



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 13, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank & Trust, National Association  
Charter Number 17464

1017 Harrison  
Great Bend, KS 67530

Office of the Comptroller of the Currency

Wichita Field Office  
3450 N. Rock Road, Suite 505  
Wichita, KS. 67226-1355

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- Farmers Bank and Trust, National Association's (Farmers) average loan-to-deposit ratio of 67% is reasonable compared to the average of 83% for similarly situated banks.
- A substantial majority of the bank's primary loan products have been granted in the bank's assessment areas. The loan sample indicated 95% of the number and 93% of the dollar amount were extended to borrowers within the bank's assessment areas.
- Farmers demonstrated excellent penetration to businesses and farms of different sizes. In the Great Bend assessment area, the business loan sample indicated the bank made 85% of its loans to businesses with revenues of one million dollars or less.
- The bank's lending performance throughout the Great Bend assessment area reflects excellent dispersion. The percentage of loans granted by the bank to businesses and farms in moderate-income tracts exceeded the percentage of businesses and farms located in those tracts as reflected by the demographics.
- Farmers demonstrated excellent responsiveness to community development needs in the Kansas City/Liberty assessment area. Community development loans and qualified investments represent 17% of the bank's allocated Tier One Capital.

## **Scope of Examination**

The evaluation of lending products included a review of 20 business loans and 20 farm loans originated or purchased from January 1, 2007 through June 30, 2009, for the Great Bend assessment area (AA). A sample of 20 business loans from the same time period was used for the evaluation of lending products in the Kansas City/Liberty AA. These were the primary products granted since the previous Community Reinvestment Act (CRA) examination.

The Community Development Test included a review of community development loans, qualified investments, and community development services. The evaluation period for community development was from November 21, 2006 to October 13, 2009.

## **Description of Institution**

Farmers Bank and Trust, National Association is a \$641 million interstate financial institution headquartered in Great Bend, KS. The bank is a wholly owned subsidiary of Farmers Enterprises, Incorporated, a one bank holding company located in Great Bend, KS. As of June 30, 2009, the holding company had total assets of \$651 million. Farmers has eight branches including the main office and seven automatic teller machines (ATMs). The main bank, six branches, and six ATMs are in the state of Kansas. There is one branch and one ATM in the state of Missouri. Since the prior CRA examination, the bank opened a new branch located in Liberty, MO. There have been no branches closed in either AA over the evaluation period.

Farmers is a full-service banking institution that offers a full range of commercial, real estate, and consumer credit products. Net loans and leases represent 49% of the bank's total assets. On June 30, 2009, the bank's \$321 million loan portfolio consisted of 77% real estate loans, 11% commercial and industrial loans, nine percent agricultural loans, one percent consumer loans, two percent municipal and other loans. The bank's primary business focus during the evaluation period was commercial (real estate and non-real estate), agriculture, and construction loans.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs. The Office of the Comptroller of the Currency last evaluated Farmers' CRA performance on November 20, 2006. The bank received an overall rating of "Satisfactory" under the Intermediate Small Bank Performance Standards.

The bank's overall rating is a blend of the Kansas City, KS-MO multistate metropolitan area rating and the state of Kansas rating. The state of Kansas received more weight in the analysis as the Great Bend AA accounts for 88% of the bank's deposits. Separate conclusions will be presented in this Evaluation for each AA. Conclusions for the Kansas/Great Bend AA will be presented first.

## **Conclusions with Respect to Bank-wide Performance Criteria**

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

Farmers' lending level is reasonable. The bank's average quarterly loan-to-deposit ratio since the last CRA examination is 67%, compared to 83% for similarly situated banks. The average loan-to-deposit ratio for these banks ranges from 58% to 107%.

### **Lending in Assessment Area**

Farmers' level of lending within its AAs is outstanding. A substantial majority of the bank's primary loan products were granted in the assessment areas. Specifically, we found that 95% of the number and 93% of the dollar amount of all commercial loans were extended to borrowers within the bank's AAs. The sample consisted of 20 business and farm loans originated or purchased by the bank from January 1, 2007 through June 30, 2009.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

# State Rating

## State of Kansas

**CRA Rating for Kansas<sup>1</sup>: Satisfactory.**

**The Lending test is rated: Outstanding.**

**The Community Development test is rated: Satisfactory.**

- Farmers demonstrated excellent penetration to businesses and farms of different sizes. In the Great Bend AA, the business loan sample indicated the bank made 85% of its business loans to businesses with revenues of one million dollars or less and 95% of its farm loans to farms with revenues of one million dollars or less.
- Farmers lending performance reflects excellent dispersion throughout the AA. The bank extended ten percent of the number of business loans and five percent of the number of farm loans within the moderate-income tracts. This percentage of lending exceeded the demographics for the percentage of small businesses and small farms located in the moderate-income tracts.
- Farmers' level of community development lending is good. The bank granted loans of \$5.5 million, or nine percent of allocated Tier One Capital, for community development purposes.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN KANSAS

