



PUBLIC DISCLOSURE

February 9, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**SALINE STATE BANK
RSSD# 481551**

**P.O. BOX 517
WILBER, NEBRASKA 68465**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

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

TABLE OF CONTENTS

I.	Institution's CRA Rating	2
a.	Description of Institution	2
b.	Description of the Bank's Combined Assessment Areas	4
c.	Conclusions	5
II.	Lincoln, Nebraska MSA Assessment Area.....	8
a.	Description of Assessment Area.....	8
b.	Conclusions	9
III.	Rural Assessment Area	14
a.	Description of Assessment Area.....	14
b.	Conclusions	15

GENERAL INFORMATION

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

Saline State Bank (the bank) 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, capabilities and operations. The bank's loan-to-deposit (LTD) ratio is more than reasonable, given the bank's size, financial condition, local competition, and assessment area's credit needs. The analysis of the bank's lending performance revealed a majority of loans were originated to borrowers located in the bank's assessment areas. In addition, the distribution of loans to farms and businesses of different revenue sizes and to borrowers of different income levels is considered reasonable. The geographic distribution reflects adequate dispersion throughout the assessment areas.

DESCRIPTION OF INSTITUTION

The bank is an \$87 million financial institution headquartered in Wilber, Nebraska with branches located in Cortland, Dorchester, Hallam, and Lincoln, Nebraska. The Hallam and Lincoln, Nebraska branches are located in the Lincoln, Nebraska Metropolitan Statistical Area (MSA). The town of Wilber has a population of 1,761 and is located approximately 40 miles southwest of Lincoln, Nebraska. The bank is a community bank whose main product lines are agriculture, commercial and residential real estate. On June 30, 2003, its two MSA offices held 11.7 million in deposits, and its deposit market share was 0.3 percent. In the rural Nebraska area, the bank held 48.8 million in deposits and had a 6.8 percent share of the FDIC-insured deposits. (Source: FDIC Market Share Reports)

Based on its financial condition, size, and product offerings, the bank has the ability to meet the credit needs of its assessment area. As illustrated in Table 1, the bank's loan portfolio is primarily distributed among three main product lines.

Table 1 SALINE STATE BANK LOAN PORTFOLIO (As of September 30, 2003)		
Loan Type	Amount (\$000)	Percent of Total
Farmland and Agriculture	23,119	34
Commercial	19,865	30
1- to 4-Family Residential	18,907	28
Consumer	4,582	7
Other	386	1
Total Gross Loans	66,859	100

No legal or financial factors exist that would hinder the bank's ability to meet the credit needs of its assessment area. The bank's previous Community Reinvestment Act (CRA) performance was last reviewed on November 24, 1998, when a rating of outstanding was assigned by the FDIC.

SCOPE OF EXAMINATION

The bank's CRA examination was conducted using the small bank lending performance criteria. It consisted of an evaluation of the bank's performance under the lending test in both the Lincoln, Nebraska MSA and rural Nebraska assessment area for the time period elapsed since the November 24, 1998 CRA evaluation. The bank's performance was assessed under the following criteria:

- Loan-to-Deposit Ratio;
- Lending Inside the Assessment Area;
- Lending to Farms and Businesses of Different Revenue Sizes and to Borrowers of Different Income Levels; and
- Geographic Distribution of Loans

Because the bank had not received any complaints regarding its performance under CRA, it was not evaluated on its record of responding to CRA complaints. Since the bank's previous CRA examination, its net LTD ratios for the preceding eight quarters ending September 30, 2003 were evaluated. The LTD ratios were compared to five similarly situated competitor banks and averaged to mitigate disparities resulting from seasonal fluctuations. Conclusions for the remaining performance criteria were based on data

compiled from the 2003 HMDA LAR and a statistically derived sample of 82 agricultural and 70 business loans. The evaluation includes a comprehensive review of performance within the Lincoln, Nebraska MSA and rural Nebraska assessment areas; the analysis weighted each assessment area equally.

DESCRIPTION OF THE BANK'S COMBINED ASSESSMENT AREAS

The bank has two assessment areas, one in rural Nebraska and one in the Lincoln, Nebraska MSA. The bank's rural assessment area consisted of Saline County, Nebraska and block numbering area 9947 in Gage County, Nebraska. The bank's MSA assessment area included all of Lancaster County except tracts 101.00 and 102.00. Since the last examination, the assessment area has expanded because of the Loan Production Office (LPO) conversions in Cortland and Lincoln to full-service branches.

