



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust
Charter Number 12439**

**601 Main
P.O. Box 277
Osawatomie, KS 66064**

**Office of the Comptroller of the Currency
Kansas City South
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1200**

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 CRA performance of First National Bank & Trust prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of September 8, 1997. 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: "Satisfactory record of meeting community credit needs"

First National Bank & Trust's (FNBT) average loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. The bank makes a substantial majority of its loans within its assessment area (AA). FNBT's distribution of borrowers reflects reasonable penetration among individuals of different income levels, and farms and businesses of different sizes. Its geographic distribution of loans reflects excellent dispersion throughout its AA.

DESCRIPTION OF INSTITUTION

First National Bank & Trust (FNBT) is a \$70 million bank located in Osawatomie, Kansas (KS). It is wholly owned by Osawatomie Agency, Inc., a one-bank holding company. FNBT has one full service branch located in Paola, KS. ATMs are located at both the main bank and the branch. The bank's primary lending focus is residential and commercial lending. As of June 30, 1997, FNBT's loan portfolio totaled \$50 million and consisted of 48% 1-4 family residential, 24% industrial production and commercial real estate, 12% agriculture production and farmland, 11% consumer installment, and 5% other.

FNBT faces strong competition from not only five local competitors but also from numerous mortgage companies and large financial institutions in the Kansas City Metropolitan Statistical Area (MSA). There are no other factors or legal impediments, including the financial condition of the bank, which hinders its ability to fulfill its CRA obligation. At the May 9, 1994 examination, the OCC assigned the bank a rating of "Satisfactory record of meeting community credit needs."

DESCRIPTION OF ASSESSMENT AREA

FNBT's assessment area (AA) is located along the southwest edge of the Kansas City MSA. The bank's AA is composed of the seven census tracts in Miami County, KS; one block numbering area (BNA) in southeastern Franklin County, KS; and one BNA in northern Linn County, KS. The seven census tracts within Miami County are identified as census tracts 1001, 1002, 1003, 1004, 1005, 1006, and 1007. All census tracts in Miami County are designated as middle-income except tracts 1002 and 1007. Tracts 1002 and 1007 are designated as upper-income and moderate-income, respectively. The BNAs within the bank's AA are identified as 9545 in southeastern Franklin County and 9551 in northern Linn County. Both BNAs 9545 and 9551 are designated as middle-income. The bank's main office is located in the moderate-income tract.

FNBT's AA has a population of 32,514 persons and approximately 9,073 families. Based on updated 1990 census data, the weighted average of Kansas City MSA and KS non-MSA median family incomes is \$47,067. Within FNBT's AA, the breakdown of families by income level is 18% low-income, 22% moderate-income, 26% middle-income, and 34% upper-income. The bank's AA contains 13,741 housing units of which 67% are owner occupied and 18% are rented. The median housing value equals \$50,500.

Osawatomie and Paola are within five miles of each other and are the primary cities within the bank's AA. Paola is the county seat of Miami County. Paola's and Osawatomie's populations total 4,798 and 4,590, respectively. Both cities' economies are stable. Along with municipal and county government offices, both cities have a mix of retail, service, and manufacturing businesses. The Osawatomie State Psychiatric Hospital is the largest employer with 572 employees. Other major employers include Unified School District #368 (450), Miami County Government (187), and Unified School District #367 (180). Many residents of both cities also commute daily to other areas of the Kansas City MSA for employment. The unemployment rate for the AA is low at 3%.

Management stated most of the businesses within the AA are small retail, service, and manufacturing companies. This statement is confirmed by 1990 census data. According to 1990 census business demographic data for the 775 businesses and farms that reported income, 83% of the AA's businesses and farms have gross revenues less than \$500,000. These businesses and farms would be classified as small businesses and small farms under the revised CRA regulation.

Community contacts identified small business loans and affordable home loans for moderate-income persons as the AA's primary credit needs. This was based on two community contacts provided by Federal Deposit Insurance Corporation (FDIC) examiners and one community contact made by OCC examiners.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNBT's average loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. The bank's average quarterly loan-to-deposit ratio since its last CRA exam equaled 71%. Although FNBT is fourth in total assets when compared to its local competitors, its loan-to-deposit ratio ranked the highest at 77% on March 31, 1997, and its average quarterly loan-to-deposit ratio ranked the second highest at 70% for the period June 30, 1994 to March 31, 1997. The following table provides comparative information for FNBT and its local competitors.