Farmers has one AA in the state of Kansas. The Great Bend AA is comprised of Barton, Edwards, Ness, Pawnee, and Rush Counties, all contiguous non-metropolitan areas located in central Kansas. All of the counties with the exception of Pawnee County are in a distressed/underserved area. The delineation of the AA does not reflect any illegal discrimination or arbitrarily exclude any low-or moderate-income geographies. The AA has 16 census tracts (CTs). There are no low-income tracts, two moderate-income tracts, 14 middle-income tracts, and no upper-income tracts. The 2000 U.S. Census reflected a population of 45,892. Twenty-eight percent of the AA's population is not in the work force and 19% are over the age of 65. Thirteen percent of the households are retired, 11% of the households have income below the poverty level, and three percent of the households received public assistance. The weighted average HUD Updated Median Family Income for 2009 is \$52,100. The median housing value is \$48,859.

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<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The AA is dependent on agriculture. The rural area has little industrial diversity and little population growth. Great Bend, the largest city in the AA, does offer some diversity in the form of manufacturing, retail, and service industries. Major employers include Unified School District #428; Barton County Community College; Central Kansas Medical Center; WalMart Supercenter; and CPI, Qualified Plan Consultants. The June 2009 unemployment rate for Kansas was seven percent.

Farmers has the largest deposit market share of all the banks in the AA with 32% of the deposits. Within the AA there are 17 financial institutions with 39 offices. The bank with the next largest deposit market share has 11% of the deposits. Primary competition includes American State Bank & Trust and Community Bank of the Midwest.

Examiners contacted one community professional at an economic development organization in the Great Bend AA. Affordable housing and small business loans are the primary credit needs of the community. The contact stated that local banks satisfactorily meet the needs of the community on a consistent basis.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS**

### **LENDING TEST**

The bank’s performance under the lending test in Kansas is rated outstanding. Based on a full-scope review, the bank’s performance in the Great Bend AA is outstanding.

#### **Lending to Businesses of Different Sizes**

The bank’s record of lending in the Great Bend AA reflects excellent penetration among businesses of different sizes. The business loan sample indicated the bank made 85% of its loans to businesses with revenues of one million dollars or less. The bank’s performance exceeded the demographics of 70%.

<b>Borrower Distribution of Loans to Businesses in Great Bend AA</b>				
<b>Business Revenues (or Sales)</b>	<b>&lt;= \$1,000,000</b>	<b>&gt; \$1,000,000</b>	<b>Unavailable</b>	<b>Total</b>
<b>% of AA Businesses</b>	70%	4%	26%	100%
<b>% of Bank Loans in AA by #</b>	85%	10%	5%	100%

*Source: Loan sample and 2009 Business Geodemographic Data*

The distribution of loans to farms of different sizes also reflects excellent penetration. The farm loan sample indicated the bank made 95% of its farm loans to farms with revenues of one million dollars or less. The bank’s performance is comparable to demographics of 98%.

<b>Borrower Distribution of Loans to Farms in Great Bend AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%

*Source: Loan sample and 2009 Business Geodemographic Data*

## Geographic Distribution of Loans

The geographic distribution of business loans reflects excellent dispersion throughout the assessment area. The bank granted ten percent of the number of business loans to borrowers located in moderate-income tracts. This level exceeds the demographics, which reflect nine percent of the AA's businesses are located in moderate-income tracts.

<b>Geographic Distribution of Loans to Businesses in Great Bend AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	N/A	N/A	9%	10%	91%	90%	N/A	N/A

*Source: Loan sample and 2009 Business Geodemographic Data*

The geographic distribution of farm loans also reflects excellent dispersion. The bank extended five percent of the number of farm loans to farms located within moderate-income tracts. This level significantly exceeds the demographics showing that three percent of the AA farms are located in moderate-income tracts.

<b>Geographic Distribution of Loans to Farms in Great Bend AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	N/A	N/A	3%	5%	97%	95%	N/A	N/A

*Source: Loan sample and 2009 Business Geodemographic Data*

While 1-4 family residential real estate was not a primary loan product reviewed at this examination, the bank does participate in the Rural First-Time Homebuyer Program and in rural development loans sponsored by the USDA. The bank also participates with a local non-profit housing organization in granting loans in affordable housing programs sponsored by HUD. The bank provided \$1.9 million for 42 residential real estate borrowers participating in these government assistance programs.



