

PUBLIC DISCLOSURE

July 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Wamego
Charter Number 3434**

**806 West Fifth Street
Wamego, Kansas 66547**

**Office of the Comptroller of the Currency
Kansas City North - Salina Office
Post Office Box 616
Salina, Kansas 67402-0616**

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 **The First National Bank of Wamego, Wamego, Kansas, (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 6, 1999. 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**.

FNB's overall CRA ratings are based on the following factors:

- C FNB has a reasonable record of lending to agricultural and commercial borrowers of diverse revenues. The majority of agricultural and commercial loans in our sample were made to small farms and small businesses.
- C The bank's quarterly average loan-to-deposit ratio is reasonable at 73 percent for the past thirteen quarters.
- C A majority of the bank's loan originations are extended to borrowers living within the assessment area.

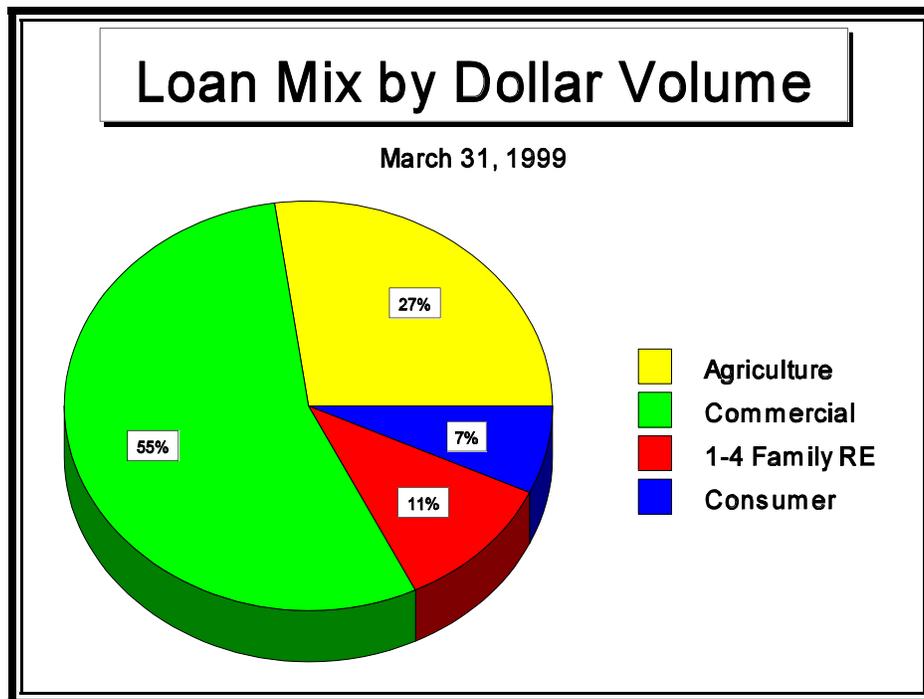
Bank

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DESCRIPTION OF INSTITUTION

FNB is a \$63 million institution based in Wamego, Kansas. The bank is ninety five percent owned by Wamego Bancshares, Inc., a one-bank holding company. The bank has two full service branches which are located in Manhattan and Alma, Kansas. The Alma location commenced business February 22, 1999. FNB also has four limited service automated teller machines. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The institution received an "Outstanding" rating at its last CRA examination dated March 14, 1996.

FNB's net loans total \$44 million as of March 31, 1999, and represent 69 percent of its total assets. The bank's primary credit products by dollar volume are for commercial and agricultural purposes, and consumer purposes by number. Since the bank's last CRA examination, loan volume has increased approximately \$10 million. The growth has primarily resulted from an increase in commercial and agricultural loans. The following table shows the bank's loan portfolio composition as a percentage of gross loans:



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DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Pottawatomie and Wabaunsee Counties as its assessment area (AA). This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. FNB's main office and one branch are located in Pottawatomie County. The new branch is located in Wabaunsee County. Competition includes several state and nationally chartered banks, a branch office of a Thrift, Farm Credit Services and an investment company.

Total population of the AA, based on 1990 U.S. Census information, is 22,731. The assessment area is divided into six block numbering areas (BNAs): 9831 and 9832 are located in Wabaunsee County; and BNAs 0001 through 0004 are located in Pottawatomie County. FNB's main office is located in BNA 0002 with one branch each in BNAs 0001 and 9831. All six BNAs are designated as middle-income, based on their respective family income levels.

The U.S. Census reports 6,248 families residing in the assessment area. Eleven percent of these families have income below the poverty level. Approximately 13 percent of the families are designated as low-income, 19 percent are moderate-income, 25 percent are middle-income, and 43 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1998 non-metropolitan updated median family income figure of \$38,700. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis. The Census data also reports the median housing value for the AA as \$42,182. The median year housing in the AA was built is 1957.

Although dominated by agricultural, the local economy is good. Major agricultural products include corn, wheat, soybeans, milo, and cattle ranching. While the local community is heavily reliant on agricultural, its close proximity to Kansas State University, the Fort Riley Military Base, and the cities of Manhattan and Topeka, provide diversification and employment opportunities.

Commercial lending activity offers diversification to area banks' loan portfolios. Major employers in the AA include: Balderson, Inc., Midwest Concrete Materials, Wamego City Hospital, Unified School District #320, and the Jeffrey Energy Center. Service and retail sectors provide additional opportunities for employment. According to the Kansas Department of Human Resources, the estimated May 1999 unemployment rates for

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Pottawatomie and Waubaussee Counties are 2.0 and 3.3 percent, respectively.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual works for a business development organization. Through our community contact, we confirmed one of the primary credit needs of the area as loans for agricultural purposes. Our contact indicated credit needs are being satisfied in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Farms and Businesses of Different Revenues

Our review determined the bank's primary credit products are loans for agricultural and commercial purposes. Our community contact identified agricultural loans as a primary credit need within the assessment area. As a result, we focused our analysis on agricultural and commercial loans to assess the bank's lending performance. We did not review consumer loans due to the small dollar volume. The analyses and conclusions drawn during this review are based upon data provided by the bank. We selected our sample from those borrowers whose files contained revenue information, and their loans were originated between March 14, 1996 and July 6, 1999. The bank's computer system does not retain information on loans originated and paid in full; therefore, those loans were excluded from our sample.

Agricultural Lending:

FNB has a reasonable record of lending to small farms within its assessment area. We reviewed the revenue distribution of 20 agricultural (Ag) borrowers in the assessment area with loan originations between March 14, 1996 and July 6, 1999. For the period under review, these borrowers originated 184 loans totaling \$4.5 million. Our agricultural loan sample represented seven percent, by both number and total dollar volume, of the bank's agricultural loans originated during this time period. The following table shows a more detailed analysis of the agricultural borrower revenue distribution.

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Agricultural Loan Customer Revenue Distribution				
Sample of 20 Agricultural Loan Customers with Loan Originations Between 3/14/96 and 7/6/99				
Revenue Category	Distribution of FNB's Ag Loan Customers		Revenue Distribution of Farms in Assessment Area	
	No. of Customers	Percentag e	No. of Farms	Percentag e
\$0-\$99,999	13	65%	1,202	86%
\$100,000-\$249,999	5	25%	135	9%
\$250,000-\$499,999	0	0%	40	3%
\$500,000 and Over	2	10%	26	2%
Totals	20	100%	1,403	100%

Lending to Farms and Businesses of Different Revenues - Continued

Based on our limited sample of agricultural borrowers, we determined that 90 percent of FNB's farm customers had gross revenues of less than \$250 thousand. We compared the revenue distribution of FNB's agricultural customers to area demographic information obtained from the 1992 Agricultural Census as compiled by the U.S. Bureau of the Census. The Ag Census reports 95 percent of farms in the assessment area had revenues of less than \$250 thousand. FNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics.

