



Strategic Plan

Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act Performance Evaluation

First National Bank Of Kansas
Charter Number: 22644

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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, and should not 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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Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan statistical area (PMSA), metropolitan statistical area (MSA), or consolidated metropolitan area (CMSA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Note: *The bank's strategic plan definition of small loans to businesses varies slightly from the standard definition above. It includes loan commitments and non-construction business loans secured by residential real estate; it also excludes loan participations.*

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

First National Bank of Kansas (FNB-KS) has elected the Strategic Plan option for assessment of its CRA performance.

During this evaluation period, the bank operated under two strategic plans: the 1999-2001 Strategic Plan (approved by the OCC on August 10, 1999) and the 2002-2004 Strategic Plan (approved by the OCC on December 17, 2001). The plans outline measurable goals to achieve a "satisfactory" rating. The plans do not include goals for "outstanding" performance.

FNB-KS received a "Satisfactory" rating because it substantially met the lending, investment, and service goals outlined in its strategic plans for the years 2000, 2001 and 2002.

Description of Institution

FNB-KS is an intrastate bank headquartered in Overland Park, Kansas. At December 31, 2002, the bank had assets of \$1 billion, net loans of \$908 million and Tier 1 Capital of \$68 million. FNB-KS operates seven full-service branches and 31 automated teller machines (ATMs) in its designated assessment area of Johnson County, Kansas.

First National of Nebraska, Inc. (FNNI) is the parent of FNB-KS. FNNI is a multi-bank holding company headquartered in Omaha, Nebraska. FNNI owns a total of ten national and two state-chartered banks and has consolidated assets of \$12 billion. The banks are primarily located in Nebraska and adjacent Midwestern states. Non-bank subsidiaries of FNNI include mortgage, insurance, and finance companies.

FNB-KS was chartered in 1993 when FNNI purchased approximately \$80 million deposits from a failed financial institution. The bank purchased additional deposits approximating \$220 million from another financial institution in 1994. To profitably invest this large deposit base, FNB-KS purchased credit card receivables from an affiliated bank. Most of these receivables originated outside the bank's assessment area. While credit card receivables still represent a large percentage of bank assets, credit card lending is not a strategic goal for the bank.

The bank's primary business focus is small business and consumer lending. Excluding credit card receivables and term Federal Funds sold, net loans totaled \$280 million on December 31, 2002. The composition of the locally generated loan portfolio was 53 percent commercial, 33 percent real estate, and 14 percent consumer. The bank's loan to deposit ratio was 95 percent (29 percent excluding credit card receivables and term Federal Funds sold). Most deposits come from the bank's assessment area – 81 percent by number and 70 percent by dollar.

There are no financial, legal, or other factors that impede the bank's ability to help meet credit needs in its assessment area. FNB-KC received a "Satisfactory" rating at its last CRA examination, dated April 24, 2000.

Description of Assessment Area

Demographic Information for Johnson County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	75	0%	0%	39%	61%
Population by Geography	355,054	NA	NA	36%	64%
Owner-Occupied Housing by Geography	94,666	NA	NA	33%	67%
Businesses by Geography	33,488	NA	NA	30%	70%
Farms by Geography	678	NA	NA	36%	64%
Family Distribution by Income Level	98,746	8%	13%	22%	57%
Low- and Moderate-Income Family Distribution by Geography	20,357	NA	NA	56%	44%
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$37,652 = \$64,500 = 3.98%			Median Housing Value Unemployment Rate (Johnson County, 2002 Avg)	= \$96,321 = 4.3%

Source: 1990 U.S. Census, 2002 HUD updated MFI, U.S. Department of Labor

The bank's sole assessment area (AA) consists of Johnson County, Kansas. Johnson County is one of eleven counties in the Kansas City Metropolitan Area (MA). The AA area meets regulatory requirements. It contains all of the bank's office facilities and deposit-taking ATMs as well as a substantial portion of its loan originations. Johnson County is the most affluent county in the state. There are no low- or moderate-income census tracts in the AA.

Bank competition is strong. FNB-KS has the second-largest share of deposits (10 percent) of 57 financial institutions with offices in the area (per June 30, 2002 FDIC information). Substantially all of these institutions provide a wide array of products and services to meet consumer and small business credit needs.

Johnson County has experienced tremendous population growth. Between 1990 and 2000, its population grew 27 percent making it the largest county in the state and surpassing the population of Kansas City, Missouri. Johnson County accounts for 50 percent of the total population growth in the Kansas City MA and 48 percent of the state's increase.

Economic growth in the county is similarly strong. Over the past decade, the county added 121,879 new jobs and 4,293 new businesses. The county's job growth accounts for 55 percent of the growth in the Kansas City MA and 41 percent of the state's increase. The county's business growth accounts for 61 percent of the growth in the Kansas City MA and 47 percent of the state's increase.

