

PUBLIC DISCLOSURE

August 3, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Westside State Bank
Certificate Number: 18518

401 First Street
Westside, Iowa 51467

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

Westside State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- Overall, a majority of the loans reviewed were located inside the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The bank did not receive any complaints regarding its CRA performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

DESCRIPTION OF INSTITUTION

Westside State Bank is a community financial institution headquartered in Westside, Iowa. The bank is owned by Halbur Bancshares, Inc., a one-bank holding company. The bank operates six offices including four full-service offices and one limited-service office in Iowa, and one full-service office in Nebraska. The FDIC assigned a CRA rating of “Satisfactory” at the bank’s October 13, 2015, Performance Evaluation where examiners used Interagency Small Institution Examination Procedures.

The bank offers traditional credit products, including agricultural, commercial, home mortgage, and consumer loans. Agricultural lending continues to be the bank’s primary focus at 33.7 percent of the loan portfolio, while commercial and home mortgage lending also represent significant products for the bank at 25.6 and 32.6 percent, respectively, of the loan portfolio. The bank offers a variety of deposit products, including checking, savings, and certificate of deposit accounts. Alternative banking services includes internet banking, mobile banking, and automated teller machines.

The bank opened a branch in Bellevue, Nebraska in August 2019. The Bellevue branch opening represented new entry into and a new presence in the State of Nebraska and the bank’s first presence in a metropolitan statistical area (MSA). Westside State Bank purchased the branch from another financial institution. The bank’s strategy for entering the market was to bring a community banking approach using relationship banking and word-of-mouth marketing and outreach that the bank felt was lacking in the area.

The bank participated in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP), established by the Coronavirus Aid, Relief, and Economic Security Act. The PPP helped small businesses and farms maintain their payroll, hire back employees, and cover applicable overhead expenses during the coronavirus pandemic (COVID-19). The bank originated 269 PPP loans totaling \$6.3 million in 2020, and 844 loans totaling \$13.8 million year-to-date 2021. Bank management indicated, and examiners verified, that approximately 70 percent of borrowers participating in the program in the State of Iowa were existing customers of the bank, and approximately 80 percent of borrowers participating in the program in the State of Nebraska were new customers of the bank.

The institution’s March 31, 2021 Reports of Condition and Income reflected total assets of \$143.3 million, total loans of \$116.9 million, and total deposits of \$120.0 million. The following table reflects the bank’s loan portfolio composition.

Loan Portfolio Distribution as of 3/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	929	0.8
Secured by Farmland	15,779	13.5
Secured by 1-4 Family Residential Properties	38,151	32.6
Secured by Multifamily (5 or more) Residential Properties	343	0.3
Secured by Nonfarm Nonresidential Properties	4,009	3.4
Total Real Estate Loans	59,211	50.6
Commercial and Industrial Loans	25,928	22.2
Agricultural Production and Other Loans to Farmers	23,619	20.2
Consumer Loans	5,957	5.1
Obligations of State and Political Subdivisions in the U.S.	2,139	1.8
Other Loans	35	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	116,889	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 the assessment areas’ credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Westside State Bank has two assessment areas. The Nonmetropolitan Iowa Assessment Area consists of portions of Carroll, Crawford, and Sac counties in Iowa. The Bellevue MSA Assessment Area consists of portions of Sarpy County, Nebraska, which is located in the Omaha-Council Bluffs, Nebraska-Iowa MSA.

The CRA also requires regulatory agencies to assign performance ratings for each state and multi-state MSA in which the institution operates. As a result, examiners rated Westside State Bank’s performance in the states of Iowa and Nebraska and assigned an overall CRA rating. Examiners based the State of Iowa rating on the bank’s performance in the Nonmetropolitan Iowa Assessment Area. Examiners based the State of Nebraska rating on the bank’s performance in the Bellevue MSA Assessment Area. Descriptions of the assessment areas and rated areas are presented later in the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated October 13, 2015, to the current evaluation, dated August 3, 2021. Examiners used the Interagency Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test. Refer to the Appendices for a description of this test.

Examiners used full-scope examination procedures to assess Westside State Bank’s performance in both assessment areas. The bank’s performance in the State of Iowa received more weight than its performance in the State of Nebraska when drawing conclusions. This is because the majority of the bank’s loans, deposits, and offices are located in Iowa. The following table provides additional details.