Commercial Lending:

FNB has a reasonable record of lending to businesses in the lower revenue categories within its assessment area. We reviewed the revenue distribution of 20 commercial borrowers in the assessment area with loan originations between March 14, 1996 and July 6, 1999. For the period under review, these borrowers originated 130 loans totaling \$3.6 million. Our commercial loan sample represented five percent by number and three percent by dollar volume, of commercial loan originations during this time period. The following table shows a more detailed analysis of the commercial borrower revenue distribution.

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Commercial Loan Customer Revenue Distribution				
Sample of 20 Commercial Loan Customers with Loan Originations Between 3/14/96 and 7/6/99				
Revenue Category	Distribution of FNB's Commercial Loan Customers		Revenue Distribution of Businesses in Assessment Area	
	No. of Customers	Percentage	No. of Businesses	Percentage
\$0-\$499,999	13	65%	530	83%
\$500,000-\$949,999	4	20%	46	7%
\$1,000,000- \$24,999,999	3	15%	63	9%
\$25,000,000 and Over	0	0%	3	1%
Total	20	100%	642	100%

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Lending to Farms and Businesses of Different Revenues - Continued

Based on our limited sample of commercial borrowers, we determined that 85 percent of FNB's commercial loan customers had gross annual revenues of less than \$1 million. We compared the revenue distribution of FNB's commercial loan customers to area demographic information as compiled by Dun & Bradstreet. Dun & Bradstreet's research indicated 90 percent of the businesses in the assessment area had revenues of less than \$1 million. FNB's proportion of small business borrowers is reasonable in relation to local business demographics.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. This analysis is performed if one or more of the block numbering areas in the bank's assessment area is designated as a low- or moderate-income geography. There are no low- or moderate-income block numbering areas in FNB's assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable. We compared FNB's quarterly average LTD ratio to five other financial institutions with offices in Pottawatomie and/or Wabaunsee Counties. Each of the banks in our comparison had total assets of less than \$64 million and no branches in metropolitan areas. FNB's quarterly average LTD ratio for the past thirteen quarters was 73 percent. The overall quarterly average LTD ratio for the six banks in our comparison was 72 percent. Quarterly average LTD ratios ranged from 66 percent to 77 percent. FNB's quarterly average LTD ratio ranked fourth among the six banks we reviewed. Over the past thirteen quarters, FNB's net loans have increased 30 percent. This increase also ranked fourth among the institutions we reviewed.

Bank*The First National Bank of Wamego, Wamego, KS***Lending in the Assessment Area**

A majority of the bank's loan originations are extended to borrowers living within the assessment area. Bank personnel generated reports during the examination which showed agricultural, commercial, residential real estate, and consumer loans originated between March 14, 1996 and July 6, 1999. The bank's computer system does not retain information on loans paid in full; therefore, those loans were excluded from our sample. We analyzed these reports to determine which of these borrowers were located within the bank's assessment area. We focused our loan sample on the bank's primary lending products. Our loan sample consisted of 20 agricultural and 20 commercial loans originated during this time period. This sample represented five percent of total agricultural and commercial loan originations by number and three percent by dollar volume. The table below details our analysis of the bank's record of lending in the assessment area.

Assessment Area Analysis				
Sample of 20 Agricultural and 20 Commercial loans with Loan originations Between 3/14/96 and 7/6/99				
Type of Loan	No. of Loans in AA	% of Loans in AA by No.	\$ Volume of Loans in AA	% of Loans in AA by \$
Agricultural	14	70%	\$348,418	62%
Commercial	16	80%	\$503,120	53%
Total	30	75%	\$851,538	57%

Compliance with Antidiscrimination Laws and Regulations

FNB has a satisfactory record of compliance with antidiscrimination laws and regulations. During our consumer compliance examination, we found no substantive violations of fair lending laws or evidence of discriminatory practices.

Response to Complaints

FNB has not received any written complaints regarding its CRA performance since the

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previous examination dated March 14, 1996.