The bank's overall assessment area is comprised of two low-income tracts, sixteen moderate-income tracts, twenty-five middle income tracts, fifteen upper-income tracts, and four unknown (NA) tracts. All the low- and moderate-income (LMI) geographies are located in the Lincoln, Nebraska MSA.

The demographics of both assessment areas are similar in some respects, although the Lincoln, Nebraska MSA assessment area has a higher median family income level and a lower percentage of families living below the poverty level than the rural Nebraska area. The percentage of LMI families is relatively comparable as well as the unemployment rates. The rural assessment area has slightly higher owner occupancy and a lower rental rate than the Lincoln, Nebraska MSA. The Lincoln, Nebraska MSA assessment area includes three colleges, causing a higher demand for rental housing. According to the community contacts, the area is experiencing a shortage of affordable housing for LMI borrowers due to a number of investors purchasing affordable housing to be used as rentals and the prevalence of low paying service and retail jobs in the area. Community contacts also indicated that the community could support new small industries, which would improve the wage rate in the area.

Table 2 provides general demographic and economic characteristics of the overall assessment area. The data is based on the 2000 U.S. Census unless specifically noted.

Table 2
BANK ASSESSMENT AREA CHARACTERISTICS

<i>Tract Summary</i>	Assessment Areas (AA)		State
	<i>Lincoln, Nebraska MSA AA</i>	<i>Rural Nebraska AA</i>	<i>State of Nebraska</i>
Total Number of Tracts	57	5	82
Number of Low-Income Tracts	2		
Number of Moderate-Income Tracts	16		11
Number of Middle-Income Tracts	20	5	70
Number of Upper-Income Tracts	15		1
Number of Unknown Tracts	4		
<i>Income Summary</i>			
Median Family Income	53,398	45,020	48,032
Percent Low-Income Families	17.3	13.9	17.0
Percent Moderate-Income Families	18.9	17.6	19.0
Percent Middle-Income Families	26.0	28.3	25.2
Percent Upper-Income Families	37.8	40.2	38.8
<i>Population/Housing Summary</i>			
Labor Force Population (Assessment Area)	140,368	9,329	293,653
Percent Unemployment (Assessment Area)	3.7	2.4	3.5
Total Population	241,102	17,526	1,711,263
Percentage of Families Below Poverty	5.6	9.6	9.7
Total Housing Units	100,895	7,083	722,668
Percentage Owner-Occupied Units to Total Units	56.8	68.3	62.2
Percentage Rental Units to Total Units	38.3	24.7	30
Percentage Vacant Units to Total Units	4.9	7	7.8

A more detailed description of each assessment area is contained in the discussion of the bank's CRA performance within the individual areas.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Various criteria were considered in determining the bank's overall CRA performance rating, including: the bank's level of lending in relation to its deposits and in comparison with peer and competitor financial institutions; the concentration of loans originated within the bank's areas; the bank's distribution of lending among farms and businesses of different revenue sizes and borrowers of different income levels; and the distribution of loans by income level of geography within the bank's assessment areas.

The bank's performance in the two separate assessment areas was evaluated by considering various factors such as the significance of the bank's activities in each area

compared to the overall activities; the available lending opportunities; and demographic and economic conditions.

In addition, three community members were contacted to gather additional information about the areas' credit needs and to confirm that the bank's products and services adequately meet those needs. The bank has not received any complaints relative to its performance under the CRA since the last examination. Therefore, the bank's responsiveness to CRA complaints was not included in the evaluation.

Loan-to-Deposit Ratio

The bank's LTD ratio was considered more than reasonable based on the bank's size, financial condition, credit needs, economic conditions of the areas, and the LTD ratios of competitor banks and peer groups. The bank's net LTD ratio averaged 92 percent for the 19 quarters since the previous examination.

