

PUBLIC DISCLOSURE

June 18, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The State Exchange Bank
Certificate Number: 17375**

**107 South Commercial Street
Mankato, Kansas 66956**

**Federal Deposit Insurance Corporation
1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106**

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.

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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 **The State Exchange Bank, Mankato, Kansas**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **June 18, 2012**. 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 Satisfactory.

The State Exchange Bank, Mankato, Kansas, has demonstrated an overall satisfactory commitment to community reinvestment based on the following conclusions.

- A majority of small farm and residential real estate loans and all of the small business loans originated or renewed by the bank are within the bank's assessment area, overall reflecting a reasonable commitment to helping meet the credit needs of the area.
- An analysis of small farm, small business, and residential real estate loans reveals an overall reasonable distribution of loans among farms and businesses of various sizes, and homeowners of different income levels.
- The bank's average net loan-to-deposit ratio is at the same level as that noted at the prior evaluation, and reflects a reasonable willingness to provide credit given the institution's size, financial condition, strong competition, and community credit needs.
- The bank's dispersion of small farm, small business, and residential real estate loans throughout all segments of its assessment area is acceptable given the location of customers needing these products, and the competition for these products. Since the bank's assessment area is comprised of two middle-income census tracts, this performance factor has limited meaning.

SCOPE OF EVALUATION

This evaluation includes a review of the bank's CRA performance since the previous CRA evaluation dated July 31, 2007. The bank was rated "Satisfactory" at the previous evaluation. The ratings assigned at both the previous and the current evaluations reflect the bank's CRA performance under the "Small Bank" performance criteria.

Bank officials reported that the bank's primary lending focus by number and dollar volume consists of agricultural lending. An analysis of the bank's loan portfolio as of March 31, 2012, reveals that the bank's lending by dollar volume is diversified in that agricultural loans comprised 40 percent of the bank's loan portfolio, commercial loans comprised 28 percent, consumer loans comprised 12 percent, residential real estate loans comprised 11 percent; other loans (construction and land development loans and lease financing receivables) comprised 9 percent. Small farm, small business, and residential real estate loans were sampled as the majority of the bank's loan portfolio is made up of loans to farmers and ranchers, businesses, and homeowners. An analysis of a sample of small farm loans, small business loans, and residential real estate loans originated or renewed was conducted to evaluate the bank's performance under three performance tests: (1) Assessment area concentration (lending to farmers, businesses, and homeowners within the assessment area); (2) Borrower profile (lending to agricultural and commercial operations of different sizes and to borrowers of different income levels); and (3) Geographic distribution (lending within the assessment area by geographic location).

Examiners reviewed a sample of outstanding small farm, small business, and residential real estate loans originated and renewed by the bank during the twelve-month timeframe between January 1, 2011, and December 31, 2011.

The universe of small farm loans included 91 loans totaling \$4,456,674 while the sample of small farm loans included 30 loans totaling \$1,564,362. A small farm loan is defined as a loan less than or equal to \$500,000 at origination. The universe of small business loans included 26 loans totaling \$838,482 while the sample of small business loans included 14 loans totaling \$354,552. A small business loan is defined as a loan less than or equal to \$1 million at origination. The universe of residential mortgage loans included 16 loans totaling \$403,276 while the sample of residential mortgage loans included 10 loans totaling \$224,594. Refer to Table 1 for a summary of the universes and samples of loans utilized during this CRA performance evaluation.

Table 1: Universe and Sample of Loans Originated & Outstanding During Prior Year (January 1, 2011, through December 31, 2011)				
Loan Product	Universe		Sample	
	Number	Original Amount	Number	Original Amount
Small Farm Loans	91	\$4,456,674	30	\$1,564,362
Small Business Loans	26	\$838,482	14	\$354,552
Residential Mortgage Loans	16	\$403,276	10	\$224,594
Total Loans	133	\$5,698,432	54	\$2,143,508

Source: Bank records.

Additionally, the bank's average net loan-to-deposit ratio since the previous CRA performance evaluation (dated July 31, 2007) was analyzed and a review of the ratios of other financial institutions operating offices in or near the bank's assessment area was conducted. The fair lending review results and the bank's response to CRA-related complaints were also considered. Bank officials did not elect to have community development lending and investments and services reviewed during this evaluation.

DESCRIPTION OF INSTITUTION

The State Exchange Bank is a full service commercial bank with its sole office located in Mankato, Kansas. The bank is not controlled by a bank holding company and has no affiliates. The bank operates one automated teller machine (ATM) located at its office and offers basic loan and deposit products, debit cards, Internet banking, and night depository service.

As of March 31, 2012, the institution's total assets equaled \$35,174,000, of which total loans represented \$16,011,000. The bank's loan portfolio is diversified, with the loan types, by outstanding dollar volume, being agricultural loans (40 percent), commercial loans (28 percent), consumer loans (12 percent), residential real estate loans (11 percent), and other loans consisting of construction and land development loans and lease financing receivables (9 percent). A distribution of the bank's entire loan portfolio is shown in Table 2.

Table 2: Loan Distribution as of March 31, 2012

Loan Type	Dollar Amount	Percent of Total Loans
Construction and Land Development	\$653,000	4%
Farmland	\$2,728,000	17%
1-4 Family Residential Real Estate		
Revolving Open-end Lines of Credit	\$0	0%
Closed-end, Secured by First Lien	\$1,725,000	11%
Closed-end, Secured by Junior Lien	\$0	0%
Multifamily Residential Real Estate	\$0	0%
Commercial Real Estate		
Commercial Real Estate Owner-Occupied	\$1,513,000	9%
Other Nonfarm, Nonresidential Real Estate	\$1,193,000	7%
Agricultural	\$3,657,000	23%
Commercial and Industrial	\$1,845,000	12%
Consumer		
Consumer Credit Cards	\$0	0%
Consumer Other Revolving Credit Plans	\$0	0%
Consumer Automobile Loans	\$1,199,000	7%
Other Loans to Individuals	\$774,000	5%
Lease Financing Receivables	\$724,000	5%
Total Loans	\$16,011,000	100%

Source: March 31, 2012, Report of Condition.

As shown in Table 2, the bank's loan products include agricultural, commercial, consumer, and residential real estate. The loan products offered are considered capable of meeting the assessment area's credit needs. The bank does not offer government guaranteed loans.

A bank official stated that agricultural financing is the bank's primary lending focus and that the primary credit needs of the area are agricultural-related loans. A review of FDIC records, as well as discussions with bank management, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation. The institution is not subject to any financial or legal impediments that would impede its ability to help meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901) 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 area must consist of one or more "census tracts (CTs)", which are statistical subdivisions of a county. The assessment area may not reflect illegal discrimination or arbitrarily exclude low- or moderate-income geographies.

Each tract is also designated as low, moderate, middle, or upper income based on the following definitions in relation to the 2000 Census Bureau non-metropolitan median family income figure of \$41,490 for the State of Kansas.

<u>Designation</u>	<u>Percent of the Area Median Family Income</u>	<u>Income Range</u>
<i>Low-income</i>	<i>Less than 50 percent</i>	<i><\$20,745</i>
<i>Moderate-income</i>	<i>At least 50 percent but less than 80 percent</i>	<i>\$20,745 to <\$33,192</i>
<i>Middle-income</i>	<i>At least 80 percent but less than 120 percent</i>	<i>\$33,192 to <\$49,788</i>
<i>Upper-income</i>	<i>120 percent or more</i>	<i>\$49,788 or more</i>

The assessment area designated by bank management of The State Exchange Bank consists of all of Jewell County. The designated assessment area is unchanged from the previous evaluation, does not arbitrarily exclude any low- or moderate-income geography, and is in conformance with the CRA regulation. The defined assessment area consists of two census tracts (CTs): CTs 9761 and 9762. Both CTs are classified as middle-income based on the 2000 U.S. Census median family income (MFI) for the non-metropolitan areas of Kansas of \$41,490. The defined assessment area is located in the north central portion of Kansas. The area is primarily rural and dependent upon agriculture.

