



PUBLIC DISCLOSURE

December 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

RSSD# 545855

**BANK OF YUTAN
515 2nd Street, P.O. Box 130
Yutan, Nebraska 68073-0130**

**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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of each examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Bank of Yutan, Yutan, Nebraska, prepared by the Federal Reserve Bank of Kansas City (Reserve Bank), the institution's supervisory agency, as of December 8, 2003. The Reserve Bank rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

Definitions for many of the terms used in this performance evaluation can be found in Section 228.12 of Regulation BB. For convenience, a "Glossary of Common CRA Terms" is attached at the end of this performance evaluation.

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

Bank of Yutan has a satisfactory record of helping to meet the credit needs of its entire assessment area in a manner consistent with its resources and capabilities. Four of the five criteria used in evaluating small bank CRA performance are relevant to this review and are as follows:

- Net Loan-to-Deposit Ratio (NLTD);
- Lending Inside the Assessment Area;
- Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes; and,
- Lending by Income Level of Geography.

The fifth evaluation criterion, responsiveness to CRA complaints, was not reviewed because the bank had not received complaints about its CRA performance since the previous examination.

Conclusions for each of the performance criteria was based, in part, on data compiled from statistically derived loan samples of the bank's major product lines. The major product lines were based on discussions with management, a review of the bank's Report of Condition and Income (Call Report), and a review of the volume of loans originated

since the last examination. As a result, the major product lines chosen for review were agricultural and commercial loans.

Summary of Findings

- The bank's NLTD ratio reflected an excellent effort to extend credit in a competitive banking market consistent with safe and sound banking practices.
- The majority of the bank's lending activity was within its assessment area.
- The distribution of loans to businesses and farms of different revenue sizes reflected a reasonable dispersion.
- The bank's distribution of lending by income level of geography reflected a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Bank of Yutan (the bank) is a full-service bank located in Yutan, Nebraska, a community of approximately 1,200 residents in Saunders County, Nebraska. In addition to the bank's only office, it has a cash-only automated teller machine (ATM) in the local grocery store.

The bank has the ability to meet the credit needs of its defined assessment area based on its financial condition, size, and credit product offerings. As of September 30, 2003, the bank's total assets were \$20.5 million, with net loans representing \$15.5 million. On June 30, 2003, bank deposits totaled \$15.5 million and it ranked eighth in terms of deposit market share out of fourteen banks in Saunders County.

As illustrated in Table 1, approximately 64.0 percent of the bank's loan portfolio was comprised of agricultural and commercial loans.

Table 1		
BANK OF YUTAN'S LOAN PORTFOLIO		
(As of September 30, 2003 Report of Condition and Income)		
Loan Type	Amount (\$000)	Percent of Total
Agricultural	5,335	33.9
Commercial	4,723	30.1
Real Estate	3,761	23.9
Consumer	1,574	10.0
Other	329	2.1
TOTAL	15,722	100.0

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Bank of Yutan is a small community financial institution. The bank defined its assessment area as all of Saunders County, Nebraska, which remained unchanged from the previous examination. However, the income levels of census tracts (CTs) 9884.00 and 9885.00 changed from middle- to upper-income, which reflected the demographic changes associated with 2000 Census data. The assessment area is comprised of two middle- and three upper-income CTs.¹

The population of the assessment area increased by 8.4 percent from 18,285 in 1990 to 19,830 in 2000. Similarly, the state population increased by 8.4 percent for the same period. The population in Saunders County is concentrated in the county seat of Wahoo, with a 2000 population of 3,942. In addition, Yutan experienced a population increase of 94.2 percent from 1990 to 2000. This increase was attributed to the annexation of the Timbercrest area in December 1997. According to 2000 census data, the assessment area contained a larger older population with 15.3 of its residents over 64 years of age compared to 13.6 percent for the state of Nebraska.

