

**PUBLIC DISCLOSURE**

June 16, 1997

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**ST. MARYS STATE BANK**

10-20-4990

315357

602 West Bertrand  
St. Marys, Kansas 66536

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.

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## 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 St. Marys State Bank, St. Marys, Kansas, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of June 16, 1997. 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's rating was assessed using five core performance criteria for small banks. Conclusions for the five core performance criteria were based on data compiled from a statistically derived sample of files reviewed for each major product line. An explanation of how each major product line was determined is provided later in this public disclosure.

The analysis showed that a majority of loans are located in the bank's assessment area. The distribution of loans showed a reasonable penetration among individuals of different income levels and farms and businesses of different sizes. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial capacity and assessment area credit needs. The geographic distribution of loans category is unrated as the bank has only middle-income block numbering areas (BNAs) and census tracts in its assessment area and, as such, an analysis would not have been meaningful. The response to complaints category is also unrated as the bank has not received any complaints about its performance under the CRA.

The bank's performance under the CRA was last evaluated at the March 4, 1996 examination, at which time it was considered Satisfactory.

**DESCRIPTION OF INSTITUTION**

St. Marys State Bank's main office is located in St. Marys, Kansas. The bank opened a full-service branch in Rossville, Kansas on June 16, 1997. The bank owns and operates two full-service automated teller machines; one located at each office. Additionally, the bank has a drive-up facility located in St. Marys, Kansas.

St. Marys State Bank has the ability to meet the credit needs of its assessment area based on the bank's size, financial condition, and resources. Although the bank offers a full range of credit products at both locations, including agricultural, commercial, consumer, and real estate loans, the bank is primarily a commercial/agricultural lender. St. Marys State Bank reported \$42,935M in total assets on its March 31, 1997, Report of Condition and Income (Call Report). The table below reflects the distribution of the bank's loan portfolio based on the bank's Call Report.

<b>DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO AS OF MARCH 31, 1997</b>		
<b>Type of Loan</b>	<b>Amount (In Thousands)</b>	<b>Percentage of Total Loans</b>
Agricultural Loans (34.1 percent)		
Agricultural Purpose	4,952	20.9
Secured by farmland	3,118	13.2
Commercial Loans (28.5 percent)		
Commercial Purpose Loans	5,585	23.6
Secured by nonfarm, nonresidential real estate	1,101	4.7
Secured by multifamily (5 or more) residential properties	56	.2
Loans Secured by Real Estate: (28.6 percent)		
Loans secured by 1- to 4-family residential properties	6,406	27.0
Construction and land development	378	1.6
Consumer Loans (7.6 percent)		
Other (1.2 percent)	296	1.2
<b>Total</b>	<b>23,693</b>	<b>100.0</b>

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

St. Marys State Bank has designated one BNA in Pottawatomie County, one BNA in Wabaunsee County and two census tracts in Shawnee County as its assessment area. The assessment area, which is the geographic area bank management has designated as its primary service area, is designated as a middle-income area. The bank's assessment area appears reasonable and does not arbitrarily exclude low- or moderate-income areas. Please refer to Attachment A for a map of the bank's assessment area.

Based on 1990 census bureau information, the population in the assessment area is 15,397. The following table shows the distribution of the families in the bank's assessment area by income category. Low-income is defined as less than 50 percent, moderate-income is at least 50 percent and less than 80 percent, middle-income is at least 80 percent and less than 120 percent, and upper-income is 120 percent or more of the median family income of the combined metropolitan and nonmetropolitan areas in the state of Kansas. According to census bureau information, updated for 1996, the median family income for the assessment area is \$36,400.

<b>DISTRIBUTION OF FAMILIES IN THE BANK-S ASSESSMENT AREA BY INCOME LEVEL</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>
Number of Families	467	713	1,207	1,827	4,214
Percentage of Total Families	11	17	29	43	100

According to community contacts interviewed, one local government official and one member of a local trade association, the local economy is strong. The strong local economy stems from an improving agricultural industry and diversified manufacturing and retail markets. The community contacts stated that the area is experiencing a housing shortage due to a large number of residents moving into the area from Manhattan and Topeka, Kansas. According to community contacts a new multi-family facility is under construction in St. Marys. The community contacts indicated that the area banks are active in local real estate lending. According to 1990 census bureau information, the median housing value for the bank's assessment area was \$50,049. Community contacts estimated the current median housing value in the assessment area, based upon recent sales figures, to be \$60,000 to \$70,000, which is a 15 to 28 percent increase since 1990.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Lending in the Assessment Area

This core performance criteria evaluates the concentration of loans originated by the bank in its assessment area. The loan sample showed that a majority of loans are located in the bank's assessment area; therefore, the bank has met the standard for satisfactory performance under this criteria.

The analysis was based on data compiled from a statistically-derived sample of files. Discussions with management and a review of the bank's Call Report were used to determine the bank's major product lines. A statistically-derived sample of loans was then selected from the bank's major product lines. As a result, three loan types were sampled, including commercial/agricultural loans, consumer real estate-purpose loans, and consumer purpose loans.

As shown in the table on the following page, the overall results of the sampling process revealed that 83 percent of the number and 89 percent of the dollar volume of loans sampled were located in the bank's assessment area. The sample revealed that 92 percent of the dollar volume of the bank's commercial/agricultural loans were located in the bank's assessment area. Of the 17 percent of loans located outside the bank's assessment area, 10 percent were located in geographies bordering the bank's assessment area.

