



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 29, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Farmers National Bank of Osborne
Charter Number 5834

First and Main
Osborne, Kansas 67473

Office of the Comptroller of the Currency
Salina Duty Station
1516 E. Iron
Salina, Kansas 67402-0616

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 Community Reinvestment Act (CRA) performance of The Farmers National Bank of Osborne prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 29, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

The bank's overall lending levels are adequate and reflect a reasonable response to local credit needs. The bank makes a majority of its loans within its assessment area. The distribution of loans to borrowers of different income levels is reasonable. A good portion of the bank's loans are to borrowers in moderate income areas.

The following table indicates the performance level of The Farmers National Bank of Osborne with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FARMERS NATIONAL BANK OF OSBORNE 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	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Farmers National Bank of Osborne is a \$33 million bank located in Osborne, Kansas. The institution has a branch office in Gaylord which is in an adjacent county and approximately 20 miles north of the main office. Osborne Investments, Inc., a one-bank holding company, controls 92% of the bank's stock.

The primary lending focus is on meeting the agricultural needs of the area. The bank also extends small business, real estate, and consumer loans. As of March 31, 1996, the loan portfolio represented 42% of the bank's total assets and had the following composition:

TYPE OF LOAN	DOLLARS	PERCENT
Agricultural & Farmland	8,594M	63%
Consumer	1,501M	11%
Commercial	1,228M	9%
1-4 Family Residential	1,091M	8%
Non-Farm Non-Residential Real Estate	409M	3%
All Other Loans	818M	6%

There are no legal impediments or other factors including the financial condition of the bank which limits its ability to help meet the credit needs of the assessment area.

DESCRIPTION OF THE FIRST NATIONAL BANK'S ASSESSMENT AREA

The bank's assessment area complies with the guidelines of the CRA regulation. The assessment area includes all of Osborne County and approximately the southern half of Smith County. Neither county is located in a Metropolitan Statistical Area (MSA). The population of the assessment area is approximately 6,600.

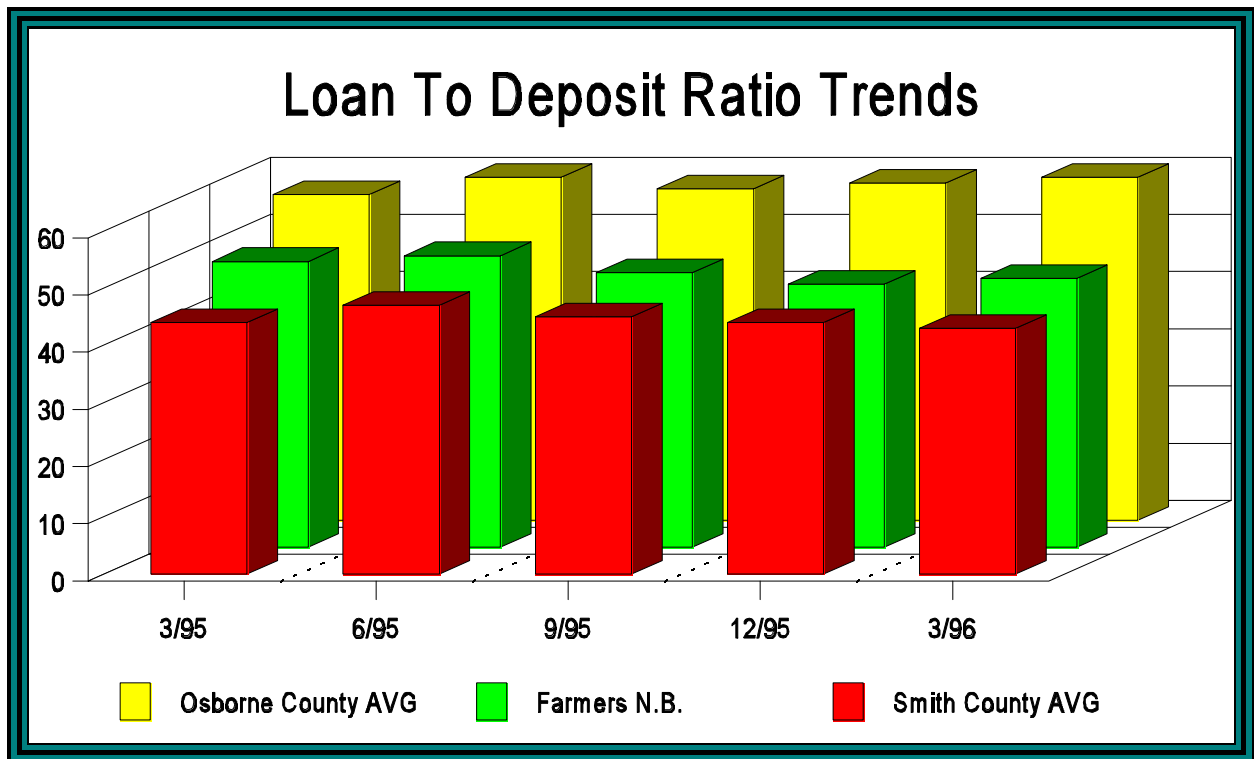
The assessment area contains three block numbering areas (BNA). The two areas in Osborne County are BNA 9741 which is middle income and BNA 9742 which is a moderate income. The third BNA, 9757, includes the southern half of Smith County, excluding the city of Smith Center, and is considered moderate income. These income levels are based on a comparison to the Kansas statewide non-MSA median family income of \$34,300.