Both of the bank's middle-income CTs have been designated by Federal Regulatory Agencies as "underserved" and "distressed" non-metropolitan middle-income geographies. "Underserved" CTs do not meet the criteria for population size, density, and dispersion that indicates each has a population that is sufficiently small and distant from a population center likely making it difficult to finance the fixed costs of essential community needs (i.e. remote/rural). "Distressed" CTs meet the criteria for population loss (e.g. a population loss of ten percent or more between the previous and most recent decennial census, or a net migration loss of five percent or more over the five-year period preceding the most recent census). Pursuant to the revised rules issued by the Agencies on August 2, 2005, bank revitalization or stabilization activities in distressed and underserved middle-income geographies will receive CRA consideration under the investments and services review.

As with many rural areas that are far from urban areas, the population continues to decline. The population of the bank's assessment area is 3,077 based on the 2010 U.S. Census, representing a decline of nearly 19 percent between 2000 and 2010, compared to a 6 percent increase in population in the State of Kansas for the same timeframe.

The bank's assessment area includes the incorporated cities (with 2010 U.S. Census population information) of Mankato (county seat population 869), Jewell (population 432), Burr Oak

(population 174), Esbon (population 99), Formoso (population 93), Randall (population 65), and Webber (population 25).

As of July 1, 2011, Jewell County is designated as a Rural Opportunity Zone County by the Kansas Department of Revenue, which means any person, corporation, or LLC locating to this county from outside the State of Kansas can apply to have their state income tax forgiven for up to five years if they meet requirements. Additionally, Jewell County also participates in the student loan program (individuals may be eligible for student loan repayments up to \$15,000).

According to the 2010 Census information, there are 2,032 housing units in the assessment area, of which 57 percent are owner-occupied, 15 percent are occupied rental units, and 28 percent are vacant.

The unemployment rate for the assessment area has historically been well below the rates for Kansas and the United States. In the first quarter of 2012, the Bureau of Labor Statistics reported unemployment rates of 4.2 percent for Jewell County, compared to 6.5 percent for Kansas and 8.6 percent for the United States.

Demographic data from the 2007 Census of Agriculture for the 525 farms in the assessment area county reveals that a large percentage of farmers have off-farm employment (33 percent of the farmers in the assessment area stated that farming is not their principal occupation). Additionally, 56 percent of the farmers in the assessment area do not borrow to support their agricultural operations.

D&B business data for 2010 indicates that 128 farms in the bank's assessment area reported gross annual revenues. Of those farm operations reporting revenues, 100 percent had revenues less than \$1 million (with 98 percent having revenues less than \$500,000).

D&B business data for 2010 indicates that 315 commercial businesses in the bank's assessment area reported gross annual revenues. Of those businesses reporting revenues, 97 percent had revenues less than \$1 million.

Bank officials reported that the assessment area is primarily rural and the area economy is largely dependent upon agriculture. A community member contacted in conjunction with another financial institution's CRA performance evaluation reported that there has been a slow-down in the number of expanding and start-up businesses. According to a bank official, major employers in the assessment area include: county government, school district, hospital, and state government.

There are three other financial institutions operating offices in the assessment area: Central National Bank, Junction City, Kansas (branches in Formoso and Mankato); Guaranty State Bank and Trust Company, Beloit, Kansas (branches in Burr Oak, Esbon, and Jewell); and The Jamestown State Bank, Jamestown, Kansas (branch in Randall). There are also several other financial institutions and credit unions operating offices in the counties adjacent to the

assessment area. There is also competition from other funding sources such as Farm Credit Services, USDA Farm Service Agency, mortgage companies, payday lenders, insurance companies, automobile dealers, farm implement dealers, and seed dealers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

As described under the "Scope of Evaluation", examiners selected a sample of small farm loans, small business loans, and residential mortgage loans to assess the bank's performance under the first three performance criteria: "Assessment Area Concentration", "Borrower Profile", and Geographic Distribution".

