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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 17, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Southern Kansas  
Charter Number 5559**

**100 North Ohio  
Mount Hope, Kansas 67108**

**Office of the Comptroller of the Currency  
South Kansas Field Office  
3450 North Rock Road, Suite 505  
Wichita, Kansas 67226-1327**

**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.*

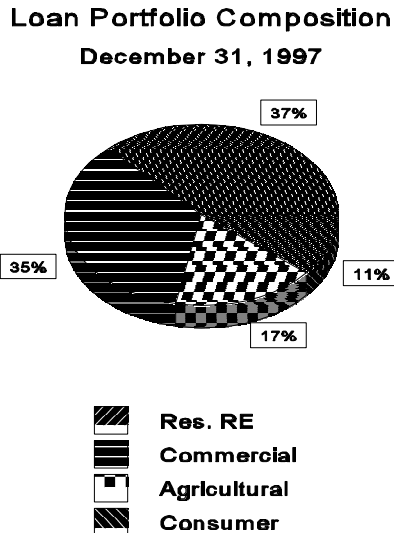
*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Southern Kansas, Mount Hope, Kansas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 17, 1998. The agency rates the CRA 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 has a satisfactory level of lending to borrowers of different income levels and to businesses of various sizes. The bank’s loan-to-deposit ratio is good, with a majority of loans being made within the assessment area.

## DESCRIPTION OF INSTITUTION

The First National Bank of Southern Kansas (FNB), a \$25 million financial institution, is one of



seven banks headquartered in the bank's assessment area. The bank has a main office in Mount Hope and a branch in Andale, Kansas. Mount Hope is 25 miles northwest of Wichita, the largest city in Kansas. Andale is 6 miles south of Mount Hope. FNB also offers automated teller machines (ATMs) at each office. Mount Hope Bancshares, Inc, a one bank holding company, owns 100% of the bank. FNB is a full service bank and offers a variety of loan products. As of December 31, 1997, residential real estate loans accounted for 37% of the bank's \$17 million loan portfolio, with commercial loans representing another 35%. Agricultural loans and consumer loans comprised 17% and 11%, respectively.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. FNB opened the Andale branch during September 1997. At the previous CRA examination dated August 24, 1995, FNB received a "Satisfactory Record of Meeting Community Credit Needs" rating.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) includes Sedgwick County census tracts (CTs) 104 and 105 and Harvey County block numbering area (BNA) 306 of the Wichita Metropolitan Statistical Area (MSA). The AA also includes CT 14 in Reno County. All of the AA is middle-income. The AA does not arbitrarily exclude any low- or moderate-income areas.

The AA contains the towns of Mount Hope, Andale, Haven, Burrton, Halstead, Sedgwick, Yoder, and Partridge. The tracts in the MSA area have a population of 11,732, while the non MSA area has a population of 5,057, based on the 1990 U.S. Census. The local economy is good. Agricultural crops is the primary industry, with manufacturing concerns in Wichita providing employment and economic support.

Examiners reviewed two community contacts with local businesses. The contacts revealed housing and consumer instalment loans as the AA's primary credit needs.

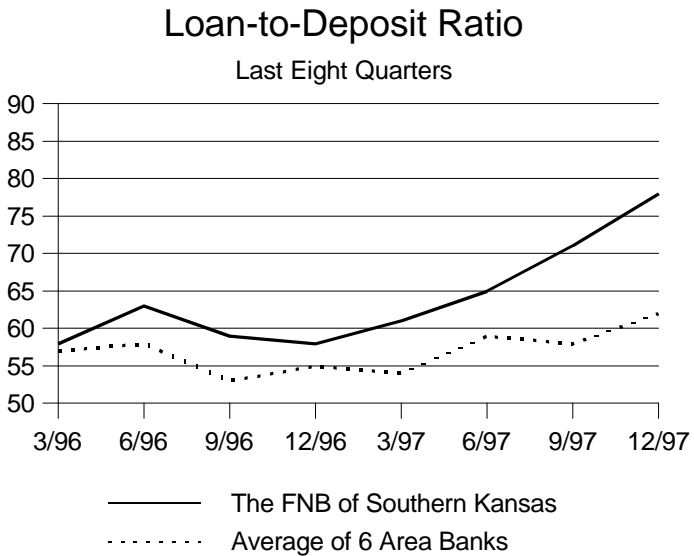
The Kansas statewide nonmetropolitan median family income is \$36,100 for 1997, while the Wichita MSA has a median family income of \$45,800. The following table shows the distribution of families in the AA by income level.

Population	MSA	Non MSA
Low-Income Families	16%	15%
Moderate-Income Families	22%	22%
Middle-Income Families	31%	24%
Upper-Income Families	31%	39%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

***Loan-to-Deposit Ratio***

The bank’s level of lending is good. Based on the last eight quarters ending December 31, 1997, the bank’s average loan-to-deposit ratio was 64%. This was higher than the average loan-to-deposit ratio of 58% for the other six banks headquartered within the AA. Of the seven area banks, FNB has the second highest average loan-to-deposit ratio. The other six bank’s have average loan-to-deposit ratios ranging from 45% to 75%. The graph indicates FNB’s lending level has increased during the last half of 1997 with the opening of the Andale branch.



***Lending in Assessment Area***

FNB extends a majority of its loans within the AA. Bank records indicate 72% of all loans granted by the bank since August 25, 1995, are in the AA.

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

The bank has a satisfactory record of lending to borrowers of different income levels. Examiners sampled 51 residential real estate loans or consumer instalment loans made in 1996, 1997, and 1998. The sample shows the bank has a smaller percentage of loans to low-income individuals than represented in the AA, while FNB has a strong record of lending to moderate-income individuals.

<b>Distribution of Residential Real Estate and Consumer Loan Sample in Non MSA AA by Income Levels</b>		
<b>Income Levels</b>	<b>% of Loan Sample</b>	<b>% of Families in Income Category</b>
Low	9	15
Moderate	37	22
Middle	27	24
Upper	27	39

<b>Distribution of Residential Real Estate and Consumer Loan Sample in MSA AA by Income Levels</b>		
<b>Income Levels</b>	<b>% of Loan Sample</b>	<b>% of Families in Income Category</b>
Low	12	16
Moderate	40	22
Middle	30	31
Upper	18	31

Lending levels to businesses of different sizes are satisfactory. Examiners sampled fifteen commercial or agricultural loans granted during 1997 and 1998. Management considers businesses with annual gross revenues of less than \$300,000 to be small operations. The following table shows the distribution of business loans by annual gross revenues.

<b>Business Annual Gross Revenues</b>	<b>Number of Loans</b>	<b>Percent</b>
Under \$300,000	10	67%
Over \$300,000	5	33%
TOTAL	15	100%

***Geographic Distribution of Loans***

An analysis of the bank’s geographic distribution of loans would not be meaningful, as the AA does not contain any low- or moderate-income tracts.

***Response to Complaints***

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

***Compliance with Anti-Discrimination Laws and Regulations***

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of disparate treatment.