The economy is diversified and generally strong. Telecommunications, local government, public education, and the health care industry provide the most jobs in the area. Companies doing business in Johnson County include half the Fortune 100 companies and one-third of the Fortune 500. The average 2002 unemployment rate for Johnson County is 4.3 percent, compared to 5.7 percent for the Kansas City MA and 5.1 percent for the state.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation period covers January 1, 2000 through December 31, 2002. The bank's strategic plans specify annual, measurable goals for loans, investments, and services. Our evaluation compares bank performance to these strategic goals.

Data Integrity

Our analysis relies on information that the bank collects internally. To assess the accuracy of this data, we compared collected information to credit file documentation for independent samples of small business and consumer loans. We also reviewed all community development investments and services. While some data errors were identified, they did not materially impact our analysis.

Selection of Areas for Review

We reviewed performance in Johnson County, Kansas - the bank's sole assessment area.

Rating

The rating is based entirely on performance in the Johnson County assessment area. The strategic plans define satisfactory performance as achieving 90 percent or more of any goal.

Other

Please refer to the bank's strategic plans in its public CRA file for more detailed performance context and performance goal information.

No comments were received during the public comment periods for the bank's strategic plans. The public had the opportunity to comment on the 1999-2001 Strategic Plan between August 18 and September 17, 1998, and on the 2002-2004 Strategic Plan between July 24 and August 23, 2001.

The Concerned Clergy Coalition (a ministerial alliance serving the urban core of Kansas City) recently published an evaluation of several banks' services in Kansas City's minority neighborhoods (March 2003). The evaluation rates FNB-KS poorly, but it does not consider several pertinent performance context facts, including that: the bank's AA has a small minority population (6 percent); the bank's AA is comprised entirely of middle- and upper-income census tracts; home mortgage lending is not a primary bank product; the bank makes flexible home mortgage products available through an affiliated lender; and the bank's CRA performance is evaluated under the strategic plan option.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Conclusions with Respect to Strategic Plan Goals

Lending Performance

FNB-KS substantially met its lending performance goals over the evaluation period.

Small Business Loans

The bank substantially met its business lending goals over the evaluation period.

FNB-KS exceeded its business lending goals for the year 2000 as illustrated in the table below. The bank originated 204 small business loans totaling \$40.1 million. Of these loans, 155 (or 76 percent) were in amounts of \$250,000 or less and 140 (or 69 percent) were inside the Johnson County AA. Eighty-one of the 140 loans in the AA (or 58 percent) were to small businesses.

FNB-KS exceeded its business lending goals for the year 2001 as illustrated in the table below. The bank originated 244 small business loans totaling \$39.4 million. Of these loans, 197 (or 81 percent) were in amounts of \$250,000 or less and 159 (or 65 percent) were inside the Johnson County AA. Ninety-eight of the 159 loans in the AA (or 62 percent) were to small businesses.

FNB-KS exceeded all but one business-lending goal for the year 2002 as illustrated in the table below. The bank originated 267 small business loans totaling \$38 million. Of these loans, 222 (or 83 percent) were in amounts of \$250,000 or less. And 101 of the 154 loans in the AA (or 66 percent) were to small businesses.

The 2002 ratio of business loans in the AA was not as strong, but it still substantially met the bank's goal. The bank made 154 loans of 267 originations (or 58 percent) inside the AA. The goal was 65 percent. The bank would have achieved 90 percent of its goal with just two additional loans inside the AA.

Small Business Loans									
	2000			2001			2002		
	Goal	Actual	% of Goal	Goal	Actual	% of Goal	Goal	Actual	% of Goal
(1) Loan \$	\$31.5	\$40.1	127%	\$34.7	\$39.4	114%	\$35.0	\$38.0	109%
(2) Loan Size	64%	76%	119%	64%	81%	127%	75%	83%	111%
(3) Within AA	65%	69%	106%	65%	65%	100%	65%	58%	89%
(4) Revenues	53%	58%	109%	53%	62%	117%	57%	66%	116%

- (1) Dollar amount of small business loan originations, in millions
- (2) Number of loans in the amount of \$250,000 or less, expressed as a percentage of the number of all small business loans
- (3) Number of loans in assessment area, expressed as a percentage of the number of all small business loans
- (4) Number of loans in assessment area with annual revenues less than \$1 million, expressed as a percentage of the number of all small business loans in the assessment area

Consumer Loans

The bank met its consumer lending goals over the evaluation period.