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
	<i>Inside the Assessment Area</i>				<i>Outside the Assessment Area</i>			
	Number of Loans	%	\$ Amount of Loans	%	Number of Loans	%	\$ Amount of Loans	%
<b>Commercial/Agricultural</b>	46	84	2,106,761	92	9	16	179,021	8
<b>Consumer Real Estate</b>	31	79	1,087,965	84	8	21	212,788	16
<b>Consumer Purpose</b>	46	85	238,881	86	8	15	37,745	14
<b>Overall Totals</b>	123	<b>83</b>	3,433,607	<b>89</b>	26	17	429,554	11

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

This core performance criteria evaluates the bank's loan originations among borrowers of different income levels, particularly low- and moderate-income individuals and businesses and farms of different sizes. As lending personnel do not generally collect gross annual

income or revenue figures for applicants, interviews were conducted to obtain income and revenue estimates for 65 percent of the loan sample. As the validity of the information obtained from the interviews could not be verified to substantiate a higher rating in this performance criteria, a satisfactory rating was assigned. Overall, the distribution of loans sampled showed a reasonable penetration to individuals of different income levels, particularly low- and moderate-income individuals. Additionally, the distribution of loans sampled showed a reasonable penetration to businesses and farms of different sizes.

*Consumer Real Estate-Purpose Loans*

The bank's origination of consumer real estate-purpose loans to individuals of varying income levels is considered reasonable. As noted in the table on the following page, 26 percent of the number of the consumer real estate-purpose loans sampled in the assessment area were to low- and moderate-income borrowers. The results are comparable to the number of low- and moderate-income families in the bank's assessment area, which is estimated to be 28 percent.

*Consumer-Purpose Loans*

The bank's origination of consumer-purpose loans to individuals of varying income levels is also considered reasonable. As noted in the table on the following page, 59 percent of the number and 50 percent of the dollar volume of the consumer purpose loans sampled in the assessment area were to low- and moderate-income borrowers. These results are higher than the number of low- and moderate-income families in the bank's assessment area, which is estimated to be 28 percent.

<b>DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER COMPARED TO THE NUMBER OF FAMILIES BY INCOME LEVEL IN THE BANK'S ASSESSMENT AREA</b>								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
<b>Consumer Purpose</b>	6	32,508	21	85,526	12	62,217	7	58,630
<i>Percent of Total</i>	13	14	46	36	26	26	15	25
<b>Consumer Real Estate</b>	3	43,104	5	166,655	10	393,755	13	484,451
<i>Percent of Total</i>	10	4	16	15	32	36	42	45
Number of Families in Assessment Area by Income Level	467		713		1,207		1,827	
<i>Percentage of Families</i>	11		17		29		43	

*Commercial/Agricultural Loans*

Overall, the analysis of the commercial and agricultural loans sampled showed a reasonable dispersion to businesses and farms of different sizes. As noted in the following table, 96 percent of the commercial/agricultural loans sampled were to businesses with gross annual revenues of less than or equal to \$500M.

<b>DISTRIBUTION OF FARM AND BUSINESS LOANS SAMPLED</b>	
<b>Revenue Category (based upon gross annual revenues of the farm or business)</b>	<b>Commercial/Agricultural Loans</b>
Less than \$100,000	78%
Greater than or equal to \$100,000 but less than \$250,000	9%
Greater than or equal to \$250,000 but less than \$500,000	9%
Greater than or equal to \$500,000 but less than \$750,000	2%
Greater than or equal to \$750,000 but less than \$1,000,000	2%
Greater than or equal to \$1,000,000	0%

Loan-to-Deposit Ratio

This core performance criteria evaluates the bank's lending levels compared to other similarly situated financial institutions. The bank's loan-to-deposit ratio is reasonable, given the bank's size, financial condition, location, area competition and assessment area credit needs. Therefore, St. Marys State Bank meets the standards for satisfactory performance under this criteria.

The loan-to-deposit ratio is a quick barometer for gauging whether or not the bank is reinvesting deposits it receives from customers back into the community in the form of loans. The bank's average net loan-to-deposit ratio for the four quarters ending March 31, 1997 is 72 percent. This ratio is higher than similarly-sized financial institutions in Kansas. During the comparison period, there were approximately 109 other financial institutions in Kansas with total assets between \$25 million and \$50 million. The average net loan-to-deposit ratio during the same time frame for those financial institutions ranged from 23 to 98 percent with an overall average of 60 percent.

Geographic Distribution of Loans

This core performance criteria, which focuses on the bank's penetration among low-, moderate-, middle-, and upper-income BNAs and census tracts was not rated given that the bank's assessment area consists only of middle-income BNA's and census tracts. As such, an analysis of this criteria was not deemed to be meaningful.

#### Response to Complaints

The final core performance criteria which evaluates the bank's performance in responding to substantiated complaints about its performance in meeting assessment area credit needs, is also unrated. The bank has not received any complaints about its performance in meeting assessment area credit needs. Therefore, no evaluation of the bank's performance in responding to complaints was made.

#### Compliance with Antidiscrimination Laws and Regulations

The examination did not reveal any substantive violations of the antidiscrimination laws and regulations. Several technical concerns regarding record keeping and obtaining monitoring information were noted under Regulation B which implements the Equal Credit Opportunity Act. These concerns were not discriminatory in nature, and management committed to resolve such concerns.