



PUBLIC DISCLOSURE

January 8, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sidney Federal Savings & Loan Association
Charter Number 703360

1045 10th Avenue
Sidney, Nebraska 69162-0073

Office of the Comptroller of the Currency

1225 17th Street, Suite 450
Denver, Colorado 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, and should not 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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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The major factors that support this rating include:

- Sidney Federal Savings and Loan Association (SFSLA) originated a substantial majority of the loans within their assessment area (AA).
- The bank's loan-to-deposit (LTD) ratio is reasonable.
- SFSLA's penetration of lending to borrowers of different income levels is reasonable.
- The geographic distribution of loans is not meaningful as there are no low- or moderate-income census tracts (CTs) within the Cheyenne/Kimball Counties AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

SFSLA is a federally chartered mutual thrift with approximately \$18 million in total assets as of December 31, 2016. The thrift is a single-state institution and is not a subsidiary of a holding company. There was no merger or acquisition activity during the evaluation period.

SFSLA operates one full-service office in Sidney, Nebraska. The office includes the bank's one drive-up facility and non-deposit taking ATM. The bank has one assessment area, Cheyenne and Kimball counties. As of June 30, 2016, SFSLA ranked eighth out of nine institutions for deposit market share with 1.02 percent in the AA. Major competitors include World's Foremost Bank, Points West Community Bank, FirstTier Bank, and American Bank of Sidney.

SFSLA offers traditional non-complex products and services, focusing on mortgage lending. The thrift previously sold originated mortgages to the secondary market with servicing retained; however, the institution now retains all originated mortgage loans. Net loans represent 65 percent of total assets as of December 31, 2016. The primary loan product is home mortgage loans which account for 94 percent of average gross loans and leases. Tier one capital totaled 1.3 million as of December 31, 2016. Our rating of CRA performance is based on an analysis of home purchase and home refinance loans.

Management has designated Cheyenne and Kimball counties as its combined non-Metropolitan Statistical Area (MSA) AA. The designated AA encompasses three CTs in Cheyenne County and one CT in Kimball County. The AA complies with applicable regulatory requirements and does not arbitrarily exclude any low- or moderate-income (LMI) areas.

Cheyenne County is located in southwestern Nebraska and encompasses the cities of Sidney, Dalton, Gurley, Lodgepole, and Potter. Sidney is the county seat and contains the majority of the county's population. As of the 2010 census, the population of Cheyenne County was 9,998 and the population of Sidney was 6,757. As reported by the Federal Reserve Economic Research Division, the monthly unemployment rate for Cheyenne County was 3.0 percent as of December 2016.

Kimball County is located to the west of Cheyenne County. Kimball County encompasses the cities of Kimball, Bushnell, and Dix. Kimball is the county seat and contains the majority of the county's population. As of the 2010 census, the population of Kimball County was 3,821 and the population of Kimball was 2,496. As reported by the Federal Reserve Economic Research Division, the monthly unemployment rate for Kimball County was 3.7 percent as of December 2016.

Cheyenne County has two and Kimball County has one CTs designated as underserved middle-income nonmetropolitan tracts. The FFIEC Adjusted Median Family Income for

2016 is \$60,500. Eleven percent of the households in the AA are below the poverty level.

The primary industries for the AA are retail trade; services; and agriculture, including livestock and crops. The AA's largest employer is Cabela's; however, Cabela's was acquired by Bass Pro Shops in 2017 and there is uncertainty to the level of presence Bass Pro Shops may keep in Sidney.

We reviewed a recent community contact completed by another regulatory agency with an Economic Development Director for a local organization. This organization focuses on well-paying jobs for the local citizens by encouraging and assisting local businesses to expand job creation and capital investment. The contact indicated that the economic future for Sidney is uncertain until the merger between Cabela's and Bass Pro Shops is complete and the landscape begins to adapt. Three years ago, Cabela's had 2,000 employees and currently employ approximately 1,200. Other large employers include the Sidney Regional Medical Center and Adams Industries, who employ approximately 300 and 150 people, respectively. The contact believes local financial institutions are willing to lend to all qualified borrowers and is not aware of any instances of unfair treatment by any banks in the area towards any prohibited basis groups. The contact identified the community need for banks to get more involved in fundraising for various area projects.

There are no legal or financial impediments to the thrift's ability to meet the credit needs of the assessment area.

SFSLA received a "Satisfactory" rating at the last CRA exam, dated July 23, 2012, with an amended report dated July 31, 2013 also rated as "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period used for the Lending Test was January 1, 2015 to December 31, 2016. The performance years were evaluated using data from the 2010 U.S. Census.

The AA was evaluated on its primary lending product(s). The primary lending products during the evaluation period were home purchase and home refinance loans. Our sample included 22 home purchase loans and 23 home refinance loans

Selection of Areas for Full-Scope Review

SFSLA has one AA (Cheyenne/Kimball Counties) and it received a full scope review. Refer to the table in Appendix A for more information.

Ratings

SFSLA's CRA rating is based solely on the full-scope review of its one AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is rated "Satisfactory". The bank's loan-to-deposit ratio is reasonable. Lending in the assessment area shows a substantial majority of loans were made within the AA. Lending reflects reasonable penetration among borrowers of different incomes.

