

## **PUBLIC DISCLOSURE**

**December 4, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of St. Edward  
FDIC Certificate Number: 15294**

**317 Beaver Street  
St. Edward, Nebraska 68660**

**Federal Deposit Insurance Corporation  
2345 Grand Boulevard, Suite 1200  
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.

## TABLE OF CONTENTS

Institution's Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	2
Description of Assessment Area.....	3
Conclusions with Respect to Performance Criteria .....	5
Fair Lending or Other Illegal Credit Practices Review .....	7

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

The bank's CRA performance, as supported by the following findings, depicts a satisfactory record of meeting the credit needs of its designated assessment area.

- The bank's average net loan-to-deposit ratio of 79 percent since the previous evaluation reflects a reasonable willingness to extend credit. This ratio is reasonable when compared to similarly situated lenders.
- The bank's lending inside the assessment area is reasonable. The loan samples reviewed during the evaluation indicate that a majority of the bank's loans are within the bank's assessment area.
- An analysis of agricultural loans in the assessment area revealed an adequate distribution of loans among farms of different sizes.
- The bank has not received any CRA-related complaints since the previous evaluation dated January 15, 2002.

## SCOPE OF EVALUATION

This evaluation includes a review of the bank’s CRA performance since the previous evaluation dated January 15, 2002 when the bank was rated “Satisfactory. Conclusions with respect to the following three performance criteria under the lending test, *Lending in Assessment Area*, *Lending among Businesses of Different Sizes and to Borrowers of Different Incomes*, and *Geographic Distribution of Loans*, are based on review of the institution’s agricultural loan portfolio. Commercial loans were not reviewed as they represented only 7 percent of the loan portfolio and home mortgage loans were not reviewed since they only represented 4 percent of the loan portfolio as of September 30, 2006. The time period reviewed for agricultural loans was from May 17, 2006, to November 17, 2006, and included all loans originated and still outstanding. Information on paid off loans was unavailable. The agricultural loan sample included 25 loans totaling \$3,201,507 out of a total universe of 53 loans totaling \$5,895,784.

## DESCRIPTION OF INSTITUTION

Bank of St. Edward, St. Edward, Nebraska, has one full-service location in St. Edward, Nebraska. The bank is owned by St. Edward Management Company, a one-bank holding company. The bank’s financial condition allows it to serve the needs of the local area. No legal impediments exist which would inhibit the bank’s willingness and ability to meet community credit needs. As noted above, the bank was rated “Satisfactory” at the prior CRA Performance Evaluation on January 15, 2002.

The bank is located in north central Nebraska. As of September 30, 2006, the bank had total assets of \$38,753,000, net loans of \$22,901,000, and total deposits of \$22,736,000. The bank’s primary business focus is agricultural lending as evidenced by the loan portfolio distribution, detailed in the table below. As of September 30, 2006, 82 percent (\$19,348,000) of the bank’s loans are for agricultural purposes.

<b>Loan Portfolio Distribution</b>		
<b>Loan Category</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	\$443	2%
Secured by Farmland	\$6,797	29%
1-4 Family Residential	\$888	4%
Secured by Non-farm nonresidential properties	\$365	1%
Agricultural Production Loans	\$12,551	53%
Commercial and Industrial Loans	\$1,364	6%
Other Consumer Loans	\$416	2%
Obligations of states and political subdivisions in the U.S.	\$803	3%
<b>Total Loans and Leases</b>	<b>\$23,627</b>	<b>100%</b>

## DESCRIPTION OF ASSESSMENT AREA

*The Community Reinvestment Act (CRA) requires financial institutions to identify one or more “assessment area(s)” within which the appropriate regulatory agency will evaluate the bank’s CRA performance. Typically, an institution’s assessment area will include the towns, cities, counties, or other political subdivisions in which its offices are located and a substantial portion of its loans are made. Assessment areas must consist of one or more “census tracts (CTs)”, which are statistical subdivisions of a county.*

*The income level of the CT is based on median family income information from the 2000 Census. Therefore, in order to determine the income category for each geography located in the bank’s assessment area, examiners compared the 2000 Census Bureau State of Nebraska non-metropolitan median family income of \$41,596 to the median family income for each CT.*

<i>Low-income</i>	<i>Income of less than 50 percent of the area median family income (MFI)</i>
<i>Moderate-income</i>	<i>Income of at least 50 percent and less than 80 percent of the area MFI</i>
<i>Middle-income</i>	<i>Income of at least 80 percent and less than 120 percent of the area MFI</i>
<i>Upper-income</i>	<i>Income of at least 120 percent or more of the area MFI</i>

### **Assessment Area Discussion:**

The bank’s assessment area is CT 9851 in Platte County, which consists of the northern half of the county, CT 9861 in Nance County, the entire county, and Census Tract 9801 in Boone County, which consists of the entire county except for the city of Albion, in Nebraska. All three CTs are middle-income. CT 9801 is identified as both a distressed<sup>1</sup> and underserved<sup>2</sup> non-metropolitan middle-income geography due to population loss and its remote and rural location. CT 9861 is identified as an underserved<sup>3</sup> non-metropolitan middle-income geography due to its remote and rural location. The banking office is located in CT 9801.