FNB-KS met or exceeded its consumer lending goals for the year 2000 as illustrated in the following tables. The bank directly originated 939 consumer loans totaling \$25.1 million – of which 782 (or 83 percent by number) and \$21 million (or 84 percent by dollar) were inside the AA (Table 1). The bank indirectly originated 2,028 consumer loans totaling \$33.7 million - of which 1,153 (or 57 percent by number) and \$18.8 million (or 56 percent by dollar) were inside the AA (Table 2). One hundred forty of the 1,935 total consumer loans in the AA (or 7.2 percent) were to low-income borrowers and 336 (or 17.4 percent) were to moderate-income borrowers (Table 3).

FNB-KS met or exceeded its consumer lending goals for the year 2001 as illustrated in the following tables. The bank directly originated 1,091 consumer loans totaling \$35.4 million – of which 899 (or 82 percent by number) and \$30.7 million (or 87 percent by dollar) were inside the AA (Table 1). The bank indirectly originated 1,995 consumer loans totaling \$33.5 million - of which 1,031 (or 52 percent by number) and \$17 million (or 51 percent by dollar) were inside the AA (Table 2). One hundred seventy-eight of the 1,930 total consumer loans in the AA (or 9.2 percent) were to low-income borrowers and 264 (or 13.7 percent) were to moderate-income borrowers (Table 3).

FNB-KS met or exceeded its consumer lending goals for the year 2002 as illustrated in the following tables. The bank directly originated 904 consumer loans totaling \$32.8 million – of which 736 (or 81 percent by number) and \$26.7 million (or 81 percent by dollar) were inside the AA (Table 1). The bank indirectly originated 2,270 consumer loans totaling \$39.5 million - of which 1,093 (or 48 percent by number) and \$19.2 million (or 49 percent by dollar) were inside the AA (Table 2). One hundred fifty-five of the 1,829 total consumer loans in the AA (or 8.5 percent) were to low-income borrowers and 275 (or 15.0 percent) were to moderate-income borrowers (Table 3).

Consumer Loans Table 1									
Direct Consumer Loans									
	2000			2001			2002		
	Goal	Actual	% of Goal	Goal	Actual	% of Goal	Goal	Actual	% of Goal
(1) Loan \$	\$20	\$25.1	126%	\$22	\$35.4	161%	\$25	\$32.8	131%
(2) Number in AA	85%	83%	98%	85%	82%	96%	80%	81%	101%
(3) Dollar in AA	85%	84%	99%	85%	87%	102%	80%	81%	101%

- (1) Dollar amount of direct consumer loan originations, in millions
- (2) Number of loans in the assessment area, expressed as a percentage of the number of all direct consumer loans
- (3) Dollar of loans in the assessment area, expressed as a percentage of the dollar of all direct consumer loans

Consumer Loans Table 2 Indirect Consumer Loans									
	2000			2001			2002		
	Goal	Actual	% of Goal	Goal	Actual	% of Goal	Goal	Actual	% of Goal
(1) Loan \$	\$20	\$33.7	169%	\$20	\$33.5	168%	\$28	\$39.5	141%
(2) Number in AA	55%	57%	104%	55%	52%	95%	45%	48%	107%
(3) Dollar in AA	55%	56%	102%	55%	51%	93%	45%	49%	109%

- (1) Dollar amount of indirect consumer loan originations, in millions
(2) Number of loans in the assessment area, expressed as a percentage of the number of all indirect consumer loans
(3) Dollar of loans in the assessment area, expressed as a percentage of the dollar of all indirect consumer loans

Consumer Loans Table 3 Borrower Distribution – Direct & Indirect									
	2000			2001			2002		
	Goal	Actual	% of Goal	Goal	Actual	% of Goal	Goal	Actual	% of Goal
(1) Low-income Loans	8%	7.2%	90%	8%	9.2%	115%	8%	8.5%	106%
(2) Mod-income Loans	13%	17.4%	134%	13%	13.7%	105%	13%	15.0%	115%

- (1) Number of loans to low-income individuals in the assessment area, expressed as a percentage of the number of all consumer loans in the assessment area
(2) Number of loans to moderate-income individuals in the assessment area, expressed as a percentage of the number of all consumer loans in the assessment area

Investment Performance

FNB-KS met its investment performance goals in the current evaluation period.

The bank met investment performance goals for the 1999-2001 Strategic Plan as illustrated in the table below. Over the strategic plan period, FNB-KS made deposits of \$590 thousand in community development financial institutions (CDFIs) that serve the Kansas City MA. The bank also made qualified charitable contributions of \$80.7 thousand - primarily to social service organizations that target low- and moderate-income individuals.

Over this strategic plan period, an affiliate bank also made \$144 thousand qualified charitable contributions that benefited the Johnson County assessment area. The affiliate contributions facilitated consumer credit counseling services (CCCS) to low- and moderate- income individuals in the greater Kansas City and Mid-Missouri area. These contributions are not reflected in bank donations because the 1999-2001 strategic plan did not incorporate affiliate investments.

