



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 7, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Kansas
Charter Number 6101**

**600 North Fourth
Burlington, Kansas 66839**

**Office of the Comptroller of the Currency
Kansas City Duty Station
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1200**

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 CRA performance of The First National Bank of Kansas (FNB) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of November 7, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: “Outstanding record of meeting community credit needs.”

FNB’s loans and originations show excellent distribution to borrowers of different incomes and businesses and farms of many different sizes. Its average loan-to-deposit ratio of 70 percent is very high considering its deposit structure and limited credit needs of a community well-served by local municipalities.

The following table shows the performance levels of FNB with respect to the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF KANSAS 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	Analysis not meaningful. ¹		
Response to Complaints	No complaints were received since the prior examination.		

¹ The individual geographies in the bank's assessment area are middle income block numbering areas (BNAs) only. Therefore, all loans that FNB originates in its assessment area are in middle income BNAs.

DESCRIPTION OF INSTITUTION

Meader Insurance Agency, Inc. of Waverly, Kansas owns FNB. On June 30, 1996, the bank had \$36 million in assets. Its loan portfolio was 17 percent consumer instalment, 24 percent residential, 26 percent agricultural, and 33 percent commercial loans. The bank's main office and drive-up are in Burlington, Kansas, the seat of Coffey County. Burlington's population is approximately 2,700. FNB's full service branch is in Waverly, Kansas.

FNB can help meet various credit needs. It offers a broad range of agricultural, commercial, and consumer loan products described in its CRA public file. This product mix reflects management's determination of the most pressing local credit needs. No legal impediments keep FNB from meeting its CRA responsibility. The OCC assigned FNB a rating of "Outstanding record of meeting community credit needs" at its July 5, 1994 examination.

DESCRIPTION OF ASSESSMENT AREA ²

FNB's assessment area consists of all three block numbering areas (BNAs) of Coffey County. All BNAs in the assessment area are designated as middle income. The assessment area is not in a metropolitan statistical area. Statewide nonmetropolitan median family income is \$34,300. The area does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. Population for the three-BNA assessment area is 8,404. Low, moderate, middle, and upper income families are 17, 19, 39, and 33 percent of assessment area population. Agriculture and energy production are predominant industries in the assessment area. The State of Kansas' only nuclear power plant is near Burlington. Farm operations in the area vary widely in size. The approximate average gross revenue for farms in the assessment area is about \$199,000. Burlington and Waverly have commercial, retail, and service economies.

FNB is the only financial institution in Waverly, and one of two financial institutions in Burlington. It is one of five similarly-sized community banks in Coffey County.

² Demographic information is from U.S. Bureau of the Census (1990), U.S. Department of Housing and Urban Development (1996), and Kansas State University Department of Agricultural Economics, Cooperative Extension Service information (1995).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

FNB's 70 percent loan-to-deposit ratio (average of eight quarters ending June 30, 1996) is more than reasonable for institutions in its assessment area. Its ratio exceeds the 67 percent average for four similarly-sized community banks serving Coffey County. These four banks had ratios ranging from 37 to 82 percent. As a comparison, all banks in Kansas with less than \$50 million in assets had an average loan-to-deposit ratio of 60 percent.³ FNB has made an additional \$1.5 million in unused lines of credit available to commercial businesses, farms and homeowners.

The bank's loan-to-deposit ratio must be viewed in light of its very large deposits by local municipalities. These municipalities derive substantial tax revenue from a nuclear power plant and its operations. Their deposits in FNB often reach \$12 million, and make up more than 30 percent of the bank's total deposits. These funds are not available for community lending because the municipalities deposit them for relatively short periods, generally six months or less. If the bank's loan-to-deposit ratio calculation is adjusted for these deposits, the ratio jumps to 81 percent.

Of the 58 home loans the bank originated from October 1, 1995 through October 31, 1996, 39 remain in the bank's portfolio. FNB sold 19 of the loans to another bank. The funds from these sales were then available for FNB to make other loans.

