



PUBLIC DISCLOSURE

April 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Onaga
Charter Number 20998**

**301 Leonard St.
Onaga, Kansas 66521**

**Office of the Comptroller of the Currency
Kansas City North - Kansas City Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1277**

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 CRA performance of **First National Bank of Onaga, Onaga, Kansas** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of April 27, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory Record of Meeting Community Credit Needs.**”

We primarily based the First National Bank of Onaga's (FNBO) rating on the following factors:

- ▶ FNBO's record of lending to businesses of different revenue sizes is reasonable and the bank's lending to borrowers of different income levels is good. We placed the greatest emphasis of our review on the bank's commercial loan performance since this is the bank's primary lending product. The bank's distribution of commercial loans originated in the Kansas City assessment area adequately penetrates businesses of different sizes. FNBO's distribution of all loans in the Onaga assessment area is excellent and surpasses the area demographics.
- ▶ The bank's geographic distribution of loans in the Kansas City assessment area is reasonable given the demographics of the community. We did not analyze the geographic distribution of loans in the Onaga assessment area since the income level of the block numbering areas is the same.
- ▶ The bank's average loan-to-deposit (net) ratio reflects a good level of lending activity and ranks slightly above both its national and local peer groups. A substantial portion of the bank's loans are within each assessment area.

Please review the remaining pages of this CRA Public Disclosure for additional information about the bank's performance.

Description of Institution

First National Bank of Onaga, a subsidiary of Onaga Bancshares, Inc., is a \$65 million institution that operates its main office in Onaga, Kansas. The bank opened a branch in Overland Park, Kansas on April 3, 1995. Several small banks in the northeastern Kansas area provide aggressive competition for loans and deposits. The Overland Park branch competitors consist of all large financial institutions in the Kansas City, Missouri-Kansas Metropolitan Statistical Area (Kansas City MSA), as well as numerous community banks, credit unions, and mortgage and finance companies.

FNBO offers a full range of commercial, agricultural, real estate and consumer credit products, in addition to traditional deposit services. The primary focus of the branch is to address the needs of small- and medium-size business customers in the Kansas City MSA. The bank’s overall lending strategy is to provide commercial loans to small- and medium-sized businesses and agricultural loans. The following chart illustrates the bank’s loan mix as of March 31, 1998, and the mix of total loan originations from April 1995 through 1998.

LOAN PORTFOLIO MIX	March 31, 1998 Loan balance		Loan Originations April 1995 - March 1998	
	\$ Dollar	% Percent	# Number	% Percent
Commercial - Overland Park	23,226	66%	466	32%
- Onaga	4,750	13%	170	12%
Agricultural	4,591	13%	247	17%
Consumer	763	2%	506	35%
1-4 Family Residential RE	1,883	6%	69	4%
Total	35,213	100%	1,458	100%

The bank also provides self-directed IRA custodial services. This activity (IRA deposits) provides approximately \$20 million of the bank’s funding sources. No legal constraints, financial conditions, or other factors inhibit the bank’s ability to fulfill its CRA obligation. The bank received a rating of “*Satisfactory Record of Meeting Community Credit Needs*” at its last CRA examination dated April 10, 1995.

At this examination, we reviewed the bank’s loan originations from April 1995 through March 1998. We focused our analysis on the bank’s primary lending focus of commercial loans. We also reviewed consumer loans and 1-4 family residential loans using data from the bank’s Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR). The consumer portfolio by dollar amount is small, but represents a larger portion of total loan originations by number.

Description of Assessment Area

FNBO has two assessment areas. The Onaga assessment area includes all of Pottawatomie County, the southern half of Nemaha County and the western portion of Jackson County, all within the state of Kansas. The Kansas City assessment area is part of the Kansas City MSA. This assessment area includes Johnson and Wyandotte Counties in Kansas, and Clay, Platte, Jackson and Cass Counties in Missouri. The U.S. Census Bureau shows the 1990 population of the assessment areas are 22,029 and 1,425,365, respectively.