Loan-to-Deposit Ratio (LTD)

The bank's LTD ratio is reasonable given area competition and credit needs of the community. The bank's quarterly average LTD ratio since the previous CRA exam is 48.6 percent and ranged from 28.3 percent in December 2012 to 85.9 percent in December 2016. The average LTD for similarly situated banks for the same period was 56.7 percent and ranged from 37.8 percent to 87.3 percent. SFSLA's LTD ratio increased substantially over the evaluation period as the bank now retains mortgage loans, as opposed to their previous strategy of selling mortgage loans on the secondary market.

Lending in Assessment Area

The bank originated a substantial majority of the loans within the AA during the evaluation period. The bank originated 93 percent of total loans based on numbers and 97 percent based on dollar amount within the AA. Note that the proportion of lending inside versus outside the bank's assessment area is calculated on a bank-wide basis.

Table 1 - Lending in Cheyenne/Kimball Counties AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	19	95%	1	5%	20	\$2,826,710	99%	\$40,000	1%	\$2,865,710
Home Refinance	18	90%	2	10%	20	\$2,240,150	94%	\$140,500	6%	\$2,380,650
Totals	37	93%	3	7%	40	\$5,065,860	97%	\$180,500	3%	\$5,246,360

Source: Loan sample.

Lending to Borrowers of Different Incomes

Lending reflects a reasonable penetration among borrowers of different incomes, including LMI individuals.

The penetration of home purchase lending to LMI borrowers is reasonable. The percentage of home purchase loans to low-income borrowers is significantly lower than

the demographic comparator and shows poor penetration. The percentage of home purchase loans to moderate-income borrowers exceeds the demographic comparator and demonstrates excellent penetration.

The penetration of home refinance lending to LMI borrowers is reasonable. The percentage of home purchase loans to low-income borrowers is significantly lower than the demographic comparator and demonstrates very poor penetration. The percentage of home refinance loans to moderate-income borrowers meets the demographic comparator ratio and shows excellent penetration.

In our analysis, we took into consideration the lack of affordability for a low-income family to purchase a home. The median sales price of a house in the AA during the evaluation period was \$91,053. The median family income was \$54,221 for the AA. Low-income (as defined as less than 50 percent of the area median family income) borrowers would have a maximum income of \$27,111, making it difficult to qualify for a home mortgage loan. In addition, there are no low- or moderate-income CTs in the Cheyenne/Kimball Counties AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Cheyenne/Kimball Counties AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	17.94%	4.76%	15.61%	28.57%	23.85%	23.81%	42.60%	42.86%
Home Refinance	17.94%	0.00%	15.61%	15.00%	23.85%	25.00%	42.60%	60.00%

Source: 2010 U.S. Census data and Loan Sample.

Geographic Distribution of Loans

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

Responses to Complaints

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

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: January 1, 2015 to December 31, 2016 Investment and Service Tests and CD Loans: Not Applicable	
Financial Institution		Products Reviewed
Sidney Federal Savings and Loan Association		Home Purchase and Home Refinance Lending
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	None	None
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Cheyenne/Kimball Counties AA	Full-Scope	Cheyenne & Kimball Counties

Appendix B: Community Profiles for Full-Scope Areas

Cheyenne/Kimball Counties AA

Demographic Information for Full-Scope Area: Cheyenne/Kimball Counties AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	75.00	25.00	0.00
Population by Geography	13,819	0.00	0.00	77.15	22.85	0.00
Owner-Occupied Housing by Geography	4,224	0.00	0.00	74.15	25.85	0.00
Businesses by Geography	1,126	0.00	0.00	78.33	21.67	0.00
Farms by Geography	259	0.00	0.00	49.03	50.97	0.00
Family Distribution by Income Level	3,899	13.08	16.72	25.08	45.11	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,162	0.00	0.00	78.74	21.26	0.00
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$54,221 = \$60,500 =11%	Median Housing Value = \$91,053 Unemployment Rate = 1.92%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

The institution’s has designated Cheyenne and Kimball counties as its combined non-MSA AA. The AA consists of four CTs. Per the 2010 census, three tracts are designated as middle income and one tract is designated as upper income. SFSLA operates their sole office in this AA. Their only ATM is located at the branch in Sidney.

The primary industries for the AA are retail trade; services, and agriculture, including livestock and crops. The city of Sidney reported the major employers in the area include Cabela’s, Sidney Regional Medical Center, Adams Industries, Egging Company, Pennington Seed, Progress Rail Services, Bell Lumber & Pole Company, and Convert-A-Bell. The unemployment rate in the AA was reported at 1.92 percent as of the 2010 census, below the state unemployment rate of 4.5 percent and the national unemployment rate of 9.3 percent.

As of June 30, 2016, SFSLA had \$16.5 million in deposits in the AA, which is 1.02 percent of the market share. There are a total of nine FDIC insured financial institutions in the AA with 14 offices. Per the FDIC’s Deposit Market Share Report, SFSLA’s main competitors include World’s Foremost Bank, Points West Community Bank, FirstTier Bank, and The American Bank of Sidney Nebraska.