In 2000, the bank's assessment area was middle-income overall with a median family income (\$49,362) that was 117.0 percent of the statewide rural median family income (\$41,974). The area contained slightly lower concentrations of low- and moderate-income (LMI) families than in Nebraska as a whole. LMI families in the assessment area comprised 26.7 percent of area families based on 2000 figures, compared to the state of Nebraska at 36.0 percent. In addition, families below the poverty level in the area for 2000 equaled 5.3 percent, while 6.7 percent of the families statewide lived in poverty.

¹ The income level of a CT is determined by comparing the median family income of the tract to the statewide rural median family income. If the CT is between 80 percent and 120 percent, it is considered middle-income. A CT that is greater than 120 percent is considered to be upper-income.

According to 2000 census data, the assessment area's unemployment rate of 2.3 percent was lower than the State's at 3.5 percent. Major employers in the area include County of Saunders-Saunders County Courthouse (executive offices) and Heritage of Wahoo (nursing home facility) located in Wahoo, Nebraska. In addition, the Yutan Public School District is considered to be one of the area's major employers. Table 2 provides additional demographic information.

Table 2	
BANK OF YUTAN'S ASSESSMENT AREA CHARACTERISTICS	
<i>Tract Summary</i>	
Total Number of Census Tracts (CTs)	5
Number of Middle-Income CTs	2
Number of Upper-Income CTs	3
<i>Income Summary</i>	
Median Family Income*	\$49,362
Percent Low-Income Families	11.5
Percent Moderate-Income Families	15.3
Percent Middle-Income Families	24.7
Percent Upper-Income Families	48.5
<i>Unemployment Summary</i>	
Labor Force Population (Assessment Area)	10,554
Percent Unemployment (Assessment Area)	2.3
Percent Unemployment (State)	3.5
<i>Miscellaneous Information</i>	
Total Population	19,830
Percentage of Families Below Poverty	5.3
Total Housing Units	8,266
Percentage Owner-Occupied Units to Total Units	72.2
Percentage Rental Units to Total Units	18.5
Percentage Vacant Units to Total Units	9.3
* The 2003 HUD-adjusted median family income for rural areas in Nebraska was \$48,300	

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

As previously noted, various criteria were considered when evaluating the bank's overall CRA performance. In addition, two community members were interviewed to gather additional information about the assessment area's credit needs and to confirm that products and services offered by area financial institutions adequately met those needs. The bank's responsiveness to CRA complaints was not included in the evaluation, as no complaints pertaining to its CRA performance have been received since the last examination.

Loan-to-Deposit Ratio

The bank’s NLTD ratio, based on an average of the last 16 quarters since the previous CRA examination, was 98.4 percent and was considered strong given the bank’s financial condition and credit needs of its assessment area. An eight-quarter period was utilized for comparison with local, state, and national peer group averages. Based on eight consecutive quarters through September 30, 2003, the bank’s NLTD ratio of 102.5 percent fell below that of one local peer bank and exceeded that of five local, similarly-situated competitor banks. The NLTD ratios considered during the analysis ranged from 63.3 percent to 109.2 percent. In addition, the bank’s NLTD ratio exceeded that of state and national peer group averages for the same time period at 76.6 and 63.7 percent, respectively.

Lending Inside the Assessment Area

Based on a sample of loans reviewed during the examination, a majority of the bank’s lending occurred in the assessment area. A sample of 57 loans consisting of 29 commercial and 28 agricultural loans originated through October 2003, revealed that 77 percent of the loans by number and 72 percent of the loans by dollar volume were originated inside the bank’s assessment area. Table 3 summarizes the percentage of loans reviewed, by number and dollar amount, which were located inside the bank’s assessment area.

