



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 23, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Southwest National Bank Of Wichita
Charter Number 12346**

**400 East Douglas
Wichita, KS 67202**

**Comptroller of the Currency
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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, 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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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- Southwest National Bank of Wichita's quarterly average loan-to-deposit ratio of 88 percent is satisfactory, compared to 84 percent for its peer bank group.
- Southwest National Bank of Wichita's lending within the assessment area is satisfactory. Examiners' sample of indirect consumer automobile and commercial real estate loans indicates the bank grants a majority of its primary loan products within the assessment area.
- Southwest National Bank of Wichita demonstrates a satisfactory level of lending to low- and moderate-income borrowers and to businesses of different sizes. The distribution for each primary loan product in the assessment area is satisfactory.
- The geographic distribution of loans is satisfactory. The distribution for each primary loan product in the assessment area is satisfactory or good.

DESCRIPTION OF INSTITUTION

Southwest National Bank (“the bank”) is a \$132 million bank headquartered in Wichita, Kansas. In addition to its main office, the bank has two branch offices that are located near the two main shopping malls in the eastern and western parts of Wichita. The bank also operates a motor bank that is located a block north of the main office. The motor bank and the branches feature a drive-up facility, but only the branches offer a deposit-taking automatic teller machine (ATM). The bank has not opened or closed any branches since the previous CRA examination.

The bank is a wholly-owned subsidiary of Republic Financial Company, a multi-bank holding company headquartered in Wichita, Kansas. On June 30, 2002, the holding company had total assets of \$267 million. In addition to the holding company, the bank has the following affiliates: Twin Lakes National Bank, also headquartered in Wichita; All American Mold Laboratories, Inc.; E & R Partnership; Radionic Hearing Aid Services, Inc.; and JKR Laboratories, Inc. The bank’s corporate structure has not changed since the previous CRA examination.

The bank is a full-service bank offering a variety of loans. On June 30, 2002, net loans represented 76 percent of the bank’s total assets. The bank’s \$102 million loan portfolio has the following composition: Commercial real estate 45 percent; consumer 32 percent; commercial & industrial 11 percent; residential real estate eight percent; and residential construction & development four percent. The bank has not changed, or offered any new products since the previous CRA examination. Management determines the bank’s primary loan products, by the number and the dollar volume granted from 1999 through September 11, 2002, are indirect consumer automobile loans and commercial real estate loans.

The bank’s financial condition, size, and the local economic conditions allow it to help meet the credit needs of its assessment area. At the February 19, 1998, CRA examination examiners assigned a “Satisfactory” rating.

DESCRIPTION OF ASSESSMENT AREA

The bank’s assessment area (AA) consists of the following 86 census tracts in Sedgwick County: 1 - 4, 6 - 11, 14, 15, 18 - 24, 26 - 32, 34 - 43, 51 - 54, 56 - 71, 72.01, 72.02, 73.01, 73.02, 74 - 78, 80 - 92, 93.01, 93.02, 94.01, 94.02, 95 - 95.02, and 101.01. Ten of the census tracts (12 percent) are low-income tracts, 24 (28 percent) are moderate-income tracts, 37 (43 percent) are middle-income tracts, and 15 (17 percent) are upper-income tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income tracts. The AA is part of the Wichita Metropolitan Statistical Area (MSA).

The AA has a population of 329,836. The 1990 decennial median family income in the MSA is \$35,931, and the median family income for 2001 is \$59,000. The AA has the following income distribution for families:

Distribution of Family Income in the Assessment Area	
Income Level	Percentage
Low-income Families	20
Moderate-income Families	19
Middle-income Families	25
Upper-income Families	36
Total	100

Twelve percent of the households have incomes below the poverty level, 24 percent receive social security, and six percent are on public assistance. Twenty-three percent of the population is not in the work force, and 12 percent is over the age of 65. The median housing value is \$57,615, and 55 percent of the housing units are owner-occupied.

The AA has a strong manufacturing base, which is dominated by the following four major aircraft companies: Boeing, Cessna, Raytheon, and Bombardier-Learjet. Other major employers in the area, such as Via Christi Regional Medical Center, Wesley Medical Center, Unified School Districts, Vulcan Chemicals, local governments, and several retail services help provide employment diversity and stability in the local economy. The May 2002 unemployment rate for the Wichita MSA is 5.3 percent, compared to 5.8 percent nationwide.

