



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 03, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Midland National Bank Of Newton
Charter Number 4860**

**527 Main Street
Newton, KS 67114**

**Comptroller of the Currency
Wichita Field Office
3450 North Rock Road Suite 505
Wichita, KS 67226**

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.

- The Midland National Bank of Newton's (bank) level of lending is satisfactory. The bank's quarterly average loan-to-deposit ratio is similar to the average of other banks in the assessment area.
- Management's efforts to make loans to borrowers of different incomes and businesses of different sizes is reasonable and compare to the demographics of the assessment area.
- The bank extended a majority of all loans granted since the previous CRA examination within its assessment area. Eighty-five percent of loans granted since the last CRA examination are within the bank's assessment area.

DESCRIPTION OF INSTITUTION

The bank is a \$111 million financial institution located in Newton, Kansas. The bank consists of the main office and four branches located in Newton and North Newton, Kansas. The bank also has two depository Automated Teller Machines located in Newton and one located in North Newton, Kansas. The bank is a wholly owned subsidiary of Midland Financial Corporation, a one bank holding company located in Newton, Kansas, with total assets of \$8.5 million. The bank has not changed its corporate structure since the last CRA examination.

The bank is a full-service financial institution offering a variety of loan products. Net loans represent 56% of the bank's total assets. Primary lending emphasis is residential real estate and consumer. As of September 30, 2001, the bank's portfolio had the following composition: 41% commercial real estate, 26% commercial, 20% residential real estate, 6% consumer, 4% agricultural, and 3% real estate construction and development.

The bank's financial condition, size, local economic condition, and other factors allow it to help meet the credit needs of its assessment area. The bank opened one branch location in Newton, Kansas since the prior CRA examination. The bank received a satisfactory rating at the April 24, 1997, CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Harvey County, Kansas. Harvey County is one of three counties in the Wichita Metropolitan Statistical Area #9040 (MSA). The 2001 median family income for the MSA is \$59,000 and the decennial income is \$35,931. The bank's assessment area meets the requirement of the regulation. Harvey County's population is 31,028 based on 1990 U. S. census information. The assessment area consists of six middle-income census tracts. Harvey County had the following distribution of family by income levels: low-income families 19%, moderate-income families 22%, middle-income families 30%, and upper-income families 29%. The assessments area's median housing value is \$47,886 with 64% of housing units owner occupied.

Harvey County's economic base is a mixture of small manufacturing, retail business, and agriculture. Many residents commute to Wichita, Kansas for employment. The Bureau of Labor Statistics Data reports the September 2001 unemployment rate in Harvey County is 2.8%. Seven banks have headquarters in Harvey County, including this institution. Two other banks and one savings and loan have branch locations in the assessment area. The seven banks with headquarters in Harvey County range in size from \$4.5 million to \$130 million. We contacted a local professional as part of this examination. The contact stated the primary credit need is residential real estate and the local financial institutions are meeting community credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable and compares to similar banks with headquarters in Harvey County. The bank's quarterly average loan-to-deposit ratio during the previous 12 quarters is 64%. The quarterly average loan-to-deposit ratio for similar banks with headquarters in Harvey County is 69%. The quarterly average loan-to-deposit for the similar banks range from 65% to 81%.

Lending in Assessment Area

The bank lending within the assessment area is reasonable. Examiners used random sampling of loans granted since the last CRA examination to verify 85% of the number of loans and 76% of the dollar amount of loans are granted within the assessment area. Our random sample consisted of residential real estate and consumer loans. Residential real estate loans represent the category with the largest dollar amount of loans granted since the previous CRA examination at 31%. Consumer loans represent the category with the largest number of loans granted since the previous CRA examination at 46%.

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

Lending to borrowers of different incomes and businesses of different sizes is satisfactory. Examiners randomly sampled 20 residential real estate and 20 consumer loans granted within the assessment area since the prior CRA examination. Consumer and residential real estate loan samples were chosen since they are the bank's primary loan products.

Consumer lending to low- and moderate-income individuals is satisfactory. Consumer loans to low-income individuals is excellent as it exceeds the demographics by 11% while consumer loans to moderate-income individuals is below the demographics.

Sample of Consumer Loans Granted Since the Prior CRA Examination			
Income Level	Percent of Number	Percent of Dollar	Percent of Households

			at Each Income Level
Low-income	35%	27%	24%
Moderate-income	15%	13%	20%
Middle-income	35%	41%	23%
Upper-income	15%	19%	33%
Total	100%	100%	100%

Residential real estate lending to low- and moderate-income individuals is good. Residential lending to low-income individuals is satisfactory with lending performance just below the demographics. Nine percent of the population has incomes below the poverty level, which hinders the ability of borrowers to qualify for loans. Residential real estate lending to moderate-income individuals is excellent as it exceeds the demographics by 8%.

Sample of Residential Real Estate Loans Granted Since the Prior CRA Examination			
Income Level	Percent of Number	Percent of Dollar	Percent of Families at Each Income Level
Low-income	15%	5%	19%
Moderate-income	30%	32%	22%
Middle-income	35%	42%	30%
Upper-income	20%	21%	29%
Total	100%	100%	100%

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans within the assessment area would not be meaningful since all census tracts are middle-income.

Responses to Complaints

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

Fair Lending Review

An analysis of 1998, 1999, 2000, and year-to-date 2001 public comments and consumer complaint information and was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.