



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 16, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gardner National Bank
Charter Number 18435**

**840 East Main Street
Gardner, Kansas 66030**

**Comptroller of the Currency
ADC Dan L. Gipple - Kansas City South Field Office
6700 Antioch Road, 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 Gardner National Bank, Gardner, KS as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of April 16, 2001. 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.

Gardner National Bank is helping to meet the credit needs of its assessment area.

- The bank's lending to borrowers of different income levels is excellent, and lending to businesses of different sizes is reasonable.
- The bank's loan-to-deposit ratio is excellent based on its competition. The loan-to-deposit ratio since the last Performance Evaluation (January 1997) has averaged 82%.
- The bank has a reasonable record of lending within the assessment area. Approximately 66% (number) and 64% (by dollar volume) of extensions of credit reviewed are granted to borrowers located within the bank's assessment area.

DESCRIPTION OF INSTITUTION

Gardner Bancshares, Inc., a one-bank holding company, controls 100% of Gardner National Bank (GNB). Seventy-eight percent of GNB’s \$54 million in total assets are loans, according to the December 31, 2000 Report of Condition. The bank’s main office and holding company are located in Gardner, Johnson County, Kansas. The bank has a second branch in Gardner and one in Wellsville, Kansas, in adjoining Franklin County. The Gardner branch was opened during 1999.

GNB is a full-service banking institution offering a full range of both lending and deposit services at all locations, including drive up services and automated teller machines (ATMs) at each location. GNB also has an ATM located at a convenience store in Gardner. Residential and commercial real estate is the primary focus of the bank’s loan portfolio. There are no legal or financial impediments limiting the bank’s ability to help meet the credit needs of the community. GNB was rated “Satisfactory” at its last Performance Evaluation dated January 1997.

The following table shows a breakdown of the bank’s loan portfolio as of December 31, 2000.

Loan Type	Dollar Amount (\$000)	Percent
Construction & Development	2,340	6%
1 - 4 Family Residential	12,284	29%
Farmland	765	2%
Commercial Real Estate	8,788	21%
Ag Production	2,666	6%
Commercial	7,818	19%
Consumer	7,066	16%
Other Purposes	243	1%
TOTAL	41,970	100%

DESCRIPTION OF ASSESSMENT AREA

GNB’s assessment area (AA) consists of all of Johnson County, Kansas and census tract 1001 in Miami County, Kansas located in the Kansas City, Missouri/Kansas Metropolitan Statistical Area (MSA) 3760; census tract 12 in Douglas County, located in the Lawrence, Kansas MSA 4150; and block number area 9541 in Franklin County, Kansas. Middle- and upper-income tracts make up 41% and 59% of the AA respectively. There are no low- or moderate-income tracts in the AA. GNB’s AA complies with the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The following tables contain demographic information about the bank's assessment area:

JOHNSON CO., KS & CENSUS TRACT #1001 IN MIAMI CO., KS		CENSUS TRACT INFORMATION	
Kansas City, MO/KS MSA 3760		76 Census Tracts - 30 middle-income - 46 upper-income	
Median Family Income	\$57,700		
Median Housing Value	\$96,162		
Population	357,498		
Families	99,471	- 8.1% low-income - 12.6% moderate-income - 22.1% middle-income - 57.3% upper-income	
Households	137,536	Owner Occupied Housing	66%

*Data Source - 1990 U.S. Census *HUD - U.S. Department of Housing and Urban Development*

CENSUS TRACT #0012 IN DOUGLAS COUNTY, KS		CENSUS TRACT INFORMATION	
Lawrence, KS MSA 4150		1 middle-income Census Tract	
Median Family Income	\$51,500		
Median Housing Value	\$63,900		
Population	6,342		
Families	1,616	- 13.5% low-income - 11.3% moderate-income - 35.6% middle-income - 39.6% upper-income	
Households	2,088	Owner Occupied Housing	74%

*Data Source - 1990 U.S. Census *HUD - U.S. Department of Housing and Urban Development*

BLOCK NUMBERING AREA #9541 FRANKLIN COUNTY, KS		BLOCK NUMBERING AREA INFORMATION	
		1 middle-income Block Numbering Area	
Median Family Income	\$41,100		
Median Housing Value	\$42,700		
Population	5,581		
Families	1,601	- 12.9% low-income - 16.6% moderate-income - 23.1% middle-income - 47.4% upper-income	
Households	1,970	Owner Occupied Housing	75%

*Data Source - 1990 U.S. Census *HUD - U.S. Department of Housing and Urban Development*

ENTIRE ASSESSMENT AREA		CENSUS TRACT INFORMATION	
All of Johnson County, census tract 12 in Douglas County, and block number area 9541 in Franklin County		77 Census Tracts and 1 Block Numbering Area - 32 middle-income - 46 upper-income	
Population	369,421		
Families	102,688	- 8.2% low-income - 12.6% moderate-income - 22.3% middle-income - 56.9% upper-income	
Households	141,594	Owner Occupied Housing	66%

*Data Source - 1990 U.S. Census *HUD - U.S. Department of Housing and Urban Development*

We evaluated GNB's performance for Home Mortgage Disclosure Act (HMDA) reportable loans and a sample of commercial loans originated during 1997 through 2000.