Lending in Assessment Area

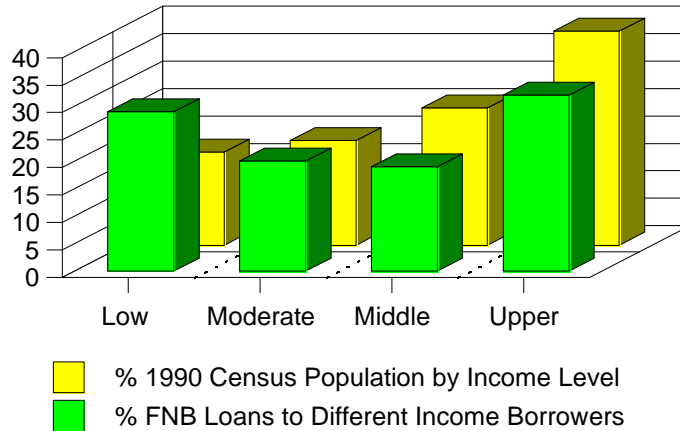
A substantial majority, 71 percent, of the bank's 1,570 loans are in its assessment area. The average size of these in-area loans is \$9,369. The 456 out-of-area loans average \$12,953 and are 36 percent of loans by dollar volume. Of the 1,570 loans, 85 percent were originated in the past 12 months. Substantially all of the loans were originated in the past 18 months.

³ Average **net** loan-to-deposit ratio for eight quarters ending June 30, 1996. Source: National Bank Surveillance Video Display System Uniform Bank Performance Report.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes
 Its loan distribution shows FNB has an excellent record of lending to borrowers, businesses, and farms with wide-ranging incomes and revenues.

Consumer/Home Loans

(% of Borrowers of Different Incomes)

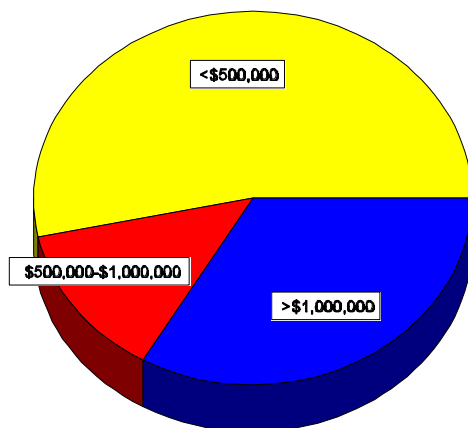


Consumer and home purchase/improvement loans

FNB's consumer, home purchase, and home improvement lending shows excellent penetration of all borrower income levels. In the 12 months ending September 30, 1996, FNB made 972 consumer and home loans. FNB made 405 of these loans to 245 different borrowers who provided income information. Of these borrowers, 29 percent had low income, 20 percent had moderate income, 19 percent had middle income, and 32 percent had upper income. As the chart above shows, FNB's lending volume is proportionately higher in the low and moderate income levels than was the percentage of the population that had those incomes.

Commercial Loans

(% of sample by # of borrowers)

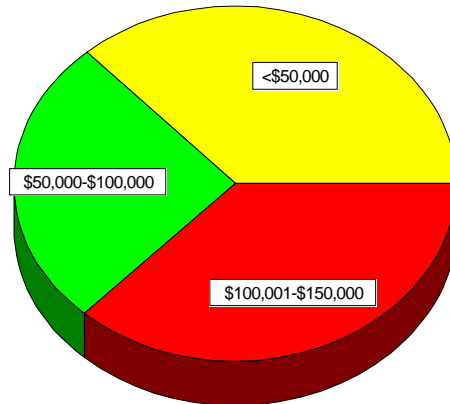


Commercial loans

OCC determined the gross annual revenues of 15 of all 58 businesses to which the bank made loans in the past 12 months. As the analysis and the chart above show, 53 percent of these businesses had gross annual revenues less than \$500,000; 14 percent had revenues between \$500,000 and \$1,000,000; and 33 percent had revenues greater than \$1,000,000.

Agricultural Loans

(% of sample by # of borrowers)



Agricultural loans

OCC determined the gross annual revenues of 19 of all 77 farming operations to which the bank made loans in the past 12 months. As the analysis and the chart above show, 37 percent of these farms had gross annual revenues less than \$50,000; 26 percent had revenues between \$50,000 and \$100,000; and 37 percent had revenues between \$100,001 and \$150,000.

Kansas State University Department of Agricultural Economics, Cooperative Extension Service information for 1995 shows average gross farm income per farm for Coffey County is \$199,476. All farms in OCC's sample had gross farm income less than the county average. Average gross farm income per farm in OCC's sample was \$71,000. Twelve of the nineteen borrowers in the sample had nonfarm income. By including both gross farm revenue and nonfarm income for borrowers in the sample, the average total income to farm borrowers would increase to \$90,000.

Compliance with Antidiscrimination Laws and Regulations

We found the bank in compliance with substantive provisions of antidiscrimination laws and regulations.