

PUBLIC DISCLOSURE

September 9, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE BANK OF VERSAILLES
10-29-5630
625850

P.O. BOX 29
VERSAILLES, MISSOURI

Federal Reserve Bank of Kansas City

925 Grand Boulevard
Kansas City, Missouri 64198

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 Bank of Versailles, Versailles, Missouri, prepared by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of September 9, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area including low- and moderate-income households or neighborhoods. The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. A substantial majority of loans are in the institution's assessment area. Furthermore, the geographic distributions of loans and the distribution among borrowers of different income levels are reasonable.

The following table indicates the performance level of The Bank of Versailles with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The Bank of Versailles PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Bank locations and credit services are readily accessible to the entire community. **The bank's primary location is in Versailles, Missouri and includes the main office, a full-service facility stationed at 113 East Newton and a drive-in facility for customers making deposit and withdrawal transactions located on North Fisher.** In addition, June 1995 marked the opening of an automated teller machine (ATM) situated on Highway 52 inside the Versailles Wal-Mart store. The bank's one and only full-service branch is located at the intersection of Highway 5 and O Road in Laurie, Missouri, and houses an ATM. A branch closing policy that meets the requirements of the Federal Deposit Insurance Corporation Improvement Act of 1991 has been adopted by the bank's directorate.

The bank has the ability to meet the credit needs of its defined assessment area based on its size, financial condition, resources, and location of facilities. According

to the June 30, 1996 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$129,119M, of which loans constituted \$67,699M or 52 percent. As depicted in the following table, the bank is primarily a residential and consumer lender. However, the bank does offer a variety of loan products to meet the credit needs of its assessment area. Credit products offered by the bank, as noted in the bank's public file, include various types of consumer loans, real estate loans, and loans to finance agriculture and small businesses. At the previous May 22, 1995 examination the bank was rated satisfactory with respect to the Community Reinvestment Act.

THE BANK'S LOAN PORTFOLIO		
<i>Loan Type</i>	<i>Amount (\$000)</i>	<i>Percent of Total</i>
Multiple and 1- to 4-Family Real Estate	52,722	78
Nonfarm Nonresidential	5,404	8
Consumer	4,367	6
Farmland or Agricultural	1,768	3
Commercial	1,715	3
Construction and Land Development	1,381	2
Other	342	1
Less: Unearned Income	-	-
<i>TOTAL</i>	<i>67,699</i>	<i>100</i>

DESCRIPTION OF ASSESSMENT AREA

The assessment area has been defined as all of Morgan County and the majority of Camden County. The portion of Camden County that lies within the bank's assessment area consists of the following block numbering areas (BNAs): 9503, 9504, 9507, 9510, 9511, and 9512. Of the 14 assessment area BNAs, 2 are moderate income and 12 are middle income BNAs. The two adjoining moderate income

BNAs are located in the southwest edge of the assessment area. Management based the assessment area on the bank's geographic location, size, and resources; its competitive position within the community; and socio-economic information.

The bank's assessment area lies in the central portion of Missouri and is considered to be the northern gateway to the Lake of the Ozarks. Consequently, vacationers continue to be attracted to the community due to its proximity to the lake. Versailles, the county seat of Morgan County, is located approximately 42 miles southeast of Sedalia, Missouri. According to the 1990 census, the assessment area has a population of approximately 24,600 inhabitants. The community remains heavily reliant on agriculture and small businesses. Major employers include: Gates Rubber Company, automotive belts and hoses; Dixon Ticonderoga Company, pencils; Perry Manufacturing, specialty jackets; public schools, education; and Wal-Mart, retail. Area unemployment is consistent with that of statewide rural areas.

Assessment area characteristics based on the 1990 census are summarized in the following table.

