



PUBLIC DISCLOSURE

August 5, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lincoln FSB of Nebraska
Charter Number 703896

1101 N Street
Lincoln, NE 68508-2128

Office of the Comptroller of the Currency
13710 FNB Parkway, Suite 110
Omaha, NE 68154-5298

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 Lending Test is rated: Outstanding

The Community Development Test is rated: Satisfactory

- The bank's lending to borrowers of different income levels regarding residential real estate is excellent.
- The bank's lending to borrowers in different geographic areas regarding residential real estate is reasonable.
- The bank's quarterly average loan-to-deposit ratio is more than reasonable.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area (AA) through community development loans, qualified investments, and community development services.

Scope of Examination

This evaluation of Lincoln Federal Savings Bank of Nebraska (LFSB) Community Reinvestment Act (CRA) performance is based on the intermediate small bank examination procedures. These procedures include the evaluation of the institution's CRA results based on five lending performance criteria. These performance criteria are 1) loan-to-deposit ratio; 2) assessment area concentration; 3) borrower profile/distribution of loans by borrower income; 4) geographic distribution of loans; and 5) response to CRA-related complaints. LFSB's primary loan product is residential real estate loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's residential real estate loan performance. The sampling period used for the lending test is January 1, 2010 through December 31, 2011. Loans from the sample are representative of the bank's business strategy since the last CRA examination.

In addition to lending performance, we conducted a test evaluating the bank's responsiveness to community development needs. The community development test reviews the quantity and quality of community development loans, investments, and services. The evaluation period is June 14, 2010, which was the date of the last performance evaluation, through August 5, 2013, which was the start of the current evaluation.

Description of Institution

LFSB is a federally chartered stock savings institution headquartered in Lincoln, Nebraska. As of March 31, 2013, the institution had assets totaling \$301.7 million. LFSB is a wholly-owned subsidiary of Lincoln Federal Bancorp, Inc., which in turn is owned by Lincoln Federal Bancorp Mutual Holding Company.

LFSB has eight AAs. For examination purposes, the AAs will be broken into four different areas, a portion of the Lincoln, Nebraska Metropolitan Statistical Area (MSA), a portion of the Omaha-Council Bluffs, Nebraska-Iowa (Omaha-Council Bluffs) MSA, Adams County AA, and five other counties in the non-metropolitan areas of Nebraska. LFSB operates 14 retail offices in Nebraska. Six branches are located within the Lincoln, Nebraska MSA AA, two are in the Omaha-Council Bluffs MSA AA (including Omaha and Blair), one is in the Adams County AA, and five are in the Non-metropolitan Nebraska AA. The Adams County AA is being reviewed under full scope procedures and separately from other non-metropolitan counties as it is the bank's third largest operational area by both deposit and loan origination volume.

LFSB is a full service financial institution that offers numerous mortgage and consumer loan products. The institution originates conventional first mortgage loans with standard loan-to-value (LTV) ratios. The bank also originates loans with higher LTV ratios with private mortgage insurance or through special loan programs. Government insured products, such as Federal Housing Authority (FHA) and Veterans Administration (VA) loans are offered, as well as state-sponsored special loan programs. Specifically, the primary products are home purchase and home refinance loans. Over the evaluation period, the bank originated only three home improvement loans. Therefore, little weight is placed on the home improvement loans in the Lending Test. LFSB also originates construction loans, commercial real estate loans, multifamily loans, land loans, consumer loans, lines of credit, and loans on deposits.

As of March 31, 2013, LFSB's mortgage loan portfolio totaled approximately \$233 million and represented 77 percent of total assets. The following table summarizes the percentage of each loan type originated or purchased from June 14, 2010 through December 31, 2011.

Loan Type	% by Dollars of Loans Originated/Purchased During Evaluation Period	% by Number of Loans Originated/Purchased During Evaluation Period
Home Loans	100	99
Business Loans	0	1
Farm Loans	0	0
Consumer Loans	0	0
Total	100	100

Source: Bank Reports

There are no known impediments limiting LFSB's ability to help meet the credit needs of its AAs. The bank was rated Outstanding at its last CRA examination dated June 14, 2010.