Additionally, the bank's LTD ratio based on an average of the prior eight consecutive quarters ending September 30, 2003, was 99 percent. The bank's eight-quarter average was the second highest compared to that of five similarly situated competitor banks whose average LTD ratios ranged from 61 percent to 107 percent. A comparison was also performed between the bank's average LTD ratio and that of national peer groups, whose average LTD ratio was 74 percent. The bank's peer group consisted of insured banks having assets between \$50 million and \$100 million with 3 or more banking offices and located in a nonmetropolitan area. A comparison was also performed between the bank's average LTD ratio of the prior eight consecutive quarters to each county in the assessment area. The average LTD ratio for Gage County was 83 percent; Saline County was 87 percent; and Lancaster County was 74 percent.

Lending Within the Combined Assessment Areas

Based on the sample of loans reviewed during the examination, a majority of the bank's lending occurred within its areas. A total of 236 loans was reviewed for the analysis, consisting of 82 farm loans, 70 business loans, and 84 residential real estate loans. The portion of farm loans originated within the bank's assessment areas was 74 loans or 90.2 percent, and business loans was 58 loans or 82.9 percent. The combination of home purchases, home refinance and home improvement loans within the bank's assessment area totaled 77 loans or 91.7 percent. Overall, 88.6 percent of the number of loans and 84.2 percent of the dollar volume of the loans were in the assessment areas. Table 3 illustrates the percentage of loans within the areas by number and dollar volume of loans.

Table 3 TOTAL LENDING WITHIN THE ASSESSMENT AREA						
Loan Type Sampled	Total Originations		Within the Assessment Area			
	#	\$(000)	#	%	\$(000)	%
Home Purchase	29	2,937	26	89.7	2,699	91.9
Home Refinance	39	4,432	35	89.7	4,083	92.1
Home Improvement	16	444	16	100.0	444	100.0
Small Business	70	4,999	58	82.9	3,415	68.3
Small Farm	82	2,961	74	90.2	2,638	89.1
TOTAL LOANS REVIEWED	236	15,773	209	88.6	13,279	84.2

Distribution of Loans to Businesses and Farms of Different Revenue Sizes and Borrowers of Different Income Levels

The bank's distribution of loans to businesses and farms of different revenue sizes and to borrowers of different income levels was reasonable, given the economic and demographic conditions of the areas. The analysis focused on the number of loans originated, rather than the dollar volume, as it is a better indicator of the number of individuals benefiting from the loan products included in the sample. A more in-depth analysis of lending to businesses and farms of different revenue sizes and to borrowers of different income levels is described within the individual assessment area evaluations.

Distribution of Lending Among Geographies of Different Income Levels

The bank's geographic distribution of loans reflected an acceptable penetration throughout the Lincoln, Nebraska MSA and is consistent with the credit demand and lending opportunities within its market. Since the geographies contained in the bank's rural assessment area were all middle-income geographies, an analysis of the bank's geographic distribution of loans would not be meaningful and therefore, was not evaluated.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No substantive violations of the antidiscrimination laws and regulations were identified. Furthermore, a review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. Further, the bank was not engaged in other illegal credit practices inconsistent with helping to meet community credit needs.

DISCUSSION OF CRA PERFORMANCE IN INDIVIDUAL ASSESSMENT AREAS

The following is a discussion of the bank's performance in the individual Lincoln, Nebraska MSA and rural Nebraska assessment areas. The individual analyses focus on the distribution of lending to farms and businesses of different revenue sizes, to borrowers of different income levels, and on the geographic distribution of loans throughout these areas.

DESCRIPTION OF THE LINCOLN, NEBRASKA MSA ASSESSMENT AREA

The Lincoln, Nebraska MSA assessment area includes all of Lancaster County, Nebraska except census tracts 101.00 and 102.00. Lincoln, Nebraska is located in the central-eastern portion of the state of Nebraska. The area is comprised of 2 low-income, 16 moderate-income, 20 middle-income, 15 upper-income census tracts and 4 tracts not reported. The low- and moderate-income tracts are located in the northwestern portion of the assessment area and are not located near any of the bank's offices. Three colleges and a correctional institution are located in the area's LMI geographies.

Based on 2000 Census Data, the area population was 241,102 compared to a statewide population level of 1,711,263. Both the assessment area and state have experienced growth in population since the 1990 Census. The total population of the assessment area increased by 11.4 percent compared to a statewide growth rate of 7.8 percent.

