

PUBLIC DISCLOSURE

August 30, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of LeRoy
Charter Number 6149
6th and Main Street
P.O. Box 128
LeRoy, Kansas 66857**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226**

NOTE: 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.

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 First National Bank of LeRoy, Kansas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 30, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank has a satisfactory record of meeting the credit needs of its assessment area.

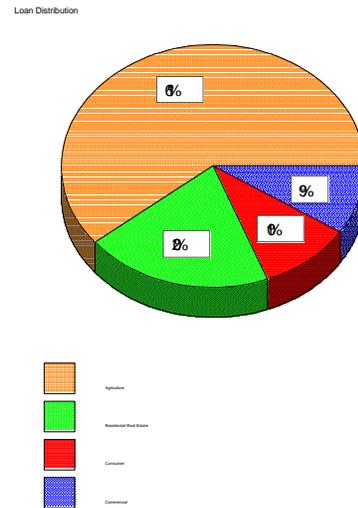
- < The bank's loan to deposit ratio is good. The bank's quarterly average loan to deposit ratio of 77% since the last CRA examination exceeds the peer quarterly average of 53%.
- < Lending to borrowers of different incomes is satisfactory. A sample of residential real estate loans indicated 15% were granted to low-income individuals while 27% were granted to moderate-income individuals.
- < Lending to agricultural borrowers of different sizes is satisfactory. A sample of agricultural loan originations indicated 68% were advanced to borrowers with gross revenues of less than \$100,000.
- < The number and volume of loans originated in the assessment area is satisfactory. Eighty-five percent of the number and 83% of the volume of loan originations sampled were within the bank's assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of LeRoy (First National) is a \$20 million financial institution located in the city of LeRoy, in Coffey County Kansas. First National is the only financial institution in LeRoy. First National has no branch locations or automated teller machines. The bank is a wholly owned subsidiary of LeRoy Bancshares, Inc., a one bank holding company. The bank's one affiliate is Neosho Valley Insurance Agency. First National is a full service financial institution, providing a variety of loan products with an emphasis on agricultural and residential real estate loans. Net loans represent 66% or \$12.9 million of the bank's total assets.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its Assessment Area (AA). At the previous CRA examination dated June 18, 1996, First National received an "Outstanding record of Meeting Community Credit Needs" rating.

The following table illustrates that the bank is primarily an agricultural lender. The bank also makes a significant number of residential real estate loans.



DESCRIPTION OF ASSESSMENT AREA

First National is located in east central Kansas with an economy that is primarily dependent on agriculture.

The AA consists of five block numbering areas (BNAs) in three counties. Three of the BNAs are located in, and include all of Coffey County. There is one BNA in Woodson County which encompasses a large portion of the county. The remaining BNA covers approximately half of Anderson county. Based on 1990 census information the population of the AA is 13,521. All of the BNAs are middle-income tracts and are not located in a Metropolitan Statistical Area. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Financial institutions in the area provide reasonable competition. There are eight commercial banks headquartered in the AA with 11 office locations. In addition to these offices there are five branch locations of institutions headquartered outside of the AA. The bank's primary competition comes from financial institutions in Burlington, Aliceville, and Yates Center.

Bank management indicated the AA is primarily agriculturally based, although employment is diversified by the Wolf Creek Nuclear Power Plant in Burlington. The plant employees approximately 1,000. Other significant employers include school districts, city and county governments, and light manufacturing companies. The local economy is considered fair, with low commodity and cattle prices

having an adverse influence. Management indicated unemployment in the area is low.

The Kansas statewide nonmetropolitan median family income is \$38,700 for 1999. Twenty percent of families in the AA are considered low-income while nineteen percent are moderate-income. Middle-income families make up twenty-five percent of the AA while upper-income families comprise the remaining thirty-six percent. Households with income below the poverty level represent 12% of total households. The median housing cost for the AA is \$27,200 with 68% of the homes being owner occupied.