Description of Assessment Area(s)

The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income (LMI) geographies. Management has identified eight AAs, all of which are complete political subdivisions. We reviewed three AAs using full-scope procedures, given that these AAs represent the majority of the bank's deposit volume and loan originations. We reviewed the remaining five AAs using limited-scope procedures. These five AAs are located in non-metropolitan areas of Nebraska. Their conclusions will be grouped together under the name of Non-metropolitan Nebraska AA.

The Lincoln, Nebraska MSA, Omaha-Council Bluffs MSA, and Adams County AAs carry the most weight when assigning the overall ratings for the bank. During the evaluation period, these AAs contained the majority of the bank's branches, deposits, and loan originations.

Lincoln, Nebraska MSA

The Lincoln, Nebraska MSA AA includes all 59-census tracts (CTs) in Lancaster County. The Lincoln, Nebraska MSA also includes Seward County; however, Seward County is not included in the bank's AA. In the AA, there are two low-income and 15 moderate-income census tracts. According to 2010 United States Census data, the total population of the AA was 285,000. The 2011 weighted average of Housing and Urban Development median family income was \$69,500. Nine percent of the AA households are below the poverty level.

Lincoln is the capital of Nebraska and the county seat of Lancaster County. The local economy is stable. The primary industries in the AA include government entities and schools, services, medical, banking, and information technology. According to the Nebraska Department of Labor, the unemployment rate is low at less than four percent as of June 2012. Competition from other financial institutions is moderate. The bank's competitors include several local community banks, large regional institutions, and branches of large banks. LFSB ranked 13th out of 24 banks in deposit market share when compared to other banks operating within the AA. Although the bank has only captured 1.29 percent of the total deposit market share, this AA provides the bank with their largest dollar volume of deposits. LFSB has six branches located in the Lincoln, Nebraska MSA, including their main office. Two of the six branches are located in low- or moderate- income (LMI) CTs.

We conducted one community contact with a local organization. The contact indicated the banking needs in the community include home loans and deposit products for low-income and immigrant populations. The contact indicated that financial institutions in the AA meet the overall needs of the community.

Omaha-Council Bluffs, Nebraska-Iowa MSA

The Omaha-Council Bluffs MSA is a multi-state MSA. However, management has designated only Douglas and Washington counties in Nebraska as their AA. Between these two counties, there are 151 census tracts. In the AA, there are seven low-income and 43 moderate-income census tracts. According to 2010 United States Census data, the total population of the AA was 537,000. The 2011 weighted average of Housing and Urban Development median family income was \$70,600. Nine percent of the AA households are below the poverty level.

LFSB has two branches in this AA. One branch is located in Omaha, Nebraska, and the other branch is located in Blair, Nebraska. Neither branch is located in or near any LMI CTs. Omaha is the largest city in Nebraska and the county seat of Douglas County. Omaha is located across the Missouri river from Council Bluffs, Iowa. Blair, Nebraska is a suburban town located north of Omaha in Washington County. The local economy is stable. Omaha is home to five Fortune 500 companies and many other large companies. The primary industries in the AA includes health systems, banking and finance businesses, manufacturing companies, government and military entities, and hospitality/tourism companies. According to the Nebraska Department of Labor, the unemployment rate is low at 4.8 percent and 3.9 percent for Douglas and Washington counties, respectively, as of June 2012. Competition from other financial institutions is strong. The bank's competitors include several local community banks, large regional institutions, and branches of large banks. LFSB ranked 26th out of 37 banks in deposit market share when compared to other banks operating within the AA. Although the bank has only captured 0.29 percent of the total deposit market share, this AA provides the bank with their second largest dollar volume of deposits.

According to two recent community contacts, banking needs in the community include affordable housing for LMI borrowers. Although the contacts indicated that the local financial institutions meet the community's needs, they also indicated that there are multiple other opportunities for community development activities.