## **Responses to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in Kansas is rated Satisfactory. Based on a full-scope review, the bank's performance in the Great Bend AA is Satisfactory.

### **Community Development Loans**

The bank's level of community development lending during the evaluation period demonstrates good responsiveness to community development lending needs. Farmers granted 11 loans totaling \$5.5 million for community development purposes. This level of community development lending represents nine percent of the bank's allocated Tier One Capital. A loan totaling \$1.7 million was granted to build 48 affordable housing units for low- and moderate-income individuals. Ten loans totaling \$3.7 million were granted for essential infrastructure/services for moderate-income, distressed, underserved, or disaster areas.

### **Qualified Investments**

The bank demonstrated less than satisfactory responsiveness to community development investment needs in the Great Bend AA. The bank provided \$249 thousand in qualified investments and donations. This amount represents less than one percent of the bank's allocated Tier One Capital.

Forty-four organizations received a total of \$91 thousand in donations during the evaluation period. The bank also provided five qualified investments totaling \$158 during the evaluation period. Qualified investments include a \$102 thousand bond to provide essential roadway infrastructure in a distressed non-metropolitan middle-income area. The bank's qualified donations addressed social and educational services in the community while the bank's qualified investments addressed the needs of the community through infrastructure development in underserved, distressed, or disaster areas.

### **Community Development Services**

The bank's level of community development services during the evaluation period demonstrates adequate responsiveness to community development service needs. Farmers supported 21 qualifying organizations that have varying mission statements. The bank's involvement in various local community organizations has helped promote community development. The following are examples of how bank associates used their financial expertise to assist these organizations:

- Bank associates led numerous projects that benefited a community adjacent to the AA that was demolished by a tornado in May 2007.

- Bank officers provided home loan credit counseling for borrowers participating in HUD's Affordable Housing Program or the USDA's Rural First-time Homebuyer Program.
- Bank officers provided financial services to two small businesses in the AA, helping them successfully compete for and win Federal grants. Upgrades at these businesses were expected to create 88 new jobs in the AA.

**Responsiveness to Community Development Needs**

Farmers showed adequate responsiveness to community development needs in the Great Bend AA. The bank supported community needs that included affordable housing, social services, educational services, and stabilization.

## **Multistate Metropolitan Area Rating**

### **Kansas City Metropolitan Area**

**CRA Rating for the Kansas City, KS-MO Metropolitan Area<sup>2</sup>: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community Development test is rated: Outstanding.**

- Farmers' lending activities demonstrated reasonable penetration to businesses of different sizes. The commercial loan sample indicated the bank made 50% of its business loans to businesses with revenues of one million dollars or less.
- Farmers demonstrated an excellent responsiveness to community development needs. The bank's volume of qualified community development loans represented 11% of allocated Tier One Capital. Farmers' volume of qualified investments represented 6% of allocated Tier One Capital.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN KANSAS CITY METROPOLITAN AREA**

During 2008, Farmers opened a branch in Liberty, Clay County, MO, located 15 miles northeast of downtown Kansas City, MO. Liberty is bounded on the west by I-435, the interstate that encircles the Kansas City metropolitan area. The new Liberty location, combined with an existing branch location in Overland Park, Johnson County, KS, gave the bank a presence in two states. The bank's multistate AA is now comprised of Johnson County, KS and the city of Liberty, MO. Combined, these two areas represent a small portion of the Kansas City Metropolitan Area # 28140. Johnson County contains 107 CTs and the city of Liberty contains eight CTs. As a whole, the Kansas City/Liberty (KC/Liberty) AA contains 115 CTs, of which, none are designated low-income, two are designated as moderate-income, 46 are designated as middle-income, and 67 are designated as upper-income. The delineation of the KC/Liberty AA does not reflect any illegal discrimination, or arbitrarily exclude any low- or moderate-income geography.

The AA had a 2000 U.S. Census population of 506,084 persons. Twenty percent of the AA's population is not in the work force and ten percent of the population is over the age of 65. Fourteen percent of the households in the AA are retired, four percent of the households have income below the poverty level, and one percent receives public assistance. The weighted average Department of Housing and Urban Development (HUD) Updated Median Family Income for 2009 is \$70,400. The median housing value is \$153,841. One-to-four family units represent 82% of the total housing units, rental

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<sup>2</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

units account for 26% of the housing, and one percent are mobile homes.

The KC/Liberty AA economy has been contracting but remains in better shape than many parts of the nation. Moody's June 2009 report on the Kansas City area states that construction permit issuances have been stable recently and an increase in new factory orders suggests manufacturing output could increase later this year. Primary employers in Johnson County include Whiteman Air Force Base, Central Missouri State University, and Holiday Worldwide. Primary employers in the city of Liberty include a distribution center for Hallmark Cards, Incorporated, Liberty School District, Liberty Hospital, Clay County, and RR Donnelly publishing. The June 2009 unemployment rate for the Kansas City metropolitan area was 8.7%.

