



PUBLIC DISCLOSURE

November 2 , 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank of Topeka
Charter Number #22799
5431 SW 29th Street
Topeka, Kansas 66604**

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

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 **Community National Bank of Topeka (CNB)** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 2, 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.**”

CNB is helping to meet the credit needs of its assessment area.

- o The bank's loan-to-deposit ratio is reasonable based on its competitive environment and opportunities for loan growth within the assessment area. Its average loan-to-deposit ratio since April 1996 is 64%.
- o The bank has a good record of lending within its assessment area. Approximately 93% of the total loans reviewed (commercial and 1-4 family) were dispersed to borrowers located within the bank's assessment area.
- o The bank's loans are reasonably distributed to borrowers and businesses of various income levels.
- o The bank's geographic distribution of credit within the assessment area is satisfactory.

DESCRIPTION OF INSTITUTION

CNB is a \$24 million bank located in Topeka, Kansas. Net loans represent 64% of the bank's total assets as of June 30, 1998. The bank has one location and offers drive up facilities and an automated teller machine (ATM) at that location. The bank offers a full range of traditional personal and commercial banking services. As of June 30, 1998 residential real estate and commercial/industrial loans are the primary products in the bank's loan portfolio. By dollar volume, 1-4 family residential real estate loans comprise 35% of the bank's loan portfolio. Commercial and Industrial loans, excluding real estate, comprise an additional 25% of the portfolio. There are no legal or financial impediments limiting the bank's ability to help meet the credit needs of the community.

CNB is 100% owned by Community Financial Corporation, Inc., a one bank holding company.

CNB was rated "Satisfactory record of meeting community credit needs" at its last CRA examination in April 1996.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Shawnee County, Kansas which is a Metropolitan Statistical Area (MSA 8440). The MSA includes 2 low-income, 12 moderate-income, 20 middle-income, and 9 upper-income census tracts. Several other banks, savings & loans, and branch banks provide competition within the AA.

The population of the AA is 160,976 persons. Low-income families represent 18% of the AA population with the remainder as follows: 18% moderate-income, 26% middle-income and 38% upper income families. The HUD estimated 1998 median family income for the MSA is \$47,600. The local economy is well diversified. Government and education, manufacturing and distribution, medical, insurance, transportation and utilities are all important elements of the economy. Unemployment is stable at approximately 4.9%.

Examiners spoke with one community contact from a local low- and moderate-income housing organization located within MSA 8440 during the examination. The contact did not indicate there were any unmet credit needs in this community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is reasonable based on its competitive environment and opportunities for loan growth within the assessment area. The average loan-to-deposit ratio since the last CRA examination (nine quarters) is 63.80%. The bank's loan to deposit ratio has ranged from 51.66% in second quarter 1996 to the current ratio of 71.92%. This compares favorably with other local institutions located in the bank's AA. Currently, CNB ranks third of seven local banks. The competing banks' average loan-to-deposit ratios for the last nine quarters ranged from 46.32% to 79.57%. The bank's ratio seems reasonable considering the bank has only been in operation since 1995.

In addition, CNB only has 0.62% of the deposit base in Shawnee County based on information compiled by the FDIC using June 30, 1997 Call Reports.

Comparison of Credit Extended Inside and Outside of the Assessment Area

The bank’s record of lending within the assessment area is good. We reviewed residential real estate and commercial/industrial loans to determine the bank’s practice of lending within the assessment area. These loans comprise 60% of the portfolio by dollar volume. We sampled 23 1-4 family residential real estate files and 16 commercial/industrial relationships originated since the bank’s last CRA examination. The residential real estate sample represents 30% of residential real estate originations by dollar volume¹ and 19% by number. The commercial sample represents 39% of originations by dollar and 25% by number. The following tables illustrate our findings for in and out of the assessment area.

