



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 27, 2003**

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

**The First National Bank of Syracuse  
Charter Number 8114**

**11 North Main  
Syracuse, Kansas 67878**

**Comptroller of the Currency  
ADC-Arizona & New Mexico  
9633 South 48th Street Suite 265  
Phoenix, Arizona 85044**

**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 Outstanding.**

FNB-Syracuse is highly responsive in meeting the credit needs and remains a leader in the continued development of its community. The following summarizes the performance for each criterion upon which the bank's CRA rating is based.

- The bank's quarterly average net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area (AA) needs.
- The bank originated a majority of loans within its AA.
- FNB-Syracuse has an excellent record of lending to farms and businesses of different sizes.

## **DESCRIPTION OF INSTITUTION**

FNB-Syracuse is an \$86 million bank with its main office located in the downtown business district of Syracuse, Kansas. FNB-Syracuse is owned by a two-tier holding company. The primary holding company is Kansas Bank Corporation (KBC), a multi-bank holding company based in Johnson, Kansas. KBC owns 100% of Syracuse Financial Corporation, owner of FNB-Syracuse. Other banks in the holding company include First National Bank of Liberal and First National Bank of Elkhart.

In addition to the main office, the bank operates one full service branch located in Johnson, Kansas. FNB-Syracuse has one deposit taking automated teller machine located at its main office and two cash dispenser machines located at the Johnson branch and a gas station/convenience store in Johnson.

FNB-Syracuse's lending focus is primarily agricultural and commercial products. As of December 31, 2002, agricultural and commercial loans account for 79% of the bank's loan portfolio. The remainder of the portfolio is comprised of residential real estate and consumer loans.

At our last CRA examination conducted February 23, 1998, the bank received an "Outstanding" rating. There are no legal or financial impediments preventing the bank from meeting the credit needs in its AA.

## **DESCRIPTION OF HAMILTON AND STANTON COUNTIES**

FNB-Syracuse has defined its AA as Hamilton and Stanton Counties, located in southwestern Kansas. The AA is a non-metropolitan statistical area and includes two middle-income census tracts. Each county represents one census tract. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

Local economic conditions are stable. Agricultural and agriculture-related businesses provide the mainstay of the local economy, but other commercial businesses within the AA provide some diversification. Primary employers in the bank's AA are local municipalities, dairies, feedlots and grain cooperatives. Based on U.S. Bureau of Labor Statistics, local unemployment rates over the past five years have remained stable. 2002 unemployment rates for Hamilton and Stanton counties are 1.9% and 2.1% respectively, and below the Kansas statewide unemployment rate of 5.1%.

The bank competes locally with two other state-chartered banks headquartered in the bank's AA. Other financial institutions in the AA include one savings and loan, and two non-bank agricultural financial institutions. FNB-Syracuse is the largest financial institution in the area with a deposit market share of 48%.

During this examination, we contacted one community leader in the area to discuss economic conditions and credit needs. The contact was a regional governmental official who identified the primary credit needs as agricultural loans due to the rural demographics of southwestern Kansas. The contact stated that local financial institutions throughout all counties in the area are very supportive in meeting those credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation period for this CRA examination focuses on the bank's lending activities in 2001 and 2002, except for the LTD ratio, which is calculated through June 2003. Through discussions with bank management and review of bank reports, we determined the bank's primary products to be agricultural and commercial loans, which also represents the bank's business strategy.

To evaluate the bank's lending performance, we took a sample of 20 agricultural loans and 20 commercial loans to determine the ratio of loan origination within the bank's AA. To evaluate the bank's performance of lending to farms and businesses of different sizes we replaced those loans made outside the AA with loans made within the AA. Based on these samples, the bank's lending performance is outstanding as supported below.

## Loan-to-Deposit Ratio

The bank's quarterly average LTD ratio of 96% is more than reasonable given the bank's size, financial condition, and credit needs of the AA. It exceeds the standard for satisfactory performance. Uniform Bank Performance Reports over the last 20 quarters were used to compare FNB-Syracuse's LTD ratio with two local financial institutions headquartered in the bank's AA. Although both are smaller in asset size when compared to FNB-Syracuse, they are considered major competitors. The LTD-ratio for these two institutions averaged 61% over the same period.

FNB-Syracuse is a leader in community development for Hamilton and Stanton counties. The bank's continued efforts in soliciting and financing dairy operations have contributed to the economic stability and permanent job creation, job retention, and well being of the AA. Since our previous CRA examination, the bank has participated in the financing of three new dairy operations in the AA. These three operations employ approximately 65 LMI individuals within the community. Although they do not meet the size test for community development loans, it is noteworthy to mention that the bank has financed the start-up for two small business operations that provide sales and equipment maintenance to the local dairy operations. Such "support" businesses that stem from economic development loans also indirectly benefit the community.

## Lending in Assessment Area

A majority of the bank's loans sampled were made within its AA. Although it appears that the bank falls short in the percentage of dollar amount of loans, this is because two very large loans totaling \$2 million distorts the small sample. Both large loans are participations in loans with other financial institutions.

<b>Lending in Hamilton and Stanton Counties</b>										
	Number of Loans					Dollar of Loans				
	Inside		Outside		Total	Inside		Outside		Total
Loan Type	#	%	#	%		\$	%	\$	%	
Agricultural	14	70%	6	30%	20	960	26%	2,783	74%	3,743
Commercial	13	65%	7	30%	20	461	39%	712	61%	1,173
<b>Totals</b>	<b>27</b>	<b>68%</b>	<b>13</b>	<b>32%</b>	<b>40</b>	<b>1,421</b>	<b>29%</b>	<b>3,495</b>	<b>71%</b>	<b>4,916</b>

Source: Loan sample

## Lending to Farms and Businesses of Different Sizes

Given the demographics of the AA, the distribution of business and farms loans reflects excellent penetration to farms and businesses of different sizes. The tables below demonstrate the bank's strong commitment to meet the credit needs of both small farms and businesses within its communities.

### **Agricultural loans**

As reflected in the table below, FNB-Syracuse's lending performance to small farms is good and compares favorably to AA demographics. Moreover, thirteen of the loans in our sample benefited very small farms with gross annual revenues under \$250 thousand.

<b>Borrower Distribution to Loans to Farms in Hamilton and Stanton Counties</b>		
Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	94%	6%
% of Bank Loans in AA by #	90%	10%
% of Bank Loan in AA by \$	93%	7%

Source: Loan sample; Dunn and Bradstreet data

### **Business loans**

As reflected in the table below, FNB-Syracuse's lending performance to small business is excellent and exceeds AA demographics.

<b>Borrower Distribution to Loans to Businesses in Hamilton and Stanton Counties</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	59%	3%
% of Bank Loans in AA by #	85%	5%
% of Bank Loan in AA by \$	79%	1%

Source: Loan sample; Dunn and Bradstreet data. \*38% of AA did not report revenue data

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of credit within the bank's AA by income level would not be meaningful because the AA only consists of middle-income census tracts.

### **Responses to Complaints**

FNB-Syracuse has not received any CRA related complaints since our last examination.

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

We found no evidence of illegal discrimination or other illegal credit practices.