides opportunities for revitalization and stabilization efforts in the low- and moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE KEARNEY ASSESSMENT AREA

LENDING TEST

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

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable small farm and small business lending performance supports this conclusion.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Although the bank did not make any loans in the only low-income census tract in the assessment area, there are only eight farms within this census tract according to 2023 D&B data. As shown in the following table, performance in the moderate-income census tract exceeds the demographic composition of the assessment area.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.6	0	0.0	0	0.0
Moderate	0.9	5	3.3	137	0.6
Middle	88.8	146	96.7	22,479	99.4
Upper	9.7	0	0.0	0	0.0
Totals	100.0	151	100.0	22,616	100.0
<small>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</small>					

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Although the bank did not make any loans the only low-income census tract in the assessment area, the bank’s performance in the moderate-income census tract exceeds the demographic composition of the assessment area. The following table provides details.

Geographic Distribution of Small Business Loans					
Traet Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.7	0	0.0	0	0.0
Moderate	1.9	8	5.8	1,280	4.8
Middle	72.3	115	82.7	19,865	74.1
Upper	23.1	16	11.5	5,671	21.1
Totals	100.0	139	100.0	26,816	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Reasonable small farm and small business lending performance supports this conclusion.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the percentage of small farm loans to farms with gross annual revenues of \$1 million or less is below the percentage of farms in this revenue category. According to 2017 Census of Agriculture data, the opportunity to lend to farms in the assessment area is limited. Specifically, 43.8 percent of farms in the assessment area did not report interest expense, indicating that they do not borrow funds for their operations. In addition, 45.1 percent of agricultural producers report a primary occupation other than farming. Considering this information, performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.2	41	80.4	4,288	56.8
>\$1,000,000	2.1	10	19.6	3,255	43.2
Revenue Not Available	0.8	0	0.0	0	0.0
Totals	100.0	51	100.0	7,543	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The percentage of small business loans to businesses with gross annual revenues of \$1 million or less is below the percentage of businesses in this revenue category. However, examiners considered the lending performance of three comparable institutions operating in the Kearney Assessment Area. The percentage of lending to businesses with gross annual revenues of \$1 million or less ranged from 69.0 percent to 82.5 percent for these comparable institutions. Bruning Bank's lending performance is reasonably comparable to these institutions.

Further, according to the U.S. Bureau of Labor Statistics, a majority of the new small businesses created during the COVID-19 pandemic had a limited need to borrow funds for start-up and

operation. Specifically, two-thirds of new businesses nationally were in the non-store retail and personal service sectors that operate without a storefront and without employees other than the owner-operator. Given the large increase in the number of new businesses in the assessment area since the previous evaluation (49.8 percent), this information indicates that many small businesses have a limited need for traditional bank financing. Finally, small businesses with fewer borrowing needs often use alternative sources of financing for short-term credit needs, such as credit cards, according to the October 2022 Federal Reserve Availability of Credit to Small Businesses report. Given this information, the bank’s performance is reasonable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.4	30	63.8	3,330	41.0
>\$1,000,000	3.5	17	36.2	4,784	59.0
Revenue Not Available	10.1	0	0.0	0	0.0
Totals	100.0	47	100.0	8,114	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

COMMUNITY DEVELOPMENT TEST

Bruning Bank demonstrated adequate responsiveness to the community development needs of the Kearney Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

Bruning Bank originated 160 community development loans totaling approximately \$10.3 million in the assessment area. The bank’s community development loans were responsive to the area’s economic development and affordable housing needs. The majority of the loans used for economic development were extended to small businesses under the SBA’s PPP. The following table illustrates the bank’s community development loans by year and purpose.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	1	235	0	0	153	3,413	0	0	154	3,648
2022	0	0	0	0	3	1,777	0	0	3	1,777
2023	1	4,254	0	0	2	583	0	0	3	4,832
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Total	2	4,489	0	0	158	5,773	0	0	160	10,262

Source: Bank Data

Notable community development lending activity in the Kearney Assessment Area included a \$4.3 million loan to finance 96 multi-family affordable housing units that benefitted low- and moderate-income individuals.

