



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

July 6, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Olathe
Charter Number: 3720**

**444 East Santa Fe
Olathe, Kansas 66061**

**Comptroller of the Currency
Kansas City North Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 66210**

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

We based the bank's CRA rating on the following primary factors:

- First National Bank of Olathe's (FNB) level of lending to borrowers of different incomes and to businesses of different sizes is satisfactory.
- The geographic distribution of both business and residential real estate loans reflects excellent dispersion throughout the assessment area (AA) and exceeds demographic data in moderate-income tracts.
- A majority of the bank's lending activity is within its AA.
- FNB's level of community development activity demonstrates adequate responsiveness to opportunities in the bank's AA.

SCOPE OF EXAMINATION

We performed a full scope evaluation of FNB's performance using Intermediate Small Bank Examination Procedures. Our objectives were to assess the bank's ability to serve and meet the community's needs within its AA. FNB's AA consists of Johnson County, Kansas. Primary lending products, by number and dollar amount, are construction and development, specifically commercial real estate, and commercial and industrial loans. The evaluation period for community development activities is April 2006 to July 2009. Our lending analysis included the bank's 2006, 2007, and 2008 commercial and residential real estate loan portfolios.

DESCRIPTION OF INSTITUTION

FNB is a \$978 million intrastate financial institution headquartered in Olathe, Kansas. FNB is primarily owned by First Olathe Bancshares, Inc., a \$1.4 billion one-bank holding company located in Overland Park, Kansas. This holding company owns 82 percent of the bank shares as well as another holding company, Bannister Bancshares, which owns and controls a state-member bank, Union Bank. In addition to the main banking facility, FNB has nine branch locations and thirteen ATMs within its assessment area. The bank's assessment area has strong competition from other financial institutions.

FNB is a full-service banking institution. The bank offers a full range of loan and deposit products at its main bank and nine branch locations. Since the last CRA examination, FNB has opened three branches and closed one branch. As of March 31, 2009, the loan portfolio consisted of 76 percent commercial real estate loans, 15 percent commercial loans, 9 percent residential real estate loans (including multi-family), and less than 1 percent in consumer and agriculture loans. Net loans represent 81 percent of total assets as of March 31, 2009. FNB's net loan to deposit ratio is 96 percent for the same period. There are no legal financial or other constraints that impede FNB's ability to help meet the credit needs in its assessment area.

FNB received a rating of "Satisfactory" at its last CRA examination dated April 25, 2006.

DESCRIPTION OF JOHNSON COUNTY ASSESSMENT AREA

FNB's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The bank operates nine branches within its AA. Using the 2000 U.S. Census Bureau data, the Johnson County AA consists of no low-income, two moderate-income, 41 middle-income, and 64 upper-income census tracts. The main bank and five other branches are in middle-income census tracts with the remaining four branches in upper-income census tracts.

The AA population is 451,086 persons as of the 2000 U.S. Census Bureau data. There are 8 percent of families classified as low-income, 13 percent classified as moderate-income, 22 percent classified as middle-income, and 57 percent classified as upper-income. The 2004 Median Family Income (MFI) for Johnson County is \$55,031. This figure is used to determine the income level for each census tract. The income level of each borrower is based on the HUD MFI estimate for 2009 of \$70,400.

We conducted one community contact during this examination. The contact said the local economy is relatively strong compared to other regions of the U.S., although Johnson County is not sheltered from the downturn experienced in the national economy. The area continues to experience layoffs from local employers. Community development opportunities are limited due to the strong competition from banks within their AA. Bank involvement within the community is good, and FNB has a great reputation within the community. The contact added that FNB continues to serve the community both through sponsoring community events, nonprofit organizations, and meeting the credit needs of their AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Lending Test is rated: **“Satisfactory.”**

The Community Development Test is rated: **“Satisfactory.”**

Loan-to-Deposit Ratio (LTD)

The bank's average quarterly loan-to-deposit (LTD) ratio reflects more than reasonable responsiveness toward meeting the credit needs of the community. The bank's net LTD ratio averaged 101.09 percent for the past 13 quarters. FNB ranked second among four similarly situated banks serving its AA. The other three banks had an average net LTD ratio of 94.90 percent, with a range from 79.33 percent to 104.34 percent over the past 13 quarters.