The 2000 Census Data indicated the assessment area had less affordable housing when compared to the statewide area. The area's housing affordability ratio (39 percent) is lower when compared to the statewide level of 45 percent. The median housing value for the assessment area is also much higher at \$104,019 compared to the statewide value of \$86,900. In addition, the assessment area housing units valued at \$60,000 or less totaled 8.7 percent, which is considerably lower than the statewide level of 28 percent.

According to the 2000 Census, the assessment area had fewer owner-occupied housing units when compared to the statewide area. The assessment area's owner-occupied housing units consisted of 56.8 percent of the total housing stock compared to the statewide level of 62.2 percent. The demand for housing is also reflected in the assessment area's low level of vacant housing units. The assessment area's vacant housing units comprised 4.9 percent of the total housing stock compared to the statewide level of 7.8 percent. Community contacts also indicated that there is limited owner-occupied housing available for resale within Lincoln, Nebraska. In addition, there is a high volume of housing units purchased by investors for rental income.

The assessment area has a high demand for rental property. Assessment area rental units comprise 38.3 percent of the total housing stock compared to the statewide level of

30.0 percent. Lincoln, Nebraska has a large student population attending three colleges within the assessment area which increases the demand for rental units. Approximately 2.9 percent of the area's population reside in college dormitories.

The unemployment rate in the assessment area is higher than the statewide level. The 2000 Census Data indicated the Lincoln, Nebraska MSA unemployment rate equaled 3.7 percent compared to the state of Nebraska's unemployment rate of 3.5 percent. According to FDIC Regional Economic Conditions (RECON), unemployment in the Lincoln Nebraska MSA increased to 3.9 percent as of September 31, 2003. The labor force increased by approximately 16,000 individuals over the same time period. Community contacts stated that there is a need for small business development to support the growing labor force. According to RECON data, the MSA economy is diverse with medical services, manufacturing, government, insurance, service and retail industries serving as its primary employment sectors.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Distribution of Loans to Farms and Businesses of Different Revenue Sizes and to Borrowers of Different Income Levels

Farm Loans

Based on the demographics of the area, the bank's distribution of loans represents an excellent penetration among farms with revenues less than or equal to \$1 million. The 2003 D&B data indicates that 97.4 percent of total farms in the area had gross revenues of less than or equal to \$1 million. The bank originated 100 percent of its loans to farms with revenues of \$1 million or less; however, the lending opportunity to small farms in the area is high, since a substantial majority of the small farms have reported gross annual revenues less than or equal to \$1 million.

As shown in Table 4, the majority of small farm loans was for amounts of \$100,000 or less. Generally, these percentages demonstrate that the bank recognizes the need for small farm credit and is committed to meeting the credit needs of the small farms in the assessment area. Although noteworthy, these results are reasonable given the bank's size and the large volume of small farms in the assessment area.

Table 4 DISTRIBUTION OF ALL SMALL FARM ORIGINATIONS BY LOAN SIZE				
Loan Size	Number	Percent	Dollar Amount (\$000)	Percent
\$0 - \$100M	12	75.0	305	21.6
> \$100M to < = \$250M	3	18.8	447	31.6
Over \$1 million	1	6.2	662	46.8
Grand Total	16	100.0	1,414	100.0

Business Loans

Based on the demographics of the area, the bank's distribution of loans represents a reasonable penetration among businesses of different revenue sizes. Of the 28 business loans reviewed within the area, 78.6 percent were to small businesses with revenues of \$1 million or less. The 2003 D&B data indicates that 83.3 percent of total businesses in the area had gross revenues of \$1 million or less. Although the bank's loan distribution to small businesses is slightly lower than the 2003 D&B data, it is considered reasonable. Table 5 illustrates the percentage of business loans by revenue size.

Table 5 DISTRIBUTION OF LOANS BY BUSINESS REVENUE SIZE					
Size of Business	Small Business				Percent of Businesses in Assessment Area
	Number	%	Dollar Amount (\$000)	%	
Revenues = < \$1 million	22	78.6	1,881	78.5	83.3
Revenues > \$1 million	6	21.4	514	21.5	13.6
Not Known					3.1
Grand Total	28	100.0	2,395	100.0	100.0

As shown in Table 6, the majority of small business loans were for amounts of \$100,000 or less, which further demonstrates that the bank recognizes the need for small business credit and is committed to meeting the credit needs of the small businesses in the assessment area.