Qualified Investments

Bruning Bank made or retained 40 qualified investments totaling approximately \$336,000 in the assessment area, including 39 donations totaling approximately \$33,000. The equity investment was responsive to community service needs through municipal bonds. The donations were primarily responsive to community service needs of low- and moderate-income individuals through organizations providing health, education, and social services, and to economic development needs of small businesses. The following table illustrates the bank’s qualified investments by year and purpose.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	303	0	0	0	0	1	303
2021 (Partial)	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	1	303	0	0	0	0	1	303
Qualified Grants & Donations	1	1	17	3	21	29	0	0	39	33
Total	1	1	18	306	21	29	0	0	40	336

Source: Bank Data

Community Development Services

Bruning Bank representatives provided 14 instances of financial expertise or technical assistance to community development organizations in the assessment area. The services were responsive to community service and economic development needs. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	0	1	1	0	2
2022	0	1	3	0	4
2023	0	1	3	0	4
Year-to-Date 2024	0	1	3	0	4
Total	0	4	10	0	14

Source: Bank Data

A notable community development service activity in the Kearney Assessment Area included an employee serving on the board of an economic development organization that promotes economic development for small businesses and job creation for low- and moderate-income individuals.

GRAND ISLAND ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GRAND ISLAND ASSESSMENT AREA

The Grand Island Assessment Area is comprised of Hall County, which is one of the three counties in the Grand Island, Nebraska MSA. According to 2020 U.S. Census data, the assessment area contains three moderate-, eight middle-, and three upper-income census tracts. The bank added this assessment area in March 2023 when it opened a full-service office in Grand Island, in an upper-income census tract. The bank operates one ATM in the assessment area.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Grand Island Assessment Area.

Demographic Information of the Grand Island Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	14	0.0	21.4	57.1	21.4
Population by Geography	62,895	0.0	23.9	55.1	21.0
Housing Units by Geography	25,022	0.0	24.0	54.9	21.0
Owner-Occupied Units by Geography	14,585	0.0	19.4	57.4	23.2
Occupied Rental Units by Geography	8,911	0.0	32.2	49.2	18.6
Vacant Units by Geography	1,526	0.0	21.2	64.1	14.7
Businesses by Geography	6,440	0.0	20.9	53.7	25.4
Farms by Geography	468	0.0	9.0	73.5	17.5
Family Distribution by Income Level	15,947	19.3	19.2	22.7	38.8
Household Distribution by Income Level	23,496	21.8	17.5	19.8	40.9
Median Family Income – Grand Island, NE MSA		\$70,828	Median Housing Value		\$156,652
Families Below Poverty Level		8.6%	Median Gross Rent		\$757
<i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0%</i>					

Grand Island is the largest community in the assessment area and serves as the central hub for employment and goods and services from the surrounding rural areas. Data from the 2020 U.S. Census reflects population growth of 3.5 percent since the 2015 American Community Survey data. This growth is a result of people moving from rural to urban areas seeking higher paying jobs and greater amenities. Unemployment levels have remained consistently low throughout the evaluation period averaging 2.5 percent, according to the U.S. Bureau of Labor Statistics, which is consistent with the State of Nebraska average at 2.4 percent.

The area supports a wide variety of industries. The largest business sectors include services (31.4 percent); non-classifiable establishments (17.1 percent); retail trade (12.2 percent); and finance, insurance, and real estate (10.1 percent). Businesses operating in the assessment area are

predominantly small operations with 88.5 percent operating from a single location and 64.7 percent employing less than five employees, according to 2023 D&B data.