ASSESSMENT AREA CONCENTRATION

The bank's record of extending loans to small farms, small businesses, and borrowers located within the assessment area is reasonable when considering the demographics and performance context of the assessment area. A majority of small farm loans and residential real estate loans and all of the small business loans sampled were extended within the bank's assessment area. As reflected in Table 3, of the 30 small farm loans totaling \$1,564,362 that were sampled, 87 percent of the number and 85 percent of the dollar volume were extended to small farm operations within the assessment area. All of the 14 small business loans totaling \$354,552 that were sampled were extended to small businesses within the assessment area. Of the 10 residential mortgage loans totaling \$224,594 that were sampled, 90 percent of the number and 93 percent of the dollar volume were extended to borrowers within the assessment area. Overall, the bank's lending within the assessment area (91 percent by number and 89 percent by dollar volume) reflects a satisfactory commitment to the assessment area. The greatest weight is placed on the number of loans, since the dollar volume of loans is influenced by the borrower's income and capacity.

Table 3: Loans Originated Within the Assessment Area

Loan Product	Inside the Assessment Area				Outside of the Assessment Area			
	Number	Percent	Original Amount	Percent	Number	Percent	Original Amount	Percent
Small Farm	26	87%	\$1,336,773	85%	4	13%	\$227,589	15%
Small Business	14	100%	\$354,552	100%	0	0%	\$0	0%
Residential	9	90%	\$209,421	93%	1	10%	\$15,173	7%
Total	49	91%	\$1,900,746	89%	5	9%	\$242,762	11%

Source: Bank records and discussions with bank officials.

BORROWER PROFILE

Overall, the bank is reasonably lending to farms and businesses of different sizes and to borrowers of different income levels based on the analysis of the loans extended inside the assessment area from the small farm, small business, and residential real estate loan samples and based on a comparison to the demographic information available.

Small Farm Lending

Given the demographics of the assessment area and available information, the bank's record of lending among farms of different sizes is considered reasonable. For this analysis, the sampled small farm loans that were made within the assessment area were categorized according to the underlying farm size. To estimate the size of the farm, examiners used the annual gross revenues of the farm operation obtained from federal income tax returns and discussions with bank management. Table 4 reflects the results of this analysis and also includes the percentage of farms in each revenue range in the assessment area according to 2010 D&B information.

Table 4: Bank's Record of Lending to Farms of Different Sizes in the Assessment Area						
Gross Annual Revenues	D&B Information*		Bank's Small Farm Loan Sample			
	Percent of Farms in AA with Reported Revenues (rounded)	All AA Farms	Number of Loans	Percent of Total Number (rounded)	Original Loan Amount	Percent of Total Dollar Volume (rounded)
\$0 to \$499,999	98%	96%	23	88%	\$851,873	64%
\$500,000 & greater	2%	2%	3	12%	\$484,900	36%
Subtotals	100%	98%	26	100%	\$1,336,773	100%
Revenues Not Reported	0%	2%				
Totals	100%	100%	26	100%	\$1,336,773	100%

Source: Bank records and *2010 D&B data for 130 total farms (128 reporting farms and 2 non-reporting farms) in the assessment area.

As reflected in Table 4, the bank is lending to farms of different sizes, including the small farm operations. This is evidenced by the fact that 88 percent of the number of loans were extended to farms having less than \$500,000 in gross revenues. This distribution of the sampled small farm loans was compared to farm revenue data obtained from the 2010 D&B information for the assessment area to determine if the distribution appeared reasonable. The 2010 D&B information indicates that a majority (98 percent of reporting farm operations and 96 percent of all farm operations) of farm operations within the assessment area have annual gross revenues less than \$500,000. Overall, the bank's record of lending to farm operations of different sizes is considered reasonable.

Small Business Lending

Given the demographics of the assessment area and available information, the bank's record of lending among businesses of different sizes is considered reasonable. For this analysis, the sampled small business loans that were made within the assessment area were categorized according to the underlying business' size. To estimate the size of the business, examiners used the annual gross revenues of the business operation obtained from federal income tax returns and discussions with bank management. Table 5 reflects the results of this analysis and also includes the percentage of businesses in each revenue range in the assessment area according to 2010 D&B information.

