



PUBLIC DISCLOSURE

March 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Girard National Bank
Charter Number 13347**

**100 North Summit
Girard, KS 66743**

**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 Girard National Bank by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of March 29, 1999. 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.
- < The geographic distribution of the bank's loans in its assessment area is reasonable.
- < A majority of the bank's loans are made within its assessment area.
- < The bank's loan-to-deposit ratio is good.

DESCRIPTION OF INSTITUTION

The Girard National Bank (GNB) is a \$131 million bank located in Girard, Kansas. The bank is 100% owned by Girard National Bancshares, Inc., a one bank holding company. The bank has branches in Yates Center, Bucklin, Offerle, and Clay Center, Kansas. The branch location in Clay Center was opened since the last CRA examination. Automated Teller Machines are located in Girard and Yates Center. GNB was rated Satisfactory at the last CRA examination dated September 5, 1996. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

Girard National Bank is primarily an agricultural lender. However, the bank offers a variety of loan products including residential real estate, consumer, commercial, and home improvement loans. In addition, the bank offers fixed rate residential real estate loans through an arrangement with First Mortgage Investment Company. As of December 31, 1998, the dollar volume of GNB's loan portfolio represents 63% of total assets. The dollar volume of loan products is distributed as follows: agricultural (43%), commercial (19%), 1-4 family residential (16%), consumer loans (12%) and other loans (10%). The number of loan products is distributed as follows: agricultural (25%), commercial (12%), 1-4 family residential (12%), consumer loans (47%), and other loans (4%). The bank offers a full range of traditional banking services at all locations.

Our conclusions are based on a review of GNB's CRA efforts from June 30, 1996 through December 31, 1998.

DESCRIPTION OF THE GIRARD NATIONAL BANK'S ASSESSMENT AREA

GNB has designated the following five separate assessment areas.

ASSESSMENT AREA	CENSUS TRACT INFORMATION
<u>ASSESSMENT AREA #1</u> All of Crawford County, Kansas	11 Block Numbering Areas 3-moderate-income (27%) 7-middle-income (64%) 1-upper-income (9%)
<u>ASSESSMENT AREA #2</u> All of Woodson County, Kansas	2 Block Numbering Areas 1-moderate-income (50%) 1-middle-income (50%)
<u>ASSESSMENT AREA #3</u> All of Hodgeman County, Edwards County, Kiowa County, and BNAs 9616 and 9617 in Ford County, Kansas	6 Block Numbering Areas all middle-income
<u>ASSESSMENT AREA #4</u> All of Clark County, Comanche County and Ford County, and BNA 9696 in Edwards County, Kansas	9 Block Numbering Areas 7-middle-income (78%) 2-upper-income (22%)
<u>ASSESSMENT AREA #5</u> All of Clay County, Kansas	2 Block Numbering Areas All middle income

All assessment areas are in non-MSA locations. Assessment areas meet all regulatory requirements. Demographic information on the bank's assessment areas is detailed in the following table:

ASSESSMENT AREA	HUD* updated 1998 median family income	Family income demographics	Population
<u>ASSESSMENT AREA #1</u> All of Crawford County, Kansas	\$38,200	Low-income = 22% Moderate-income = 19% Middle-income = 24% Upper-income = 35%	35,568
<u>ASSESSMENT AREA #2</u> All of Woodson County, Kansas	\$38,200	Low-income = 23% Moderate-income = 23% Middle-income = 25% Upper-income = 29%	4,116
<u>ASSESSMENT AREA #3</u> All of Hodgeman County, Edwards County, Kiowa County, and BNAs 9616 and 9617 in Ford County, Kansas	\$38,200	Low-income = 16% Moderate-income = 21% Middle-income = 26% Upper-income = 37%	13,697
<u>ASSESSMENT AREA #4</u> All of Clark County, Comanche County and Ford County, and BNA 9696 in Edwards County, Kansas	\$38,200	Low-income = 15% Moderate-income = 20% Middle-income = 23% Upper-income = 42%	34,010
<u>ASSESSMENT AREA #5</u> All of Clay County, Kansas	\$38,200	Low-income = 20% Moderate-income = 20% Middle-income = 29% Upper-income = 31%	9,158

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

GNB is one of ten banks in assessment area #1, the location of the main bank. There are also six branch banks in the assessment area. Several financial institutions provide competition for the bank in each of the other assessment areas. Fourteen community banks used for comparison purposes range in asset size from \$9 million to \$125 million.

Unemployment is low and the economy is stable. Agriculture and related businesses dominate the economy of the assessment areas. Other major employers in the areas include educational and medical facilities. The bank identified agricultural and residential loans as the primary credit needs of their assessment areas. Examiners spoke with two community contacts in the bank's assessment area. The contacts included a government agency and a business person. Community contacts confirmed the

bank's assessment of the community's credit needs. The contacts indicated that they were not aware of any unmet community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

GNB's lending to borrowers of different income levels and businesses of different sizes is reasonable. Agricultural lending comprises 43% of the total dollars and 25% of the total number of loans. Residential lending comprises 16% of the total dollars and 12% of the total number of loans.

While commercial loans comprise 19% of the dollar volume and 12% of the total number of loans, the scope is based on our process to always include residential real estate loans and the bank's major product line. Primary focus is placed on the bank's performance in assessment area #1 since that is where a majority of the bank's lending occurs. We did not review activity in branch #5 as it opened in January of 1999. Our sample for assessment area #1 included 40 residential real estate loans, 20 purchase and 20 refinance. Our sample for assessment area #2 included 20 loans originated to purchase residential real estate. Assessment areas #3 and 4 included all loans originated to purchase residential real estate. These branches originated less than 20 such loans since the last examination.