Investments 1999–2001 Strategic Plan						
	Goal	Actual Performance				% of Goal
		1999*	2000	2001	Total	
(1) Investments	\$590,000	\$100,000	\$200,000	\$290,000	\$590,000	100%
(2) Donations	\$90,000	\$28,066	\$26,721	\$25,973	\$80,760	90%
Total	\$680,000	\$128,066	\$226,721	\$315,973	\$670,760	99%

*1999 predates this CRA evaluation period, but data is included because 2000 and 2001 investment goals are tied to the entire strategic plan period.

- (1) Community development investments made by the bank
- (2) Qualified donations made by the bank

FNB-KS met 2002 investment performance goals under the 2002-2004 Strategic Plan as illustrated in the table below. At year-end, the bank had deposits of \$290 thousand in CDFIs that serve the Kansas City MA. Its qualified charitable contributions totaled \$76 thousand, including affiliate CCCS contributions of \$41 thousand. Donations continue to primarily benefit social service organizations that target low- and moderate-income individuals.

Investments 2002–2004 Strategic Plan			
	2002 Goal	Actual Performance	% of Goal
(3) Investments	\$290,000	\$290,000	100%
(4) Donations	\$75,000	\$76,188	102%

- (3) Community development investments outstanding at year-end
- (4) Qualified donations, including affiliate contributions to CCCS

Service Performance

FNB-KS substantially met its service performance goals over the evaluation period.

Delivery Systems

FNB-KS met its delivery system goals as illustrated in the table below, with one exception.

The bank continues to offer several alternative delivery systems. These include telephone, mail and Internet delivery systems, as well as TDD services (telephonic device for the deaf), and FirstAccess Line (an automated telephone system that includes a Spanish interactive voice response). The bank opened three ATMS and two branches over the evaluation period. Almost all of the bank's ATMs in Johnson County are also available in Spanish. And customers can use ATMs owned by affiliated banks without incurring fees. The bank conducted a survey in 2002 in which 95 percent of the respondents indicated banking hours were convenient.

FNB-KS did not integrate "Loans by Phone" into its centralized call center. "Loans by Phone" continue to be offered in a decentralized manner through consumer lenders and personal bankers. Management determined that the existing decentralized process was effective. New software was implemented and additional employee training provided over the 1999-2001 strategic plan period to further enhance the decentralized process.

Delivery System Goals						
	2000		2001		2002	
	Goal	Actual	Goal	Actual	Goal	Actual
New Branch	1	1	1	1		
New ATMs	1	3				
TDD Services	X	X	X	X	X	X
Implement Loan-By-Phone Call Center	X	no	X	no		
Bank by Phone Service	X	X	X	X	X	X
Bank by Mail Service	X	X	X	X	X	X
Internet Banking	X	X	X	X	X	X
Convenient Hours					X	X
First AccessLine Telephone Service		X		X	X	X
Spanish Interactive Voice Response (IVR)		X		X	X	X
Spanish-version ATM		X		X	X	X
Access to Affiliate ATMs With no Fee		X		X	X	X

Products

FNB-KS met its product goals as illustrated in the table below, with one exception.

Over the evaluation period, the bank continued to offer several products and services that benefited low- and moderate-income persons and small business. These products include free checking with no minimum balance requirement, IOLTA accounts, flexible home mortgage products through an affiliated lender, unsecured business lines of credit up to \$50 thousand and business term loans. The bank also conducted six marketing campaigns targeted to low- and moderate-income consumers and 15 consumer education programs. Networking was conducted through community development service activities.

Cash Flow Maximizer (an accounts receivable financing/servicing product for businesses) was discontinued in 2000 for lack of participation.

Product Goals						
	2000		2001		2002	
	Goal	Actual	Goal	Actual	Goal	Actual
Review/Develop/Market Loan Products to LMI	2	2	2	2	1	2
Flexible Mortgage Products	X	X	X	X	X	X
Free Checking or Low Cost Life Line	X	X	X	X	X	X
IOLTA Accounts With Higher Rates	X	X	X	X	X	X
Consumer Education Programs	2	6	3	5	3	4
Unsecured Lines and Term Loans for Small Businesses	X	X	X	X	X	X
Cash Flow Maximizer	X	no	X	no		
Networking Contacts to Reach LMI		X		X	X	X

Community Development Services

FNB-KS met its community development service goals as illustrated in the table below. Over the evaluation period, the bank provided community development services to 16 different organizations, most of which provide social services targeted to low- and moderate-income individuals.

Community Development Service Goals									
	2000			2001			2002		
	Goal	Actual	% of Goal	Goal	Actual	% of Goal	Goal	Actual	% of Goal
Number of Organizations	9	11	122%	9	13	144%	11	15	136%