



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 24, 2008**

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

The First National Bank of Leroy  
Charter Number 6149

601 Main Street  
Le Roy, Kansas 66857

Office of the Comptroller of the Currency

Wichita Field Office  
3450 North Rock Road Suite 505  
Wichita, Kansas 67226

**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.**

Summarize the major factors supporting the institution's rating.

- The First National Bank of Leroy's average loan-to-deposit ratio is good. The bank's average quarterly loan-to-deposit ratio is 98% compared to 73% for similarly situated banks in the assessment area.
- A majority of The First National Bank of Leroy's primary loan products have been granted in the assessment area. The loan sample indicated that 75% of the number and 84% of the dollar volume of loans were granted in the assessment area.
- The First National Bank of Leroy demonstrated adequate levels of lending to farms of different sizes and borrowers of different incomes. The bank's level of residential real estate lending to borrowers of different incomes is good. Lending to low-income borrowers is good as 25% of the loans in the sample were granted to low-income borrowers. This is above the assessment area demographics that show 20% of the families are low-income. Lending to moderate-income borrowers is in line with assessment area demographics.
- The First National Bank of Leroy's lending level in the moderate-income census tract is satisfactory.

**SCOPE OF EXAMINATION**

We performed a full-scope evaluation of The First National Bank of Leroy's assessment area using small bank Community Reinvestment Act procedures.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Leroy (FNBL) is a \$26 million bank located in Coffey County, Kansas. The bank does not have any branch locations and operates one automated teller machine in the main office. The bank operates under Leroy Bancshares, Inc., a one-bank holding company located in Le Roy, Kansas. As of December 31, 2007, the holding company had total assets of \$6 million. There have been no changes in the bank's corporate structure.

FNBL is a full-service bank offering a variety of loan products. As of December 31, 2007, net loans represent 72% of the bank's total assets. The bank's \$18.7 million loan portfolio has the following composition: agricultural loans 52%, real estate loans 38%, consumer loans 6%, and commercial loans 4%. The bank has not changed any existing loan products, or offered any new loan products since the previous Community Reinvestment Act (CRA) examination. Examiners determined the primary loan products, based on the number and dollar volume granted during the previous two calendar years and year-to-date 2008, are agriculture loans and residential real estate loans.

FNBL's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the October 24, 2003 CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNBL's assessment area (AA) includes Coffey County, census tract 9537 in Anderson County, and census tract 9966 in Woodson County. The AA contains one moderate-income and four middle-income census tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 13,924. The Kansas state-wide non-Metropolitan Statistical Area median family income for 2008 is \$50,100. The income distribution for families in the AA is 20% low-income, 22% moderate-income, 24% middle-income, and 34% upper-income. Of the 5,504 households in the AA, 34% receive social security, 11% have income below poverty level, and 2% receive public assistance. Twenty-seven percent (27%) of the population is not in the work force and 17% is over the age of 65.

The median housing value is \$58,596 and 70% of the housing units are owner-occupied. The local economy is stable. Agricultural production dominates the local economy with the area's good farm ground. Oil extraction also provides a source of income for local farmers. The town of Le Roy, Kansas is small and has limited employment opportunities; however, one of the largest employers in the county, Wolf Creek nuclear power plant, is about 15 miles north of Le Roy. Many local residents are employed there. The Kansas unemployment rate of 3.7% for February 2008 is favorable compared to the nationwide rate of 4.8%.

The level of competition in the bank's AA is driven by a number of other banks and financial institutions with offices in the AA. With 4% of the area's deposits, the bank ranks tenth in deposit market share.

Examiners contacted one community professional. The contact identified agricultural loans and residential real estate loans as two of the area's primary credit needs. The contact also stated that area banks are meeting those needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

FNBL's level of lending is excellent. The bank's quarterly average loan-to-deposit ratio (LTD) since the last CRA exam is 98%. The average quarterly LTD ratio for three similarly situated banks in the AA is 73%. The average quarterly LTD ratio for the peer banks ranges from 59% to 100%.

## Lending in Assessment Area

The bank's level of lending in the AA is satisfactory as it extends a majority of its primary loan products to borrowers located in the AA. Specifically, we found that FNBL made 75% of the number and 84% of the dollar amount of loans in the AA. The sample included 40 loans originated during 2006, 2007, and year-to-date 2008. The loan sample included 20 loans from each of the two primary products.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending levels to borrowers of different incomes and businesses of different sizes are adequate. To assess the bank's performance, examiners selected a sample of 20 agriculture loans and 20 residential real estate loans. These products represent the majority of loans originated from January 1, 2006 to year-to-date 2008.

FNBL's lending levels to farms of different sizes is adequate. The agricultural loan sample indicates 60% by number and 51% by dollar volume were granted to farms with revenues less than or equal to \$1 million. The agricultural demographic data shows that 99% of farms in the AA have revenues less than or equal to \$1 million. The reason for the sample's deviation from the demographic data is the number of loans that did not have revenue information available. FNBL often waives the requirement for annual tax returns and revenue information. Since 99% of the farms in the AA have revenues under \$1 million, examiners deduced that most of the loans that fall under the unavailable category would be to farms with under \$1 million in annual revenues.

<b>Borrower Distribution of Loans to Farms in FNBL's Assessment Area</b>				
Farm Revenues	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	60%	0%	40%	100%
% of Bank Loans in AA by \$	51%	0%	49%	100%

**Source: Loan sample and 2007 Business Geodemographic data.**

Lending levels to borrowers of different incomes is good as 25% of the loans in the sample were granted to low-income borrowers. This is above the AA demographics that show 20% of the families are low-income. Lending to moderate-income borrowers is in line with area demographics. The AA demographics reveal that 22% of the families are moderate-income and 20% of the loans in the sample were to moderate-income borrowers.

<b>Borrower Distribution of Residential Real Estate Loans in FNBL's Assessment Area</b>								
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
% of Total	20%	25%	22%	20%	24%	25%	34%	30%

**Source: Loan sample and 2000 U.S. Census data**

**Geographic Distribution of Loans**

An analysis of the geographic distribution of credit indicates that FNBL has adequate penetration to borrowers and businesses in the moderate-income census tract. FNBL's AA does not contain any low-income tracts.

The geographic distribution of agricultural loans in FNBL's AA is adequate. The bank extended 10% of the number of agricultural loans to farms located in the moderate-income tract. This is below the demographics showing that 22% of the AA farms are located in the moderate-income tract. The moderate-income tract is located in Woodson County, the county south of Coffey County. This moderate-income tract covers the whole county except for the largest town in the middle of the county. Due to size of Woodson County and the location of FNBL's sole location in Coffey County, this level of lending is reasonable.

<b>Geographic Distribution of Agricultural Loans in FNBL's Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
% of Total	0%	0%	22%	10%	78%	90%	0%	0%

**Source: Loan sample and 2007 Business Geodemographic data**

The geographic distribution of 1-4 family residential real estate loans is satisfactory. The bank extended 15% of its loans to borrowers in the moderate-income census tract. This is in-line with the demographic data showing that 16% of the owner-occupied houses are in the moderate-income tract.

<b>Geographic Distribution of Residential Real Estate Loans in FNBL's Assessment Area</b>								
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
% of Total	0%	0%	16%	15%	84%	85%	0%	0%

**Source: Loan sample and 2000 U.S. Census data**

### **Responses to Complaints**

The First National Bank of Leroy has not received any CRA related complaints since the previous CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

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