



## **PUBLIC DISCLOSURE**

June 8, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank in Belleville  
Charter Number 3779**

**1205 18th Street - Post Office Box 10  
Belleville, Kansas 66935**

**Office of the Comptroller of the Currency  
Kansas City North - Salina Office  
Post Office Box 616  
Salina, Kansas 67402-0616**

**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 in Belleville (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 8, 1998. 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.”**

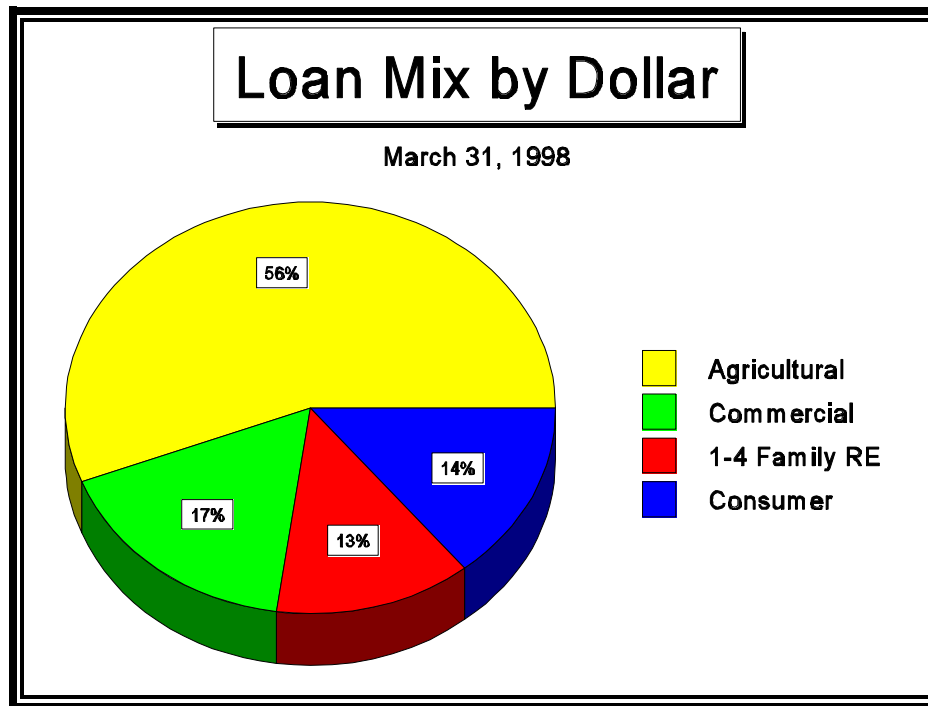
FNB's CRA rating is based on the following factors:

- The revenue distribution of the bank's borrowers is good. The bank lends to farms and businesses of various revenue sizes. FNB lends to consumer borrowers of various income levels, including low- and moderate-income individuals.
- The bank maintains a reasonable loan-to-deposit ratio. A majority of FNB's loan originations are to borrowers residing within the assessment area.

## ***DESCRIPTION OF INSTITUTION***

FNB is a \$47 million institution based in Belleville, Kansas. FNB is wholly owned by First Belleville Bancshares, Inc., a two-bank holding company. The institution received a rating of “*Satisfactory Record of Meeting Community Credit Needs*” at its last CRA examination dated May 25, 1995. Since the bank’s last CRA examination, total assets have increased approximately \$5 million and net loans have grown approximately \$4 million. This growth has come in the normal course of business rather than through acquisitions. No legal constraints, financial conditions, or other factors inhibit the bank’s ability to fulfill its CRA obligation.

The bank offers a wide variety of loan and deposit products. New credit products offered since the last CRA examination include credit cards and home equity lines of credit. Other new products introduced since the last CRA examination include one automated teller machine which accepts deposits, a telephone banking system, and debit cards. As of March 31, 1998, the loan portfolio totaled \$24 million and represented 50 percent of total assets. The largest portion of the bank’s loan portfolio is centered in agricultural credits. The chart below shows the bank’s loan portfolio composition as a percentage of average gross loans:



## ***DESCRIPTION OF ASSESSMENT AREA***

FNB has designated all of Republic County as its assessment area. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas. The total population of the assessment area based on 1990 U.S. Census information is 6,482. The assessment area includes the following block numbering areas: 9781 which includes the towns of Narka, Cuba, Agenda, and Munden; 9782 which includes the towns of Republic, Courtland, Scandia, and Norway; and 9783 which includes the city of Belleville. Each of these block numbering areas are designated as middle-income tracts.

