

PUBLIC DISCLOSURE

September 21, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Kansas
Charter Number 6101**

**600 North Fourth
Burlington, Kansas 66839**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226**

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 First National Bank of Kansas, Burlington, Kansas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 21, 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.**”

The bank has a satisfactory record of meeting the credit needs of its assessment area.

- < Loan volume to businesses of different sizes is good. However, the bank’s residential real estate loan penetration to low-income individuals is low.
- < The bank’s 47% quarterly average loan-to-deposit ratio is reasonable given the large amount of public deposits.
- < Sixty-nine percent of the number and 53% of the dollar amount of loans sampled are within the bank’s assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Kansas (First National) is a \$39 million financial institution located in Burlington, Kansas. First National has one branch location in Waverly, Kansas. Both locations have automated teller machines (ATM). Meader Insurance Agency, Inc., a one bank holding company, owns 100% of First National. The bank is a full service financial institution, providing a variety of loan products with an emphasis on commercial, agricultural, and 1-4 family real estate loans. Net loans represent 45% of total assets or \$17.4 million. In addition, First National has 21% of the deposits of Coffey County, as of June 30, 1998.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. At the previous CRA examination dated October 30, 1996, First National received an "Outstanding Record of Meeting Community Credit Needs" rating.

The following table shows the loan portfolio mix as of June 30, 1999,

Loan Distribution by Type		
Loan Type	Dollar Amount of Loans	Percent of Total
Commercial Loans	\$3,716M	21%
Real Estate Loans	\$6,550M	37%
Agricultural Loans	\$4,289M	24%
Individual Loans	\$2,987M	17%
Other Loans	\$71M	1%
Total (gross loans)	\$17,613M	100%

First National granted 1,461 loans representing \$33 million from October 1, 1996 to September 15, 1999. The following table illustrates the loans granted by number and dollar amount since the last CRA examination:

Loan Distribution by Type				
Loan Type	Dollar Amount of Loans	Percent of Total	Number of Loans	Percent of Total
Commercial Loans	\$9,724M	29%	207	14%
1-4 Family Real Estate	\$8,764M	26%	188	13%
Agricultural Loans	\$7,676M	23%	262	18%
Vehicle Loans	\$3,865M	12%	457	31%
Other Loans	\$3,548M	10%	347	24%
Total	\$33,577M	100%	1,461	100%

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of Coffey County, Kansas. The assessment area is located in Southeast Kansas with a population of 8,404. Coffey County consists of Block Numbering Areas (BNA) 9961, 9962, and 9963. All BNAs in Coffey County are middle-income geographies. The assessment area is not in a metropolitan statistical area. Statewide nonmetropolitan median family income for 1999 is \$38,700. The assessment area does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. Households with income below the poverty level represent 12% of the total households. The median housing cost for the assessment area is \$33,093, and 69% of the houses are owner occupied. Low-, moderate-, middle-, and upper-income families are 17, 19, 25, and 39 percent of the assessment area population.

Bank management indicated the assessment area is primarily agriculturally based; however, the local economy is largely supported by the Wolf Creek Nuclear Power Plant in Burlington, which employs approximately 1,000. Other major employers in the area include city and county government, school districts, and hospitals/care facilities. According to the 1997 Census of Agriculture, the number of full time farmers in Coffey County declined 15% from 353 in 1992 to 301 in 1997. In addition, the amount of land in farm production declined 13% from 353,371 acres in 1992 to 306,865 acres in 1997.

There are five financial institutions in Coffey County. These institutions range in total assets from \$19

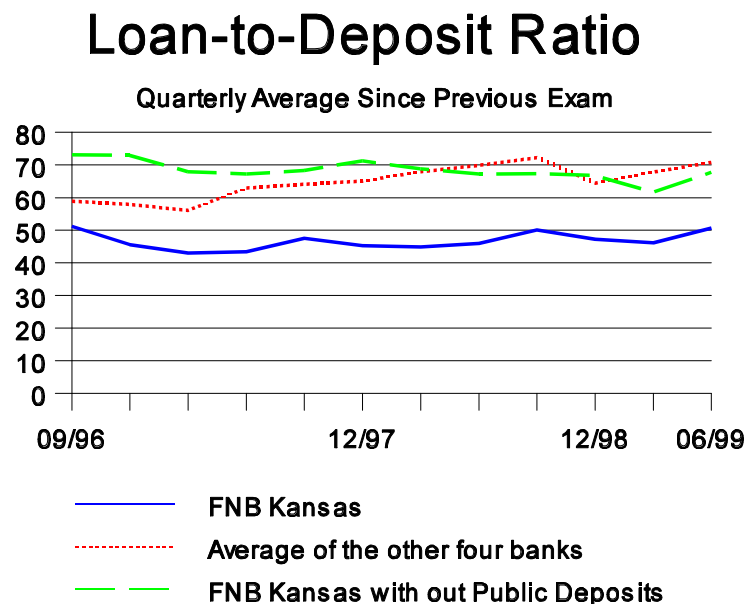
million to \$50 million and all are primarily agricultural and real estate based.

