PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kearney State Bank and Trust Company
22191

3015 Second Avenue
Kearney, Nebraska 68847

Federal Deposit Insurance Corporation

2345 Grand Boulevard, Suite 1500
Kansas City, MO 64108

NOTE: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 such 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 Community Reinvestment Act (CRA) performance of ***Kearney State Bank and Trust Company, Kearney, Nebraska,*** *prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of* ***February 1, 1999.*** *The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

The bank's CRA performance displays an outstanding record of helping to meet the credit needs of its assessment area. The bank's rating is supported by the following:

- The bank's net loan-to-deposit ratio since the previous evaluation reflects an excellent level of response to community credit needs.
- A substantial majority of the commercial and residential real estate loans sampled are in the bank's assessment area.
- A review of commercial loans in the assessment area reveals an excellent penetration of loans to all sizes of businesses, including small businesses.
- A review of residential real estate loans in the assessment area reveals an excellent penetration of loans to low- and moderate-income individuals.

DESCRIPTION OF INSTITUTION

Kearney State Bank and Trust Company operates from a main office in Kearney, Nebraska. The bank is located in central Nebraska. The bank had total assets of $76,117,000, as of September 30, 1998, and the loan portfolio is primarily invested in commercial loans. The bank also offers consumer loans, agricultural loans, residential real estate loans, and various government guaranteed loans. Long-term residential real estate loans are also originated and sold on the secondary market. The following table includes a breakdown of the bank's loan portfolio as of the September 30, 1998, Report of Condition.

LOAN PORTFOLIO MIX (09/30/98)		
Loan Type	**Dollar Volume**	**% of Total Portfolio**
Commercial	$22,653,000	41%
Consumer	$13,674,000	25%
Residential Real Estate	$11,203,000	20%
Agricultural	$7,875,000	14%
TOTAL	$55,405,000	100%

The bank is owned by Mid-Nebraska Company, Inc., a one-bank holding company. The bank is able to fund local credit needs consistent with its size, financial condition, location, and local economic conditions. Management did not identify any legal impediments that would inhibit the bank's willingness and ability to meet community credit needs.

DESCRIPTION OF *ASSESSMENT AREA*[1]

The bank's assessment area includes all of Buffalo County and includes BNAs 9689 through 9697. The bank is located in southern Buffalo County in BNA 9694. The assessment area consists entirely of middle- and upper-income BNAs. Middle-income geographies have median family incomes of 80 to 120 percent of the 1990 Nebraska nonmetropolitan median family income of $27,623, and upper-income geographies have median family incomes greater than 120 percent. The median family income of the assessment area in 1990 was $30,801.

[1] *A bank must delineate one or more assessment areas within which the FDIC evaluates the bank's record of helping to meet the credit needs. The assessment area must consist of whole geographies, that is, Census Tracts or Block Numbering Areas (BNAs), and may not reflect illegal discrimination or arbitrarily exclude low- or moderate-income geographies.*

The economy of the assessment area is very diversified among manufacturing businesses, retail businesses, and agriculture. According to a local individual, the business economy is strong. Retail sales were up over seven percent in 1998, and many large manufacturers have expanded their operations. The agricultural economy is depressed; however, this has not yet affected the business economy.

Management and a local individual indicated that the population in the local area has experienced some growth. Kearney has many large businesses that continue to expand and attract new people to the area. Major employers in Buffalo County include Good Samaritan Hospital, Eaton Corporation, Baldwin Filters, Coleman Powermate, and Cabelas in Kearney; and IBP and Nebraska Turkey Growers in Gibbon. According to the 1990 Census, the population of the entire assessment area is 37,447.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's average loan-to-deposit ratio since the previous evaluation reflects an excellent level of response to the area's credit needs considering the size of the bank, loan demand, and in comparison to other similarly situated lenders[2]. The bank has maintained an average loan-to-deposit ratio of 82 percent since the previous evaluation, which is the highest among the comparable banks. The bank continues to grow at approximately eight to ten percent per year, and the bank's loan-to-deposit ratio continues to remain high.

The following table includes the September 30, 1998, total assets and loan-to-deposit ratios and a nine quarter average loan-to-deposit ratio for subject bank and other similarly situated lenders. The comparable banks are listed in alphabetical order.

