



PUBLIC DISCLOSURE

July 22, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**WEBB CITY BANK
RSSD# 330659**

**100 NORTH MAIN
WEBB CITY, MISSOURI 64870**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

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.

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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 CRA performance of Webb City Bank (WCB), Webb City, Missouri, prepared by the Federal Reserve Bank of Kansas City (Reserve Bank), the institution's supervisory agency, as of July 22, 2002. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. 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 continues to have a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income families, in a manner consistent with its resources, management philosophy, and the credit needs of the community. Four of the five criteria used in evaluating small bank lending performance are relevant to this review and are as follows:

- Loan-to-Deposit Ratio (LTD)
- Lending Inside the Assessment Area
- Lending to Borrowers of Different Income Levels and Businesses of Different Revenue Sizes
- Lending by Income Level of Geography

The fifth evaluation criteria, responsiveness to consumer complaints, was not reviewed because the bank had not received any complaints about its CRA performance since the previous examination.

Conclusions about the four performance criteria were based on data compiled from a statistically selected sample of commercial loan files from 2001 and 2002, and from the 2000 and 2001 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Commercial and residential real estate loans represented a combined total of 79 percent of the bank's loan portfolio as of the March 31, 2002 Consolidated Reports of Condition and Income (Call Report).

The analysis indicated the bank's net LTD ratio was satisfactory given the credit needs of the assessment area and competition from area financial institutions, and has been in an upward trend. A substantial majority of the loans were originated to borrowers located inside the

bank's assessment area. The bank's distribution of loans among borrowers of different incomes and businesses of different revenue sizes was good. In addition, the bank's record of lending to geographies of different income levels reflected a reasonable dispersion.

The bank's performance under the CRA was last evaluated by the Reserve Bank during the week of June 15, 1998. At that time, the bank had a satisfactory CRA performance record.

DESCRIPTION OF INSTITUTION

The WCB is headquartered in Webb City, Missouri, a community of 9,812 people according to 2000 census data, located in the Joplin Metropolitan Statistical Area (MSA). The main office is located at 100 North Main, with a motor bank facility across the street at 101 North Main. Full service branches are located at 1421 South Madison in Webb City and 2230 East 32nd Street in nearby Joplin, Missouri.

The bank has the ability to meet the credit needs of its assessment area based on its size, financial condition, and resources. According to the March 31, 2002 Call Report, the bank's assets totaled \$116,643M, of which gross loans constituted \$93,410M or 80 percent. WCB's assets have increased by \$51 million since the prior examination financials dated December 31, 1997, representing a 78 percent growth rate. Deposits have increased by 60 percent and net loans by 219 percent during the same period.

The bank is primarily a commercial and residential real estate lender, but offers a variety of loan products to meet the credit needs of the assessment area. The types of credit offered by the bank, as listed in its CRA public file, include commercial, consumer, real estate, and agricultural loans. Table 1 illustrates the loan distribution expressed as a percentage of the bank's net loans and leases. The table is based on the bank's March 31, 2002 Call Report.

TABLE 1 WEBB CITY BANK'S LOAN PORTFOLIO (As of March 31, 2002)		
	Amount (\$000)	Percent of Total
Commercial	40,163	43
Residential Real Estate	33,383	36
Consumer	11,767	13
Construction	5,961	6

Agricultural	1,408	<2
Other	728	<1
Total Gross Loans	93,410	100.0

No legal or financial factors exist that would significantly hinder the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area consists of 23 census tracts comprising the western half of Jasper County and the northern half of Newton County in southwestern Missouri adjacent to the Missouri/Kansas border. Although the area includes no low-income tracts, there are 3 moderate-income tracts, 15 middle-income tracts, and 5 upper-income tracts. Jasper and Newton Counties together comprise the Joplin MSA, one of the nation's smaller MSAs, with a 2000 population of 157,322. Although a relatively small MSA, its population grew by 16.6 percent between 1990 and 2000.

According to the Bureau of Economic Analysis (BEA), the MSA economy is primarily reliant on the services industry, which provides 23.6 percent of the area's earnings, and secondarily on transportation, public utilities, and manufacturing, which together provide 31 percent of the earnings. Over the last 3 years, the manufacturing industries' nationwide decline has been reflected in the Joplin MSA, resulting in a weakened local economy. The MSA labor force declined by 3.2 percent in 2001 and unemployment increased from 3.2 percent to 4.4 percent between 1999 and 2001. The residential real estate market also dropped in 2001, with total MSA housing permit growth decreasing by 5.6 percent in 2001. Nonetheless, local government officials characterized the economy as stable and the population in a growth trend.

The assessment area was middle-income overall in 1990 with a median family income of \$26,831, comparable to the MSA median family income of \$26,192¹. In general, the assessment area demographics were very comparable to the MSA as a whole, since the assessment area contained 77 percent of the MSA population. Nonetheless, the assessment area had a higher concentration of college students than the MSA. This is indicated by a smaller percentage of assessment area families at 70.4 percent compared to 71.4 percent in the MSA, and a higher concentration of those living in college dormitories at 0.9 percent compared to 0.7 percent in the MSA. A community development leader contacted as part of the CRA evaluation confirmed that the area included a large student population.

As would be expected in an area with a higher concentration of students, the assessment area's housing stock had a smaller volume of single-family owner-occupied units than the MSA. In 1990, 76.4 percent of area housing stock was single-family and 64.4 percent was owner-occupied, compared to the MSA figures of 77.6 percent and 65.6 percent respectively.

¹ The 2002 HUD-adjusted median family income for the Joplin MSA that will be used for the CRA borrower income analyses is \$43,600.

In addition, the MSA housing characteristics changed between 1990 and 2000. During that period, the number of housing units increased by 16.4 percent, but the vacancy rate increased from 8.5 percent in 1990 to 8.8 percent in 2000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The following 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 that of other comparable financial institutions; the percentage of loans originated by the bank within its assessment area; lending to borrowers of different income levels and businesses of different revenue sizes; and lending to geographies of different income levels. The bank has not received any complaints regarding its CRA activities; therefore, an evaluation of the bank's response to CRA complaints was not performed.

Two individuals from the community representing community development and local government were interviewed to obtain insight about the credit needs of the community and the bank's response to those credit needs. The interviewees both commended the local financial institutions on providing community leadership roles. In addition, both contacts discussed the need for small business credit.

The bank's performance under the CRA is considered satisfactory based on the following assessment criteria analysis.

Loan-to-Deposit Ratio

Webb City Bank's average net LTD ratio is considered reasonable at 63.7 percent during the 16 quarters since its previous CRA assessment on June 15, 1998. During the previous 8 quarters, the bank's LTD ratio was the second lowest at 72.5 percent when compared to six similarly situated area banks. The six banks had average ratios ranging between 56.5 percent and 101.8 percent. WCB's ratio is also somewhat lower than its national peer group² at 75.2 percent but higher than metropolitan commercial banks statewide at 69.7 percent on March 31, 2002. However, the average LTD is significantly higher than it was during the previous CRA evaluation of June 15, 1998. On that date WCB's average for the 5-quarter period prior to the evaluation was 46.5 percent. In four years the bank has doubled the average LTD ratio, a strong reflection of WCB's increasing efforts to serve the credit needs of its assessment area.

² The bank's national peer group consists of all commercial banks with 3 or more offices having assets between \$100 million and \$300 million and located in a metropolitan area.

Loans Inside the Assessment Area

A substantial majority of the bank's lending occurred within its assessment area. Table 2 summarizes by product type the percentage of loans reviewed during this examination which were located inside the bank's area. A review of a sample of 33 commercial loans from the previous 6 months and the 437 HMDA loans reported during the years 2000 and 2001 revealed that 85 percent were made to borrowers inside the bank's assessment area. Furthermore, the loans originated inside the bank's assessment area represented 88 percent of the dollar volume of the combined loan sample.

TABLE 2 LOANS INSIDE THE BANK'S ASSESSMENT AREA				
Loan Type	Number	Percent	\$ Volume (000)	Percent
Commercial	28	85	12,163	93
HMDA Loans	371	85	19,043	82
All Loans	399	85	31,206	88

Particularly noteworthy was the bank's performance in commercial lending, with 93 percent of the total dollar amount located inside of the assessment area. The bank demonstrated a good response to the credit needs of its assessment area.

Distribution of Loans by Borrower Income Levels and Businesses of Different Revenue Sizes

Commercial Loans:

WCB's distribution of loans to businesses of different revenue sizes is good and generally reflects the small business demographics of the assessment area. Under the CRA, small businesses are defined as those operations with gross annual revenues of \$1 million or less. A review of the 28 commercial loans from the assessment area showed that all were made to small businesses. At the same time, 88 percent of the businesses in the bank's assessment area had revenues of less than \$1 million, according to 2001 Dun and Bradstreet (D&B) information. Twenty-one of the 28 small business loans reviewed, or 75 percent, were for amounts of \$100M or less, a loan size typically needed by small businesses. However, 23 percent of the total dollar amount of loans were for amounts of \$100M or less. Although the percentage is lower it is reasonable, since a total dollar amount for an aggregate of large-dollar loans would typically be larger than the total dollar amount of an aggregate of small-dollar loans.

The analysis shows that the bank has been responsive to the credit needs of small businesses within the assessment area. Table 3 illustrates the bank's lending activity by loan amount.