We performed one community contact with a representative of the city during our examination. This individual indicated that the primary credit needs of the area are housing, small business, and agriculture. The contact felt that these credit needs are being met by the local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Analysis

The bank's loan to deposit ratio is reasonable in relation to comparable banks in the area. This ratio averaged 49% for the seven quarters since the last CRA examination. The average loan to deposit ratio for the four banks in Osborne County during this time period was 58%. The two banks in Smith County had an average loan to deposit ratio of 44% during this period. The Farmers National Bank of Osborne is the only bank in Osborne County that has a branch office in Smith County. The following chart compares loan to deposit ratios of banks in each of these counties:



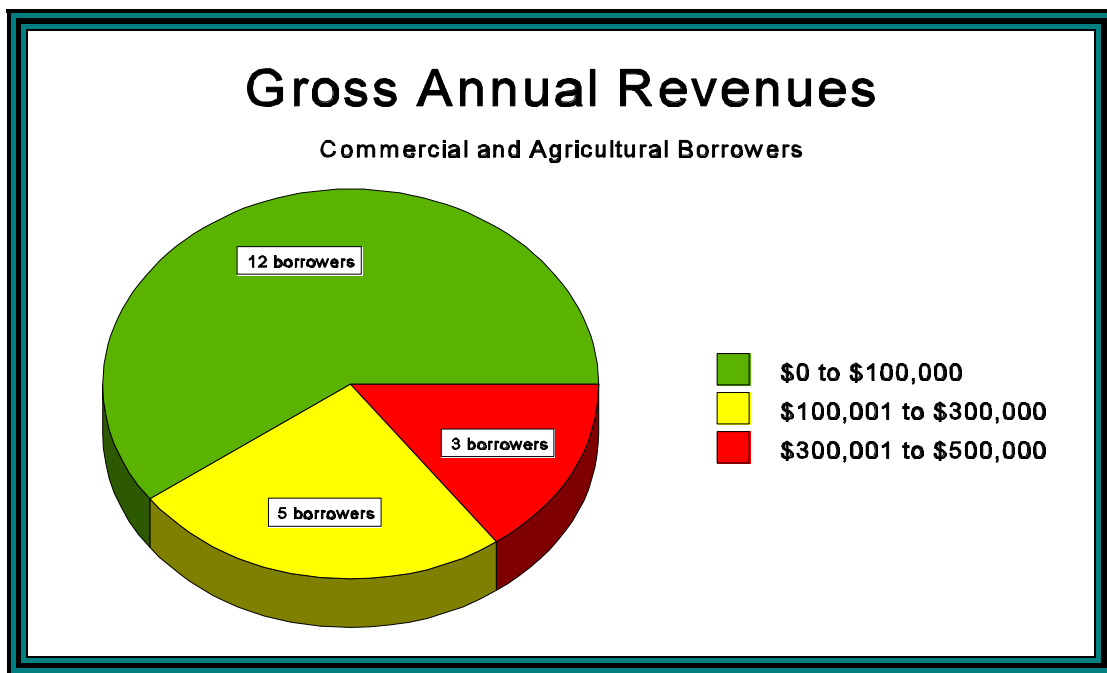
Comparison of Credit Extended Inside and Outside of the Assessment Area

The majority of the bank's loans are within its assessment area. We judgmentally

sampled 20 commercial and agricultural loan originations made during 1995 and 1996. These loans totaled \$2.2 million and represented approximately 16% of the bank's total loans. We found that approximately 77% of the bank's loans, by dollar volume, are to borrowers within the assessment area. By number of loans, this ratio was 80%.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank has a good distribution of lending to borrowers of different income levels. From our sample of 20 commercial and agricultural credits, we found that all were to borrowers which met the definition of small business or small farm. Gross annual revenues of borrowers in our sample ranged from \$14M to \$420M. The following graph shows the income distribution of the 20 borrowers that we reviewed:



We also reviewed the bank's volume of lending to individuals for consumer purposes. We estimated that approximately 40% of the bank's number of non-real estate consumer loans are for amounts of less than \$2M. In addition, we sampled 15 residential real estate purchase or refinance loans and found the average loan amount was \$29M. Eight of these real estate loans were to borrowers with gross family income levels below the statewide average of \$34M.

Distribution of Credit Within the Assessment Area

The distribution of credit within the assessment area is good. We determined that approximately 83% of the dollar volume of loans in our sample were to borrowers in moderate income BNA's. This compares favorably since 67% of the BNA's in the bank's assessment area are considered moderate income. The remaining 17% of loans in our sample were to borrowers in middle income BNA's.

Compliance with Antidiscrimination Laws and Regulations

We found no substantive violations of fair lending laws and regulations. We reviewed a sample of 15 residential real estate approvals and 5 denials made over the past year. Based upon this review, we found no evidence of disparate treatment of applicants.