[2] *Similarly situated lenders were selected based on total assets, proximity to subject bank's assessment area, and loan mix.*

Loan-to-Deposit Ratio Comparison			
Financial Institution	**Assets (000's) 09/30/98**	**09/30/98 Net Ratio**	**9 Quarter Average**
Kearney State Bank and Trust Company, Kearney, NE	***$76,117***	***82%***	***82%***
Cozad State Bank and Trust Company, Cozad, NE	$87,186	75%	66%
First Bank & Trust Company, Cozad, NE	$73,549	79%	78%
Hastings State Bank, Hastings, NE	$83,802	71%	67%
First National Bank and Trust Co. of Kearney, NE	$178,643	65%	59%
Minden Exchange Bank and Trust Company, Minden, NE	$117,936	86%	80%
The First National Bank and Trust Company, Minden, NE	$48,794	80%	74%
Bank of Wood River, Wood River, NE	$52,884	84%	72%

LENDING EVALUATION

The evaluation of the bank's lending performance is based upon a sample of commercial loans (business) originated in the previous six months, and residential real estate loans (individuals) originated in the previous year. These loan types were selected for review because they represent 41 and 20 percent of the bank's loan portfolio, respectively. The commercial loan sample consisted of 31 loans totaling $4,344,996 from a universe of 100 loans totaling $10,183,245. The residential real estate loan sample consisted of 32 loans totaling $2,153,748 from a universe of 111 loans totaling $8,213,176. The samples were based on a 90 percent confidence interval with a +/- 15 percent precision.

LENDING INSIDE THE ASSESSMENT AREA

The bank's lending in the assessment area is excellent, as business and individual loans originated in the assessment area totaled 94 and 75 percent by number, and 99 and 80 percent by dollar volume, respectively. The following table displays the bank's lending in the assessment area.

Loans Extended To Businesses and Individuals Inside The Assessment Area (AA)						
Type of Loan	# of Loans in AA	# Sampled	% of Loans in AA	Dollar Amount of Loans in AA	Total Dollar Amount Sampled	% of Dollar Amount in AA
Business	29	31	94%	$4,296,398	$4,344,996	99%
Individuals	24	32	75%	$1,715,048	$2,153,748	80%

LENDING TO BUSINESSES OF DIFFERENT SIZES

The sample of commercial loans in the assessment area indicates an excellent penetration among businesses of different sizes. The bank is lending to all sizes of businesses, including small businesses.

The loan sample revealed that approximately 38 percent of the number and 25 percent of the dollar volume of loans originated were extended to small businesses with gross revenues under $100,000[3]. The following table includes a breakdown of the loans originated in the assessment area among the different revenue categories.

Record of Bank's Lending to Different Size Businesses				
Gross Revenues (000s)	Number of Loans	% of Number of Loans	Dollar Volume of Loans	% of Dollar Volume of Loans
$0 to $99	11	38%	$1,056,360	25%
$100 to $249	5	17%	$280,991	6%
$250 to $499	6	21%	$1,334,479	31%
$500 to $999	1	3%	$152,957	4%
$1,000+	6	21%	$1,471,611	34%
Totals	29	100%	$4,296,398	100%

LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS

The sample of residential real estate loans in the assessment area indicates an excellent penetration of loans to low- and moderate-income individuals. The loan sample revealed that approximately 42 percent of the number and 35 percent of the dollar volume of loans originated were extended to low- and moderate-income individuals. According to the 1990 Census, 30 percent of the assessment area was low- and moderate-income.

The following table includes a breakdown of the loans originated in the assessment area among the different income categories and the percentage of low- and moderate-income individuals in the assessment area.

[3] *The revenue size of the businesses in the sample was determined by reviewing 1997 tax returns and 1998 profit and loss statements. If this information was not available, management estimated the revenue of the borrower.*

Record of Bank's Real Estate Lending to Individuals of Different Income Levels					
Income Level	Number of Loans	% of Number of Loans	Dollar Volume of Loans	% of Dollar Volume of Loans	***1990 Census for Buffalo County***[4]
Low	4	17%	$150,664	9%	***14%***
Moderate	6	25%	$449,337	26%	***16%***
Middle	5	21%	$284,201	17%	***25%***
Upper	9	37%	$840,845	48%	***45%***
Totals	24	100%	$1,725,047	100%	***100%***

GEOGRAPHIC DISTRIBUTION OF LOANS

All of the BNAs in the bank's assessment area are middle- or upper-income; therefore, the geographic distribution of the bank's loans was not reviewed.

CRA COMPLAINTS

The bank has not received any CRA complaints since the previous evaluation.

ANTI-DISCRIMINATION LAWS AND REGULATIONS

Examiners did not discover any substantive violations of the anti-discriminatory regulations during the evaluation.

[4] *Represents the percentage of the population in the bank's Assessment Area (Buffalo County) for each income category according to the 1990 Census.*