<i>Bank Name</i>	<i>Total Assets 3-31-97</i>	<i>Loan-to-Deposit 3-31-97</i>	<i>Average Loan-to-Deposit</i>
First National Bank & Trust, Osawatomie, KS	\$70 million	76.57	70.40
The Miami County National Bank, Paola, KS	\$149 million	75.49	74.95
First Kansas Federal Savings Assoc., Osawatomie, KS	\$101 million	52.94	41.68
Peoples National Bank & Trust, Ottawa, KS	\$75 million	45.60	55.20
Citizens State Bank, Paola, KS	\$43 million	62.46	53.00
The First National Bank of Louisburg, Louisburg, KS	\$43 million	58.17	55.58

Lending in Assessment Area

FNBT makes a substantial majority of its loans within its assessment area (AA). For the fiscal period of 1996, the bank originated 75% by number and by dollar volume of its home purchase, home refinance, home improvement, and multi-family loans (HMDA reportable loans) within its AA. It originated 83% and 80% by number and dollar volume, respectively, of its agriculture production, farmland, industrial production, and commercial real estate loans within its AA. We based our commercial and agricultural lending conclusion on a sample of 106 loans that totaled \$3,975,000 and represented 22% of both the total number and total dollar volume of agriculture production, farmland, industrial production, and commercial real estate loans outstanding per the bank's June 30, 1997 Report of Condition.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNBT's distribution of borrowers reflects reasonable penetration among individuals of different income levels, and farms and businesses of different sizes. Based on our analysis of all HMDA reportable loans for the fiscal period 1996, we identified the following income distribution for the loans that were originated within the bank's AA.

<i>Fiscal Period</i>	<i>Income Designation of the Borrower</i>	<i>Distribution of Home Loans within assessment area</i>		<i>Income Designation of families within assessment area</i>
		<i>#</i>	<i>%</i>	<i>%</i>
1996	Low-income	28	17%	18%
	Moderate-income	42	26%	22%
	Middle-income	51	32%	26%
	Upper-income	40	25%	34%
	Totals	161	100%	100%

FNBT extends virtually all its agriculture production, farmland, industrial production, and commercial real estate loans to small farms and small businesses. The bank's June 30, 1997 Report of Condition shows almost 100% of its \$17,852,000 or 488 outstanding agriculture production, farmland, industrial production, and commercial real estate loans are to small farms and small businesses. Based on our sample of 106 commercial and agricultural loans as of June 30, 1997, we found that 98 or 92% of loans in our sample had origination amounts of \$100,000 or less, with an average loan amount of \$30,000. Under the revised CRA regulation, loan amount size is generally assumed to correlate with the size of a farm or business. Loan origination amounts of \$500,000 or less are considered loans to small farms while loan origination amounts of \$1,000,000 or less are considered loans to small businesses. FNBT's high lending activity to small farms and small businesses is reasonable because there are very few mid-size or large farms and businesses within the bank's AA. See the above section "**Description of the Assessment Area.**"

Geographic Distribution of Loans

FNBT's geographic distribution of loans reflects excellent dispersion throughout its assessment area. Based on our analysis of all HMDA reportable loans for the fiscal period 1996, we identified the following geographic distribution for loans that were originated within the bank's AA.

<i>Fiscal Period</i>	<i>Income Level of BNAs or Census Tracts</i>	<i>Distribution of Home Loans within assessment area</i>		<i>Income Designation of BNAs or Census Tracts within assessment area</i>
		<i>#</i>	<i>%</i>	<i>%</i>
1996	Low-income tracts	0	0%	0%
	Moderate-income tracts	67	42%	11%
	Middle-income tracts	89	55%	78%
	Upper-income tracts	5	3%	11%
	Totals	161	100%	100%

No activity in low-income census tracts or BNAs is reasonable because there are no low-income census tracts or BNAs within the bank's AA. See the above section "**Description of the Assessment Area.**"

Response to Complaints

FNBT has not received any complaints relating to its CRA performance.

Compliance with Antidiscrimination Laws and Regulations

FNBT is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.