Lending in Assessment Area

FNB's record for lending to borrowers within its AA is reasonable, as a majority of loans are in the AA. For loans in the evaluation period, management originated 72 percent by number and 71 percent by dollar within its AA. By loan product, FNB originated 77 percent of small business loans and 54 percent of RRE loans within its AA.

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

FNB’s lending to borrowers of different income levels and to businesses of different sizes is satisfactory. Primary weight is placed on the bank's small business lending activity due to the bank's volume of loans and focus on this sector. FNB reported 338 small loans to various size businesses totaling \$16 million. Based on the number of businesses that reported revenue information, the bank's volume of small loans to small businesses is below demographic data. During our evaluation period, 40 percent of the bank's business loans were to businesses with revenues less than \$1 million while 64 percent of the AA businesses have revenues less than \$1 million. Although FNB was below the demographic level for lending to small businesses, about 21 percent of FNB’s small business loans were reported with unknown revenue. Reviewing the bank’s peer institutions that consider Johnson County as part of their AA, only 34 percent of the peer institutions’ loans within the AA were made to businesses of revenues less than \$1 million. This is below FNB’s penetration of 40 percent.

FNB’s residential real estate lending to low- and moderate-income families is excellent. Although it is not a primary product, FNB continues to assist in meeting the residential real estate needs of their AA. The bank originated 152 loans totaling \$19 million. During our evaluation period, the bank's penetration among low- and moderate-income families exceeded the AA demographics in all three residential real estate lending areas: home purchase, home improvement, and home mortgage refinance. See the table below for more details.

Borrower Distribution of Residential Real Estate Loans in Johnson County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans
Residential Real Estate Loans								
Purchase	8.46%	17.86%	12.92%	28.57%	21.87%	21.43%	56.75%	32.14%
Home Improvement	8.46%	14.04%	12.92%	24.56%	21.87%	21.05%	56.75%	40.35%
Refinancing	8.46%	5.26%	12.92%	26.32%	21.87%	23.68%	56.75%	44.74%

Source: 2000 Census Demographic Data; Bank and examiner generated reports

The bank also has a program called the Special Purpose Loan Program, which is designed to serve low- and moderate-income borrowers. This program is designed to allow management to consider making loans to individuals who otherwise do not meet the bank's lending standards. To qualify for this program, the borrower must meet the definition of low- or moderate-income and not be able to meet the bank's normal credit criteria with respect to established credit history or with respect to ability to repay the loan under normal terms. The purpose of the loan is for basic needs such as shelter, purchase of a vehicle to allow transportation to and from work, medical expenses, or to establish credit. Loan amounts range from \$500 to \$10,000 with unsecured loans not to exceed \$5,000. The bank originated 16 loans totaling \$65,221 during the evaluation period.

Geographic Distribution of Loans

FNB's geographic distribution of credit reflects excellent dispersion throughout their AA. The bank's AA does not have any low-income census tracts. Lending to families and businesses in moderate-income census tracts exceeded demographic data in Johnson County's two moderate-income census tracts. Demographic data shows the bank's AA has less than 1 percent of the owner-occupied housing in moderate-income census tracts. The bank's lending in those areas was 2.38 percent for home purchase, 5.26 percent for home improvement, and 4.08 percent for home refinance. The bank's AA shows 2.45 percent of the businesses are within moderate-income census tracts. FNB made 3.85 percent of their business loans within the moderate-income census tracts. See both tables below for detailed information.

