



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 23, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sidney FS&LA
Charter Number 703360

1045 10th Ave
Sidney, NE 69162-1611

Office of the Comptroller of the Currency

1225 17th Street
Suite 450
Denver, CO 80202-5534

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.

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

The major factors that support this rating include:

- Sidney Federal Savings and Loan Association (SFSLA) originated a significant majority of their loans within the assessment area (AA);
- The bank's Loan-to-Deposit ratio is reasonable; and
- SFSLA's penetration of lending to borrowers of different income levels is reasonable.
- The geographic distribution of loans is not meaningful as all census tracts within the Cheyenne/Kimball County AA are middle-income tracts.

SCOPE OF EXAMINATION

The scope of this examination includes a full scope review of Sidney Federal Savings and Loan Association's Cheyenne/Kimball County AA. The examination focused on a review of 34 home purchase loans and 30 home refinance loans that originated between January 1, 2010 and May 31, 2012.

DESCRIPTION OF INSTITUTION

Sidney Federal Savings and Loan Association (SFSLA) is a federally chartered mutual thrift with \$31 million in total assets. SFSLA is located in southwestern Nebraska. The bank operates one full-service office located in Sidney, Nebraska in Cheyenne County, Nebraska. This office holds the bank's one drive-up facility and non-deposit taking automated teller machine.

The bank offers traditional non-complex products and services, focusing on retail lending. The bank sells a portion of the loans they originate and retains the servicing rights for a majority of these loans. The bank utilizes special programs for first time home buyers, such as Nebraska Investment Finance Authority's first time home buyer loan program.

SFSLA's loan portfolio consists mainly of mortgage loans.

Loans Originated since September 10, 2007			
Loan Category	\$ (000)	% by \$ of loans	% by # of Loans
Mortgage purchase loans	25,182	53.7	28.7
Mortgage refinance loans	19,567	41.7	42.6
Commercial & Industrial	463	1.00	5.90
Consumer	1,668	3.60	22.9
Total	46,880		

Source: June 30, 2012 Loan Trial Balance based on origination date and amount.

The primary loan products, as a percentage by dollar volume, are loans for home purchase and home refinancing, at 95 percent by dollar and 71 percent by number. For the purposes of this analysis, CRA performance will be based on the analysis of home purchase and home refinance loans. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

SFSLA received a "Satisfactory" rating at the last CRA examination, dated September 10, 2007.

Please refer to the bank's CRA public file for more information.

DESCRIPTION OF ASSESSMENT AREA(S)

Sidney Federal Savings and Loan Association (SFSLA) has designated Cheyenne and Kimball counties in Nebraska as its combined non-Metropolitan Statistical Area (MSA) AA. This designated AA complies with applicable regulatory requirements and does not arbitrarily exclude any low- or moderate-income (LMI) areas.

Cheyenne County, located in southwestern Nebraska, encompasses the cities of Dalton, Gurley, Lodgepole, Potter, and Sidney. Sidney is the county seat and contains the majority of the county's population. The total population for the county is 9,830; the population of Sidney is 6,331. The unemployment rate for Cheyenne County is 3.7 percent.

Kimball County is located just west of Cheyenne County. Kimball County encompasses the cities of Bushnell and Dix, with Kimball as the county seat. The total population of the county is 4,089. The unemployment rate for Kimball County is 4.4 percent.

Based on 2010 census data, the Cheyenne/Kimball County AA is comprised of four census tracts; all designated as distressed or underserved middle-income census tracts. The Department of Housing and Urban Development (HUD) lists the 2011 updated median family income for this AA as \$56,200. Over 10 percent of the total population is below the poverty level.

The primary industry for the AA is agriculture, including both livestock and crops. Other major industries include service and retail trade. The AA's largest employer is Cabela's Sporting Goods.

SFSLA faces strong competition within the AA. SFSLA holds 1.39 percent of the market share of deposits within the AA. There are eight competing banks located within the AA; World's Foremost Bank, Points West Community Bank, FirstTier Bank, The American National Bank of Sidney, Security First Bank, Great Western Bank, Potter State Bank of Potter, and Adams Bank and Trust.

We spoke with a representative of the City of Sidney as our community contact for this evaluation. The contact identified small businesses and housing loans as the primary credit needs of the area. He stated that the local financial institutions are doing what they can to address these needs, but seem to be limited by bank regulations to make many of these loans. He said that the local banks are a great community partner. He also stated that the banks are active in community causes and bank employees actively provide volunteer work.

Please refer to the bank's CRA public file for more information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's performance context. The 18-month average LTD ratio of similarly situated banks is 70.8 percent, with a high of 91.6 percent and a low of 40.9 percent. The bank's average LTD ratio falls below the average, but is within the range of similarly situated banks at 50.5 percent. This is reasonable because the bank sells a majority of the home purchase loans they originate, lowering their average LTD ratio. Similarly situated banks are those banks of comparable asset size and operating within similar geographies.

Lending in Assessment Area

The extent of lending inside the AA is more than reasonable. The bank originates a substantial majority of the loans within the AA. The bank originated 92 percent of total loans based on number, and 94 percent based on dollar amount, within the AA.

Table 1 - Lending in Cheyenne/Kimball County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	34	100%	0	0%	34	\$2,893,769	100%	\$0	0%	\$2,893,769
Home Refinance	25	83%	5	17%	30	\$2,084,030	87%	\$320,800	13%	\$2,404,830
Total	59	92%	5	8%	64	\$4,977,799	94%	\$320,800	6%	\$5,301,599

Source: Loan Sample

Lending to Borrowers of Different Incomes

Lending reflects a reasonable penetration among borrowers of different incomes, including low- and moderate-income individuals.

The penetration of home purchase lending to moderate-income borrowers is excellent. The percentage of home purchase loans to moderate-income borrowers is above the geographic comparator. Although below the geographic comparator, penetration of home purchase lending to low-income borrowers is reasonable.

Although below the geographic comparator, penetration of home refinance lending to moderate-income borrowers, as well as home refinance lending to low-income borrowers, is reasonable.

Home purchase and home refinancing loans to low-income individuals and families is considered reasonable given that the median housing price is not affordable for their income level. The median sales price of a house in Cheyenne County is \$91,883 and in Kimball County is \$83,848. The median sales price makes it difficult for low-income individuals and families to afford a home. The 2011 HUD Adjusted Median Family Income was \$56,200 for both Cheyenne and Kimball counties. Low-income (as defined as less than 50 percent of the area median family income) borrowers would have a maximum income of \$28,100.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Cheyenne/Kimball County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.77	8.82	22.79	29.41	22.6	38.24	36.84	23.53
Home Refinance	17.77	8.00	22.79	16.00	22.6	28.00	36.84	48.00

Source: U.S. Census Data; Loan Sample

Geographic Distribution of Loans

The geographic distribution of loans in the Cheyenne/Kimball County AA is not meaningful as there are no low- or moderate-income census tracts within the AA.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.