BANK ASSESSMENT AREA CHARACTERISTICS	
Income Summary	
Median Family Income	\$22,668
Percent Low-Income Families (less than 50% of median)	18.7
Percent Moderate-Income Families (at least 50 & less than 80% of median)	21.5
Percent Middle-Income Families (at least 80 & less than 120% of median)	25.4
Percent Upper-Income Families (120% or above median)	34.3
Unemployment Summary	
Labor Force Population (Assessment Area)	10,111
Percent Unemployment (Assessment Area)	6.8
Percent Unemployment (NonMetro State)	6.8
Housing Summary	
Median Housing Value (Assessment Area)	\$58,899

Median Housing Value (NonMetro State)	\$38,803
Number of Housing Units	23,502
Percentage of Vacant Units (Assessment Area)	56.4
Percentage of Vacant Units (NonMetro State)	15.4

The housing market in the bank's assessment area is substantially different from that of other rural areas within the state of Missouri. For instance, as noted in the above table, median housing values are substantially higher than other nonmetropolitan areas in the state. The difference can be partially attributed to the age of the housing stock. Housing units in the bank's assessment area have a median age of 20 years, compared to a median age of 33 years for housing units located in other statewide rural areas. Higher housing costs are further driven by an increasing demand for vacation homes. As a result, secondary homes make up a large portion of vacant units that are located within the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. A review of the bank's level of lending in relation to its deposits and the lending of comparable financial institutions was performed. Penetration of loan originations inside and outside the bank's defined assessment area was also evaluated. The bank's record of lending to borrowers of different income levels was reviewed. In addition, the distribution of loan originations within the bank's assessment area was evaluated. Furthermore, two community members, a city official and a former local business leader, were contacted to gather additional information about the community's credit needs and to confirm the products and services offered by the bank to meet those needs.

The bank's loan-to-deposit ratio is satisfactory (considering seasonal variations and taking into account lending-related activities) given management philosophy, the institution's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio of 61 percent (calculated using the previous five quarters beginning June 30, 1995) is slightly lower than the bank's state and national peer group. The average loan-to-deposit ratio for both the state and national peer over the same period is 70 percent. The bank's state peer group consists of all insured banks having assets between \$100MM and \$300MM located in a nonmetropolitan area. All insured commercial banks having assets between

\$100MM and \$300MM with three or more banking offices and located in a nonmetropolitan area make up the bank's national peer group. The bank's loan-to-deposit ratio is consistent with three neighboring banks having similar or larger assets. The loan-to-deposit ratios for three comparable banks located in or around the bank's assessment area range from 56 to 84 percent during the same period.

A substantial majority of the bank's lending occurs inside the bank's assessment area. The table below demonstrates, by general product-type, the high percentage of loans reviewed that were located within the bank's assessment area.

<i>LOANS WITHIN THE BANK-S ASSESSMENT AREA</i>	
<i>Loan Type</i>	<i>Percentage</i>
Home purchase - Conventional	93
Consumer - Other secured	96
Total Loans Reviewed	94

Furthermore, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income). Since borrower income was not documented in the credit files, loan amounts were used as a proxy for income. Based on the socio-economic characteristics of borrowers, loan amounts identified in the table were used as proxies. The percentage of consumer loans reviewed made to borrowers of different income levels coincides with the percentage of families in the bank's assessment area.

<i>PERCENTAGE OF LOANS REVIEWED MADE TO INDIVIDUALS BY LOAN AMOUNT IN THE BANK-S ASSESSMENT AREA</i>			
<i>Loan Amount</i>	<i>Percentage of Consumer Real Estate Loans Reviewed</i>	<i>Percentage of Other Consumer Secured Loans Reviewed</i>	<i>Percentage of Families in the Bank-s Assessment Area</i>
Low (\$25,000 or below)	33	13	19
Moderate (\$25,001 to \$70,000)	47	47	22

PERCENTAGE OF LOANS REVIEWED MADE TO INDIVIDUALS BY LOAN AMOUNT IN THE BANK-S ASSESSMENT AREA			
Middle (\$70,001 to \$120,000)	18	24	25
Upper (\$120,000 and above)	2	16	34
Total	100	100	100

The geographic distribution of loans originated by the bank does not reflect any conspicuous lending gaps in its assessment area. As noted in the table below, a review of consumer loans found that the bank extends loans to all types of geographies within its assessment area and does not exclude moderate income BNAs.

DISTRIBUTION OF LOANS ACROSS ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACT			
<i>Income Level of Census Tract</i>	<i>Percentage of Consumer Real Estate Secured Loans Reviewed</i>	<i>Percentage of Consumer Non-Real Estate Secured Loans Reviewed</i>	<i>Percentage of Tracts in the Bank-s Assessment Area</i>
Low	0	0	0
Moderate	38	47	14
Middle	62	53	86
Upper	0	0	0
Total	100	100	100

No substantive violations of the antidiscrimination laws and regulations were identified. Furthermore, review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants.