

PUBLIC DISCLOSURE

July 7, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Jacomo
20183**

**909 South 7 Highway
Blue Springs, Missouri 64015**

Federal Deposit Insurance Corporation

**2345 Grand Avenue, Suite 1500
Kansas City, Missouri 64108**

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 **Bank of Jacomo, Blue Springs, Missouri**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **July 7, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

- The bank has consistently maintained a strong loan-to-deposit ratio which has trended higher since the previous evaluation
- The bank originates a substantial majority of its loans within the assessment area
- The bank has done an excellent job of originating loans to small businesses in the assessment area
- The bank has a reasonable geographic distribution of loans within the assessment area
- Review of the bank's compliance with fair lending laws and regulations did not reveal any factors that negatively impact the bank's performance in meeting the credit needs of the community

DESCRIPTION OF INSTITUTION

Bank of Jacomo is a commercial bank with \$132,724,000 in total loans and \$187,805,000 in total assets. The bank's main location is in Blue Springs. The bank also has six branches with one located in each: Blue Springs, Buckner, and Oak Grove; and three branches located in Independence. All offices are located in Jackson County, Missouri. The bank's primary lending focus is small businesses, including commercial real estate, fixed asset, residential real estate development, and operating loans. Commercial loans comprised 61 percent of the bank's loan portfolio as of March 31, 1998. The bank is also active in the origination and sale of long-term, fixed-rate residential mortgage loans.

Each of the bank's locations has an automated teller machine (ATM). Additionally, the bank operates four off-premises ATMs, all located within the bank's assessment area.

The bank is owned by Mid-Continent Bancshares, Inc., Blue Springs, Missouri, a one-bank holding company. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901) as amended requires a bank to identify one or more "assessment areas" within which its regulatory agency will evaluate the bank's performance. In most cases, the institution's assessment area will be towns, counties, or some other political subdivision in which its branches are located and a substantial portion of its loans are made. Assessment areas always consist of one or more whole block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. BNAs are used in non-metropolitan areas, while census tracts are normally used in metropolitan areas.

The bank's main office is located in census tract 141.04 of Jackson County. The bank's branch offices are located in census tracts 110.00, 119.00, 140.00, 141.01, 146.01, and 149.00, all in Jackson County. One off-premises ATM is located in both tract 117.00 and tract 149.00, with two off-premises ATMs located in tract 140.00. The assessment area includes 46 census tracts, all within the eastern portion of Jackson County. Income level categories breakdowns for these tracts are: 2 low income, 7 moderate income, 29 middle income, and 7 upper income. The bank's main office is in an upper-income tract; five of the branches are in middle-income tracts with the remaining location in a moderate-income tract.

The bank's assessment area changed significantly when the bank purchased three branches in Independence, Missouri, in April 1996. The four original locations are located in middle- and upper-income areas that are primarily suburban and/or rural in nature. This area constitutes the overwhelming majority of new housing construction within the assessment area and is experiencing strong population growth. The three acquired branches are located in an area that is more urban. Independence is an older, more established area and includes all of the low- and

moderate-income areas within the bank's assessment area. These differences in the bank's assessment area are demonstrated in the table below. The western portion of the assessment area includes all census tracts located west of Missouri Highway 291 and north of Interstate 470. The eastern portion includes all remaining tracts in the assessment area.

DEMOGRAPHIC INFORMATION	Eastern Portion of Assessment Area	Western Portion of Assessment Area
Population	106,724	122,202
Percent of Population Aged 65 and Older	7.0%	14.1%
Percent of Population in Labor Force	75.1%	67.3%
Percent of Low- and Moderate-Income Families	27.3%	43.0%
Percent of Housing Owner-Occupied	69.4%	63.1%
Percent of Housing Rented	25.1%	30.7%
Percent of Housing Units Built Prior to 1950	7.5%	24.2%
Median Housing Value	\$77,593	\$54,268

Data Source: 1990 U.S. Census

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan Sampling for Community Reinvestment Act Evaluation

Two loan products were sampled at this examination: commercial loans, including commercial real estate, fixed asset, residential real estate development, and operating loans; and residential real estate loans, including portfolio loans and loans originated and sold. Forty-six commercial loans were randomly sampled from 402 loans originated during a six-month period prior to the examination. Due to the ready availability of all pertinent information on residential real estate loans, all 235 loans originated in 1998, including loans on the year-to-date Home Mortgage Disclosure Act (HMDA) Loan Application Register and loans originated and sold in the secondary market, were reviewed. These samples were reviewed to determine the bank's practices related to the origination of loans within its assessment area, the geographic distribution of lending within the assessment area, and the distribution of loans among borrowers of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio indicates a high level of responsiveness to area credit needs. The bank's average net loan-to-deposit ratio, based on 11 quarters since the previous evaluation, is 77 percent. Both the bank's total loans and deposits have increased steadily since the acquisition of three additional branches in Independence, Missouri, in April 1996. The ratio was at its highest level, 81 percent, at the end of the first quarter of 1998, the most recent information available. Four competing financial institutions within the Kansas City, Missouri-Kansas, Metropolitan Statistical Area (MSA) are similar to the bank in terms of size, asset structure, and loan products: Metcalf Bank, Overland Park, Kansas; Bannister Bank and Trust, Kansas City, Missouri; Bank of Lee's Summit, Lee's Summit, Missouri; and First National Bank of Missouri, Lee's Summit, Missouri; with average ratios for the same time period ranging from 47 percent to 82 percent.

In addition to the loans held at the bank, the bank is very active in the origination and sale of long-term, fixed-rate, residential mortgage loans. Since the beginning of 1996, the bank has originated and sold 619 loans totaling \$55,799,376. This represents 35 percent of the bank's total deposits as of March 31, 1998.