Adams County AA

The Adams County AA includes the bank's Hastings branch. There are nine total CTs, with one moderate-income census tract. According to 2010 United States Census data, the total population of the AA was 31,000. The 2011 weighted average of Housing and Urban Development median family income was \$56,200. Around 10 percent of the AA households are below the poverty level.

Hastings is the largest town located in Adams County. However, several townships are located in Adams County as well. The local economy is stable. The primary industries in the AA include agribusinesses, manufacturing, government entities, and services. According to the Nebraska Department of Labor, the unemployment rate is low at less than four percent as of June 2012. Competition from other financial institutions is moderate. The bank's competitors include several local community banks, large regional institutions, and branches of large banks. LFSB ranked eighth out of 11 banks in deposit market share when compared to other banks operating within the AA. With only one branch located in the AA, this AA represents the bank's third-largest market based on deposit volume. The branch location borders the only LMI CT in the AA.

We conducted one community contact with a local organization. The contact identified affordable housing, especially multi-family rental projects, as a community need. The community contact also identified a need for donations to local social service agencies. The contact indicated that financial institutions in the AA adequately meet the overall needs of the community.

Non-metropolitan Nebraska AA

We are conducting limited-scope procedures on the following five counties located in Nebraska: Dodge, Dundy, Lincoln, Phelps, and Red Willow. These counties represent a smaller volume of deposits and loan originations when compared to the three AAs evaluated with full-scope procedures.

The Dodge County AA includes the bank's Fremont branch. Dodge County is adjacent to the Omaha-Council Bluffs MSA and is a part of the Omaha-Council Bluffs-Fremont Combined Statistical Area (CSA). As demographic information is not available for the CSA, we reviewed this county independently of the Omaha-Council Bluffs MSA. The remaining four counties are not adjacent but are all located in southwest Nebraska. These counties include the bank's Benkelman, North Platte, Holdrege, and McCook branches.

Between these five counties, there are 24 census tracts, none of which are designated as LMI tracts. According to 2010 United States Census data, there is a combined population of around 95,000 people within all five counties. The 2011 weighted average of Housing and Urban Development median family income was \$56,200 for non-metropolitan areas in Nebraska. As an average, around 10 percent of the AA households are below the poverty level. Specifically, Dundy County has the highest poverty rate with over 14 percent of households living below the poverty level. According to the Nebraska Department of Labor, the unemployment rate is low with an average of 3.5 percent for all five counties as of June 2012. The primary industries within the Non-metropolitan Nebraska AA include agribusinesses, food packing, metal fabrication, teleservices, railroad transportation, and government entities.

The local economy is stable within each of the counties with a few exceptions. In Dundy County, the local economy was considered distressed and underserved due to population loss and the rural location in 2010, 2011, and 2012. In addition, the local economy in Red Willow County was considered underserved due to the rural location in 2010, 2011, and 2012. Red Willow was also considered distressed due to population loss in 2010 and 2011. These designations may indicate there are community development needs within these two communities. However, due to their small populations and rural nature, opportunities to meet community development needs are limited.

Competition from other financial institutions is low to moderate in Dodge, Lincoln, and Phelps counties. The bank's competitors include local community banks, large regional institutions, and branches of large banks. Competition from other financial institutions is low in Dundy and Red Willow counties. Competitors primarily include local community banks in these areas. Generally, the bank ranks low among competitors in deposit market share within each of these markets.

We did not conduct a community contact with a local organization as we reviewed this AA using limited-scope procedures. However, recent community contacts conducted in Lincoln and Phelps counties indicate there is a need for affordable housing in these communities. Specifically, the contacts identified credit needs for affordable housing in rural areas and affordable housing for those with special needs.