Geographic Distribution of Residential Real Estate Loans in Johnson County AA						
Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans
Residential Real Estate Loans						
Purchase	0.97%	2.38%	33.40%	47.62%	65.63%	50.00%
Home Improvement	0.97%	5.26%	33.40%	57.89%	65.63%	36.84%
Refinancing	0.97%	4.08%	33.40%	48.98%	65.63%	46.94%

Source: 2000 Census Demographic Data; Bank and examiner generated reports

Geographic Distribution of Small Loans to Businesses in Johnson County AA						
Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans
Commercial Loans	2.45%	3.85%	33.41%	45.56%	64.14%	50.59%

Source: 2000 Census Demographic Data; Bank and examiner generated reports

Responses to Complaints

FNB has not received any complaints during this evaluation period in regards to its CRA performance.

Community Development Test

FNB's community development performance is satisfactory. Bank management has responded to the community's needs through community development lending, investment, and services.

Community contracts and contextual research identified community development needs as affordable housing, redevelopment of older areas of downtown Olathe, and assistance in educating individuals on money management. FNB has the capacity to participate in these activities. FNB has made community development loans and investments that provide housing and other benefits to low- and moderate-income individuals. Bank staff offered their financial expertise and time to support organizations that provide services targeted to low- to moderate-income individuals.

Community Development Loans

FNB refinanced one community development loans totaling \$480M in its AA and four loans for \$1.023M in moderate income tracts in the MSA. The one loan in the assessment area was to purchase 28 acres of land for development that will include six acres for low income housing. The other four loans are for multi-family housing located in the greater Kansas City MSA, two are in Wyandotte County and two are in Jackson County, all are in moderate-income census tracts.

Qualified Investments

Since the last CRA examination in April 2006, FNB invested \$524M into a wholly-owned CDC designed to address housing for low- and moderate-income individuals. The CDC acquires single-family dwellings to be used by a participant in the transitional housing program for the homeless in Johnson County, Kansas. The non-profit organization Significant Matters, Inc. will provide case management support to the home's occupant.

FNB continues to support the Kansas Equity Fund, LLC, which was originally created to enhance the production, rehabilitation, or preservation of affordable housing for Kansas. Since 2006, FNB has invested \$456M to provide housing for people making less than 60% of the area median income.

The number and dollar volume of donations to organizations with a community development purpose is adequate. Over the last three years, the bank donated \$109M to organizations that serve low- to moderate-income individuals within its AA. Donations were made to eighteen different organizations that primarily serve low- and moderate-income individuals. The amount of contributions is 1.07% of tier 1 capital plus the allowance and has a modest impact in meeting identified community development needs in the AA. The bank also contributed \$3M to regional organizations and \$14M to organizations serving low- to moderate-income needs world wide.

Community Development Services

The distribution of FNB's offices and service delivery systems are adequate and accessible to individuals of different income levels in the AA. The bank has ten branch locations with ATM access, three other bank-owned ATMs, and "no transaction fee charge" access to eleven other ATMs owned by its affiliate in the state of Missouri. Bank personnel provide a satisfactory level of services at branch locations. Banking hours do not vary in a way that inconveniences its AA and drive-up facilities offer extended hours on Monday - Friday and is open on Saturday. The bank has opened two branches since the last examination. There are no low-income geographies in the AA. With the updated census tract designations, the bank has no branches or ATMs located in moderate income tracts in its AA.

FNB offers Internet Banking, low cost electronic transfer accounts, and other alternative delivery services. However, information is not maintained to demonstrate the effectiveness or impact of these services to low- or moderate-income geographies or individuals.

Bank staff provided their financial expertise to six different organizations that promote community

development initiatives in the AA. Three of the organizations provide services ranging from food, shelter, or subsidized tuition to low- and moderate-income individuals. One organization helps facilitate housing for low- to moderate- income families, and one task force is working to address the needs of small businesses. The bank has an arrangement with the Olathe Salvation Army and the Olathe Catholic Charities to open personal savings accounts for individuals/families that are participating in the agency's homeless programs. During this CRA examination period fourteen savings accounts have been opened.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.