



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 25, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Family Bank
Charter Number 23966**

**100 Main Street
Munden, KS 66959**

**Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road Suite 450
Merriam, KS 66204**

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 Outstanding.**

National Family Bank's overall CRA rating is based on the following factors:

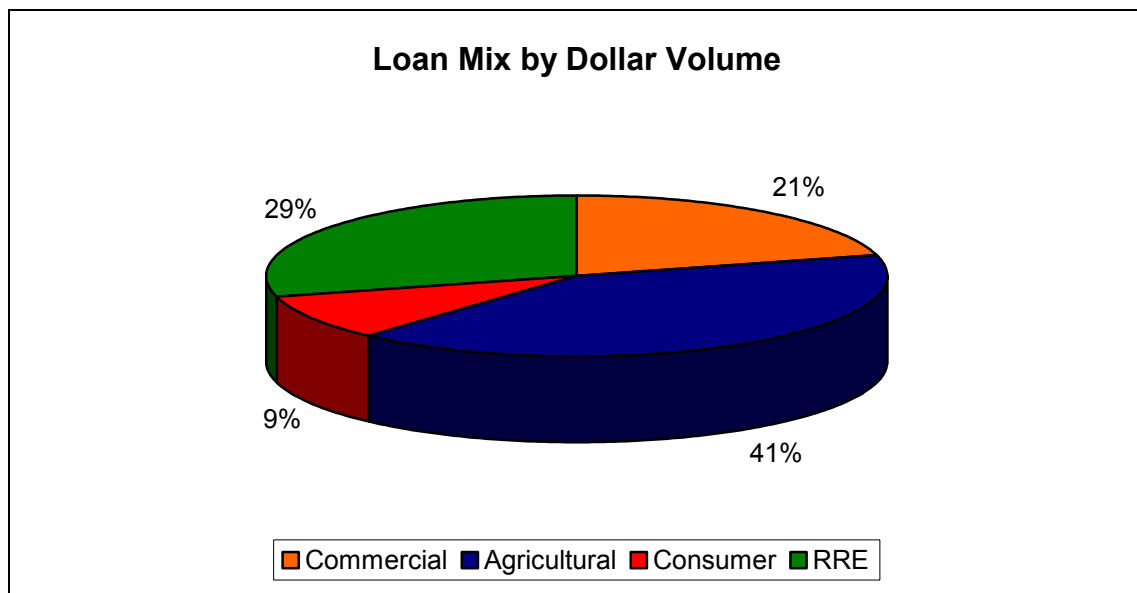
- The bank's record of lending to borrowers of different income levels and farms of different sizes within its assessment areas is excellent.
- A large majority of the bank's loan originations are extended to borrowers living within the assessment area.
- The bank's quarterly loan-to-deposit ratio of 70 percent is satisfactory.

DESCRIPTION OF INSTITUTION

National Family Bank (NFB) is a \$17 million institution headquartered in Munden, Kansas. Munden is located in the north central part of Republic County. The bank is a subsidiary of Admiral Family Banks, Inc., Alsip, Illinois, a two-bank holding company with total assets of \$70 million as of September 30, 2002. Admiral Family Banks, Inc. also owns Federated Bank, a state bank with assets of \$53 million located in Onarga, Illinois.

As an intrastate bank, all of NFB's locations are in Kansas. In addition to its main office, NFB offers two full service branches; one in Cuba, and one in Belleville. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The institution received a "Satisfactory Record of Meeting Community Credit Needs" rating at its last CRA examination dated June 21, 1999. The Federal Deposit Insurance Corporation evaluated the bank under the name of The Munden State Bank.

NFB's net loans total \$8 million as of September 30, 2002, and represent 46 percent of its total assets. The bank's primary credit products by dollar volume and number of loans are agricultural, residential real estate (RRE), and consumer. The following chart shows the bank's loan portfolio composition as a percentage of gross loans:



DESCRIPTION OF ASSESSMENT AREA

NFB has designated all of Republic County as its assessment area (AA). This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. Financial institutions within Republic County are competitive for deposits and loans. Competition includes the main office of one other national bank, three state banks, and the branch of another national bank.

The AA's 2001 MSA updated median family income is \$44,200. The 1990 U.S. Census data of the AA reflects total population of 6,482; median housing value of \$19,790; median year for housing of 1946; median family income of \$26,021; and 1,893 families. Nine percent of these families have income below the poverty level. Approximately 18 percent of the families are low-income, 23 percent are moderate-income, 30 percent are middle-income, and 29 percent are upper-income.

Republic County is divided into three block numbering areas (BNA). All three BNAs are middle-income. NFB's main office and its Cuba branch are located in BNA 9781; the Belleville branch is located in BNA 9783.