Onaga Assessment Area The 1998 Kansas non-MSA statewide median family income is \$38,200. Per the 1990 U.S. Census, the assessment area consists of six middle-income block numbering areas. By family income, 16% of the families are low-income, 19% moderate, 24% middle, and 41% upper. The average housing cost is \$39,104, with 72% of the housing units owner occupied.

Business demographic data from 1996 Dun & Bradstreet shows the Onaga assessment area consists primarily of small businesses (farm and nonfarm) with gross revenues less than \$1 million. For businesses that reported revenue information, the assessment area shows 85% with gross revenues less than \$500 thousand, 6% from \$500 thousand to \$1million, and 9% greater than \$1 million. Agriculture and related businesses comprise several employment opportunities. Other large employers include the Onaga Community Hospital, the Jeffrey Eney Center, the school district, a nursing home, a manufacturing facility and FNBO.

Kansas City Assessment Area The 1998 HUD MSA median family income for the Kansas City MSA is \$52,600. Per the 1990 U.S. Census, the assessment area consists of 44 low-income, 94 moderate, 170 middle and 94 upper-income census tracts. By income level, 18% of families are low-income, 18% moderate, 25% middle, and 39% upper. The average housing cost is \$67,517, with 59% of the housing units owner occupied.

Business demographic data from 1996 Dun & Bradstreet also shows that the Kansas City assessment area consists primarily of small businesses with gross revenues less than \$1 million. For businesses (farm and nonfarm) that reported revenue information, the assessment area shows 77% with gross revenues less than \$500 thousand, 9% from \$500 thousand to \$1 million, 13% from \$1 million to \$25 million, and 1% greater than \$25 million. Numerous employers offer diverse employment opportunities. The largest employers in the assessment area include the Sprint Corporation, J.C. Penney, school districts, and Black and Veatch (engineering firm).

Community contacts made by examiners from the OCC and other regulatory agencies indicate credit needs are being met through the local financial institutions. Small business and affordable housing loans are the primary credit needs in the Kansas City assessment area. Agricultural and consumer loans are the primary credit needs of the Onaga assessment area.

Conclusions with Respect to Performance Criteria

Lending to Businesses of Different Revenue Sizes and Borrowers of Different Income Levels

First National Bank of Onaga’s record of lending to businesses of different revenue sizes and borrowers of different income levels is reasonable. We placed the greatest emphasis of our review on the bank’s commercial loan performance since this is the bank’s primary lending product. We also analyzed consumer loans due to the large number of originations. We used the results of the following analyses to arrive at our conclusion. We verified the accuracy of the bank’s information during our review.

Commercial Loans - Overland Park Branch The bank’s distribution of business loans in the Kansas City assessment area reflects adequate penetration to businesses of different revenue sizes. The branch’s strategic business focus is lending to small- and medium-size businesses. Our commercial loan sample at the Overland Park branch shows 12% of the bank’s loan originations were to borrowers with revenues of \$1 million or less (small business) and 88% to borrowers with revenues from \$1 million to \$25 million (medium-size business). The bank’s small business lending activity is below the demographics of the assessment area. However, the analysis does show the bank’s emphasis on lending to medium-sized businesses.

Our sample included 128 commercial, commercial real estate and residential construction loans originated between April 1995 and March 1998. This sample represents 28% of the total 461 loan originations at the Overland Park branch. The chart on this page summarizes the results of our analysis.

Income Distribution of Sampled Business Loans Originated April 1995 - March 1998

Gross Revenue Level	Business Sales Volume *		First National’s Business Borrowers		
	Number	Percent	Number	Percent	
less than \$100,000	32,394	77%	9	7%	9%
\$100,000 - \$500,000			3	2%	
\$500,001 - \$1,000,000	3,891	9%	4	3%	
\$1,000,000 - \$25,000,000	5,610	13%	112	88%	
greater than \$25 million	488	1%	0	0%	
Total	42,383	100%	128	100%	

* Business sales volume data obtained from 1996 information provided by Dun & Bradstreet.

