

PUBLIC DISCLOSURE

July 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers National Bank of Oberlin
Charter Number 7298**

**104 South Penn
Oberlin, Kansas 67749**

**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 Community Reinvestment Act (CRA) performance of **The Farmers National Bank of Oberlin (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 CFR Part 25.

Institution's CRA Rating: This institution is rated **“Satisfactory.”**

Farmers National Bank's CRA rating is based on the following factors:

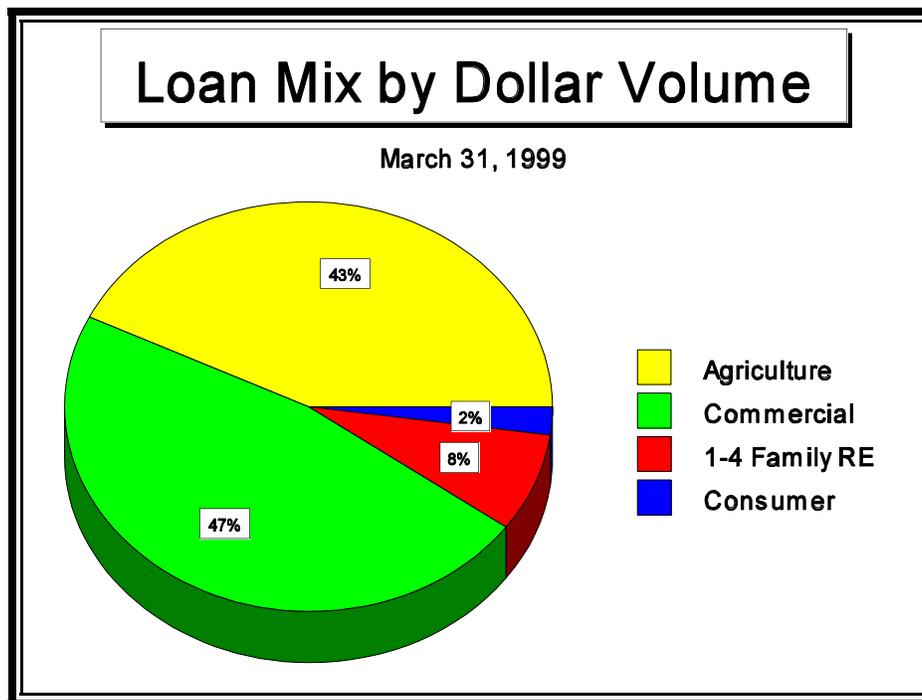
- ! FNB has a reasonable record of lending to farms and businesses in the lower revenue categories within its assessment area.
- ! FNB's loan-to-deposit ratio is reasonable when compared to the ratios of similarly situated banks and the assessment area credit needs.
- ! A majority of the bank's loan originations benefit the borrowers living within the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$54 million institution located in Oberlin, the seat of Decatur County. The bank was purchased by Gold Banc Corporation, Inc. (Gold) of Leawood, Kansas as of October 1, 1997. Gold is a publicly held multi-bank holding company that owns 100 percent of the bank's stock. Gold owns nine community banks and one federal savings bank with 23 offices throughout the states of Kansas, Missouri, and Oklahoma. Gold also owns a full service broker/dealer investment management firm and a Missouri state-chartered trust company.

The bank has a branch office in Norcatour, Kansas which is about 18 miles east of the main office. The bank offers traditional deposit and loan banking products and services at both locations. FNB has one 24-hour automatic teller machine located at the main bank. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The bank received a "Satisfactory Record of Meeting Community Credit Needs" rating at its last CRA examination dated July 22, 1996.

FNB's net loans total \$33.5 million as of March 31, 1999, and represent 62 percent of total assets. The bank's primary credit products are loans for various agricultural purposes. Commercial loans also comprise a significant portion of FNB's loan portfolio. Loan participations purchased from an affiliate bank offers some diversification to the bank's commercial portfolio. The following table shows the bank's loan portfolio composition as a percentage of gross loans:



DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Decatur County 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. Competition within the assessment area includes one state chartered bank in Oberlin, one branch office of a state chartered bank, one savings bank and one credit union. FNB also competes with banks in McCook, Nebraska, approximately 30 miles north of Oberlin.

