



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GARDNER NATIONAL BANK

Charter Number 18435

840 East Main

Gardner, Kansas 66030

Office of the Comptroller of the Currency

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 helping to meet 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 Gardner National Bank prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 6, 1997. The OCC 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: “Satisfactory record of meeting community credit needs”

Gardner National Bank has a more than reasonable loan-to-deposit ratio given its size, its financial condition, and in comparison to its local peers. The bank makes a majority of its home purchase, home refinance, home improvement, and multi-family loans within its assessment area. Gardner National Bank's geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area and the bank's distribution of borrowers reflects reasonable penetration among individuals of various income levels.

The following table indicates the performance level of Gardner National Bank with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	GARDNER NATIONAL BANK		
	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 Areas		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

Gardner National Bank is a \$25 million bank located in Gardner, Kansas. The bank is wholly-owned by Gardner Bancshares, Inc., a one-bank holding company. The bank has two automated teller machines (ATMs) and one branch located in Wellsville, Kansas. The bank's primary focus is mortgage lending, consumer lending and small business lending.

Management classifies companies with sales less than \$10 million as small businesses. As of September 30, 1996, the bank's loan portfolio totaled \$18 million and consisted of 38% 1-4 family residential, 20% commercial, 16% consumer installment, 15% commercial real estate, and 11% other. Gardner NB faces strong competition from not only two local competitors, but also from numerous mortgage companies and large financial institutions in the Kansas City metropolitan statistical area (MSA).

There are no legal impediments or other factors, including the financial condition of the bank, which hinder its ability to fulfill its CRA obligation. Our agency last evaluated Gardner National Bank's performance under CRA as of April 13, 1995. At that time we assigned a rating of "Satisfactory record of meeting community credit needs."

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) complies with the CRA regulation; it does not arbitrarily exclude low-or moderate-income areas or illegally discriminate. The bank's assessment area includes all census tracts within Johnson County, Kansas; census tract 1001 of Miami County, Kansas; block numbering area 12 of Douglas County, Kansas; and block numbering area 9541 of Franklin County, Kansas. Seventy-eight census tracts compose Gardner National Bank's assessment area, with forty-six upper-income tracts, thirty-two middle-income tracts, and no moderate-income tracts or low-income tracts. The bank's main office is located in a middle-income census tract.

The city of Gardner, Kansas is located in the southwest portion of the Kansas City MSA. Gardner's primary employers include North Supply Company, United Telephone, Graphic Technology, Inc., Dazey Corporation, and Unified School District #231. The Kansas City MSA has a stable economy and a 4.35% unemployment rate.

Based on updated 1990 census data, the median family income for the Kansas City MSA is \$47,478. Within Gardner National Bank's assessment area, 8% of the population are low-income families, 13% are moderate-income, 22% middle-income and 57% upper-income. The bank's assessment area has a population of 369,421 and contains 149,424 housing units.

The median housing value equals \$86,200. Rental units represent 31% of the total housing units within the bank's assessment area. Community contacts identified fixed rate residential mortgages and small business loans as local credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Analysis

Gardner National Bank's loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. Although the bank is second in total assets when compared to two local competing banks, the bank's average quarterly loan-to-deposit ratio ranked the highest at 91% for the period June 30, 1995 to September 30, 1996. The average quarterly loan-to-deposit ratios for the two local competing banks equaled 66% and 56% during the same timeframe.

Comparison of Credit Extended Inside and Outside of the Assessment Area

Gardner National Bank makes a majority of its loans within its assessment area. For the fiscal periods of 1995 and 1996, the bank originated 63% and 59%, respectively, of its home purchase, home refinance, home improvement, and multi-family loans within its assessment area.

Distribution of Credit Within the Assessment Area

Gardner NB's geographic distribution of loans reflects reasonable dispersion throughout its assessment area. Using home purchase and refinance loans, we identified the following loan distributions for fiscal years 1995 and 1996:

Fiscal Period	Income Level of Census Tract(s)	Home Purchase Originations		Home Refinance Originations	
		#	%	#	%
1995	Low-income tracts	0	0%	0	0%
	Moderate-income tracts	0	0%	0	0%
	Middle-income tracts	35	83%	17	77%
	Upper-income tracts	7	17%	5	23%
	Totals	42	100%	22	100%
1996	Low-income tracts	0	0%	0	0%
	Moderate-income tracts	0	0%	0	0%
	Middle-income tracts	35	95%	9	90%
	Upper-income tracts	5	5%	1	10%
	Totals	37	100%	10	100%

No activity in low-income and moderate-income census tracts is reasonable because there are no low-income and moderate-income tracts within the bank’s assessment area. Given that the majority of the bank’s home purchase and refinance loans are within the same census tract as the bank’s main office, a high concentration in middle-income census tracts is reasonable.

See

“DESCRIPTION OF ASSESSMENT AREA.”

Gardner National Bank’s distribution of borrowers reflects reasonable penetration among individuals of different income levels. Using home purchase and refinance loans, we identified the following loan distributions for fiscal years 1995 and 1996:

Fiscal Period	Income Level of Individuals	Home Purchase Originations within assessment area		Home Refinance Originations within assessment area	
		#	%	#	%
1995	Low-income	3	7%	2	9%
	Moderate-income	10	24%	5	23%
	Middle-income	10	24%	6	27%
	Upper-income	19	45%	9	41%
	Totals	42	100%	22	100%
1996	Low-income	3	9%	1	10%
	Moderate-income	10	27%	2	20%
	Middle-income	12	32%	3	30%
	Upper-income	12	32%	4	40%
	Totals	37	100%	10	100%

Management stated that a majority of the bank’s commercial loans were to small businesses for fiscal years 1995 and 1996. A community contact confirmed that the bank is a primary source for small business lending.

Compliance with antidiscrimination laws and regulations

Gardner National Bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no violations of antidiscrimination laws and regulations during our examination.

