



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 24, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of LeRoy
Charter Number 6149**

**6th and Main Street
LeRoy, KS 66857**

**Comptroller of the Currency
Assistant Deputy Comptroller, C. Scott Schainost
3450 North Rock Road Suite 505
Wichita, KS 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.

DESCRIPTION OF INSTITUTION

The First National Bank of LeRoy (FNB or the bank) is a \$23 million financial institution located in LeRoy, Kansas. The bank has no branches or automated teller machines; however, installation of an ATM at the main bank location is currently in process. The bank is a wholly owned subsidiary of LeRoy Bancshares, Inc., a one-bank holding company. As of December 31, 2002, the holding company had total assets of \$4.3 million. There have been no changes in the bank's corporate structure.

FNB is a full service bank providing a variety of loan products with an emphasis on agricultural and residential real estate loans. On June 30, 2003, net loans represented 70% of the bank's total assets. The bank's \$17 million loan portfolio has the following composition: 41% agricultural; 26% residential real estate; 20% other real estate; 8% consumer; 4% commercial; and 1% construction. The bank has not changed any existing loan products, or offered any new products since the previous CRA examination. Examiners determined the primary lending products were agricultural and residential real estate loans.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. Examiners assigned a "Satisfactory" rating at the August 30, 1999, CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of tracts 9961-9963 in Coffey County, Kansas, 9536 in Anderson County, Kansas, and 9966 in Woodson County, Kansas. All five (100%) of the tracts are middle-income tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The Kansas statewide non-MSA median family income for 2002 is \$44,200. The unemployment rate for Kansas in September 2003 is 4.7% compared to 6.1% nationwide.

Examiners made one community contact with a local business professional in the AA. The contact identifies home loans and general agricultural purpose loans as two of the area's primary credit needs. The contact stated that the local financial institutions were meeting the credit needs of the area.

The AA has a population of 4,266. The income distribution for families in the AA is 20% low-income, 19% moderate-income, 25% middle-income, and 36% upper-income. Twelve percent of the households in the AA have incomes below the poverty level. The weighted average median housing value is \$27,200. Sixty-eight percent of homes in the AA are owner occupied. Sixteen banks, with assets ranging from \$12 million to \$234 million, provide competition in the AA. With 4.94% of the area's deposits, FNB ranks 9th in deposit market share.

The local economy is dominated by the agricultural market. Consecutive below average crop yields, coupled with a poor cattle market the last couple of years, have caused a strain on the local economy. The above average crop yields and cattle prices in 2003 have improved conditions in the AA. Some job relief is available from nearby communities such as Burlington

and Iola. Wolf Creek nuclear power plant near Burlington is a major employer in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's level of lending is good. The bank's quarterly average loan-to-deposit ratio (LTD) since the previous CRA examination through June 30, 2003, is 86%. Examiners compared this ratio to that of peer banks which derive the majority of their deposits from the AA. For peer banks, examiners analyzed ratios over the same time period for a group of six banks. The quarterly average LTD ratio for this group is 66%. The quarterly average ratios for the banks within the peer group range from 45% to 80%.

Lending in Assessment Area

FNB's lending in its AA is excellent as it extends a large majority (95% of number and 98% of the dollar) of its loans in the AA. Examiners utilized a sample of 20 agricultural and 20 residential real estate loans, originated from August 30, 1999, to December 31, 2002, to assess the bank's performance in this area. These loans were selected because they represent the primary lending products of the bank since the last evaluation.

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

The bank's level of lending to farms of different sizes and residential real estate borrowers of different incomes is satisfactory. The sample used to determine the bank's performance in lending within the AA was also used to determine the performance in this area.

The bank's level of lending to farms of different sizes is good. All loans in the examiner's sample were to farms with annual gross revenues of \$1 million or less. The bank's performance exceeds the Dun & Bradstreet demographic data that shows 98% of the farms in the AA have annual gross revenues of \$1 million or less. Further breakdown of the sample shows 75% of the loans were to farms with revenues of less than \$250 thousand and 60% to farms with revenues under \$100 thousand.

Lending to residential real estate borrowers of different incomes is satisfactory. Lending to low-income borrowers is satisfactory (20% of the sample) compared to the family income demographics of 20%. Lending to moderate-income borrowers representing 20% of the sample is slightly above demographic data showing 19% and also represents satisfactory performance.

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful since the assessment area does not contain any low- or moderate-income areas.

Responses to Complaints

The bank 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 illegal discrimination or other illegal credit practices.