Breakdown of Loans, Deposits, and Branches						
Rated Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Iowa	87,193	87.6	100,816	94.3	5	83.3
Nebraska	12,382	12.4	6,064	5.7	1	16.7
Total	99,575	100.0	106,880	100.0	6	100.0

Source: Bank Data; FDIC Summary of Deposits (6/30/2020)

Activities Reviewed

Small farm, small business, and home mortgage loans are Westside State Bank’s primary lending products. This is consistent with the institution’s loan portfolio composition and volume of loans originated or renewed during the evaluation period, as well as the bank’s stated business focus. Therefore, examiners selected these products to evaluate the bank’s performance. Examiners did not review small farm loans for the State of Nebraska because the bank extends few agricultural loans in this area. Other loan products, such as consumer loans, do not represent a major product line. As such, examiners did not review any other loan products as they would not provide material support for conclusions or the rating.

Examiners selected calendar year 2020 as the review period. Bank management indicated this review period was an accurate representation of the institution’s lending activity in the State of Iowa throughout the evaluation period, despite the PPP loan activity, and bank data confirmed this. Examiners used calendar year 2020 as the review period for the State of Nebraska as it is the only full calendar year of lending activity available for the State of Nebraska during the evaluation period due to the new entry in the market in 2019. Bank management indicated that the review period included irregularities in the institution’s lending activity in the State of Nebraska due to the large amount of PPP lending, particularly to new customers located outside the assessment area. D&B data for 2020 provided a standard of comparison for the small farm and small business loans reviewed, and 2015 American Community Survey (ACS) data provided a standard of comparison for the home mortgage loans reviewed.

For the Assessment Area Concentration analysis, examiners reviewed all small farm, small business, and home mortgage loans originated and purchased during the review period. For the Geographic Distribution analysis, examiners reviewed all small business and home mortgage loans located inside the Bellevue MSA Assessment Area. The Nonmetropolitan Iowa Assessment Area does not include any low- or moderate-income census tracts; therefore, examiners did not conduct a Geographic Distribution analysis in this area. For the Borrower Profile analysis, examiners reviewed a sample of small farm, small business, and home mortgage loans made inside the Nonmetropolitan Iowa Assessment Area, and all small business and home mortgage loans made inside the Bellevue MSA Assessment Area. The table below provides details on the universes and samples reviewed.

Loan Products Reviewed						
Loan Category	Assessment Area Concentration		Geographic Distribution		Borrower Profile	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Farm	191	17,927	133	12,376	47	4,961
Small Business	384	18,545	191	10,356	65	6,492
Home Mortgage	77	13,869	29	5,001	29	5,001
<i>Source: Bank Data</i>						

Equal weight was placed on small farm, small business, and home mortgage loans because of the similar amount of lending volume for each loan type. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans. When conducting the Geographic Distribution and Borrower Profile analyses, examiners placed greater weight on the number of loans than the dollar volume of loans. This is because the number of loans is a better indicator of the geographies and borrowers served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Westside State Bank demonstrated satisfactory performance under the Lending Test. More than reasonable performance under the Loan-to-Deposit Ratio criterion, and reasonable performance under the Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion. The bank's overall performance is consistent with performance in the State of Iowa and the State of Nebraska.

Loan-to-Deposit Ratio

Westside State Bank's average net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs. The bank's net loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 100.8 percent over the past 22 quarters from December 31, 2015, to March 31, 2021. The ratio ranged from a low of 92.0 percent to a high of 109.8 percent during the evaluation period. The bank's average net loan-to-deposit ratio represents an increase since the previous evaluation when it was calculated at 92.8 percent.

Examiners compared Westside State Bank's average net loan-to-deposit ratio to three other similarly-situated financial institutions to evaluate the bank's performance. The institutions were selected based on their asset size, geographical location, and lending focus. Westside State Bank's average net loan-to-deposit ratio exceeds those of comparable institutions. The following table provides details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2021 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Westside State Bank, Westside, Iowa	143,273	100.8
Breda Savings Bank, Breda, Iowa	75,247	82.6
Templeton Savings Bank, Templeton, Iowa	154,012	83.8
Iowa State Bank, Sac City, Iowa	167,548	90.8
<i>Source: Reports of Condition and Income 12/31/2015 – 3/31/2021</i>		