* Demographic information shows the income levels of 47,993 businesses that reported gross revenue information. About 9,997 (19%) of the 52,380 businesses in the assessment area did not report sales volume data.

Commercial Loans - Onaga Bank The bank’s lending activity reflects an excellent responsiveness to the Onaga assessment area’s agricultural and business needs. Our sample shows that 96% of the bank’s agricultural and business borrowers had revenues of \$500,000 or less. In addition, 74% of these businesses had revenues less than \$100,000. This level exceeds the demographics of the assessment area. Our sample included 110 commercial (business), commercial real estate and agricultural loans originated between April 1995 and March 1998. This sample represents 26% of the total 417 loan originations in Onaga. The following chart summarizes our analysis.

Income Distribution of Sampled Commercial Loans Originated April 1995 - March 1998

Gross Revenue Level	Business Sales Volume *		First National’s Business Borrowers		
	Number	Percent	Number	Percent	
less than \$100,000	540	85%	72	74%	96%
\$100,000 - \$500,000			21	22%	
\$500,001 - \$1,000,000	39	6%	1	1%	
greater than \$1,000,000	58	9%	2	2%	
Not Available			1	1%	
Total	637	100%	** 97	100%	

* Business sales volume data obtained from 1996 information provided by Dun & Bradstreet.

* Demographic information shows the income levels of 637 businesses/farms that reported gross revenue information. About 90 (12%) of the 727 businesses did not report sales volume data.

** Sample size of 97 loan originations excludes 13 originations outside the assessment area.

The bank also provides financing to qualified commercial and agricultural borrowers under several government assisted loan programs. We reviewed bank information detailing all loans with government assistance which were originated from April 1995 through March 1998. The following chart shows the number and dollar amount of these loan originations.

Government program loan originations from April 1995 through March 1998

Government Program	Number of Loans	\$ (000's)
SBA Loans	2	136
SBA 7a Program	13	5,326
SBA 504 Program	3	1,001
Farm Service Agency	9	741
EDC Revolving Loan Fund	1	154
Total	28	7,358

Consumer - Onaga Bank The bank’s record of lending to borrowers of different income

levels is good. Our residential real estate analysis used the bank’s HMDA-LAR that consists of all mortgage loan originations (home purchase, home improvement, and refinance loans). We performed this analysis for the Onaga assessment area only as no HMDA reportable loans were originated at the Overland Park branch.

The bank’s record of lending to home loan borrowers of different income levels is similar to the assessment area’s demographics. The bank originated 24% of its home loans in 1997 to low- and moderate-income borrowers. This compares to 28% of families in the assessment area with similar income levels. The following chart summarizes our analysis.

Income Distribution of Borrowers with Residential RE Originated in 1997 through March 1998

Borrower Income Level	% of Families in AA at each Income Level	First National’s loans originated in AA			
		1997		1998	
		Number	Percent	Number	Percent
Low-income	* 8%	4	10%	2	22%
Moderate-income	20%	6	14%	0	0%
Middle-income	27%	8	19%	3	33%
Upper-income	45%	21	50%	4	45%
Not Available		3	7%	0	0%
Total	100%	42	100%	9	100%

* 1990 Census data shows approximately 521 families in the Onaga AA below the poverty level. We adjusted the percentage of families who are low-income (16%) by excluding families who are below the poverty level (8%) because it is unlikely they could afford to borrow for a home loan.

FNBO’s record of lending to consumer borrowers of different income levels is excellent. The bank originated 69% of its consumer loans to low- and moderate-income borrowers. This significantly exceeds the 35% of families in the assessment area at the same income level. Our analysis shows 61% of the number of originations were less than \$2,500 and 92% were \$5,000 or less.

Our sample included 100 consumer loans originated between April 1995 and March 1998. This sample represents 20% of the total 495 consumer loan originations at the Onaga location. The following chart summarizes our analysis.