The total population of the assessment area is 4,021 based on 1990 U.S. Census information. The assessment area is divided into two block numbering areas (BNAs), 9512 and 9511. FNB's main office is located in BNA 9512. Both of the BNA's are designated as middle-income tracts based on their respective family income levels. The median housing value for Decatur County is \$25,503. Additional information regarding the bank's assessment area is included in the following table.

1990 Demographic Information for Decatur County					
Block Numbering Area (BNA)	Income Designation	Population of BNA	% of Owner-Occupied Housing	Median Housing Value	Median Family Income
9512 (Oberlin)	Middle	2,358	63%	33,600	25,071
9511 (Jennings, Norcatur, Dresden)	Middle	1,663	57%	14,999	27,043
County Totals		4,021	60%	25,503	26,250

The U.S. Census reports that 1,149 families reside in the assessment area. Approximately 29 percent of the families are designated as low-income, 17 percent are moderate-income, 19 percent are middle-income, and 35 percent are upper-income. Income designations are based on 1990 median family income levels as a percentage of the non-metropolitan median family income of \$38,700. The median family income figure is estimated and updated by the Department of Housing and Urban Development on an annual basis.

The primary credit needs of the assessment area are for agricultural purposes. The strength of the local economy parallels the success of the agricultural sector. The local economy is stressed due to historically low prices for farm commodities. Predominant agricultural products include wheat, alfalfa, milo, corn and cattle. Major employers in the area include the hospital and school district.

DESCRIPTION OF ASSESSMENT AREA (Continued)

The strength of a county's economy is closely tied to population and the social environment. The demographics of the assessment area are not conducive to heavy loan demand. We obtained a copy of a report entitled Situations and Trends, prepared as a service of Decatur County Extension Office. The report details several economic indicators for Decatur County including net population change, per capita personal income, employment, social environment and agricultural statistics.

Decatur County shows a relatively high level of distress based on these economic indicators. Between 1980 and 1997, Decatur County's total population declined 23 percent. Per capita personal income declined 13 percent, from \$18,353 to \$15,975; the Kansas county average for this time frame increased 2.9 percent to \$17,215. Decatur County's total employment declined 9.5 percent between 1990 and 1997, compared to an average increase of 2.6 percent for Kansas counties. Between 1990 and 1997, the number of farms in Decatur County declined 12.2 percent, compared to the Kansas average decline of 8.1 percent. According to the Kansas Department of Human Resources, the 1997 unemployment rate for Decatur County was 2.8 percent.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. We determined the primary credit needs of the area are for agricultural purposes. There is also loan demand for various consumer purposes and housing. Our contact identified no unmet credit needs in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels

Our review determined the bank's primary credit products are loans for various agricultural purposes and commercial loans. As a result, we focused our analysis on agricultural and commercial loans to assess the bank's lending performance. The analyses and conclusions drawn during this review are based upon information and data provided by the bank. We selected our sample from loans originated between July 6, 1996 and July 5, 1999.

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

Agricultural Lending:

FNB has a reasonable record of lending to farms in the lower revenue categories within its assessment area. We reviewed the revenue distribution of 20 agricultural borrowers with loan originations between July 6, 1996 and July 5, 1999. For the period under review, these borrowers obtained 134 loan originations totaling \$6.1 million. Our agricultural sample represented 29 percent by number and 28 percent by dollar volume of the agricultural loans originated in the assessment area during this time period. The following table shows a more detailed analysis of the agricultural borrower revenue distribution.

AGRICULTURAL BORROWER REVENUE DISTRIBUTION				
Sample of 20 Agricultural Borrowers With Loan Originations Between 7/6/96 and 7/5/99				
	Distribution of Farmers NB Agricultural Borrowers		Distribution of Farms in Decatur County	
Revenue Category	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$99,999	7	35%	326	74%
\$100,000 - \$249,999	9	45%	82	19%
\$250,000 - \$499,999	3	15%	22	5%
\$500,000 and Over	1	5%	9	2%
TOTALS	20	100%	439	100%

Based on our limited sample of agricultural borrowers, we determined that 80 percent of FNB's farm customers had gross annual 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 Agricultural Census reports that 93 percent of farms in Decatur County had revenues of less than \$250 thousand. FNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics.