The bank faces strong competition in the area. In addition to the bank, 32 other banks have offices in the AA with assets ranging from \$21 million to \$562 billion. Examiners selected ten institutions as peer banks since the majority of their deposits or offices are in the AA. The asset sizes of the peer banks range from \$21 million to \$2.5 billion with the bank ranking 7th among this group. With two percent of the area deposits, the bank ranks 10th in deposit market share.

Examiners reviewed one recent community contact performed by the OCC, and four others performed by another federal government agency. The contacts identified business, consumer, and residential real estate loans as the primary credit needs in the area. The contacts indicated that area banks are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is satisfactory. The bank's quarterly average loan-to-deposit ratio over the past 12 quarters ended June 30, 2002 is 88 percent, compared to 84 percent for peer banks. For peer banks, examiners selected ten banks that had the majority of their deposits or offices in the AA. The average loan-to-deposit ratios for the peer banks range from 66 percent to 120 percent.

Lending in Assessment Area

The bank's lending in the AA is satisfactory, as it extends a majority of its primary loan products in the AA. To determine the distribution, examiners selected a sample of 20 indirect consumer automobile loans and 20 commercial real estate loans granted from 1999 through September 11, 2002. The table below depicts the bank's lending in the AA:

Percentage of Sample of Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
70	74

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

Lending to borrowers of different income levels and to businesses of different sizes is satisfactory. The distribution for each loan product is satisfactory. Examiners selected a sample of 20 indirect consumer automobile loans and 20 commercial real estate loans granted from 1999 through September 11, 2002. The community contacts identified business, consumer, and residential real estate loans as the primary credit needs in the area.

Lending to borrowers of different income levels for indirect consumer automobiles is satisfactory. Lending to low-income borrowers is adequate but below the demographics. A majority of the indirect loans are on newer, higher-priced automobiles. These automobiles require a higher down payment and higher monthly payments, which make it difficult for low-income borrowers to qualify. Lending to moderate-income borrowers is satisfactory since it is slightly above the demographics. The table below depicts the bank's lending performance, based on the examiners' sample:

Sample of Indirect Consumer Automobile Loans in the Assessment Area			
Borrower Income Level	Percentage of Number	Percentage of Dollar	Percentage of Households in Income Category
Low-income	15	08	24
Moderate-income	25	19	18
Middle-income	15	15	21
Upper-income	45	58	37
Total	100	100	100

Lending to businesses of different sizes in the AA is satisfactory. The table below indicates 80 percent of the commercial real estate loans in the examiners' sample are to businesses with annual gross revenue of \$1 million or less. The bank's performance is comparable to the Dunn & Bradstreet 2001 demographic data, which indicates 84 percent of the businesses in the AA have annual gross revenue of \$1 million or less.

Sample of Commercial Real Estate Loans Granted in the Assessment Area		
Annual Gross Revenue	Percentage of Number	Percentage of Dollar
Less than \$100,000	35	14
\$100,000 - \$500,000	30	27
\$500,001 - \$1,000,000	15	17
Over \$1,000,000	20	42
Total	100	100

Geographic Distribution of Loans

Geographic distribution of the bank's primary loan products in the AA is satisfactory. The distribution for each loan product is satisfactory or good. To determine the distribution, examiners selected a sample of 20 indirect consumer automobile loans and 20 commercial real estate loans granted from 1999 through September 11, 2002, as those are the bank's primary loan products. Examiners did not identify any unexplained areas of low loan penetration.

The distribution of the indirect consumer automobile loans in the sample is satisfactory. The distribution in the low-income tracts is satisfactory, as it exceeds the demographics by 13 percent. The distribution in the moderate-income tracts is also satisfactory, as it exceeds the demographics by ten percent. The table below depicts the distribution of the bank's indirect consumer automobile loans:

Distribution of Indirect Consumer Automobile Loan Sample in the Assessment Area			
Census Tract Income Level	Percentage of Number	Percentage of Dollar	Percentage of Households by Income Level of Tract
Low-income	20	14	07
Moderate-income	35	42	25
Middle-income	25	22	47
Upper-income	20	22	21
Total	100	100	100

The distribution of the commercial real estate loans in the sample is good. The distribution in the low-income tracts is satisfactory, as it matches the demographics. The distribution in the moderate-income tracts is excellent, as it exceeds the demographics by 17 percent. The table below depicts the distribution of the bank's commercial real estate loans:

Sample of Commercial Real Estate Loans in the Assessment Area			
Census Tract Income Level	Percentage of Number	Percentage of Dollar	Percentage of AA Businesses in Tracts
Low-income	10	06	10
Moderate-income	45	35	28

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA examination.

Fair Lending Review

An analysis of 1999, 2000, 2001, and first half of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on the analysis of the information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.