Table 6 DISTRIBUTION OF ALL SMALL BUSINESS ORIGINATIONS BY LOAN SIZE				
Loan Size	Number	Percent	Dollar Amount (\$000)	Percent
\$0 - \$100M	19	67.9	593	24.7
> \$100M to < = \$250M	8	28.6	1,458	60.9
> \$250M to < = \$1,000M	1	3.5	345	14.4
Grand Total	28	100.0	2,396	100.0

Residential Real Estate Loans

The bank's level of residential real estate lending to LMI borrowers is considered acceptable when compared to the percentages of families in those categories and other demographic factors. As shown in Table 7, the bank's level of home refinance loans to moderate-income borrowers at 30.0 percent reflects an excellent penetration when compared to the level of moderate-income families in the assessment area at 18.9 percent. In addition, the bank's level of home improvement lending to LMI borrowers at 25 percent was only slightly lower than the percentage of families (36 percent) within those income categories.

Although the bank consummated no home purchase loans to LMI borrowers, there are mitigating factors supporting a low level of penetration to LMI borrowers. For instance, the limited availability of affordable homes and the high value of the housing stock affect the real estate loan activity for LMI borrowers. According to the 2000 Census Data, 1- to 4-family housing stock comprised 67.4 percent of the area's total housing units which was low compared to the statewide level of 77.5 percent. In addition, the housing affordability ratio for the area (39.0 percent) indicated the housing stock was less affordable when compared to the statewide level (45.0 percent). The area's level of housing stock valued at \$60,000 or less (8.7 percent) was also low when compared to the statewide level at 28.0 percent. Furthermore, community contacts indicated that there is a low volume of affordable housing stock for resale in the area and a large portion of the available housing stock is purchased by investors for conversion to rental property. According to the 2000 Census Data, rental units comprised 38.3 percent of the area's housing stock compared to 30.0 percent statewide. Community contacts also indicated there is new housing construction activity in the assessment area; however, the construction costs and anticipated values exceed the financial capacity of most LMI borrowers.

**Table 7
PERCENTAGE DISTRIBUTION OF 2003 HMDA LOANS REVIEWED
WITHIN THE BANK'S LINCOLN, NEBRASKA MSA ASSESSMENT AREA
BY INCOME LEVEL OF BORROWER**

Area Median Family Income *				\$53,398
Income Level of Borrower	Percentage of Home Purchase Loans Reviewed	Percentage of Home Refinance Loans Reviewed	Percentage of Home Improvement Loans Reviewed	Percentage of Families within Assessment Area **
<i>Low (Less Than 50 Percent Of Median Income)</i>	0.0	0.0	12.5	17.3
<i>Moderate (50 To 80 Percent Of Median Income)</i>	0.0	30.0	12.5	18.9
<i>Middle (80 To 120 Percent Of Median Income)</i>	40.0	25.0	50.0	26.0
<i>Upper (Greater Than 120 Percent Of Median Income)</i>	53.3	40.0	25.0	37.8
<i>Unknown Income</i>	6.7	5.0	0.0	0.0
* Area Median Family Income is based on the 2003 HUD estimated median family income.				
** The Percentage of Families in Assessment Area is based on 2000 census data.				

Distribution of Lending Among Geographies of Different Income Levels

Farm Loans

The bank's geographic distribution of farm loans reflects reasonable penetration, given the demographics of the assessment area. Although no loans were originated in the low- or moderate-income areas, the lending opportunities were limited. There were no farming entities in the low-income census tracts, and only 10 farming entities or 5.5 percent of the area farms were in the moderate-income geographies. In addition, the LMI tracts are geographically distant from the bank's offices and are well-served by other financial institutions.

Business Loans

The bank's geographic distribution of small business loans reflects a reasonable penetration throughout the assessment area. Table 8 compares the bank's lending performance to the percentages of businesses located in each income category. The comparison provides some perspective relative to the potential lending opportunities in each of the geographies.

As depicted in Table 8, the bank's distribution of small business loans in low-income tracts is strong compared to the percentage of assessment area businesses in those tracts. The distribution of loans in moderate-income tracts (25.0 percent) was slightly lower when compared to the percentage of businesses in the moderate-income tracts (34.4 percent). However, as mentioned earlier, the LMI tracts are not contiguous to the bank's offices and are well-served by other financial institutions.