Table 3				
LOANS INSIDE THE BANK’S ASSESSMENT AREA				
Loan Type	Number	Percent	\$ Volume (000)	Percent
Agricultural (28)	22	79	511	72
Commercial (29)	22	76	667	73
All Loans Reviewed (57)	44	77	1,178	72

Distribution of Loans to Farms and Businesses of Different Revenue Sizes

Agricultural Loans

A sample of the bank’s agricultural loans originated within the previous 12 months revealed a good distribution of loans to small farms (farms with gross annual revenue of \$1 million or less). Although all 24 loans or 100 percent of the bank’s loan originations were to small farms, there was a high level of expectation and opportunity to lend to small farms in the assessment area. According to 2003, Dun and Bradstreet data, 98.9 percent of farms in the bank’s assessment area were designated as small farms. There

were 258 small farming units compared to only three large farming units reported in the assessment area. Small farm loans for amounts less than or equal to \$100,000 represented 100.0 percent of the bank's farm loans. Generally, this demonstrates that the bank recognized the need for small farm credit and was committed to meeting the credit needs of small farms in the assessment area. In addition, the bank participated in the governmentally guaranteed Farmers Home Administration (FmHA) loan program to further meet the small farm credit needs of the community.

Commercial Loans

A review of the bank's commercial loans also revealed a good distribution of loans to small businesses (businesses with gross annual revenues of \$1 million or less). Similar to the small farm loan distribution, 100 percent of the commercial loan originations were to small businesses. Again, there was a high level of expectation and opportunity to lend to small businesses in the assessment area. According to 2003 Dun and Bradstreet data, 89 percent of the businesses in the bank's assessment area were designated as small businesses. There were 522 small businesses compared to 46 large businesses reported in the assessment area. Revenue was not available for 18 businesses. Of the loans to small businesses, 91 percent of the loans were for amounts less than or equal to \$100,000, amounts typically needed for small businesses.

Distribution of Lending Among Geographies of Different Income Levels

Table 4				
PERCENTAGE DISTRIBUTION OF AGRICULTURAL AND COMMERCIAL LOANS REVIEWED WITHIN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY				
Income Level of Geography	Percentage of Agricultural Loans Reviewed	Percentage of Farms within Assessment Area	Percentage of Commercial Loans Reviewed	Percentage of Businesses within Assessment Area
<i>Middle (80 to 120 percent of median income)</i>	5	60	9	56
<i>Upper (Greater than 120 percent of median income)</i>	95	40	91	44

Agricultural Loans

The bank's level of agricultural lending to those living in middle-income areas was considered reasonable based on the bank's economic and competitive factors.

Although the total percentage of agricultural lending in middle-income areas was below the percentage of farms in those areas as illustrated in Table 4, the bank lacked a

physical presence in middle-income areas. There are several more convenient financial institutions in Saunders County, Nebraska, serving the agricultural credit needs of the middle-income areas. The middle-income geography closest in proximity to the bank contained the town of Wahoo, Nebraska, which is located 14 miles from Yutan. There are four competitor banks located in Wahoo. In addition, community contact information revealed that there does not seem to be any unmet credit needs in the middle-income geographies.

Commercial Loans

The bank's lending to businesses throughout the assessment area was considered reasonable. Although 56.0 percent of assessment area businesses were located in middle-income areas, only 9 percent of the commercial loans were originated in these geographies. As previously stated, the bank lacked a physical presence in the middle-income areas. Of the 15 financial institutions located in Saunders County, 9 were located in middle-income areas. These banking offices were more convenient to commercial loan borrowers in middle-income areas. Community contact information revealed that the area's primary need involves the establishment of large and small businesses. Given Yutan's proximity to Omaha, businesses were risk adverse relative to establishing new businesses in Yutan. Business individuals have expressed more of a desire to open establishments in Omaha to ensure profitability.

Compliance with Antidiscrimination Laws and Regulations

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. Discussions with bank personnel and a review of bank policies and procedures, credit applications, and loans revealed no practices designed to discourage loan applications on a prohibited basis. Further, the bank was not engaged in other illegal credit practices inconsistent with helping to meet community credit needs.

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.

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.”