Table 5: Bank's Record of Lending to Businesses of Different Sizes in the Assessment Area						
Annual Gross Revenues	D&B Information		Bank's Loan Sample			
	Percent of AA Businesses with Reported Revenues (rounded)	Percent of All AA Businesses (Reported and Not Reported) (rounded)	Number of Loans	Percent of Total Number (rounded)	Original Loan Amount	Percent of Total Dollar Volume (rounded)
\$0 to \$999,999	97%	79%	12	86%	\$189,552	53%
\$1 million and greater	3%	2%	2	14%	\$165,000	47%
Subtotals	100%	81%	14	100%	\$354,552	100%
Revenues Not Reported	0%	19%				
Totals	100%	100%	14	100%	\$354,552	100%

Source: Bank records and 2010 D&B data for 386 total businesses (315 reporting businesses and 71 non-reporting businesses) in the assessment area.

The small business loan sample demonstrated that the bank is providing loans to businesses of different sizes. Table 5 reveals that 86 percent of the number of loans was extended to businesses having less than \$1 million in gross revenues. This distribution of the sampled small business loans was compared to business revenue data obtained from the 2010 D&B information for the assessment area to determine if the distribution appeared reasonable. The 2010 information indicates that the majority (97 percent of the reporting businesses and 79 percent of all businesses) of businesses within the assessment area have annual gross revenues less than \$1 million. The bank originates loans to small businesses that typically have lower borrowing needs than large businesses and often do not require traditional bank financing. In view of these factors, the bank's record of lending to businesses of different sizes is considered reasonable.

Residential Real Estate Lending

Given the demographics of the assessment area and available information, the bank's record of lending to homeowners of various income levels is considered reasonable. For this analysis, the sampled residential real estate loans were categorized according to the borrower's income, which was determined based on the annual gross income of the borrowers. The income information utilized was obtained from the real estate application, federal income tax return, or discussions with bank officials and compared to the corresponding HUD-estimated median family income. Consumer income levels are based on the 2010 and 2011 U.S. Department of Housing and Urban Development (HUD) median family income (MFI) estimate for the non-metropolitan areas of Kansas. The 2010 and 2011 estimate stratifications are shown in Table 6.

Table 6: 2010 and 2011 Borrower Income Categories			
Borrower Income Categories	Percent of Median Family Income	2010 Estimated Non-metropolitan Kansas Median Family Income	2011 Estimated Non-metropolitan Kansas Median Family Income
Low	<50%	<\$26,400	<\$26,850
Moderate	50% to < 80%	\$26,400 to <\$42,240	\$26,850 to <\$42,960
Middle	80% to < 120%	\$42,240 to <\$63,360	\$42,960 to <\$64,440
Upper	≥120%	≥\$63,360	≥\$64,440

Source: 2010 HUD estimated MFI of \$52,800 and 2011 HUD estimated MFI of \$53,700.

Table 7 reflects the results of this analysis and also includes the percentage of families in each income category in the assessment area based on the 2000 U.S. Census.

Table 7: Bank's Record of Lending to Borrowers of Different Income Levels in the Assessment Area						
Median Family Income Category	U.S. Census Data Percent of Families in Assessment Area* (rounded)		Bank's Residential Real Estate Loan Sample			
	Number	Percent (rounded)	Number of Loans	Percent of Total Number (rounded)	Original Loan Amount	Percent of Total Dollar Volume (rounded)
Low	216	20%	1	11%	\$22,997	11%
Moderate	261	24%	3	33%	\$70,458	34%
Middle	310	29%	3	33%	\$61,658	29%
Upper	291	27%	2	23%	\$54,308	26%
Income NA	0%	0%				
Totals	1,078	100%	9	100%	\$209,421	100%

Source: Bank records and 2000 U.S. Census.

As reflected in Table 7, the bank is lending to homeowners of different income levels. The loan sample indicates the bank has extended 11 percent of its residential mortgage loans to borrowers in the low-income category and 33 percent of its residential mortgage loans to borrowers in the moderate-income category. The 2000 Census Data reveals that 20 percent of the assessment area's families are considered low-income and 24 percent are considered moderate-income. Additionally, 42 percent of low-income families in the assessment area are below the poverty level. Overall, the bank's lending to homeowners of various income levels is considered reasonable.