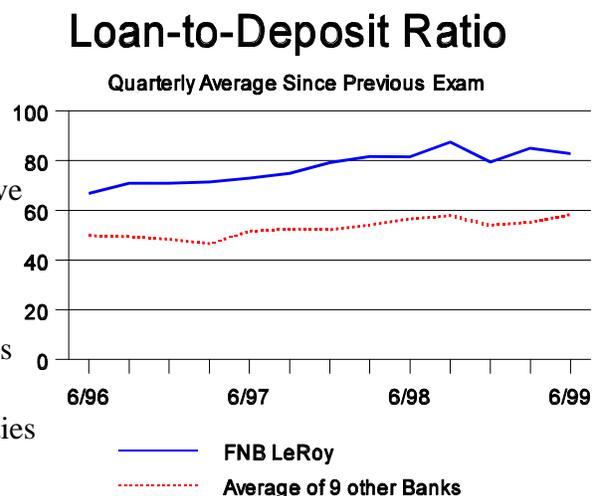
Two community contacts from the area did not identify any specific credit needs that were not being met. Both contacts indicated that the local financial institutions actively participate in their respective communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's level of lending is good. Since the previous CRA examination the bank's quarterly average loan-to-deposit ratio was 77%. This is higher than the quarterly average loan-to-deposit ratio of 53% for the nine other banks that provide competition in the area. The nine other banks have quarterly average loan-to-deposit ratios ranging from 28% to 72%.

When evaluating the level of loan to deposit ratios for different institutions in the area, public fund deposits should be considered. Local municipalities and government entities derive substantial tax revenues from the Wolf Creek Nuclear Power Plant. These funds are deposited with financial institutions and are typically not available for lending as the deposits are generally short term in nature. Institutions that receive large amounts of these funds may have loan to deposit ratios that do not accurately reflect their level of lending.



Lending in Assessment Area

First National extends a majority of its loans within the AA. Examiners used judgmental loan samples to determine the bank's performance of lending in the AA. The samples were taken from the previous evaluation to June 1999. From the sample of agriculture loans reviewed, examiners determined that 83% of the number and dollar amount of originations were in the AA.

The judgmental sample taken of residential real estate loans showed that 87% of the number and 85% of the dollar amount of originations were in the AA. This sample consisted of residential purchase or refinance originations from the previous evaluation to June 1999.

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

Lending to borrowers of different incomes and agricultural operations of different sizes is satisfactory. The bank’s primary product lines are agriculture and residential real estate loans. Examiners reviewed a judgmental sample of 25 agricultural loans granted in the AA from the previous evaluation through June 1999. Management considers farms with annual gross revenues of \$100,000 or less to be small operations. Agriculture census data from 1997 shows 81% of farms in the AA have annual gross revenues less than \$100,000. The percentage of the bank’s loan originations to borrowers in the AA with annual gross revenues less than \$100,000 is reasonable at 68%, but below the demographics. The following table shows the distribution.

Agricultural Annual Gross Revenues	Number of Loans	Percentage
Less than \$100,000	17	68%
\$100,000 to \$250,000	6	24%
Greater than \$250,000	2	8%
Total	25	100%

The bank has a satisfactory record of granting 1-4 family residential real estate loans to borrowers of different income levels. Examiners reviewed a judgmental sample of 26 residential real estate loans originated in the AA from the previous examination through June 1999. The bank’s lending to low-income borrowers is satisfactory while lending to moderate-income borrowers is good. The following table shows the distribution.

Distribution of 1-4 family Residential Real Estate Loans			
Income Levels	Number of Customers	Percentage of sample	Percentage of Families in Income Category
Low	4	15%	20%
Moderate	7	27%	19%
Middle	9	35%	25%
Upper	6	23%	36%
Total	26	100%	100%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful as the AA contains only middle-income tracts.

Response to Complaints

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

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.