Assessment Area Concentration

Overall, a majority of the total loans reviewed were located inside the assessment areas by both number and dollar volume. Specifically, a majority of the small farm loans reviewed were located inside the assessment areas by number and dollar volume. A majority of the small business loans reviewed, by dollar volume, were located inside the assessment areas, but by number, were located outside the assessment areas. The bank's PPP lending is the primary cause of the majority, by number, of small business loans made outside of the assessment areas. Approximately 80 percent of the PPP loans made in the State of Nebraska were to new customers, many of them located outside the assessment areas. The bank did not advertise or market for PPP loans and accepted loan requests as they were presented to the bank. The majority of home mortgage loans reviewed, by number and dollar amount, were located outside the assessment areas. The following table provides details.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	133	69.6	58	30.4	191	12,376	69.0	5,551	31.0	17,927
Small Business	191	49.7	193	50.3	384	10,356	55.8	8,189	44.2	18,545
Home Mortgage	29	37.7	48	62.3	77	5,001	36.1	8,868	63.9	13,869
Total	353	54.1	299	45.9	652	27,733	55.1	22,608	44.9	50,341
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable performance. Examiners focused on the percentage of loans in low- and moderate-income geographies, as applicable. Westside State Bank demonstrated reasonable performance in the State of Nebraska. As previously mentioned, examiners did not conduct a Geographic Distribution analysis in the Nonmetropolitan Iowa Assessment Area due to the lack of low- or moderate-income geographies. Refer to the State of Nebraska section for a detailed analysis of the bank's performance.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels in the assessment areas. Examiners focused on the percentage of small farm and small business loans to entities with gross annual revenues of \$1 million

or less, as well as the percentage of home mortgage loans to low- and moderate-income borrowers. Reasonable performance in the State of Iowa and the State of Nebraska supports this conclusion. The State of Iowa received more weight when drawing conclusions since the majority of the bank's loans, deposits, and offices are in Iowa. Refer to the State of Iowa and State of Nebraska sections for a detailed analysis of the bank's performance.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

STATE OF IOWA – Full-Scope Review

CRA RATING FOR STATE OF IOWA: SATISFACTORY

DESCRIPTION OF INSTITUTION’S OPERATIONS IN STATE OF IOWA

Westside State Bank maintains one assessment area in Iowa. The Nonmetropolitan Iowa Assessment Area is comprised of five census tracts across three counties in northwest Iowa. Specifically, the assessment area includes census tracts 9602.00, 9603.00, and 9604.00 in Carroll County, census tract 701.00 in Crawford County, and census tract 802.00 in Sac County. All census tracts are middle-income according to the 2015 ACS. The bank operates four full-service offices located in the communities of Westside, Halbur, Wall Lake, and Carroll, and one limited-service office in Vail.

Economic and Demographic Data

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	16,891	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	7,931	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	5,374	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,758	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	799	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,780	0.0	0.0	100.0	0.0	0.0
Farms by Geography	290	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,491	17.5	17.0	23.0	42.6	0.0
Household Distribution by Income Level	7,132	26.2	16.3	15.4	42.1	0.0
Median Family Income – Nonmetropolitan Iowa		\$61,681	Median Housing Value			\$109,665
			Median Gross Rent			\$548
			Families Below Poverty Level			7.3%

Source: 2015 ACS and 2020 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%.

Service industries represent the largest portion of the business sector at 30.7 percent followed by agriculture/forestry/fishing at 14.0 percent, non-classified businesses at 13.4 percent, and retail trade at 12.0 percent, according to 2020 D&B data. The majority of farm and non-farm businesses are small with 88.1 percent operating from a single location and 67.3 percent employing four or less employees. Even though agricultural-related businesses account for only 14.0 percent of the business sector, the assessment area’s economy is still highly dependent upon the agricultural

industry. According to the 2017 U.S. Census of Agriculture, total commodity sales in excess of \$1.433 billion were reported for the counties within which the assessment area is located, emphasizing the significant economic role the agricultural industry maintains in the assessment area.

The unemployment rate for the counties within which the assessment area is located has remained stable since the previous evaluation, with a high of 4.2 percent and a low of 2.6 percent. The annual unemployment rate for 2020 was 4.2 percent, which is lower than the State of Iowa whose annual unemployment rate for 2020 was 5.3 percent. Major employers located in and nearby the assessment area providing employment opportunities include: Smithfield Foods, Farner-Bocken Co., and Pella Manufacturing.

