



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 06, 2008**

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

First National Bank of Kansas  
Charter Number 6101

600 N. 4th Street  
Burlington, KS 66839-0000

Office of the Comptroller of the Currency

WICHITA  
3450 North 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

First National Bank of Kansas' (FNB Kansas) average quarterly loan-to-deposit ratio is reasonable. The bank's average quarterly loan-to-deposit ratio is 59% compared with 86% for competitor banks in the assessment area.

- The bank's lending in the assessment area is good as it extends a majority of its primary loan products to borrowers located in the assessment area. Specifically, we found that FNB Kansas made 80% of the number and 86% of the dollar amount of loans in the assessment area.
- FNB Kansas demonstrates adequate levels of lending to borrowers of different incomes and businesses of different sizes. Based on loan size for proxy, the consumer loan sample shows 75% of the number and 39% of the dollar amount of consumer loans were for less than \$10,000.
- The volume of lending to businesses of different sizes in the assessment area is reasonable. The commercial loan sample shows 65% of the number and 72% of the dollar amount of loans were granted to businesses with revenues less than \$1 million.

**SCOPE OF EXAMINATION**

We performed an evaluation of FNB Kansas' Community Reinvestment Act (CRA) performance, focusing upon the bank's designated assessment area. To assess the bank's performance, examiners selected a sample of loans determined to be the primary lending products during the evaluation period. FNB of Kansas' primary loan products were determined to be consumer loans and commercial loans. The evaluation period for the lending test was January 1, 2006, to year-to-date 2008.

**DESCRIPTION OF INSTITUTION**

FNB Kansas as of December 31, 2007, is a \$59 million financial institution located in Burlington, KS. FNB Kansas has one branch located in Waverly, KS; both branches have a drive-through facility and a cash-dispensing only automated teller machine (ATM). There is also a cash-dispensing only ATM at Casey's General Stores in Burlington and New Strawn, KS, and at the OneStop convenience store in Burlington. Meader Insurance Agency, a one-bank holding company, owns 100% of the bank. As of December 31, 2007, the holding company had total assets of \$6.8 million. No branches have been opened or closed since the last examination.

FNB Kansas is a full-service financial institution offering a variety of loan products. Net loans represent 46% of total assets. As of December 31, 2007, FNB Kansas' \$27 million loan portfolio has the following composition: 32% real estate, 34% commercial, 11% individual and other, 4% Municipal, and 19% agriculture. FNB Kansas partners with the Federal Home Loan Bank of Topeka, KS (FHLB) offering the Mortgage Partnership Financing (MPF) real estate loan program. The loans are funded by FHLB

and are not included in the bank's loan portfolio figures. FNB Kansas has not changed any existing loan products since the previous CRA examination. We determined the primary loan products, based on the number and dollar volume granted during the previous two calendar years and year-to-date 2008, are consumer and commercial loans, respectively.

FNB Kansas' financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the prior November 24, 2003, CRA examination.

### **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB Kansas' assessment area (AA) is Coffey County, Kansas. The AA contains three middle-income census tracts. The AA does not contain any low-, moderate-, or upper-income census tracts. The county is not in a Metropolitan Statistical Area (MSA). The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 8,865. The Kansas state-wide non-MSA median income for 2007 is \$47,900. The income distribution for families in the AA is 16% low-income, 19% moderate-income, 24% middle-income, and 41% upper-income. Of the 3,505 households in the AA, 32% receive social security, 9% have income below poverty level, and 2.5% receive public assistance. Twenty-five percent (25%) of the population is not in the work force and 16% is over the age of 65.

The median housing value is \$63,277 and 70% of the housing units are owner-occupied. The local economy is stable. The major employers in the area are Wolf Creek Nuclear Power Plant (Wolf Creek) with approximately 950 employees of whom 50% live in the assessment area, Unified School districts 243 and 244, and Coffey County. Agriculture provides a secondary source of income for a number of people in the AA. The hospital and satellite clinics, and local county government provide employment diversity. The Kansas unemployment rate of 4.1% for March 2008 is less than the nationwide rate of 5.1%.