Table 8			
DISTRIBUTION OF SMALL BUSINESS LOANS REVIEWED			
WITHIN THE BANK'S LINCOLN, NEBRASKA MSA ASSESSMENT AREA			
BY INCOME LEVEL OF GEOGRAPHY			
Total Businesses in Assessment Area			6,402
Income Level of Geography	% of Loans by Number	% of Loans by Dollar Volume	% of Businesses in Assessment Area
<i>Low (Less than 50 percent Of median income)</i>	3.6	1.3	2.7
<i>Moderate (50 to 80 percent of median income)</i>	25.0	17.6	34.4
<i>Middle (80 to 120 percent Of median income)</i>	50.0	42.8	38.8
<i>Upper (Greater than 120 percent of median income)</i>	21.4	38.3	23.4
<i>Track Not Reported</i>	0.0	0.0	0.7

Residential Real Estate Loans

The bank's geographic distribution of residential real estate loans reflects an acceptable dispersion throughout its assessment area, given the demographics and competitive factors of the area. Although no loans were originated in the low-income tracts, only 0.7 percent of the owner-occupied housing units were located in those tracts. In the moderate-income tracts, the bank originated 13.3 percent of its home purchase loans, which is comparable to the percentage of owner-occupied housing units at 14.7 percent. As previously mentioned, the LMI geographies contain three colleges, and community contacts indicated that the housing demand is limited. There is a small volume of homes available for resale, and a majority of the homes are purchased by investors for rental property to meet the rising rental demands of the college students.

DESCRIPTION OF THE BANK'S RURAL ASSESSMENT AREA

The bank defined its assessment area as all of Saline County and block numbering area (BNA) 9947 in Gage County. It is located in the central-eastern portion of the state of Nebraska. The area is homogeneous and is comprised of five middle-income BNAs.

The bank's main office, with a full-service ATM, is located in Wilber, Nebraska, which is in the eastern portion of Saline County, Nebraska. Two additional branches located in Cortland and Dorchester, Nebraska are within the rural assessment area. The Dorchester branch is in northern Saline County while the Cortland branch is in northern Gage County.

Based on 2000 Census Data, the area's population of 17,526 represents 2.2 percent of the statewide rural population. Saline County and Gage County have experienced an 8.0 percent and 1.0 percent growth, respectively, in population since 1990 compared to the statewide rural Nebraska population increase of 2.5 percent over the same time period.

According to 2000 Census, the assessment area was a middle-income area overall with a median family income (\$45,020) that was 108 percent of the median family income for the rural statewide area (\$41,974). In 2000, the area contained slightly lower concentrations of LMI families when compared to the rural statewide area. The LMI families in the assessment area comprised 31.5 percent of the area families compared to 36.4 percent in the rural statewide area. In addition, 5.9 percent of the area families lived below the poverty level, while 7.7 percent of the rural statewide families lived in poverty.

According to 2000 Census, the area's unemployment rate of 2.4 percent was lower when compared to the statewide rural level of 3.4 percent. According to the Nebraska Bureau of Labor Statistics, Saline County's unemployment rate has increased to 2.7 percent in 2002, but remains lower than the statewide rural rate of 3.6 percent. The labor force in Saline County also increased by 4.1 percent from 2000 to 2002. Community contacts indicated that there was a need for small business development to support the labor force growth. The major employers in Saline County and Gage County were meat packing plants and Hand Edge Tools, Inc. which employed 1,500 and 600 individuals, respectively.

The assessment area housing stock was comparable to that of the rural statewide area. Owner-occupied units comprised 68.3 percent of the assessment area's housing stock. Rental units and vacant units comprised 24.7 percent and 7.0 percent, respectively, of the area's housing stock. In rural statewide areas, owner-occupied units comprised 63.7 percent; rental units comprised 25.7 percent; and vacant units comprised 10.5 percent of the housing stock. The assessment area's median housing value of \$61,857 is lower when compared to the rural statewide value of \$69,046.