TABLE 3 DISTRIBUTION OF SMALL BUSINESS LOANS INSIDE THE BANK'S ASSESSMENT AREA BY LOAN SIZE		
Loan Size	Small Businesses (Revenue of \$1MM and under)	
	Percentage of Loans Reviewed	Percentage of Total Dollar Amount
Less than or equal to \$100,000	75	23
Greater than \$100,000 and less than or equal to \$250,000	14	25
Greater than \$250,000 and not exceeding \$500,000	11	52
Total	100	100

HMDA Loans:

The bank's distribution of HMDA reported residential real estate loans to borrowers of different income levels is reasonable within the context of area economic and demographic conditions. Conclusions about the bank's lending patterns were based on a comparison of the residential real estate loan sample with the percentage of families in the assessment area that are designated low-, moderate-, middle-, and upper-income, as shown in Table 4.

TABLE 4		
DISTRIBUTION OF HMDA RESIDENTIAL REAL ESTATE LOANS INSIDE THE BANK'S ASSESSMENT AREA BY INCOME LEVEL OF BORROWERS		
Area Median Family Income *		\$43,600
Income Level of Borrower	Percentage of HMDA Residential Real Estate Loans Reviewed	Percentage of Families In Bank's AA **
Low (Less Than 50 percent of Median Income)	14	18
Moderate (50 to 80 percent of Median Income)	25	19
Middle (80 to 120 percent of Median Income)	22	24
Upper (Greater than 120 percent of Median Income)	39	39
Totals	100	100
<small>* Area Median Family Income is based on the 2002 HUD-adjusted median family income. ** The Percentage of Families in Assessment Area is based on 1990 census data.</small>		

As Table 4 illustrates, the percentage of HMDA loan applications from low-income borrowers is lower than the percentage of low-income families within the assessment area. However, demographic data indicates that 11.0 percent of all families within the assessment area are living below the poverty level and are less likely to have sufficient economic viability to qualify for residential real estate loans. Another factor in evaluating the bank's performance is the significant level of lending to moderate-income borrowers. Twenty-five percent of the total 2000 and 2001 HMDA loans were made to moderate-income borrowers, compared to 19.0 percent figure representing the percentage of assessment area families categorized as moderate-income. The bank's performance is noteworthy considering the large concentration of families living in poverty in the assessment area (11.0 percent) and relatively higher percentage of students in the assessment area. Students historically have lesser credit needs than other segments of the population.

Distribution of Loans by Income Level of Geography

The bank's lending performance to geographies of different income levels is considered reasonable. As previously stated, the assessment area has no low-income census tracts.

Three of the assessment area census tracts, or 13 percent of the total, are moderate-income, 15 tracts or 65 percent are middle-income geographies, and 5 tracts or 22 percent are upper-income geographies.

Table 5 illustrates the bank's pattern of commercial and HMDA lending in moderate-, middle-, and upper-income census tracts.

TABLE 5 DISTRIBUTION OF LOANS REVIEWED IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY					
Income Level of Census Tracts	Percent of Small Business Loans Reviewed	Percentage of Businesses within Assessment Area	Percent of HMDA Residential Real Estate Loans Reviewed	Percent of Owner- Occupied Housing within Assessment Area	Percent of Geographies within Assessment Area
Moderate (50 to 80 percent of Median Income)	14	22	12	10	13
Middle (80 to 120 percent of Median Income)	68	56	70	69	65
Upper (over 120 percent of Median Income)	18	22	18	21	22
Totals	100	100	100	100	100
All demographic data is based on 1990 Census Data					

For the CRA evaluation, the pattern of WCB's commercial lending was compared to the number of businesses in each category of tract and the pattern of HMDA lending was compared to the percentage of owner-occupied housing units in each category. With one exception, the percentages are comparable and indicate reasonable dispersion throughout the assessment area. The exception is the penetration of commercial lending in the moderate-income census tracts. WCB's percentage of loans at 14 percent is smaller than the percentage of small businesses in those tracts at 22 percent. However, lending in the moderate-income geographies is particularly challenging due to the bank's distance from those tracts. In addition to the distance barrier, there are also 13 other competing institutions situated in the moderate-income tracts, and by virtue of their locality are better able to serve the credit needs of those geographies.

Another factor influencing the pattern of commercial lending is that all of the Joplin branch lending staff were hired 8 months ago from another local financial institution, and brought a number of their customers with them. That financial institution also was not located in or adjacent to the moderate-income tracts. Although WCB's level of commercial lending was not comparable to the percentage of businesses located in the moderate-income tracts, it is considered- reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND PRACTICES

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. Although minor issues with the technical requirements of Regulation B arose during the examination, they were easily resolved. A review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Block Numbering Areas (BNAs) – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract or a block numbering area.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”