1-4 Family Origination Sample from April 1996 to 3Q98		
In the assessment area	21	91.30%
Out of the assessment area	2	8.70%
Total	23	100.00%

Commercial/Industrial Loan Originations Sample - April 1996 to 3Q98		
In the assessment area	15	93.75%
Out of the assessment area	1	6.25%
Total	16	100.00%

Distribution of Credit Within The Assessment Area by Geography

The bank’s geographic distribution of credit within the assessment area is reasonable. The bank did not originate any residential real estate loans within the two low-income census tracts. This is not unreasonable as only 2.53% of the MSA population lives in this area. In addition, 8.85% of the households within those two tracts are below the poverty level and would likely not qualify for credit. The bank’s lending in moderate-income tracts is reasonable. The following table further illustrates our findings considering loans located in the assessment area only. Note specific census tract information was not available for two of the loans located in the assessment area:

¹Actual origination amounts were not readily available, therefore, we used the current outstanding balance as a percent of all outstanding balances on loans originated since the last CRA examination.

1-4 Family Origination Sample - Distribution by Census Tract (CT)					
Census Tract Designation	% of total CT's	Number of Originations	% of total originations	\$ of Originations	% of total originations
Low-income CT	4.55%	0	0.00%	\$0	0
Moderate-income CT	27.27%	3	15.79%	\$52,194	4.41%
Middle-income CT	45.45%	7	36.84%	\$435,784	36.81%
Upper-income CT	20.45%	9	47.37%	\$695,859	58.78%
Totals	97.72% ²	19	100.00%	\$1,183,837	100.00%

The distribution of the bank's commercial loans is also considered reasonable. We determined census tract location of the bank's commercial loans using Internet accessible geo-coding programs. Census tract information was not available for one of the loans located in the assessment area.

Commercial/ Industrial Origination Sample Distribution by Census Tract (CT)					
Census Tract Designation	% of total CT's	Number of Originations	% of total originations	\$ of Originations	% of total originations
Low-income CT	4.55%	1	7.14%	\$107,505	8.08%
Moderate-income CT	27.27%	4	15.79%	\$523,480	39.35%
Middle-income CT	45.45%	3	36.84%	\$289,401	21.75%
Upper-income CT	20.45%	6	47.37%	\$410,051	30.82%
Totals	97.72%	14	100.00%	\$1,330,437	100.00%

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

Management is meeting the credit needs of its assessment area by originating loans to low- and moderate-income borrowers, as well as to small businesses. The following table illustrates our findings for the 1-4 family residential real estate sample. The table breaks down originations by dollar amount of the loans originated to each income designation, as well as the number of loans made to each group. This is compared to the number of families designated low-, moderate-, middle- or upper-income within the assessment area.

²Information was not available for one census tract, therefore this does not total 100%.

1- 4 Family Origination Sample					
Income Designation for Borrower	Percent of AA population	Originations by \$	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low-income	18.04%	\$63,702	4.97%	1	4.76%
Moderate-income	17.91%	\$213,151	16.63%	5	23.81%
Middle-income	26.15%	\$143,221	11.17%	3	14.29%
Upper-income	37.91%	\$861,767	67.23%	12	57.14%
Total	100.00%	\$1,281,841	100.00%	21	100.00%

We sampled commercial/industrial loan originations for the same time period. Examiners reviewed 16 borrower relationships (which represented 25% of total originations by number) totaling \$1,464,841 (39% of total originations by dollar amount). The following table shows 75% of the commercial/industrial originations were to borrowers with annual gross revenues less than \$1 million.

Commercial/Industrial Loan Originations		
Borrowers w/revenues < \$1MM	12	80.00%
Borrowers w/revenues > \$1MM	3	20.00%
Totals	15	100.00%

CNB is involved with the community organization Cornerstone of Topeka. This foundation has two main purposes. The first is to provide one time housing for six months to homeless families with dependent children. The second is to provide affordable housing for low- and moderate-income families. The foundation purchases dilapidated housing, usually located in low- and moderate-income areas and refurbishes them using local, state and federal grants. They rent the homes to income qualified families, with an option to buy. At the end of a three or five year term, hopefully the family can obtain funding from a local financial institution to purchase the home. Cornerstone provides the families with financial counseling during the time of their rental to prepare them for home ownership. The foundation currently owns 60 homes, and CNB has provided the financing for three of those homes.

Compliance with Antidiscrimination Laws and Regulations

Community National Bank is in compliance with the applicable antidiscrimination laws and regulations. We found no violations of the fair lending laws at this examination.