The assessment area includes 1,893 families. Approximately 18 percent of the families are designated as low-income, 23 percent are moderate-income, 30 percent are middle-income, and 29 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1997 Non-MSA Updated Median Family Income figure of \$36,100. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis.

The primary credit needs of the assessment area are for agricultural purposes. There is also demand for small business and consumer loans. Many of the area businesses are dependent on the success of the local agricultural economy. Major employers in the assessment area include Scott Specialties, Precision Dynamics, Inc., Republic County Hospital, city and county government, and the local school district.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels**

Agricultural Lending:

FNB has a reasonable record of lending to small farms within its assessment area. We reviewed the revenue distribution of 25 agricultural borrowers with loan originations between January 1, 1996 and March 31, 1998. For the period under review, these borrowers obtained 105 loan originations totaling \$5.5 million. Our agricultural sample represented 23 percent of the bank's agricultural customers and 52 percent of the total dollar volume of agricultural loans originated in the assessment area during this time period.

Based on our sample of agricultural borrowers, we determined that 80 percent of the bank's farm customers have gross annual revenues of less than \$250 thousand. We compared the revenue distribution of FNB's agricultural customers to area demographic information obtained from the 1992 Agricultural Census which was conducted by the U.S. Bureau of the Census. FNB's proportion of small farm borrowers is comparable to local demographics. The following table shows a more detailed analysis of the agricultural borrower revenue distribution:

<b>AGRICULTURAL BORROWER REVENUE DISTRIBUTION</b>				
<b>Sample of 25 Agricultural Borrowers With Loan Originations Between 1/1/96 and 3/31/98</b>				
<b>Revenue Category</b>	<b>Distribution of FNB's Agricultural Borrowers</b>		<b>Distribution of Farms in Republic County</b>	
	<b>Number of Borrowers</b>	<b>Percentage</b>	<b>Number of Farms</b>	<b>Percentage</b>
<b>\$0 - \$99,999</b>	9	36%	594	80%
<b>\$100,000 - \$249,999</b>	11	44%	124	16%
<b>\$250,000 - \$499,999</b>	4	16%	19	3%
<b>\$500,000 and Over</b>	1	4%	9	1%
<b>TOTALS</b>	<b>25</b>	<b>100%</b>	<b>746</b>	<b>100%</b>

Small Business Lending:

FNB has a good record of lending to businesses of varying revenue levels within the assessment area. We reviewed the revenue distribution of 17 commercial borrowers with loan originations between January 1, 1996 and March 31, 1998. These borrowers obtained 67 loan originations totaling \$2.3 million. Our commercial sample represented 24 percent of the bank's business customers and 56 percent of the total dollar volume of commercial loans originated in the assessment area during this time period. We determined 88 percent of these borrowers had gross annual revenues of less than \$500 thousand. This compares favorably to business demographic information for Republic County provided by Dun & Bradstreet in 1996. This information was compiled from 253 businesses and 48 farms in Republic County. There were 55 entities that did not report sales information. Of the 246 entities that reported sales information, 83 percent had gross annual revenues of less than \$500 thousand. The information from Dun & Bradstreet combined businesses and farms in its percentage. Information on businesses data alone was not available. Also, a more detailed breakdown of revenues was not available. The following table shows our revenue analysis for commercial borrowers:

<b>COMMERCIAL BORROWER REVENUE DISTRIBUTION</b>				
<b>Sample of 17 Business Customers With Loan Originations Between 1/1/96 and 3/31/98</b>				
	<b>Distribution of FNB's Commercial Borrowers</b>		<b>Distribution of Businesses and Farms in Republic County as Provided by Dun &amp; Bradstreet</b>	
<b>Revenue Category</b>	<b>Number of Borrowers</b>	<b>Percentage</b>	<b>Number of Borrowers</b>	<b>Percentage</b>
<b>\$0 - \$100,000</b>	6	35%	NA	NA
<b>\$100,001 - \$250,000</b>	5	29%	NA	NA
<b>\$250,001 - \$500,000</b>	4	24%	NA	NA
<b>SubTotal of Revenues \$0 - \$500,000</b>	15	88%	205	83%
<b>Over \$500,000</b>	2	12%	41	17%
<b>TOTALS</b>	<b>17</b>	<b>100%</b>	<b>246</b>	<b>100%</b>