Southwest Johnson County, Kansas is one of the fastest growing areas in the metropolitan Kansas City area. Unemployment in the AA is low at 1.8%. Just 30-minutes from downtown Kansas City, Missouri the southwest Johnson County area is home to the growing communities of Gardner, Edgerton, and New Century AirCenter, the premier multimodal business park in the metro area. Gardner is recognized as one of the fastest-growing cities in the metro area and is home to approximately 10,000 residents. Gardner's population has doubled during the last five years. Manufacturing, health care, and service industries provide most of the employment in the area. There are several locally owned banks, large banks and their branches, and other financial institutions in the bank's AA providing strong competition.

During the evaluation, we made two community contacts and reviewed reports from four previous contacts by various regulators to assess community credit needs. These contacts were made within the bank's MSA. We talked with representatives of community development organizations that focus on enhancing and promoting the area's economy through support of new and existing businesses. According to the community contacts, the primary credit needs are loans to businesses moving into the county and residential real estate lending. Both contacts consider the level of community development opportunities available to the financial institutions to be limited. The contacts said that the credit needs of the community are being met.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

GNB's lending to borrowers of different income levels is excellent, and lending to businesses of different sizes is reasonable. Our analysis focused on the bank's primary product lines, home purchase and home refinance purpose loans. Additionally, we reviewed a sample of commercial loans.

The bank’s lending to borrowers of different income levels is excellent. Based on HMDA reports, management has responded favorably to the credit needs of its AA by originating home loans to low- and moderate-income borrowers.

Residential Real Estate Loan Originations					
Income Designation for Borrower	Families in Income Category	Home Purchase		Home Refinance	
		% by Number	% by Dollar	% by Number	% by Dollar
Low	8.24%	13.33%	6.55%	10.00%	3.46%
Moderate	12.61%	33.33%	26.56%	13.75%	11.68%
Middle	22.29%	20.00%	23.27%	28.75%	24.35%
Upper	56.86%	33.33%	43.63%	47.50%	60.51%

Considering the high level of competition for commercial loans and a market that is being well served by another locally owned financial institution, GNB’s lending to businesses of different sizes is reasonable.

Commercial Loan Originations			
Revenue Size	% in AA	Originations by #	Originations by \$
Borrowers with revenues ≤ \$1MM	85.4%	71.4%	47.2%
Borrowers with revenues > \$1MM	10.9%	28.6%	52.8%
Not Reported	3.7%		

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is excellent, considering the level of competition in the bank’s AA. The bank’s quarterly average loan-to-deposit ratio since the last evaluation is 82.2%, which demonstrates its strong commitment to meeting the credit needs of its communities. For comparison, we used sixteen banks in Johnson, Miami, Franklin, and Douglas counties similar in size and product offering as GNB. The average quarterly loan-to-deposit ratios for the comparable banks ranged from 59.0% to 69.5%. The overall average ratio of these banks is 63.5%.

Lending in Assessment Area

GNB's record of lending within its assessment area is reasonable. The bank originated the majority of its primary loan products in its AA. The overall average of loans made within the GNB's AA is 66% and 64% by number and dollar volume respectively. We reviewed 100% of the bank's home purchase and refinance loans originated from 1997 through 2000. In addition, we reviewed a sample of commercial loans originated during the same time period. The following table shows the loans extended inside and outside the bank's AA by number and dollar volume of loans originated.

Comparison of Credit Extended Inside and Outside of the Assessment Area						
	Home Purchase		Home Refinance		Commercial	
	Number	Dollar	Number	Dollar	Number	Dollar
In the assessment area	59%	56%	70%	68%	71%	68%
Out of the assessment area	41%	44%	30%	32%	29%	32%

Geographic Distribution of Loans

An analysis of geographic distribution was not performed. This analysis is not meaningful since the bank's AA does not have any low- or moderate-income census tracts.

Responses to Complaints

GNB has not received any complaints about its performance in helping to meet needs in the AA during this evaluation period.

Fair Lending Review

An analysis of recent HMDA, small business, public comments, and consumer complaint information was performed according to the OCC's risk based analysis approach. The analysis of the lending data revealed no significant differences for applicants by a collected prohibited basis. In addition, an analysis of the consumer complaint data and public comments revealed no substantive fair lending issues that warranted a more detailed review.