Farmers does not have a significant deposit market share in the AA, having only 0.34% of all deposits. Within the AA, there are 73 financial institutions with 268 offices. Farmers' primary competitors include Bank of America, N.A.; Commerce Bank, N.A.; 1<sup>st</sup> Financial Bank; Metcalf Bank; Solutions Bank; Stanley Bank; UMB Bank, N.A.; and Valley View State Bank.

During July 2009, examiners contacted one community professional at a small business development center in the AA. The contact indicated that small business loans are the primary credit needs of the community. Small business loans are needed to help fund recovery from the recent recession. The contact stated that due to more stringent credit underwriting, the number of banks willing to finance small businesses has decreased significantly in the past year. Banks are generally meeting the credit needs of the communities, but at a reduced pace.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KC/LIBERTY AA**

### **LENDING TEST**

Farmers' performance under the lending test in the KC/Liberty AA is rated satisfactory.

#### **Lending to Businesses of Different Sizes**

Farmers' lending in the AA reflects reasonable penetration among businesses of different sizes. The business loan sample indicated the bank made 50% of its loans to businesses with revenues of one million dollars or less. This is below the AA demographic that reflects 74% of the businesses have revenues of one million dollars or less.

<b>Borrower Distribution of Loans to Businesses in KC/Liberty AA</b>				
Business Revenues	<= \$1,000,000	> \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74%	6%	20%	100%
% of Bank Loans in AA by #	50%	35%	15%	100%

Source: Loan sample and 2009 Business Geodemographic Data

## Geographic Distribution of Loans

The geographic distribution of business loans reflects reasonable dispersion throughout the AA. Farmers did not grant any loans to businesses located in moderate-income tracts; however, the two moderate-moderate income tracts in the AA are located seven and eight miles from the bank's Johnson County branch. Given the heavy concentration of financial institutions in the AA, borrowers are more likely to obtain financing from banks within close proximity to their businesses.

<b>Geographic Distribution of Business Loans in KC/Liberty AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	N/A	N/A	2%	0%	35%	25%	63%	75%

Source: Loan sample and 2009 Business Geodemographic Data

## Responses to Complaints

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

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in the KC/Liberty AA is rated outstanding.

### Community Development Loans

Farmers' level of community development lending during the evaluation period demonstrates excellent responsiveness to community development needs. The bank extended one loan totaling \$880 thousand for community development purposes during the evaluation period. This volume of community development lending represents 11% of the bank's allocated Tier One Capital. The loan was made to build 36 affordable housing units for low- and moderate-income senior citizen individuals.

### **Qualified Investments**

The bank's level of qualified investments demonstrates excellent responsiveness to community development needs. The bank provided \$446 thousand in qualified donations and investments during the assessment period. This amount represents six percent of the bank's allocated Tier One Capital. Eight organizations received donations. In addition, the bank participated in financing a local Community Development Financial Institution (CDFI). The bank's qualified donations address community needs including economic development and community services, while its investment in a CDFI helps provide affordable housing.

### **Community Development Services**

The bank's level of community development services demonstrates adequate responsiveness to needs in the KC/Liberty AA. The bank supported six qualifying organizations that have varying mission statements. Such involvement in community organizations promotes community development. The following are examples of how bank associates used their financial expertise to assist these organizations:

- Bank Officer serves on an advisory council for an organization that operates a homeless shelter, provides transitional housing, and supports a food pantry.
- Bank Officer serves as Treasurer for an organization providing eye care and eye glasses for children who are qualified by participating in the school district's free-and-reduced school meal program.
- Bank Officer serves on various committees for organization that provides mentoring and youth camp for individuals who are qualified by Section 8 housing and the school district's free-and-reduced school meal program.

### **Responsiveness to Community Development Needs**

Farmers demonstrated excellent responsiveness to community development needs in the KC/Liberty AA. By providing funds and technical financial services, the bank supported community needs, which included affordable housing, social services, and educational services.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/2007 to 06/30/2009 Community Development Test: 11/20/2006 to 10/13/2009	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Farmers Bank and Trust, National Association Great Bend, KS		Small business and small farm
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Kansas City MA KC/Liberty AA Kansas	Full Scope	
Great Bend AA	Full Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
FARMERS	Satisfactory	Satisfactory	Satisfactory
Kansas/Great Bend AA	Outstanding	Satisfactory	Satisfactory
KC/Liberty AA	Satisfactory	Outstanding	Satisfactory