Residential Real Estate and Consumer Lending:

The bank's record of lending to low- and moderate-income families and individuals is good. We reviewed the family income distribution of 30 residential real estate borrowers in the assessment area with loan originations between January 1, 1996 and March 31, 1998. This sample represented 48 percent of the bank's residential real estate borrowers for this time period. We determined the bank's record of lending to low-income borrowers is favorable in comparison to percentage of low-income families in the assessment area. The bank's record of lending to moderate-income borrowers is slightly below area demographics. Management indicated there are only a limited number of homes available in the price range low- and moderate-income applicants can afford. Management also indicated that the bank does not have a minimum loan amount, and they felt the credit needs of low- and moderate-income individuals are met through the various other consumer credit products offered by the bank. During the same time period listed above, the bank originated 544 consumer loans totaling \$3.4 million. We determined approximately 18 percent of these loans, by number, were for amounts of less than \$1 thousand. We were unable to determine the income distribution of these borrowers because loan officers do not consistently collect income information on non-residential consumer applicants. The following table shows the breakdown of borrower income levels for the 30 residential real estate borrowers in our sample:

<b>Individual Income Distribution</b>				
<b>Sample of 30 Residential Real Estate Borrowers With Loan Originations</b>				
<b>Between 1/1/96 and 3/31/98</b>				
<b>Income Designation</b>	<b>Distribution of Borrowers in Sample of FNB's Residential Real Estate Customers</b>		<b>Distribution of Families in Republic County</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	7	23%	346	18%
<b>Moderate</b>	4	13%	433	23%
<b>Middle</b>	8	27%	567	30%
<b>Upper</b>	11	37%	547	29%
<b>Total</b>	<b>30</b>	<b>100%</b>	<b>1,893</b>	<b>100%</b>

## **Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of loans. This review is performed if one or more of the block numbering areas in the bank's assessment area is designated as low- or moderate-income. All three of the block numbering areas in FNB's assessment area are designated as middle-income.

## **Loan-to-Deposit Ratio (LTD)**

The bank's LTD ratio is reasonable. We compared FNB's LTD ratio to seven other financial institutions chartered in Republic, Cloud, and Washington counties. Each of the banks in our comparison had total assets of less than \$50 million and an agricultural lending focus. FNB's average LTD ratio for the past eight quarters was 61 percent. The overall average LTD ratio for the eight banks in our comparison was 59 percent. Average LTD ratios ranged from 29 percent to 78 percent. FNB's average LTD ratio ranked sixth out of the eight banks we reviewed. Over the past eight quarters, FNB's net loans have increased 17 percent. This was the third largest increase among the banks we reviewed.

## **Lending in the Assessment Area**

A majority of the bank's loan originations are extended to borrowers living within the assessment areas. Bank personnel generated reports during the examination which showed agricultural, commercial, and residential real estate loan originations made from January 1, 1996 to March 31, 1998. Through discussions with management, we determined which of these borrowers resided within the bank's assessment area. During the period under review, FNB originated 383 agricultural loans totaling \$12.6 million, 191 commercial loans totaling \$4.4 million, and 69 residential real estate loans totaling \$2.4 million. We determined approximately 86 percent of these loan originations, by number, and 87 percent, by dollar volume, were to borrowers living in the assessment area. The table on the following page further details our assessment area analysis:



**Lending in the Assessment Area (continued)**

<b>ASSESSMENT AREA (A.A.) ANALYSIS</b> <b>(Based on Agricultural, Commercial, and Residential Real Estate Loans</b> <b>Originated Between 1/1/96 and 3/31/98)</b>				
<b>Type of Loan</b>	<b># of Loans in A.A.</b>	<b>% of Loans in A.A. (By #)</b>	<b>\$ Volume of Loans in A.A. (In Thousands)</b>	<b>% of Loans in A.A. (By \$)</b>
<b>Agricultural</b>	316	83%	\$10,576	84%
<b>Commercial</b>	173	91%	\$4,077	93%
<b>Residential Real Estate</b>	67	97%	\$2,290	95%
<b>Total Loans in A.A.</b>	<b>556</b>	<b>86%</b>	<b>\$16,943</b>	<b>87%</b>

**Compliance with Antidiscrimination Laws and Regulations**

FNB effectively complies with antidiscrimination laws and regulations. During our review of this area, we found no violations of law and no evidence of discriminatory practices.

**Response to Complaints**

FNB has not received any complaints relating to its CRA performance since the last examination.