Notwithstanding, the assessment area housing affordability ratio is equal to that of the statewide rural area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Distribution of Loans to Farms and Businesses of Different Revenue Sizes and to Borrowers of Different Income Levels

Farm Loans

Based on the demographics of the area, the bank’s distribution of loans represents an excellent penetration among farms with revenues less than or equal to \$1 million. According to 2003 D&B data, 98.6 percent of total farms in the area had gross revenues of less than or equal to \$1 million. The bank’s lending to farms with revenues of \$1 million or less was 100 percent; however, the lending opportunity to small farms in the area is high, since a substantial majority of the small farms have reported gross annual revenues less than or equal to \$1 million.

In addition, 96.6 percent of the bank's farm loans were for amount of \$100,000 or less, which further demonstrates that the bank recognizes the need for small farm credit and is committed to meeting the credit needs of the small farms in the assessment area.

Business Loans

The bank’s distribution of business loans represents a reasonable penetration among businesses of different revenue sizes. According to 2003 D&B data, 89.0 percent of total businesses in the area had gross revenues of \$1 million or less. The bank originated 90.0 percent of its business loans to small businesses with revenues of \$1 million or less. Table 9 illustrates the percentage of business loans by revenue size.

Table 9 DISTRIBUTION OF LOANS BY BUSINESS REVENUE SIZE					
Size of Business	Small Business				Percent of Businesses in Assessment Area
	Number	%	Dollar Amount (\$000)	%	
Revenues <= \$1 million	27	90.0	875	85.7	89.0
Revenues > \$1 million	3	10.0	146	14.3	8.4
Not Known	0	0.0	0	0.0	2.6
Grand Total	30	100.0	1,021	100.0	100.0

In addition, the bank originated 90.0 percent of its business loans for amounts of \$100,000 or less, further demonstrating that the bank recognizes the need for small business credit and is committed to meeting those credit needs in the assessment area.

Residential Real Estate Loans

Based on the demographics of the area, the bank's distribution of residential real estate loans represents an excellent penetration to low-income borrowers. Table 10 depicts the bank's level of real estate lending to borrowers of different income levels compared to the percentage of families in each income category. The bank's percentage of home purchase loans (18.2 percent), home refinance loans (20.0 percent), and home improvement loans (25.0 percent) to low-income borrowers exceeded the level of low-income families in the assessment area (13.9 percent).

The bank's level of lending to moderate-income borrowers was considered reasonable. The level of home purchase loans to moderate-income borrowers (18.2 percent) exceeded the level of moderate-income families in the assessment area (17.6 percent), while the level of home refinance loans to moderate-income borrowers (13.4 percent) was slightly below the level of moderate-income borrowers in the assessment area. Even though there were no home improvement loans to moderate-income borrowers, the high penetration level to low-income borrowers reflects the bank's willingness to meet the credit needs of both LMI borrowers.

Table 10 Percentage Distribution of Loans Reviewed Within the Bank's Rural Assessment Area By Income Level of Borrower				
Area Median Family Income *				\$45,020
Income Level of Borrower	Percentage of Home Purchase Loans Reviewed	Percentage of Home Refinance Loans Reviewed	Percentage of Home Improvement Loans Reviewed	Percentage of Families within Assessment Area **
<i>Low (Less Than 50 Percent of Median Income)</i>	18.2	20.0	25.0	13.9
<i>Moderate (50 To 80 Percent Of Median Income)</i>	18.2	13.4	0.0	17.6
<i>Middle (80 To 120 Percent Of Median Income)</i>	27.3	33.3	50.0	28.3
<i>Upper (Greater Than 120 Percent Of Median Income)</i>	36.3	33.3	25.0	40.2

* Area Median Family Income is based on the 2003 HUD estimated median family income.
 ** The Percentage of Families in Assessment Area is based on 2000 census data.

Distribution of Lending Among Geographies of Different Income Levels

The bank's assessment area contains five tracts, all of which are considered middle-income geographies. The geographies are defined as middle-income because their median family incomes are at least 80 percent and less than 120 percent of the statewide median family income. According to the 2000 Census Data, the median family income for the area is \$45,020, compared to the statewide rural area median family income of \$41,974. Since the geographies contained in the bank's assessment area are homogenous, an analysis of the bank's geographic distribution of loans would not be meaningful and therefore, was not evaluated.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank’s record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Block Numbering Areas (BNAs) – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank’s retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract or a block numbering area.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

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

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”