Conclusions with Respect to Performance Tests

LENDING TEST

The lending test is rated Outstanding. The rating is based on the five performance areas described below. More weight was placed on Lending to Borrowers of Different Incomes analysis than the Geographic Distribution analysis. The Non-metropolitan Nebraska AA and the Adams County AA had zero or one LMI CT, respectively. In addition, the Omaha-Council Bluffs MSA AA did not have branches located in or near any LMI CTs. Therefore, the Geographic Distribution analysis was less meaningful than the Lending to Borrowers of Different Income analysis.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable. The bank's average LTD from quarter-end of the last CRA exam to the most recent quarter-end is 111.73 percent. This compares favorably to all three-peer banks that had an average LTD ratio of 88.44 percent. The lowest average quarterly LTD ratio among peers was 82.79 percent, and the highest average quarterly LTD among peers was 92.04 percent. Over this time, the bank's lowest quarterly LTD ratio was 101.30 percent, and the bank's highest quarterly LTD ratio was 121.07 percent.

Lending in Assessment Area

A substantial majority of primary product loans were originated inside the bank’s AAs. Of the bank’s 3,419 total loans, 3,070 or almost 90 percent were originated inside the bank’s AA. The following table details the bank’s lending within the AA by number and dollar amount of loans.

Table 1 - Lending in LFSB AAs										
Loan Type	Number of Loans					Dollars of Loans (in 000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	961	90.5	101	9.5	1,062	129,724	89.2	15,711	10.8	145,435
Home Refinance	2,106	89.5	248	10.5	2,354	310,167	88.1	41,876	11.9	352,043
Home Improvement	3	100.0	0	0.0	3	145	100.0	0	0.0	145
Total	3,070	89.8	349	10.2	3,419	440,036	88.4	57,587	11.6	497,623

Source: 2010-2011 HMDA data

Lending to Borrowers of Different Incomes

Lending to borrowers of different incomes is excellent. Lending to borrowers of different incomes in the Lincoln, Nebraska MSA, Adams County AA, and Non-metropolitan Nebraska AA is excellent. Lending to borrowers of different incomes in the Omaha-Council Bluffs MSA is reasonable. Conclusions are based on originations and purchases, not outstanding loans.

Performance in the Lincoln, Nebraska MSA

The distribution of home loans reflects excellent distribution among borrowers of different income levels. One of the credit needs identified for this area was affordable housing. The bank outperformed HMDA peer banks. HMDA peer banks had an average of eight and 18 percent of total loans to low- and moderate-income applicants, respectively. The bank provided nine and 21 percent of total loans to low- and moderate-income families, respectively. In addition, when taking into account the AA’s poverty rate of 9 percent, the bank’s level of lending to low- and moderate-income borrowers meets or exceeds the demographic comparator.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Lincoln MSA										
Borrower Income Level	Low		Moderate		Middle		Upper		NA	
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	% of AA Families	% of Number of Loans
Home Purchase	17	18	19	28	26	25	38	28	0	3
Home Improvement	17	0	19	50	26	50	38	0	0	0
Home Refinance	17	6	19	17	26	30	38	46	0	2
Total	17	9	19	21	26	28	38	40	0	2

Source: 2000 U.S. Census data; 2010-2011 HMDA

Performance in the Omaha-Council Bluffs MSA

The distribution of home loans reflects reasonable distribution among borrowers of different income levels. One of the credit needs identified for this area was affordable housing. The bank performed similarly to the HMDA peer bank average. HMDA peer banks had an average of eight and 17 percent of total loans to low- and moderate-income applicants, respectively. The bank provided five and 15 percent of total loans to low- and moderate-income families, respectively. In addition, the bank’s level of lending to low- and moderate-income borrowers meets the demographic comparator when taking into account the AA’s poverty rate of nine percent.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

Table 3 - Borrower Distribution of Residential Real Estate Loans in Omaha-Council Bluffs MSA										
Borrower Income Level	Low		Moderate		Middle		Upper		NA	
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	% of AA Families	% of Number of Loans
Home Purchase	18	5	19	13	23	37	40	45	0	0
Home Improvement	18	0	19	0	23	0	40	0	0	0
Home Refinance	18	5	19	15	23	27	40	51	0	2
Total	18	5	19	15	23	29	40	50	0	1

