



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**November 20, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Farmers Bank & Trust, National Association  
Charter Number 17464**

**1017 Harrison  
Great Bend, KS 67530**

**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.**

## **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, N.A.'s average loan-to-deposit ratio of 69% is reasonable compared to the average of 68% for similarly situated banks with locations in the assessment areas.
- A majority of the bank's primary loan products have been granted in the assessment area. The loan sample indicated the bank granted 88% of the number and 58% of the dollar volume of its loans within the assessment area.
- Farmers Bank and Trust, N.A. demonstrated adequate lending to borrowers of different incomes and businesses of different sizes. In the Great Bend Assessment Area, the commercial loan sample indicated the bank made 83% of its small business loans to businesses with revenues of one million dollars or less and 96% of its small farm loans to farms with revenues of one million dollars or less. In the Overland Park Assessment Area, the commercial loan sample indicated the bank made 65% of its commercial loans to businesses with revenues of one million dollars or less. Lending to moderate-income borrowers is adequate, as 11% of the loans in the sample were granted to moderate-income borrowers.
- Farmers Bank and Trust, N.A.'s lending performance in moderate tracts is good. The geographic distribution of small business loans in the Great Bend Assessment Area is good. The bank granted 11% of small business loans to borrowers located in moderate-income tracts. The geographic distribution of small farm loans is adequate. The bank extended two percent of the number of small farm loans to farms located in the moderate-income tracts. The geographic distribution of commercial loans in the Overland Park Assessment Area is excellent. The bank extended 15% of the number of commercial loans to businesses located in the moderate-income tracts. The geographic distribution of residential real estate construction loans is adequate.

## **SCOPE OF EXAMINATION**

The evaluation of lending products included a review of all small business and small farm loans originated or purchased this year and the prior two calendar years in the Great Bend Assessment Area (AA) and 20 commercial loans and 20 residential real estate construction loans originated or purchased over the same time period from the Overland Park AA. These were the primary products the bank 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 October 15, 2003 to November 20, 2006.

We gave more weight to the Great Bend AA since it accounts for 98% of the bank's deposits and 66% of the loans made during the evaluation period.

## **DESCRIPTION OF INSTITUTION**

Farmers Bank and Trust, N.A. (Farmers), is a \$505 million intrastate financial institution headquartered in Great Bend, Kansas. The bank is a wholly owned subsidiary of Farmers Enterprises, Incorporated, a one bank holding company located in Great Bend, Kansas. As of December 31, 2005, the holding company had total assets of \$509 million. Farmers has seven branches including the main office and five automated teller machines (ATMs) in Kansas. The bank has not opened or closed any branches since the previous CRA examination. During the evaluation period, the bank merged Cap West Finance, an internet mortgage company into the bank.

Farmers is a full-service banking institution offering a full range of commercial, real estate, and consumer credit products. Net loans and leases represent 48% of the bank's total assets. On June 30, 2006, the bank's \$243 million loan portfolio consisted of 71% real estate loans, 13% agricultural loans, 12% commercial and industrial loans, 1% consumer loans, 1% other loans, and 2% municipal loans. On June 30, 2006, Tier One Capital totaled \$45 million. The bank's primary business focus during the evaluation period was commercial and agriculture loans.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AAs. The Office of the Comptroller of the Currency last evaluated Farmers' CRA performance on October 14, 2003. The bank received an overall rating of "Satisfactory" under the Large Bank Performance Standards.

## **DESCRIPTION OF ASSESSMENT AREAS**

Farmers has two assessment areas in Kansas, the Great Bend AA and the Overland Park AA.

### **Great Bend AA**

The Great Bend AA is comprised of Barton, Edwards, Ness, Pawnee, and Rush Counties, 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 geography. The AA had a 2000 U.S. Census population of 45,892. The AA has 16 census tracts, which are designated 0% low-income, 13% moderate-income, 87% middle-income, and 0% upper-income. 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 in the AA are retired, 11% of the households have income below poverty level, and 3% of the households receive public assistance. The weighted average Housing and Urban Development (HUD) Updated Median Family Income for 2006 is \$49,800. The median housing value is \$48,859.

The AA is dependent on agriculture, although Great Bend, the largest city in the AA, offers some economic diversity in the form of manufacturing, retail, and service industries. Major employers include USD 428, Central Kansas Medical Center, Barton County Community College, and

Qualified Plan Consultants. The October 2006 unemployment rate for Kansas was 4.3%.

Farmers has the largest deposit market share of all the banks in the AA with 35% of the deposits. Within the AA, there are 17 financial institutions with 39 offices. The bank with the next largest deposit market share has 9% of the deposits. Primary competition includes American State Bank & Trust, N.A. and Community Bank of the Midwest.

### **Overland Park AA**

The Overland Park AA is comprised of Johnson County, a metropolitan area located in the Kansas City, MO-KS Metropolitan Statistical Area #28140. The delineation of the 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 451,086. The AA has 117 census tracts, which are designated 0% low-income, 2% moderate-income, 38% middle-income, and 60% upper-income. Twenty percent of the AA's population is not in the work force and 10% are over the age of 65. Thirteen percent of the households in the AA are retired, 4% of the households have income below poverty level, and 1% of the households receive public assistance. The weighted average HUD Updated Median Family Income for 2006 is \$67,600. The median housing value is \$157,354. One-to-four family units represent 82% of the total housing units, rental units account for 27% of the housing, and 1% are mobile homes.

The AA is dependent on commercial real estate and business growth. Primary employers include Embarg, Shawnee Mission Medical Center, Black and Veatch, Overland Park Regional Medical Center, and YRC Worldwide. The October 2006 unemployment rate for Kansas was 4.3%.

Farmers does not have a significant deposit market share in the AA with only 0.06%. Within the AA, there are 61 financial institutions with 227 offices. Farmers' primary competitors include Stanley Bank, 1<sup>st</sup> Financial Bank, Metcalf Bank, FNB of Johnson County, Solutions Bank, and Valley View State Bank.

Examiners contacted one community professional in each of the AAs. The Great Bend AA contact indicated that affordable housing and small business loans are the primary credit needs of the community. The Overland Park AA contact stated that Johnson County has been growing exponentially over the past four decades. The primary credit needs of the AA are loans that help fund the growth, whether it be for construction, commercial, residential, or small business purposes. Both contacts indicated that banks are meeting the needs of the communities.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Lending Test**

The bank's performance under the lending test is satisfactory.

### Loan-to-Deposit Ratio

Farmers' lending level is good. The average quarterly loan-to-deposit ratio since the last CRA examination was 69%, compared to 68% for similarly situated banks. The average loan-to-deposit ratio for these banks ranges from 34% to 97%.

### Lending in Assessment Area

Farmers' level of lending in its assessment area is good, as it extended a majority of its major loan products to borrowers located in the AA. Specifically, we found the bank made 88% of the number and 58% of the dollar amount of loans in the AA. The loan sample included all small business and small farm loans originated or purchased this year and the prior two calendar years in the Great Bend AA and 20 residential real estate construction loans and 20 commercial loans originated or purchased over the same time period from the Overland Park AA.

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

Farmers' volume of lending to borrowers of different incomes and businesses of different sizes is satisfactory.

#### Great Bend AA

The bank's record of lending to businesses of different sizes in the Great Bend AA is adequate. The small business loan sample indicated the bank made 83% of its small business loans to businesses with revenues of one million dollars or less. The bank's performance exceeded demographics of 52%. However, the demographics show 44% of the businesses in the AA have unknown or unavailable revenue information.

<b>Borrower Distribution of small business loans in Great Bend Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	52%	4%	44%	100%
% of Bank Loans in AA by #	83%	17%	0%	100%

*Source: Loan sample and 2006 Business Geodemographic Data*

The distribution of loans to farms of different sizes is good. The small farm sample indicated the bank made 96% of its small farm loans to farms with revenues of one million dollars or less. The bank's performance is comparable to demographics of 97%.

<b>Borrower Distribution of small farm loans in Great Bend Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	97%	3%	0%	100%
% of Bank Loans in AA by #	96%	4%	0%	100%

*Source: Loan sample and 2006 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 Federal Home Loan Bank of Topeka's Rural First-Time Homebuyer program. This program assists rural LMI borrowers in obtaining mortgage financing. The bank extended 29 loans totaling \$1,141 thousand during the evaluation period.

### Overland Park AA

Lending to businesses of different sizes in the Overland Park AA is adequate. The commercial loan sample indicated the bank made 65% of its commercial loans to businesses with revenues of one million dollars or less. This is in line with the demographics of 65%. However, the demographics show 28% of the businesses have unknown or unavailable revenues.

<b>Borrower Distribution of Loans to Businesses in Overland Park Assessment Area</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	7%	28%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%

*Source: Loan sample and 2006 Business Geodemographic Data*

Farmers' level of residential real estate lending to borrowers of different incomes is satisfactory. Lending to moderate-income borrowers is adequate, as 11% of the loans in the sample were granted to moderate-income borrowers. This is inline with the demographics of 13%. Lending volume to low-income borrowers is below area demographics. The AA demographics reveal that 8% of the families are low-income, but 4% of the households are below the poverty level and would not qualify for most loans. The residential real estate sample consisted of nine loans for residential real estate construction without permanent financing. Building a new home in the Overland Park AA is cost prohibitive to borrowers with low- and moderate-income. Borrowers with middle- and upper-incomes have more disposable income. The low- and moderate-income families in the AA are purchasing existing homes, not building new ones.

<b>Borrower Distribution of Residential Real Estate Construction Loans in Overland Park Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE Construction (without permanent financing)	8%	0%	13%	11%	22%	22%	57%	67%

*Source: Loan sample and 2000 U.S. Census data*

### Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the bank indicates the bank has good penetration to borrowers and businesses in low- and moderate-income tracts. The bank's two AAs do not contain any low-income tracts.

*Great Bend AA*

The geographic distribution of small business loans in the Great Bend AA is good. The bank granted 11% of small business loans to borrowers located in moderate-income tracts. This compares favorably to the demographics showing 8% of the businesses are located in moderate-income tracts.

<b>Geographic Distribution of small business loans in Great Bend Assessment Area</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	8%	11%	92%	89%	N/A	N/A

*Source: Loan sample and 2006 Geodemographic Business Data*

The geographic distribution of small farm loans is adequate. The bank extended 2% of the number of small farm loans to farms located in the moderate-income tracts. This compares to demographics of 3%. While the bank's performance is below demographics, there are only 24 farms located in the moderate-income census tracts. This would decrease the bank's opportunity to lend to farms in the moderate tracts.

<b>Geographic Distribution of small farm loans in Great Bend Assessment Area</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%	2%	97%	98%	N/A	N/A

*Source: Loan sample and 2006 Geodemographic Business Data*

*Overland Park AA*

The geographic distribution of commercial loans in the Overland Park AA is excellent. The bank extended 15% of the number of commercial loans to businesses located in the moderate-income tracts. This compares favorably to the demographics showing that three percent of the AA businesses are located in the moderate-income tracts.

<b>Geographic Distribution of Loans to Businesses in Overland Park Assessment Area</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	3%	15%	35%	25%	62%	60%

*Source: Loan sample and 2006 Business Geodemographic Data*

The geographic distribution of residential real estate construction loans is adequate. The bank did not extend any loans to borrowers in the moderate-income tracts, but only 1% of the housing units in the moderate-income tracts are owner-occupied.

<b>Geographic Distribution of Residential Real Estate Construction Loans in Overland Park Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE Construction (without permanent financing)	N/A	N/A	1%	0%	33%	22%	66%	78%

*Source: Loan sample and 2000 U.S. Census 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 is satisfactory.

#### *Great Bend AA*

#### **Community Development Loans**

Farmers extended a satisfactory level of community development loans during the evaluation period. The bank granted 14 loans totaling \$2,248 thousand for community development purposes. Seven of the loans totaling \$1,140 thousand were granted to build 99 affordable housing units for low- and moderate-income individuals. Seven of the loans totaling \$1,108 thousand were granted for essential infrastructure/services for distressed, underserved areas.

#### **Qualified Investments**

The bank showed adequate responsiveness to community development investment needs. The bank provided \$48 thousand in qualified donations to 36 organizations during this evaluation period. The bank's qualified donations address community needs including economic development and community services. Significant qualified donations include a donation of \$13 thousand to an economic development study seeking to retain and attract jobs in the community.

#### **Community Development Services**

The bank's performance in providing community development services in the Great Bend AA is adequate. The bank supported approximately 16 organizations that have varying mission statements. The bank was also instrumental in securing a grant from the Federal Home Loan Bank of Topeka to help a large employer in Great Bend, Kansas remain in the community. The bank's involvement in these community organizations has helped promote community development.

**Bank's responsiveness, through community development activities, to community development lending, investment, and services needs**

The bank showed satisfactory responsiveness to community development needs. The bank supported community needs which included affordable housing and small business lending.

*Overland Park AA*

**Community Development Loans**

Farmers' has not extended any community development loans in the Overland Park AA.

**Qualified Investments**

The bank demonstrated good responsiveness to community development investment needs in the Overland Park AA. The bank provided \$399 thousand in qualified investments and donations to four organizations during this evaluation period. The bank's qualified investments address community needs through affordable housing and the financing of a Community Development Financial Institution (CDFI). This CDFI works to revitalize and stabilize low- and moderate-income areas.

**Community Development Services**

The bank's performance in providing community development services in the Overland Park AA is adequate. The bank supported two community service organizations. The organizations provide social services to low- and moderate-income families and provide educational services to low- and moderate-income individuals. The bank's involvement in these community organizations has helped promote community development.

**Bank's responsiveness, through community development activities, to community development lending, investment, and services needs**

The bank showed satisfactory responsiveness to community development needs in the Overland Park AA. The bank supported community needs which included affordable housing, community service organizations, and community development organizations.

**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.