Income Distribution of Borrowers with Consumer Loans Originated April 1995 - March 1998

Borrower Income Level	% of Families in AA at each Income Level	First National's loans originated in AA	
		Number	Percent
Low-income	16%	41	41%
Moderate-income	19%	28	28%
Middle-income	24%	15	15%
Upper-income	41%	16	16%
Total	100%	100	100%

Distribution of Credit within the Assessment Area by Geography

The bank's lending activity within the Kansas City assessment area by geography is reasonable given the demographics of the community. A detailed analysis of the bank's geographic distribution of loans in the Onaga assessment area is not meaningful, since the assessment area's income level is the same for all block numbering areas.

The geographic distribution of FNBO's residential real estate construction loans originated within the Kansas City assessment area reflects a majority of lending activity in middle- and upper-income census tracts. Our sample included 59 residential construction loans originated between April 1995 and March 1998. This sample represents 30% of the total 180 loan originations at the Overland Park branch.

We compared our sample with demographic data for owner occupied housing units. The Overland Park branch provides new residential construction financing to area home builders. New residential construction in the Kansas City MSA is occurring predominately in middle- to upper-income census tracts. Also, the Kansas City MSA's low- and moderate-income census tracts consist of a significantly low number of occupied housing units and families. The following chart summarizes our analysis.

Geographic Distribution of Residential Real Estate Construction Loans

Tract Income	Kansas City AA Area Demographics		First National Loans		First National Loans	
	%of Families	Owner Occupied Housing Units	Number	Percent	Dollar	Percent
Low	4%	3%	0	0%	0	0%
Moderate	16%	15%	0	0%	0	0%
Middle	51%	52%	23	10%	2,662	7%
Upper	29%	30%	214	90%	32,904	93%
Not Available**	0%	0%	0	0%	0	0%
Total	100%	100%	237	100%	35,566	100%

* Business demographic data obtained from 1996 information provided by Dun & Bradstreet.

** Demographic data indicated income information was not available for 12 census tracts within the MSA.

The geographic distribution of FNBO’s business loans is good in relation to the Kansas City assessment area demographics. The bank’s Overland Park branch specializes in lending to small- and medium-size businesses. The table below shows the results of our review. Approximately 56% by number and 32% by dollar volume of the bank’s business loans in our sample are located within low- and moderate-income census tracts. The bank’s lending in low-income census tracts is dominated by lease financing provided to one borrower. Our sample included 34 loans totaling \$925 thousand to this borrower. The following chart summarizes our analysis.

Geographic Distribution of Sampled Business Loans Originated April 1995 - March 1998

Tract Income	Number of Businesses Within Each Tract		First National Loans		First National Loans	
	Number	Percent	Number	Percent	Dollar	Percent
Low	3,013	6%	36	52%	1,739	20%
Moderate	8,089	15%	3	4%	1,006	12%
Middle	23,442	45%	10	15%	1,321	15%
Upper	16,437	31%	17	25%	3,295	39%
Not Available**	1,399	3%	3	4%	1,168	14%
Total	52,380	100%	69	100%	8,529	100%

* Business demographic data obtained from 1996 information provided by Dun & Bradstreet.

** Demographic data indicated income information was not available for 1,399 businesses within the MSA.

Loan-to-Deposit Ratio Analysis

First National Bank of Onaga's average loan-to-deposit (net) ratio reflects a good level of lending activity. FNBO's eight quarter average loan-to-deposit (net) ratio shows 68% of its deposits are reinvested in loans. This ratio ranks slightly above the 66% average for the bank's national peer group (a national group of banks of similar size and characteristics). Thirteen other banks in the Onaga, Kansas assessment area compete directly for loan customers. Competitors' loan-to-deposit (net) ratios range from 45% to 95%, as of March 31, 1998. FNBO ranks sixth with a 69% loan-to-deposit (net) ratio. However, the bank's eight quarter average ratio ranks slightly above the local competition. The table below provides comparative information.