Source: 2000 U.S. Census data; 2010-2011 HMDA

Performance in the Adams County AA

The distribution of home loans reflects excellent distribution among borrowers of different income levels. The bank outperformed HMDA peer banks. HMDA peer banks had an average of seven and 14 percent of total loans to low- and moderate-income applicants, respectively. The bank provided seven and 18 percent of total loans to low- and moderate-income families, respectively. When taking into account the AA’s poverty rate of 10 percent, the bank’s level of lending to low- and moderate-income borrowers exceeds the demographic comparator.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

Table 4 - Borrower Distribution of Residential Real Estate Loans in Adams County AA										
Borrower Income Level	Low		Moderate		Middle		Upper		NA	
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	% of AA Families	% of Number of Loans
Home Purchase	13	20	17	20	26	20	44	40	0	0
Home Improvement	13	0	17	0	26	0	44	0	0	0
Home Refinance	13	0	17	17	26	22	44	61	0	0
Total	13	7	17	18	26	21	44	54	0	0

Source: 2000 U.S. Census data; 2010-2011 HMDA

Performance in the Non-metropolitan Nebraska AA

The distribution of home loans reflects excellent distribution among borrowers of different income levels. The bank outperformed HMDA peer banks average lending to low- and moderate-income borrowers in Dodge, Phelps, and Lincoln Counties. Between the three counties, HMDA peer banks averaged six and 22 percent of total loans to low- and moderate-income applicants, respectively. The bank provided nine and 26 percent of total loans to low- and moderate-income families, respectively. The bank’s level of lending to low- and moderate-income borrowers also exceeds the demographic comparator in these three counties. Borrower distribution analysis in Dundy and Red Willow counties was not considered to be meaningful. Over the two-year loan evaluation period, an insignificant number of loans were originated in those counties.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category for Dodge, Phelps, and Lincoln counties.

Table 5 - Borrower Distribution of Residential Real Estate Loans in Dodge, Phelps, and Lincoln Counties										
Borrower Income Level	Low		Moderate		Middle		Upper		NA	
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	% of AA Families	% of Number of Loans
Home Purchase	14	12	18	38	25	28	43	22	0	0
Home Improvement	14	0	18	0	25	0	43	0	0	100
Home Refinance	14	7	18	17	25	24	43	52	0	0
Total	14	9	18	26	25	26	43	38	0	1

Source: 2000 U.S. Census data; 2010-2011 HMDA

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. The geographic distribution of loans in the Lincoln, Nebraska MSA and Adams County AAs is reasonable. The geographic distribution of loans in the Omaha-Council Bluffs MSA is weak. More weight was placed on the geographic distribution of loans in the Lincoln, Nebraska MSA as it is the bank’s primary market. In addition, the branch locations in the Omaha-Council Bluffs MSA are not geographically near any LMI CTs, and the Adams County AA has only one LMI CT. The Non-metropolitan Nebraska AA does not have any low- or moderate-income CTs. Therefore, geographic distribution analysis was not completed on the Non-metropolitan Nebraska AA as it would not be meaningful.

Performance in the Lincoln, Nebraska MSA

The bank’s geographic distribution of home loans in this AA reflects a reasonable distribution throughout census tracts of different income levels. Geographic distribution of home loans in moderate-income CTs was given more weight than the geographic distribution of home loans in low-income CTs as less than one percent of owner occupied households are located in low-income CTs. The bank performed similarly to HMDA peer banks. HMDA peer banks averaged less than one and nine percent to borrowers located in low- and moderate-income CTs, respectively. The bank provided less than one and eight percent to borrowers in low- and moderate income CTs, respectively.