GEOGRAPHIC DISTRIBUTION

An analysis of the geographic distribution of small farm, small business, and residential real estate loans revealed a reasonable dispersion overall. The bank's assessment area consists of two middle-income census tracts according to information compiled by the 2000 U.S. Census. This performance criterion has limited meaning since there are no low- or moderate-income census tracts within the assessment area. A brief review of the loans sampled indicates that the bank is reasonably extending agricultural, business, and residential real estate loans throughout the assessment area, with concentrations of lending near the bank's office in Mankato, Kansas, as would be expected.

LOAN-TO-DEPOSIT RATIO

The bank's average net loan-to-deposit ratio is considered reasonable and indicates a willingness to provide credit given the bank's size, financial condition, competition, and community credit needs. The bank's ratio, based on 19 quarters since the previous evaluation, is 67 percent. The average net loan-to-deposit ratio at the prior evaluation was 66 percent. During the most recent 19 quarters, the ratio ranged from a high of 80 percent on June 30, 2008, (when the loan portfolio contained a large number of participation loans purchased from other financial institutions) to a low of 50 percent on December 31, 2011. The bank's loan volume as of March 31, 2012, is currently at the same level as it was on September 31, 2007. Between September 31, 2007, and March 31, 2012, total deposits have increased approximately 43 percent, which a bank official attributes to an increase in public funds and local deposits resulting from the area farmers who have experienced good crops and prices and other depositors who are uncertain about investing in the stock market.

There are several other financial institutions located in or near the bank's assessment area. The majority of the commercial banks with offices in the assessment area and adjacent counties have farm loans as their predominant loan type. There are eight other commercial banks with offices in or adjacent to the assessment area that are considered similarly situated with regard to size (total assets), products offered, and customer base. These similarly situated institutions are displayed in Table 8 and have average net loan-to-deposit ratios between 48 percent and 88

percent. The bank's average net loan-to-deposit ratio falls in the middle of the banks within this range and is considered reasonable.

Table 8: Comparison of Similarly Situated Banks

Bank Name and Location(s)	Kansas and Nebraska Office Counties	Total Assets as of 03-31-12 (000s)	Net Loan to Deposit Ratio (rounded) as of 03-31-12	Average Net Loan to Deposit Ratio (rounded) for 19 quarters
Elk State Bank Clyde, Kansas <i>Branch in Concordia, Kansas</i>	Cloud, KS	\$48,516	71%	84%
Swedish-American State Bank Courtland, Kansas	Republic, KS	\$42,972	59%	79%
The State Bank of Delphos Delphos, Kansas <i>Branches in Glasco and Minneapolis, Kansas</i>	Cloud, KS Ottawa, KS	\$42,712	74%	88%
The Guide Rock State Bank Guide Rock, Nebraska <i>Branch in Edgar, Nebraska</i>	Clay, NE Webster, NE	\$29,512	64%	81%
The Jamestown State Bank Jamestown, Kansas <i>Branch in Randall, Kansas</i>	Cloud, KS Jewell, KS	\$21,632	35%	50%
The State Exchange Bank Mankato, Kansas	Jewell, KS	\$35,174	53%	67%
The Citizens State Bank Miltonvale, Kansas	Cloud, KS	\$30,918	46%	49%
Commercial Bank Nelson, Nebraska	Nuckolls, NE	\$30,846	37%	66%
The First National Bank of Smith Center Smith Center, Kansas	Smith, KS	\$47,923	30%	48%

Source: March 31, 2012, Report of Condition, sorted alphabetically by location.

Overall, considering the bank's loan volume, the level of competition for loans in the area, the declining population, the current economic conditions, the stable loan and deposit levels, and the percentage of loans being extended to borrowers within the bank's assessment area, the average net loan-to-deposit ratio is considered reasonable.

CRA-RELATED CONSUMER COMPLAINTS

The State Exchange Bank has not received any CRA-related consumer complaints since the previous CRA evaluation dated July 31, 2007.

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.