Time Period	First National Bank of Onaga	National Peer	Local Peer
Avg. since 3/31/95 exam	63.98%	65.77%	65.09%
8 Quarter average	67.97%	65.73%	65.34%

Comparison of Credit Extended Inside and Outside of the Assessment Area

The bank makes a substantial majority of its loans within its assessment areas. Our analysis of 290 loan originations since the last examination shows an average of 94% by number of the originations and 96% of the dollar volume of loan originations to be within the bank's assessment areas. This analysis is comparable to the data provided by bank management on all credit originations. Our sample used loan originations from April 1995 through March 1998 for the commercial sample and January 1997 through March 1998 for the residential real estate loans. The chart below summarizes the results of our analysis.

Distribution of Commercial Loans	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	Dollar of Loans (000's)	%	Number of Loans	%	Dollar of Loans (000's)	%
Residential RE construction - KC	59	100%	9,921	100%	0	0%	0	0%
Commercial - KC	67	97%	8,529	96%	2	3%	358	4%
Commercial - Onaga	97	88%	2,663	85%	13	12%	470	15%
Overall Totals	223	94%	21,113	96%	15	6%	828	4%

Note: The commercial loans include commercial real estate and agriculture loans.

A substantial majority of the bank's mortgage loan originations (home purchase, home improvement, and refinance loans) are within the bank's assessment area. *All mortgage loan*

originations were in the Onaga assessment area. The following chart summarizes our analysis of the bank's Home Mortgage Disclosure Loan Application Report.

Residential real estate loan originations by number and dollar volume (000's)

Location	1997		YTD March 31, 1998	
	#	\$(000)	#	\$(000)
In Assessment Area	42	1,297	9	238
Outside Assessment Area	1	22	0	0
Totals	43	1,319	9	238
% in Assessment Area	98%	98%	100%	100%

Investments

On August 18, 1997, FNBO originated an \$800 thousand loan to the Community Hospital of Onaga. The purpose of this loan was for the expansion project at the long-term care facility in St. Marys, Kansas. The total cost of the expansion was \$2.6 million. The funding was provided by the bank and the United States Department of Agriculture Rural Development loan program. Community Hospital of Onaga provides general health care services to persons within the bank's assessment area.

Services

First National Bank of Onaga participates in several programs designed to inform and educate the Onaga community about banking and obtaining credit. The main bank is readily accessible to all segments of the Onaga community. The bank offers extended banking hours with service on Saturday. Full banking services are offered at the main bank.

The bank's branch is located in an office building in Overland Park, Kansas. The branch provides a specific line of commercial lending products and cash management services under the BankWise Funds Management System to accommodate business customers in the Kansas City market. The system utilizes a fully integrated approach to manage borrowing and funds management needs. Branch hours are tailored toward the needs of its business customers. Service is also provided by bank officers visiting the location of their business clients. Full banking services are provided at the branch with most services focused toward commercial customers.

Other Services:

- ▶ First National Bank of Onaga participates in the Personal Economics Program. This program educates high school students on banking and checking accounts. In Onaga, bank officers

annually give a presentation on opening a checking account and maintaining a satisfactory account relationship. The bank also provides the students with a checking account kit to incorporate in class over a six week period.

- ▶ In the Onaga area, the bank also participates in the National Teach Children to Save Day. This program is annually presented to local grade school students and covers the basics of banking and saving money.
- ▶ On March 13, 1998, First National Bank of Onaga was selected to participate in the State of Kansas Rural First-time Homebuyer Program. The bank is receiving a grant of \$12,500. The grant must be used within the next two years and each eligible first-time homebuyer can receive up to \$2,500 of the grant toward down payment and closing costs.
- ▶ Bank officers periodically provide credit counseling services to consumers in the Onaga community.
- ▶ In March of 1998, the bank performed a customer survey (Onaga assessment area only). The bank received 110 responses out of 200 surveys mailed to customers. The survey focused on the bank understanding their current level of service within the community and to identify additional products or services to offer in the future.

Compliance with Antidiscrimination Laws and Regulations

First National Bank of Onaga complies with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.

Response to Complaints

First National Bank of Onaga has not received any complaints relating to its CRA performance.