LFSB met the demographic comparator for reasonable geographic distribution of home loans. The following table shows the distribution of home loan products among borrowers living within different CT levels as compared to the percent of owner-occupied housing in each CT category.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1	<1	13	13	56	49	30	38
Home Improvement	1	0	13	0	56	100	30	0
Refinancing	1	<1	13	5	56	44	30	51
Total	1	<1	13	8	56	45	30	47

Source: 2000 U.S. Census data; 2010-2011 HMDA

Performance in the Omaha-Council Bluffs MSA

The bank’s geographic distribution of home loans in this AA reflects weak distribution throughout census tracts of different income levels. In particular, the percentage of home purchase and home refinance loans originated in the moderate-income CT is weak while the percentage of home purchase and refinance loans in low-income CTs is reasonable. HMDA peer group averages were considerably higher than the bank’s performance in moderate-income CTs. The HMDA peer group averaged less than one and 10 percent of home loans to low- and moderate-income CTs, respectively. In comparison, LFSB provided less than one and two percent of home loans to low- and moderate-income CTs, respectively.

Although geographic distribution in the Omaha-Council Bluffs MSA is weak, this AA is given less weight due to the opportunity to lend to LMI CTs in this AA. The bank’s two branch locations in this AA are located in and surrounded by middle- or upper-income CTs. Therefore, it is less likely that individuals living in LMI CTs will travel to LFSB branch locations for a home loan.

LFSB did not meet the standards for satisfactory performance. The following table shows the distribution of home loan products among borrowers living within different CT income levels as compared to the percent of owner-occupied housing in each CT category.

Table 7 - Geographic Distribution of Residential Real Estate Loans in Omaha- Council Bluffs MSA

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2	2	21	2	46	43	31	53
Home Improvement	2	0	21	0	46	0	31	0
Refinancing	2	0	21	2	46	47	31	51
Total	2	<1	21	2	46	46	31	52

Source: 2000 U.S. Census data; 2010-2011 HMDA

Performance in the Adams County AA

The bank’s geographic distribution of home loans in this AA reflects a reasonable distribution throughout census tracts of different income levels. The bank performed similarly to the HMDA Peer Group average. Both LFSB and the HMDA Peer Group averaged zero and one percent of loans originated to borrowers in low- or moderate-income CTs. This AA has only one moderate-income CT and no low-income CTs. Therefore, the opportunity to lend to these areas is minimal.

LFSB met the standards for satisfactory performance based on demographic comparators. The following table shows the distribution of home loan products among borrowers living within different CT income levels as compared to the percent of owner-occupied housing in each CT category.

Table 8 - Geographic Distribution of Residential Real Estate Loans in Adams County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	4	0	63	68	33	32
Home Improvement	0	0	4	0	63	0	33	0
Refinancing	0	0	4	2	63	48	33	50
Total	0	0	4	1	63	55	33	44

Source: 2000 U.S. Census data; 2010-2011 HMDA

Performance in the Non-metropolitan Nebraska AA

We did not perform an analysis of this AA. As there are no LMI CTs within the AA, analysis is not meaningful.

Responses to Complaints

We reviewed the bank’s public file for complaints and complaints reported to the OCC through the Customer Assistance Group. There were no complaints received by the bank or the OCC relating to the bank’s CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The community development test resulted in overall satisfactory conclusions with adequate community responsiveness. The bank originated four community development loans for a total of \$1,630,914. All four community development loans targeted identified affordable housing needs. In addition, the bank made one qualified investment totaling \$500,000. The investment also targets affordable housing in the statewide area. The bank provided CD services to four different organizations during the evaluation period. The bank’s activities covered two of the four AAs.

Performance in the Lincoln, Nebraska MSA

LFSB has demonstrated excellent responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

Performance in the Omaha-Council Bluffs MSA

LFSB has demonstrated weak responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

Performance in the Adams County AA

LFSB has demonstrated weak responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

Performance in the Non-metropolitan Nebraska AA

LFSB has demonstrated adequate responsiveness to the community development needs of this AA.

Number and Amount of Community Development Loans

Performance in the Lincoln, Nebraska MSA

LFSB originated four community development loans in this AA since the last CRA examination totaling \$1,630,914.

- \$1.055 million loan to provide affordable housing through construction of a 42-unit independent living facility. Residents must be low-income to qualify.
- The remaining three loans were originated to construct single-family homes for LMI families in the AA.

Performance in the Omaha-Council Bluffs MSA

LFSB did not originate any community development loans in this AA since the previous CRA examination.