Assessment Area #1 Residential Real Estate Originations (Purchase & Refinance)

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper- Income
% of Families	22%	19%	24%	35%
% of Residential Real Estate Loans (purchase)	25%	35%	30%	10%
% of Residential Real Estate Loans (refinance)	35%	10%	45%	10%

Assessment Area #2 Residential Real Estate Originations (Purchase)

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper- Income
% of Families	23%	23%	25%	29%

Loan distribution by family income				
% of Residential Real Estate Loans	20%	35%	30%	15%

Assessment Area #3 Residential Real Estate Originations (Purchase)

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper- Income
% of Families	16%	21%	26%	37%
% of Residential Real Estate Loans	7%	24%	35%	35%

Assessment Area #4 Residential Real Estate Originations (Purchase)

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper- Income
% of Families	15%	20%	23%	42%
% of Residential Real Estate Loans	6%	29%	41%	24%

Loans originated to low-income families to purchase residential real estate is reasonable. Fifty-five percent of low-income households in assessment area #3 and sixty-two percent in assessment area #4 have incomes below the poverty level. Household income below the poverty level is rarely sufficient to obtain a residential real estate loan.

GNB makes agricultural loans to farms of different sizes. Ninety-nine percent of the agricultural loans originated since the last CRA examination were to small farms. Small farms are defined as farms with gross annual revenues less than \$1 million. We based our conclusion on a review of twenty agricultural loan borrowers in each assessment area through notes originated since the last examination. Bank reports show agricultural notes totaling approximately \$35 million as of December 31, 1998. The bank does not track the number of agricultural borrowers. The following table illustrates our findings:

Agricultural Loans by Farm Gross Income				
Gross Revenue of Farm	Under \$100M	\$100M to \$499M	\$500M to \$1MM	Over \$1MM
% of Agricultural Borrowers Assessment Area #1	25%	65%	5%	5%
% of Agricultural Borrowers Assessment Area #2	40%	40%	20%	0%
% of Agricultural Borrowers Assessment Area #3	35%	55%	10%	0%
% of Agricultural Borrowers Assessment area #4	35%	60%	5%	0%

Geographic Distribution of Loans

The geographic distribution of the bank's loans in its assessment area is reasonable. The bank originated 326 residential real estate loans since the last CRA examination. The bank does not track originations by dollar amount. In part, we based our conclusion on a review of 40 residential real estate loans originated in assessment area #1 and 20 residential real estate loans originated in assessment area #2. An analysis of assessment areas #3 and #4 would not be meaningful as there are no low- or moderate-income tracts in those assessment areas.

The geographic distribution of the bank's loans in assessment area #1 is reasonable. Moderate-income BNAs comprise 27%, middle-income BNAs 64% and upper-income BNAs 9% of the total BNAs in assessment area #1. Examiners determined from the sample that the bank originated 25% of residential real estate loans in moderate-income BNAs, 62% in middle-income BNAs and 3% in upper-income BNAs. Ten percent were originated outside the assessment area.

The geographic distribution of the bank's loans in assessment area #2 is also reasonable. There are two BNAs in the assessment area, one (50%) moderate-income and one (50%) middle-income. Sixty percent of the residential real estate loans in the examiner sample were originated in the moderate-income BNA and 20% in the middle-income BNA. Twenty percent were originated outside the assessment area in an adjoining county.

Lending in Assessment Area

A majority of loans are within the bank's assessment areas. We based this conclusion on our review of all residential real estate loans on the Fair Housing Lending Log Sheet originated since June 30, 1996 and a sample of fifty-two commercial and agricultural loans.

Fair Housing Lending Inquiry/Application Log (July 1, 1996 to December 31, 1998)

	Home Loans	
	#	%
In the assessment area	294	90%
Out of the assessment area	32	10%

SAMPLED LOANS

	Commercial and Agricultural Loans	
	#	%
In the assessment area	44	85%
Out of the assessment area	8	15%

Loan-to-Deposit Ratio

The bank's lending volume is good. GNB's loan to deposit ratio is 75.38% as of December 31, 1998. The last CRA examination is dated September 5, 1996. Therefore, we calculated the quarterly average loan to deposit ratio since September 30, 1996 to compare with other banks. We compared the bank's average ratio with fourteen other competitor banks in its assessment areas. The following table summarizes the performance of GNB and the other banks used for comparison.

Bank	Quarterly Average Loan to Deposit Ratio
City National Bank of Pittsburg, Pittsburg, KS	52.29%
Community National Bank, Chanute, KS	86.82%
Ford County State Bank, Spearville, KS	68.81%
Greensburg State Bank, Greensburg, KS	34.51%
Peoples National Bank, Clay Center, KS	65.03%
The First State Bank, Arma, KS	41.40%
The First State Bank and Trust Co., Pittsburg, KS	65.40%
The Iola Bank and Trust Co., Iola, KS	67.65%
The Farmers' State Bank of Jetmore, KS	27.50%
The First State Bank, Kiowa, KS	49.10%
The First National Bank of Spearville, KS	71.00%
The Girard National Bank, Girard, KS	71.85%
The Haviland State Bank, Haviland, KS	68.17%
The Fidelity State Bank and Trust Company, Dodge City, KS	43.86%
Union State Bank, Clay Center, KS	51.03%

Responses to Complaints

GNB has not received any complaints during this evaluation period.

Compliance with Antidiscrimination Laws and Regulations

The scope of our fair lending examination included a comparison of applicants for unsecured consumer loans. Our file sample included a review of five denied loan applications to females. We compared these applicants to twenty approved loan applications to males. All applicants in our sample applied for credit individually from June 1998 to December 1998.

Based on the results of this examination, we did not find any evidence of disparate treatment or discrimination. The bank is in substantial compliance with all provisions of the anti-discrimination laws.