The following table presents FFIEC-updated median family incomes for the nonmetropolitan portion of Iowa, which examiners utilized to analyze home mortgage lending for the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$69,200)	<\$34,600	\$34,600 to <\$55,360	\$55,360 to <\$83,040	≥\$83,040
<i>Source: FFIEC</i>				

Competition

The Nonmetropolitan Iowa Assessment Area is a relatively competitive market for financial services. Per 2020 FDIC Deposit Market Share data, ten financial institutions operated 15 offices within the assessment area. Of these institutions, Westside State Bank ranked 5th with a deposit market share of 10.9 percent of total assessment area deposits. The bank competes with these institutions, as well as credit unions, for small farm, small business, and home mortgage loans. Additionally, Farm Credit Services, farm cooperatives, and implement dealers provide competition for agricultural 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 reviewed a recent community contact interview conducted in December 2020 with a representative from the agricultural sector. The contact described the area as having an aging population as younger residents move out of the area to larger communities. Few younger individuals remain in the area to carry on the “family farm.” The major industry in the area continues to be agriculture; however, there are additional job opportunities at major employers in the area including the school system and medical facilities. The contact described the agricultural economy as stable and that local businesses are “holding on” despite of the COVID-19 pandemic. The contact stated that local financial institutions are meeting the credit needs of the area.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural lending represents the assessment area’s primary credit need.

SCOPE OF EVALUATION – STATE OF IOWA

Refer to the overall Scope of Evaluation section above.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF IOWA

LENDING TEST

Westside State Bank demonstrated reasonable performance under the Lending Test in the State of Iowa. Reasonable performance under the Borrower Profile criterion supports this conclusion. More weight was given to the bank’s performance in the State of Iowa.

Geographic Distribution

The Geographic Distribution criterion was not analyzed as there are no low- or moderate-income census tracts in this assessment area.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Reasonable small farm, small business, and home mortgage lending performance supports this conclusion.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The bank’s lending activity to farms with gross annual revenues of \$1 million or less is comparable to the percentage of farms reporting revenue in this 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	99.3	46	97.9	4,899	98.8
>\$1,000,000	0.0	1	2.1	62	1.2
Revenue Not Available	0.7	0	0.0	0	0.0
Totals	100.0	47	100.0	4,961	100.0

Source: 2020 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 bank’s lending activity to businesses with gross annual revenues of \$1 million or less is comparable to the percentage of businesses reporting revenue in this category. The bank’s willingness to meet the credit needs of businesses of varying sizes, including small businesses, by originating SBA PPP loans during the COVID-19 pandemic further supports reasonable

performance under this criterion. The four loans included in the sample made to businesses without available revenues were SBA PPP loans. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	81.9	42	79.2	3,221	59.1
>\$1,000,000	5.7	7	13.2	2,056	37.7
Revenue Not Available	12.4	4	7.6	171	3.1
Totals	100.0	53	100.0	5,448	100.0
<i>Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels is reasonable. Home mortgage lending to low-income borrowers is slightly below the percentage of low-income families in the assessment area; however, it is still within a reasonable range. Home mortgage lending to moderate-income borrowers exceeds the percentage of moderate-income families in the assessment area. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	17.5	3	11.1	478	10.3
Moderate	17.0	8	29.6	1,428	30.6
Middle	23.0	3	11.1	282	6.1
Upper	42.6	13	48.1	2,472	53.0
Totals	100.0	27	100.0	4,660	100.0
<i>Source: 2015 ACS Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

STATE OF NEBRASKA – Full-Scope Review

CRA RATING FOR STATE OF NEBRASKA: SATISFACTORY

DESCRIPTION OF INSTITUTION’S OPERATIONS IN STATE OF NEBRASKA

Westside State Bank maintains one assessment area in Nebraska. This assessment area is new since the previous evaluation when the bank opened the branch in Bellevue in August 2019. Westside State Bank had no previous presence in Bellevue or the State of Nebraska. The Bellevue MSA Assessment Area is comprised of seven census tracts in northeast Sarpy County, Nebraska. Specifically, the assessment area includes census tracts 101.03, 101.04, 101.05, 101.06, 101.08, 104.01, and 104.02. The assessment area includes one moderate-, five middle-, and one upper-income census tracts, according to 2015 ACS data. The bank operates one full-service office in the community of Bellevue in a middle-income census tract.