Competition

The Grand Island Assessment Area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 18 financial institutions operated 36 offices within the assessment area. Of these institutions, Bruning Bank ranked 17th with a deposit market share of 0.5 percent.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, commercial and home mortgage loans are the primary credit needs of the assessment area. Community development needs and opportunities are primarily related to affordable housing and economic development. Further, the assessment area provides opportunities for revitalization and stabilization efforts in the moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GRAND ISLAND ASSESSMENT AREA

LENDING TEST

Bruning Bank demonstrated reasonable performance under the Lending Test in the Grand Island Assessment Area. Reasonable performance under the Borrower Profile criterion outweighed poor performance under the Geographic Distribution criterion to support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Poor small business lending performance outweighed reasonable small farm lending performance, as small business lending contributed more weight to the overall conclusions in this assessment area.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Although the bank did not make any loans in the moderate-income census tracts, there are only 42 farms located in these tracts. Considering the bank's recent entry into the assessment area and the low volume of small farm lending in the assessment area, the bank's performance is reasonable. The following table provides details.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	9.0	0	0.0	0	0.0
Middle	73.5	10	76.9	906	83.8
Upper	17.5	3	23.1	175	16.2
Totals	100.0	13	100.0	1,081	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. Small business lending in the moderate-income census tracts is below the percentage of businesses located in these tracts. Although the bank only recently entered the assessment area, the bank was able to originate an ample volume of small business loans in the middle- and upper-income census tracts comparable to the percentage of businesses located in those tracts. Therefore, the bank's performance is poor. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	20.9	3	3.4	421	2.0
Middle	53.7	52	58.4	11,006	52.8
Upper	25.4	34	38.2	9,433	45.2
Totals	100.0	89	100.0	20,860	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Reasonable small business lending performance outweighed excellent small farm lending performance, as small business lending contributed more weight to the overall conclusions in this assessment area.

Small Farm Loans

The distribution of borrowers reflects excellent penetration among farms of different sizes. As shown in the following table, the bank made all small farm loans to farms with gross annual revenues of \$1 million or less.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.8	13	100.0	1,081	100.0
>\$1,000,000	1.7	0	0.0	0	0.0
Revenue Not Available	1.5	0	0.0	0	0.0
Totals	100.0	13	100.0	1,081	100.0
<i>Source: 2023 D&B Data; Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As indicated in the following table, the percentage of small business loans made to businesses reporting revenues of \$1 million or less is comparable to the percentage of businesses in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.9	33	80.5	6,731	66.3
>\$1,000,000	4.1	8	19.5	3,417	33.7
Revenue Not Available	11.0	0	0.0	0	0.0
Totals	100.0	41	100.0	10,148	100.0
<i>Source: 2023 D&B Data; Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Bruning Bank demonstrated adequate responsiveness to the community development needs of the Grand Island Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

Bruning Bank originated four community development loans totaling approximately \$396,000 in the assessment area. The bank’s community development loans were responsive to the area’s economic development and affordable housing needs. The following table illustrates the bank’s community development loans by year and purpose.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	0	0	0	0	1	21	0	0	1	21
2022	1	110	0	0	0	0	0	0	1	110
2023	0	0	0	0	2	265	0	0	2	265
Year-to-Date 2024	0	0	0	0	0	0	0	0	0	0
Total	1	110	0	0	3	286	0	0	4	396
<i>Source: Bank Data</i>										

Qualified Investments

Bruning Bank made two qualified donations totaling less than \$1,000 in the assessment area. The donations were responsive to community service needs of low- and moderate-income individuals.

Community Development Services

Bruning Bank representatives provided 17 instances of financial expertise or technical assistance to community development organizations in the assessment area. The services were responsive to affordable housing, community service, and economic development needs. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	1	1	1	0	3
2022	1	2	2	0	5
2023	1	2	2	0	5
Year-to-Date 2024	1	2	1	0	4
Total	4	7	6	0	17
<i>Source: Bank Data</i>					

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under

applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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

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

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

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

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