The level of competition in the AA is driven by a number of other banks and financial institutions with offices in the AA. With 20% of the area's deposits, the bank ranks second in deposit market share.

We contacted one community professional. The contact indicated FNB Kansas is actively involved in the community. The contact was not able to specifically identify what the area's primary credit needs are. The contact said that FNB Kansas has not posed any barriers to credit.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB Kansas' level of lending is reasonable. The bank's quarterly loan-to-deposit ratio (LTD) since the last CRA exam is 59%. The average quarterly LTD ratio for five competitor banks in the AA is 86%. The average quarterly LTD ratio for the peer banks range from 60% to 100%.

While FNB Kansas's quarterly average LTD ratio is below that of peer banks, it is still considered reasonable because of the bank's large amount of public fund deposits that require pledging. Excluding the public funds, the bank's quarterly average LTD ratio is 70%. The bank also participates in the MPF program. Loans originated in the MPF program are not reflected in the LTD figures. Two of the peer banks have the ability to lend in areas outside the AA through loan production offices and branches.

### Lending in Assessment Area

The bank's lending in the AA is good as it extends a majority of its primary loan products to borrowers located in the AA. Specifically, we found that FNB Kansas made 80% of the number and 86% of the dollar amount of loans in the AA. The sample included 40 loans originated, purchased, or committed during 2006, 2007, and year-to-date 2008. The loan sample included 20 loans of each of the two primary products.

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

Lending levels to borrowers of different incomes and businesses of different sizes is adequate. To assess the bank's performance, we selected a sample of 20 consumer loans and 20 commercial loans. These products represent the majority of the loans originated from January 1, 2006, to year-to-date 2008.

FNB Kansas' level of consumer lending to borrowers of different incomes is reasonable. Lending to low-income borrowers is low at 5% compared to area demographics of 16%. Borrower income information was not available on 65% of the loans reviewed in our sample. Lending volume to moderate income borrowers is below area demographics. The AA demographics reveal that 19% of the families are moderate-income and 15% of the loans in the sample were to moderate-income borrowers.

Borrower Distribution of Consumer Loans in Assessment Area									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
Consumer Loans	% 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	% of Number of Loans
% of Total	16.29%	5.00%	19.00%	15.00%	24.10%	15.00%	40.60%	0.00%	65.00%

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

Due to the amount of missing income information on consumer loan borrowers, we also analyzed Lending to Borrowers of Different Incomes by using the loan amount as a proxy. The consumer loan sample shows 75% of the number and 39% of the dollar amount of consumer loans were for less than \$10,000.

<b>Table 2C - Borrower Distribution of Consumer Loans by Loan Size in Assessment Area</b>				
Loan Size	Number of loans	Percent of Number	Dollar Volume of Loans	Percent of Dollars
\$0 - \$5,000	10	50.00%	27,792	18.21%
\$5,001 - \$10,000	5	25.00%	32,138	21.06%
\$10,001 - \$15,000	2	10.00%	24,025	15.74%
\$15,001 - \$20,000	1	5.00%	15,057	9.87%
\$20,001 - \$30,000	2	10.00%	53,578	35.11%
Total	20	100.00%	152,590	100.00%

Source: Loan sample

The volume of lending to businesses of different sizes in the AA is reasonable. The commercial loan sample shows 65% of the number and 72% of the dollar amount of loans were granted to businesses with revenues less than \$1 million. FNB Kansas's performance is above the business demographic data that shows 55% of the commercial businesses have annual gross revenues of \$1 million or less, with 42% of the businesses having unavailable or unknown revenues.

<b>Borrower Distribution to Businesses in Assessment Area</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailabl e	Total
% of AA Businesses	54.60%	3.07%	42.33%	100.00%
% of Bank Loans in AA by #	65.00%	0.00%	35.00%	100.00%
% of Bank Loans in AA by \$	72.14%	0.00%	27.86%	100.00%

Source: Loan sample and 2007 Business Geodemographic data

### **Geographic Distribution of Loans**

Analysis of geographic distribution of loans within the AA is not meaningful since there are no low- or moderate-income tracts.

### **Responses to Complaints**

FNB Kansas has not received and CRA-related complaints since the previous CRA examination.

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

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