The economy of the bank's AA is stable. US Highway 81 divides Republic County into western and eastern sections. The local economy is heavily dependent on agriculture; primary crops include wheat, soybeans, and corn. Major employers include Precision Dynamics, Inc., Scott Specialties, Republic County Hospital, and city and county government. The U.S. Department of Labor, Bureau of Labor Statistics, reports the November 2002 preliminary unemployment rate for Republic County at 3.2%. This compares favorably to that of the State of Kansas at 4.6%, and the national rate of 6.0%.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual represented the county office of a state agency. Our contact stated RRE, consumer, and agricultural loans as ongoing credit needs in the area. The contact further stated that all financial institutions in the area do a good job of meeting those needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our analyses and conclusions are based upon data provided by the bank, which we verified during our review. The agriculture, RRE, and consumer samples were taken from loans originated between April 1, 1999 and October 31, 2002. Due to constraints of the bank's computer software, these originations include only loans with balances outstanding, or paid in full after December 31, 2001.

Primary credit needs, as identified by the community contact, include agricultural, RRE, and consumer loans. NFB is meeting the needs of the community in each of these categories.

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

NFB has an outstanding record of lending to borrowers of different incomes and farms of different sizes.

Agricultural Lending:

NFB has an excellent record of lending to farms with revenues of less than \$250 thousand within its AA. We reviewed the revenue distribution of 20 agricultural borrowers, and found 90 percent of NFB's agricultural loan customers had gross annual revenues of less than \$250 thousand. We compared the revenue distribution of NFB's agricultural loan customers to area demographic information obtained from the 1997 Agricultural Census, conducted by the U.S. Department of Agriculture. The census shows 92 percent of the farms in Republic County had revenues of less than \$250 thousand. The table below shows a more detailed analysis of the agricultural borrower revenue distribution.

Agricultural Loan Customer Revenue Distribution				
Sample of 20 Agricultural Loan Customers with Loan Originations Between 4/1/99 and 10/31/02				
Revenue/Sales Category	Revenue Distribution of NFB Agricultural Loan Customers		Distribution of Farms by Sales Dollars in AA	
	Number	Percentage	Number	Percentage
\$0 - \$99,999	15	75%	490	72%
\$100,000 - \$249,999	3	15%	141	20%
\$250,000 - \$499,999	2	10%	40	6%
\$500,000 and Over	0	0%	13	2%
Totals	20	100%	684	100%

RRE Lending:

NFB has an excellent record of lending to borrowers of different income levels within its AA. We reviewed the revenue distribution of 20 RRE borrowers and found 40 percent were low-income, and 45 percent were moderate-income, which exceeds the AA demographics of both categories. The table below shows a more detailed analysis of the RRE borrower income distribution.

RRE Loan Customer Income Distribution				
Sample of 20 RRE Loan Customers with Loan Originations Between 4/1/99 and 10/31/2002				
Income Category	Distribution of NFB Consumer Loan Customers		Income Distribution of Families in AA	
	No. of Customers	Percentage	No. of Families	Percentage
Low	8	40%	346	18%
Moderate	9	45%	433	23%
Middle	2	10%	568	30%
Upper	1	5%	546	29%
Totals	20	100%	1,893	100%

Consumer Lending:

NFB has an excellent record of lending to borrowers of different income levels within its AA. We reviewed the revenue distribution of 20 consumer borrowers and found 45 percent were low-income, and 45 percent were moderate-income, which exceeds the AA demographics of both categories. The table below shows a more detailed analysis of the consumer borrower income distribution.

Consumer Loan Customer Income Distribution				
Sample of 20 Consumer Loan Customers with Loan Originations Between 4/1/99 and 10/31/2002				
Income Category	Distribution of NFB Consumer Loan Customers		Income Distribution of Households in AA	
	No. of Customers	Percentage	No. of Households	Percentage
Low	9	45%	715	25%
Moderate	9	45%	513	19%
Middle	1	5%	604	22%
Upper	1	5%	938	34%
Totals	20	100%	2,770	100%

Lending in Assessment Area

The bank's record of lending to borrowers in the AA is excellent. We tested and verified bank-generated reports. We used this information to evaluate the level of lending inside the AA by both number and dollar volume of agricultural, RRE, and consumer loans. Our review found the bank originated 77 percent by number, and 67 percent by dollar volume, of these loans to borrowers inside the AA.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is satisfactory. We compared NFB's quarterly average LTD ratio to four similarly situated institutions in Republic County. Each of the banks in our comparison had total assets of less than \$83 million. NFB's quarterly average LTD ratio for the past 20 quarters was 70 percent. Quarterly average LTD ratios of the similarly situated banks ranged from 68 percent to 88 percent.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. There are no low- or moderate-income block numbering areas in FNB's AA.

Responses to Complaints

NFB has not received any written complaints regarding its CRA performance since the previous examination dated June 21, 1999.

Fair Lending Review

An analysis of 2001-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.