



Comptroller of the Currency
Midwestern District

PUBLIC DISCLOSURE

October 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers National Bank of Kansas
Charter Number 23191**

**200 North Main
Walnut, Kansas 66780**

**Comptroller of the Currency
Midwestern District
Joplin Field Office
1710 East 32nd Street
Joplin, Missouri 64804**

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 Community Reinvestment Act (CRA) performance of The Farmers National Bank of Kansas, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 30, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

- ▶ Loans are reasonably distributed to borrowers of various income levels.
- ▶ A substantial majority of the bank's loans are made within its assessment area.
- ▶ The bank's loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

The Farmers National Bank of Kansas (FNB) is a \$15 million, rural community bank in Walnut, Kansas. FNB is majority owned by Kanbanc, Inc. , a three-bank holding company located in Overland Park, Kansas.

The bank currently serves its community with three offices, the main office in Walnut, and branches in Hepler and St. Paul. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on agriculture, consumer instalment, and 1-4 family residential loans. The loan portfolio represents 76% of total assets, distributed as follows: agriculture (40%), 1-4 family residential (26%), and consumer instalment (7%).

DESCRIPTION OF FARMERS NATIONAL BANK'S ASSESSMENT AREA

FNB's assessment area consists of two middle-income census tracts in Crawford and Neosho counties in southeast Kansas. The main bank and both branches are located in the assessment area. FNB is one of three banks in the assessment area. The assessment area also includes four branch banks. A high number of existing banks already serve the credit needs of the tracts surrounding the bank's assessment area.

Walnut has a population of 214, Hepler 150, and St. Paul 980. Small farming operations are the predominant industry. Many area residents commute to nearby Chanute, Fort Scott, Parsons, and Pittsburg for employment at manufacturing plants.

The updated U.S. Census 1990 median family income for the assessment area is \$36,100. The bank's assessment area population of 7,984 is comprised of 20% low-income families, 21% moderate-income families, 24% middle-income families and 35% upper-income families.

We met with two community contacts during the examination, both local business persons. The contacts stated they were not aware of any unmet community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Various Income Levels and Farms of Different Sizes

FNB makes loans to farms of different sizes. We based our conclusion on a review of 28% of the bank's agriculture production loans. We used loan size as a proxy to stratify farms of different sizes. Loans to finance agriculture production are 30% by number and 29% by dollar volume of the bank's loan portfolio.

The following table illustrates our findings:

Loans to Finance Agriculture Production by Dollar Size					
Loan size used as Proxy	Less than \$10,000	\$10,000 to \$24,999	\$25,000 to \$49,999	\$50,000 to \$99,999	Over \$100,000
% of Loans to finance Agriculture Production	38%	29%	29%	2%	2%

FNB has reasonable lending penetration among borrowers of different income levels. In part, we based our conclusion on a review of the bank's September 30, 1997 consumer loan trial balance. We used loan size as a proxy to stratify borrowers by income level.

Consumer loans represent 29% of the total number of loans in the bank's portfolio. The following table illustrates our findings:

Loan distribution by family income				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Loan size used as Proxy for family income level	Less than \$2500	\$2500 to \$4999	\$5000 to \$9999	\$10,000 and Over
% of Families in Income Level in bank's assessment area	20%	21%	24%	35%
% of Consumer Loans	31%	21%	30%	18%

Lending in Assessment Area

FNB originates a majority of its loans within the assessment area. We based this conclusion on our review of 23% of the bank's total notes as of September 30, 1997. Our sample showed that 74% of the bank's loans were made within its assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. FNB had an average loan-to-deposit ratio of 61% since the last CRA examination dated July 10, 1995. The loan-to-deposit ratio has ranged from a low of 47% at September 30, 1995 to a high of 79% at June 30, 1997. The loan-to-deposit ratio of five other community banks that also serve the assessment area ranged from 45% to 71% at June 30, 1997.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans in its assessment area would not be meaningful. There are only two census tracts in the assessment area and both are middle-income tracts.

Compliance with Antidiscrimination Laws and Regulations

We found the bank in compliance with both substantive and technical provisions of antidiscrimination laws and regulations.