Performance in the Adams County AA

LFSB did not originate any community development loans in this AA since the previous CRA examination.

Performance in the Non-metropolitan Nebraska AA

LFSB did not originate any community development loans in this AA since the previous CRA examination.

Number and Amount of Qualified Investments

Performance in the Lincoln, Nebraska MSA

The bank invested \$500,000 in a statewide organization that provides affordable housing to LMI individuals and families. This investment has the potential to benefit all LFSB AAs.

In addition, the bank donated \$11,600 to six different organizations.

- \$3,000 donation to a local organization that provides homebuyer education and down payment assistance.
- \$3,500 in donations to an organization that provides educational scholarships to LMI children.
- \$3,000 donation to a local soup kitchen and food pantry.

Performance in the Omaha-Council Bluffs MSA

The bank invested \$500,000 in a statewide organization that provides affordable housing to LMI individuals and families. This investment has the potential to benefit all of LFSB's AAs.

No other community development investments or donations were reported in this AA.

Performance in the Adams County AA

The bank invested \$500,000 in a statewide organization that provides affordable housing to LMI individuals and families. This investment has the potential to benefit all of LFSB's AAs.

No other community development investments or donations were reported in this AA.

Performance in the Non-metropolitan Nebraska AA

The bank invested \$500,000 in a statewide organization that provides affordable housing to LMI individuals and families. This investment has the potential to benefit all of LFSB's AAs.

The bank also donated \$3,000 to the Phelps County Prosperity Project. The project promotes small business lending, job training and creation, and revitalization of downtown Holdrege, Nebraska.

Extent to Which the Bank Provides Community Development Services

Performance in the Lincoln, Nebraska MSA

Two of the six branches located in this AA are located in LMI CTs. In addition, the bank cashes state-issued checks to both customers and non-customers free of charge.

Bank employees provided 162 hours of community development services to the AA. Specifically, one bank officer prepared tax returns for LMI individuals during annual tax seasons. In addition, a variety of other employees participated in a program that provides financial education classes to schools located in LMI CTs.

Performance in the Omaha-Council Bluffs MSA

No community development services were reported in this AA.

Performance in the Adams County AA

Although the only branch is located in a middle-income CT, the branch location borders the only LMI CT within the AA. This location can reasonably provide service to the LMI geography.

No community development services were reported in this AA.

Performance in the Non-metropolitan Nebraska AA

The bank maintains two branches in this AA in non-metropolitan middle-income census tracts that are designated as distressed and underserved. The branches are located in Red Willow and Dundy Counties. An underserved CT is one the federal government has identified as having difficulty meeting essential community needs. The presence of a full-service branch in this CT is an indication that the bank is helping to provide retail and community development services to the underserved area.

The bank also offers home loans through the USDA's Rural Development Program. This program targets LMI individuals living in rural areas, especially in Phelps County, Nebraska. The bank also cashes state-issued checks to both customers and non-customers free of charge for a volume of individuals located in Phelps County. Finally, one bank employee provided four hours of fundraising service to a local organization that targets LMI individuals in Dodge County.

Responsiveness to Community Development Needs

Performance in the Lincoln, Nebraska MSA

LFSB's community development activities demonstrate excellent responsiveness to the needs and opportunities in this AA. All four of the bank's community development loans were targeted to an identified community development need for affordable housing. In addition, the bank made a total of \$11,600 in charitable donations. Finally, bank employees and officers provided community development services to various organizations that serve LMI individuals and families in the AA.

Performance in the Omaha-Council Bluffs MSA

LFSB's community development activities demonstrate weak responsiveness to the needs and opportunities in this AA. The bank did not have any specific community development loans, investments, donations, or services that served this AA. Community contacts identified affordable housing as a community development need.

Performance in the Adams County AA

LFSB's community development activities demonstrate weak responsiveness to the needs and opportunities in this AA. The bank did not have any specific community development loans, investments, donations, or services that served this AA. The community contact identified affordable housing, especially multi-family rental housing, and donations to local social service organizations as community development needs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

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