Economic and Demographic Data

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	14.3	71.4	14.3	0.0
Population by Geography	25,551	0.0	18.3	63.2	18.5	0.0
Housing Units by Geography	10,790	0.0	17.1	65.1	17.8	0.0
Owner-Occupied Units by Geography	5,947	0.0	16.5	62.7	20.8	0.0
Occupied Rental Units by Geography	4,155	0.0	17.8	68.0	14.2	0.0
Vacant Units by Geography	688	0.0	18.2	68.6	13.2	0.0
Businesses by Geography	1,535	0.0	11.9	73.2	14.9	0.0
Farms by Geography	47	0.0	27.7	59.6	12.8	0.0
Family Distribution by Income Level	6,637	23.9	20.2	23.4	32.5	0.0
Household Distribution by Income Level	10,102	24.8	19.3	19.1	36.8	0.0
Median Family Income - Omaha-Council Bluffs, Nebraska-Iowa MSA	\$73,632		Median Housing Value			\$131,314
			Median Gross Rent			\$841
			Families Below Poverty Level			11.0%
<i>Source: 2015 ACS and 2020 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%</i>						

The assessment area supports a diverse make-up of industries. Service industries represent the largest portion of the business sector at 42.4 percent, followed by retail trade at 14.2 percent, non-classified businesses at 13.9 percent, construction at 8.8 percent, and finance, insurance, and real estate at 8.2 percent, according to 2020 D&B data. The majority of non-farm businesses are small

with 86.2 percent operating from a single location and 63.2 percent employing four or less employees.

The COVID-19 pandemic had a direct impact on the assessment area through temporary business shutdowns in 2020. Service industries were particularly impacted as they attempted to make payroll, hire back employees, and cover applicable overhead expenses amid the pandemic conditions. Businesses have rebounded as economic conditions improved in 2021.

Competition

The Bellevue MSA Assessment Area is highly competitive for financial services. Per 2020 FDIC Deposit Market Share data, six financial institutions operated seven offices within the assessment area. Of these institutions, Westside State Bank ranked 6th with a deposit market share of 1.49 percent of total assessment area deposits. The competing financial institutions include national and large regional institutions. The bank competes with these institutions, as well as credit unions, for small business 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 conducted a community contact interview with a representative from a business and economic development organization. The contact stated that the local economy is strong with a large amount of business and economic growth. There have been many new small businesses opening in 2021 after a slow-down during the pandemic. The contact stated that small businesses struggled with temporary closures, but are now back to pre-pandemic economic conditions. Small businesses were able to get loans and other support to make it through the pandemic and there were very few businesses that failed. The contact stated that loans for new small businesses are the primary credit need and that financial institutions are meeting that need. The contact indicated that small businesses have many different banks to choose from.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business lending represents the assessment area's primary credit need.

SCOPE OF EVALUATION – STATE OF NEBRASKA

Refer to the overall Scope of Evaluation section above.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF NEBRASKA

LENDING TEST

Westside State Bank demonstrated reasonable performance under the Lending Test in the State of Nebraska. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion. Less weight was given to the bank’s performance in the State of Nebraska.

Westside State Bank extended only two home mortgage loans in the Bellevue MSA Assessment Area in 2020. As a result, examiners could not draw meaningful conclusions regarding the Geographic Distribution or Borrower Profile home mortgage loan performance in this assessment area, and the analysis is not presented. The limited home mortgage lending in the Bellevue MSA Assessment Area is due to the bank’s emphasis on originating a significant number of PPP since the beginning of the pandemic.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Bellevue MSA Assessment Area. Reasonable small business lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank’s lending activity to businesses with gross annual revenues of \$1 million or less is slightly below the percentage of businesses reporting revenue in this category; however, is still within a reasonable range. There is significant competition for small business lending from national and large regional institutions located within the assessment area. Additionally, the moderate-income census tract contains only 173 non-farm businesses reporting revenues of \$1 million or less, which may limit credit needs as not all small businesses in the assessment area have borrowing needs. Therefore, the bank’s geographic distribution of small business loans is considered reasonable. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	11.9	1	8.3	100	9.6
Middle	73.2	10	83.3	896	85.8
Upper	14.9	1	8.3	48	4.6
Total	100.0	12	100.0	1,044	100.0
<i>Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

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

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank’s lending activity to businesses with gross annual revenues of \$1 million or less is below

the percentage of businesses reporting revenue in this category; however, the percentage is somewhat skewed by the five loans included in the sample that were made to businesses with revenues not available. These were SBA PPP loans, and the bank’s willingness to meet the credit needs of businesses of varying sizes, including small businesses, by originating SBA PPP loans during the COVID-19 pandemic further supports reasonable performance under this criterion. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.7	7	58.3	634	60.7
>\$1,000,000	4.0	0	0.0	0	0.0
Revenue Not Available	13.4	5	41.7	410	39.3
Totals	100.0	12	100.0	1,044	100.0
<i>Source: 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

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 institution'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).

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Rating
State of Iowa	Satisfactory
State of Nebraska	Satisfactory

GLOSSARY

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

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

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

Assessment Area: A geographic area delineated by the institution 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.