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<sup>1</sup> "Distressed non-metropolitan middle-income" geographies are those located in counties that meet one or more triggers that generally reflect the "distress criteria" used by the Community Development Financial Institutions (CDFI) Fund. The distress triggers are: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; (3) a population loss of 10 percent or more between the previous and most recent decennial census, or a net migration loss of 5 percent or more over the five-year period preceding the most recent census. The agencies will utilize annual information where possible.

<sup>2</sup> "Underserved non-metropolitan middle-income geographies" must meet criteria for population size, density, and dispersion that indicate that an area's population is sufficiently small, thin, and distant from a population center such that the geography is likely to have difficulty in financing the fixed costs of essential community needs. The agencies will use as the basis for these designations the "urban influence codes" numbered 7, 10, 11, and 12 that are maintained by the Economic Research Service of the United States Department of Agriculture.

<sup>3</sup> "Underserved non-metropolitan middle-income geographies" must meet criteria for population size, density, and dispersion that indicate that an area's population is sufficiently small, thin, and distant from a population center such that the geography is likely to have difficulty in financing the fixed costs of essential community needs. The agencies will use as the basis for these designations the "urban influence codes" numbered 7, 10, 11, and 12 that are maintained by the Economic Research Service of the United States Department of Agriculture.

According to 2000 Census data, the assessment area has 3,472 families, of which 20 percent are low-income, 21 percent are moderate-income, 27 percent are middle-income and 32 percent are upper-income. 2000 Census data also showed that 10 percent of families live below the poverty level<sup>4</sup>.

### ***Population:***

The 2000 Census data indicates that the population in the assessment area, 12,586, has decreased 1 percent since the 1990 census, with Boone County losing 6.1 percent, Nance County 5.5 percent and Platte County having a gain of 6.2 percent. Management and a recent community contact indicated that the population in the St. Edward, Nebraska area is declining and the community consists of an increasingly elderly population. The 2000 Census data shows 17 percent of the population in the assessment area to be above age 65, which is the same as the average for the non-metropolitan areas of the State of Nebraska. The average for the entire state is 14 percent. The Department of Housing and Urban Development's estimated median family income for the non-metropolitan areas of the State of Nebraska for 2006 is \$51,400.

### ***Economic Conditions:***

Management and the community contact indicated that the assessment area's overall agricultural economy is stable with crop and cattle prices considered good. The community contact indicated that agriculture and the employment opportunities in nearby Columbus are the mainstays of the local economy. Major employers in the St. Edward area include: the local Co-Op (Central Valley Ag), Werner trucking, Clover Lodge Care Center, and the local school system. In addition, other major employers where St. Edward residents are employed include Lindsey Manufacturing (15 miles away) and various businesses in Columbus (30 miles away).

The 2002 Agricultural Census indicates that 37 percent of the farmers in the assessment area did not report any interest expense (i.e. non-borrowing farmers). Many of the local operators appear to be "hobby farmers". According to the 2002 Agricultural Census, 24 percent of the farmers in the assessment area indicated that farming is not their principal occupation. In addition, 24 percent of all farmers in the assessment area reported gross farm revenues of less than \$10,000 per year. These small farms typically have limited or no borrowing needs.

### ***Housing:***

Housing data from the 2000 Census shows that the assessment area has 5,200 housing units, with 21 percent of the units being rental-occupied and 10 percent vacant. The median age of homes in the assessment area is 60 years, the median housing value is \$60,401, and the median gross rent is \$348. The housing data indicates that the assessment area's housing is more affordable and older than the median for the State of Nebraska.

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<sup>4</sup> Poverty level is an established dollar threshold rather than a percentage based calculation of the median family income. Specifically, for a family of four, the 2000 poverty level threshold was \$17,050; therefore, a family earning less than \$17,050 was below the poverty level. This figure is determined on a national level and is not adjusted regionally.