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

Commercial Lending:

FNB has an adequate record of lending to businesses of varying revenue levels within the assessment area. We reviewed the revenue distribution of 20 commercial borrowers with loan originations between July 6, 1996 and July 5, 1999. For the period under review, these borrowers obtained 75 loans totaling \$5.6 million. Our commercial sample represented 57 percent by number and 85 percent by dollar volume of the commercial loans originated in the assessment area during this time period. The following table shows a more detailed analysis of the commercial borrower revenue distribution.

COMMERCIAL BORROWER REVENUE DISTRIBUTION		
Sample of 20 Commercial Borrowers between 7/6/96 and 7/5/99		
	Distribution of FNB's Commercial Borrowers	
Revenue Category	Number of Borrowers	Percentage
\$0 - \$499,999	10	50%
\$500,000 - \$999,000	4	20%
\$1,000,000 - \$24,999,999	6	30%
\$25,000,000 and Over	0	0%
Totals	20	100%

We also performed an analysis of commercial loans by origination amount. We reviewed the loan size of 112 commercial loans originated between July 6, 1996 and July 5, 1999. This sample represented 100 percent of commercial loans originated in the assessment area during the period under review. Assuming loan size is an indicator of business size, the bank has a good record of lending to small businesses within its assessment area. Approximately 71 percent of the loan originations we reviewed

were for amounts of \$30 thousand or less. The table on the following page shows a more detailed breakdown of our analysis of commercial loan size:

COMMERCIAL LOAN SIZE DISTRIBUTION				
Sample of 112 Commercial Loans Originated in the Assessment Area Between 7/6/96 and 7/5/99				
Loan Size Category	Number of Originations	Percentage of Total Number	Dollar Volume of Loans	Percentage of Total \$ Volume
\$0 - \$5,000	28	25%	\$73,438	1%
\$5,001 - \$10,000	20	17%	\$132,504	2%
\$10,001 - \$15,000	10	9%	\$121,880	2%
\$15,001 - \$20,000	7	6%	\$125,952	2%
\$20,001 - \$25,000	11	10%	\$292,410	5%
\$25,001 - \$30,000	4	4%	\$111,936	2%
Over \$30,000	32	29%	\$5,582,763	86%
TOTALS	112	100%	\$6,440,883	100%

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 (LTD)

The bank's LTD ratio is reasonable. We compared FNB's eight quarter average LTD ratio to three other financial institutions with offices in Decatur County. In addition, we included one bank in Sheridan County, Kansas and a competing bank in Red Willow County, Nebraska. Each of the banks in our comparison had total assets of less than \$100 million and no branches in metropolitan areas.

FNB's average LTD ratio of 68 percent is reasonable given the ratios of similarly situated banks and the demographics of the assessment area. The overall quarterly average LTD ratio for the five banks in our comparison was also 68 percent. FNB's quarterly average LTD ratio ranked third among the five banks we reviewed. Quarterly average LTD ratios ranged from 50 percent to 79 percent.

Lending in the Assessment Area

A majority of the bank's loan originations are extended to borrowers living within the assessment area (AA). Bank personnel generated reports during the examination which showed all types of loans originated between July 6, 1996 and July 5, 1999. Based on the borrower's address, we determined the dollar volume and number of loans originated within the bank's assessment area. FNB originated 470 agricultural loans totaling \$21.9 million, 130 commercial loans totaling \$20.9 million, 85 residential real estate loans totaling \$2.9 million, and 252 consumer loans totaling \$1.2 million during this period. We determined approximately 87 percent of these loan originations, by number, and 58 percent, by dollar volume, were to borrowers using loan proceeds within the assessment area. The table below details our analysis of the bank's record of lending in the AA.

ASSESSMENT AREA (A.A.) ANALYSIS Based on 937 Loan Originations Between 7/6/96 and 7/5/99 (470 Agricultural, 130 Commercial, 85 Residential Real Estate, and 252 Consumer)				
Type of Loan	# of Loans in A.A.	% of Loans in A.A. (By #)	\$ Volume of Loans in A.A. (In Thousands)	% of Loans in A.A. (By \$)
Agricultural	415	88%	\$17,967	82%
Commercial	101	78%	\$6,572	31%
Residential Real Estate	79	93%	\$1,623	56%
Consumer	222	88%	\$1,196	95%
Total Loans in A.A.	817	87%	\$27,358	58%

Compliance with Anti-discrimination Laws and Regulations

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

Response to Complaints

FNB has not received any written complaints regarding its CRA performance since the previous examination dated July 22, 1996.