Lending in Assessment Area

A substantial majority of the bank's loans are originated within the assessment area. The following table breaks down the lending in the assessment area by product type sampled and the percentage of number and dollar volume.

Loan Type	Number in Assessment Area	Dollars in Assessment Area
Commercial	93.5%	91.7%
Residential Real Estate	84.3%	83.3%

Lending to Businesses of Different Sizes and Borrowers of Different Incomes

The bank has done an excellent job of originating loans to businesses of all sizes. The bank's lending has focused on meeting the needs of smaller businesses, particularly those with less than \$250,000 in gross annual revenues. The table below shows the distribution of the commercial loans sampled which were within the bank's assessment area.

COMMERCIAL LOANS				
GROSS REVENUE	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$100,000	14	32.6%	1,713,350	43.1%
\$100,000 to \$250,000	8	18.6%	738,766	18.6%
\$250,001 to \$500,000	8	18.6%	559,799	14.1%
\$500,001 to \$1,000,000	7	16.3%	649,944	16.3%
Over \$1,000,000	6	13.9%	316,217	7.9%
TOTALS	43	100.0%	\$3,978,076	100.0%

Of the bank's commercial loan originations sampled, 51 percent of the number and 62 percent of the dollar volume have been to businesses with less than \$250,000 in gross revenues. This performance is further highlighted by the fact that the bank's origination of small business loans has significantly exceeded the performance of financial institutions that report data on the origination of business loans (generally those with over \$250 million in assets or those that are part of a holding company with over \$1 billion in total assets). According to data for 1996 reported by these financial institutions, approximately 59 percent of the loans reported were to businesses with gross revenues less than or equal to \$1,000,000. Of sampled loans within the assessment area, 86 percent of the bank's loans were to businesses of this size.

In analysis of the bank's lending to borrowers of different income levels, borrower incomes were compared to the 1998 estimated median family income for the Kansas City MSA of \$52,600. The following table contains a breakdown of income level categories based on that number.

INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE
Low	Less than 50%	Less than \$26,300
Moderate	50% to 80%	\$26,300 to \$42,079
Middle	80% to 120%	\$42,080 to \$63,119
Upper	120% and over	\$63,120 and over

The bank has performed reasonably in originating loans to borrowers of different income levels. The following table demonstrates the bank's lending, including a percentage of both number and dollar volume, to borrowers of different income levels. The percent of families column represents the number of families within each income level for the assessment area as a whole.

RESIDENTIAL REAL ESTATE LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	17.2%	19	9.6%	665,000	4.0%
Moderate	18.6%	39	19.7%	2,331,000	13.8%
Middle	28.3%	59	29.8%	4,582,000	27.2%
Upper	35.9%	81	40.9%	9,257,000	55.0%
TOTALS	100.0%	198	100.0%	\$16,835,000	100.0%

Low- and moderate-income individuals represent 29 percent of the number of loans originated within the bank's assessment area. Families of these income levels represent 36 percent of all families. This small disparity is not of concern.

Geographic Distribution of Loans within the Assessment Area

The bank has achieved a reasonable distribution of loans within its assessment area. The bank's origination of commercial loans is demonstrated in the table below. The percent of families column represents the number of families within census tracts of that income level. While this is a benchmark for the portion of the population in the tracts, it is not necessarily directly correlated to the number of businesses in those tracts, as the commercial nature of each tract can vary widely.

COMMERCIAL LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	1.2%	0	0.0%	0	0.0%
Moderate	12.3%	2	4.7%	18,046	0.5%
Middle	74.4%	28	65.1%	2,427,005	61.0%
Upper	12.1%	13	30.2%	1,533,026	38.5%
TOTALS	100.0%	43	100.0%	\$3,978,076	100.0%

The bank's activity in low- and moderate-income tracts lags slightly behind the originations by CRA-reporting institutions or large institutions. Aggregate activity of CRA-reporting institutions, indicates that of total loans originated in the bank's assessment area, 1.4 percent were within low-income tracts and 11.7 percent were within moderate-income tracts. The dollar volume in these tracts represented 1.2 and 8.1 percent, respectively.

Management attributes this to the relatively recent acquisition of the bank's three Independence branches. These branches serve all of the low- and moderate-income tracts in the assessment area. The bank's acquisition of these branches in April 1996 represented the third change in ownership for the locations in a period of just over one year. Competition in the area is strong with 13 financial institutions operating branches there. Between these two factors, management believes that the bank's acceptance in the area is still progressing.

Another factor impacting this lending distribution is the bank's focus on lending to residential builders. Loans to this type of operation represented approximately half of the commercial loans sampled. Since there is very limited new residential construction within the low- and moderate-income tracts in the assessment area, loans to builders would generally not be located in these tracts.

The bank's distribution of residential real estate loan originations has also been adequate. The table below demonstrates the distribution of lending of all residential real estate loans originated within the assessment area since the beginning of 1998.

RESIDENTIAL REAL ESTATE LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	1.2%	0	0.0%	0	0.0%
Moderate	12.3%	12	6.1%	547,000	3.3%
Middle	74.4%	139	70.2%	11,432,000	67.9%
Upper	12.1%	47	23.7%	4,856,000	28.8%
TOTALS	100.0%	198	100.0%	\$16,835,000	100.0%

The level of lending in the low- and moderate-income tracts appears reasonable given the demographics of the area.

Response to Complaints

The bank has not received any CRA-related complaints since the last evaluation.

Compliance with Anti-Discrimination Laws

A fair lending review was conducted during the current examination. No violations of the substantive provisions of the anti-discrimination laws were identified.