**Other Financial Institutions:**

There are several other financial institutions located in the assessment area. Management indicated its major competitors are Madison County Bank (Albion, NE), Cedar Rapids State Bank (Cedar Rapids, NE), Genoa National Bank (Genoa, NE), and banks in Columbus, Nebraska.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

***Loan-To-Deposit Ratio Analysis***

*Examiners reviewed the bank's average quarterly net loan-to-deposit (LTD) ratio in order to evaluate the bank's performance for this criterion. A bank's net LTD ratio is calculated by dividing the institution's net loans and leases by its total deposits. The bank's net LTD ratio is then averaged for all quarter-ends since the last evaluation. Each institution's ratio is evaluated and analyzed using performance context, including the bank's capacity to lend, demographic and economic factors present in the assessment area, and the lending opportunities available in the bank's assessment area. Detailed below is an analysis of this performance criterion for the bank.*

The bank's average net loan-to-deposit ratio reflects a reasonable willingness to provide credit given the bank's size, financial condition, community credit needs, and in comparison to other similarly situated lenders. Similarly situated lenders were selected based on total assets and proximity to subject bank's assessment area. The bank has maintained an average 19 quarter net loan-to-deposit ratio of 79 percent. The bank's ratio is the lowest out of the four similarly situated lenders. The bank's net loan-to-deposit ratio as of September 30, 2006, was 101 percent. The ratio has ranged from a low of 70 percent on September 30, 2003, to a high of 101 percent on September 30, 2006.

<b>Bank</b>	<b>City, State*</b>	<b>Total Assets (000s)</b>	<b>Avg. net LTD Ratio 19 Qtrs.</b>	<b>Net LTD Ratio 9/30/06</b>
Cedar Rapids State Bank	Cedar Rapids, NE	\$33,662	80%	84%
First National Bank	Fullerton, NE	\$45,308	90%	110%
Petersburg State Bank	Petersburg, NE	\$27,497	86%	92%
Bank of St. Edward	St. Edward, NE	\$38,753	79%	101%

\* Banks are listed in alphabetical order by city.

### ***Lending Inside the Assessment Area***

*Examiners reviewed the bank's assessment area lending concentration in order to evaluate its performance under this CRA criterion. Examiners typically sample loans and complete a comparative analysis that details loans extended inside and outside of the bank's assessment area. Detailed below is an analysis of this performance criterion.*

The bank's lending in the assessment area is reasonable. The agricultural loan sample revealed that 88 percent of the number (22 of 25) and 75 percent of the dollar volume (\$2,415,000 of \$3,202,000) of loans were in the assessment area. This indicates a reasonable effort in lending in the assessment area.

### ***Lending To Farms of Different Sizes***

*For this criterion, examiners determine the distribution of loans that the bank originated inside its assessment area by business size using gross annual revenues (commercial and agricultural), as applicable.*

The sample of agricultural loans made in the assessment area shows an adequate distribution among small farms. The agricultural loan sample revealed that 100 percent of the number of loans the bank originated inside the assessment area was extended to farms with less than \$1,000,000 in gross revenue. In addition, 64 percent of the number of loans was made to farms with gross income less than \$250,000. These numbers are below the 2002 Agricultural Census information that indicates that farms with less than \$250,000 in gross revenue accounted for 83 percent of the farms in the assessment area.

According to the 2002 Agricultural Census information, the average sales per farm in the assessment area were \$216,770.

As previously discussed, a large percentage of the very small farms do not borrow money. The 2002 Agricultural Census indicates that 37 percent of the farmers in the assessment area did not report any interest expense (i.e. non-borrowing farmers). Another factor to consider is that many of the local operators appear to be "hobby farmers". According to the 2002 Agricultural Census, 24 percent of the farmers in the assessment area indicated that farming is not their principal occupation. In addition, 24 percent of all farmers in the assessment area reported gross farm revenues of less than \$10,000 per year. These small farms typically have limited or no borrowing needs.

The bank's lending to different size farms in the assessment area is reasonable when considering the hobby farmers and farms that have no borrowing needs.

### ***Geographic Distribution of Loans***

*Examiners analyze the bank's performance under this criterion to determine if the bank is lending throughout its assessment area including the low- and moderate-income areas or geographies within the assessment area. The composition of the bank's assessment area by CT income level is important to this evaluation process because it is compared to where the bank originated its sampled loans by CT. Detailed below is an analysis of this performance criterion for the bank.*

The bank's geographic distribution of loans is reasonable. Examiner review of the loan distribution showed that the majority of loans were in the census tract near the bank's only office. Examiners did not give this criterion much consideration in the overall rating since all of the census tracts in the assessment area are middle-income. Overall, the bank's geographic distribution of loans is reasonable.

### ***CRA Complaints***

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

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.