In addition to the one service industry community contact made during this examination, examiners reviewed two additional service industry contacts made by our agency. All three contacts identified additional housing and retail business loans as the primary needs of the community. As the table above shows, residential real estate, agricultural, and commercial loans are primary products offered by the bank since the last CRA examination.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's level of lending is satisfactory. Since the previous CRA exam, the bank's quarterly average loan-to-deposit ratio is 47%. This is lower than the quarterly average loan-to-deposit ratio of 65% for the four other banks located in Coffey County. The other four banks have quarterly average loan-to-deposit ratios ranging from 42% to 78%. Although the First National's loan-to-deposit ratio is below the other similarly situated financial institutions in Coffey County, First National has a large amount of public deposits. These public deposits require investment securities to be pledged as collateral. Therefore, the public deposits are not available to fund credit needs of the assessment area. First National's quarterly average loan-to-deposit ratio is 68% after deducting public deposits for each quarter end from September 30, 1996 to June 30, 1999.



Lending in Assessment Area

First National extends a majority of its loans within the assessment area. Examiners sampled seventy-one commercial, agricultural, and 1-4 family real estate loans and determined 69% of the number and 53% of the dollar amount of all loans granted from October 1, 1996 to September 15, 1999 are in the assessment area.

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

Lending levels to businesses of different sizes is satisfactory. Examiners reviewed a sample of twenty agricultural loans totaling \$482 thousand. The sample represents 8% of the number and 6% of the dollar amount of agricultural loans granted from October 1, 1996, to September 15, 1999. The following table shows the distribution of agricultural loans by annual gross revenues.

Annual Gross Revenues	Number of Loans	Percent	Dollar Amount of Loans	Percent	Number of Farms
Less than \$100,000	14	70%	\$239,002	49.6%	80%
\$100,000 to \$200,000	6	30%	\$242,645	50.4%	20%
More than \$200,000	0	0%	0	0%	
TOTAL	20	100%	\$481,647	100%	100%

Examiners reviewed a sample of twenty-one commercial loans totaling \$1,671 million. The sample represents 10% of the number and 17% of the dollar amount of commercial loans granted from October 1, 1996 to September 15, 1999. The following table shows the distribution of commercial loans by annual gross revenue.

Annual Gross Revenues	Number of Loans	Percent	Dollar Amount of Loans	Percent	Number of Nonfarm Businesses
Less than \$100,000	7	33%	\$923,226	55%	

85%

Annual Gross Revenues	Number of Loans	Percent	Dollar Amount of Loans	Percent	Number of Nonfarm Businesses
\$100,000 to \$200,000	1	5%	\$18,000	1%	
\$200,000 to \$500,000	5	24%	\$106,233	6%	
More than \$500,000	8	38%	\$623,909	38%	15%
TOTAL	21	100%	\$1,671,368	100%	100%

The bank has a satisfactory record of granting residential real estate loans to borrowers of different income levels. Examiners sampled twenty refinanced residential real estate loans totaling \$700 thousand. The sample represents 11% of the number and 8% of the dollar amount of residential real estate loans granted from October 1, 1996 to September 15, 1999. The following table shows the distribution by income level of refinanced residential real estate loans. The table indicates the bank has a good record of lending to moderate-income borrowers while lending to low-income borrowers is poor. Management stated the demand for residential real estate loans has been historically low from low-income borrowers, but plans to research methods of improving the loan penetration of this group.

Distribution of Refinanced Residential Real Estate Loan by Income Levels					
Income levels	Number of Customers	Percent of sample	Dollar Amount of Loans	Percent of sample	Percent of Families in Income Category
Low	1	5%	\$17,500	2%	17%
Moderate	4	20%	\$132,622	19%	19%
Middle	3	15%	\$97,084	14%	25%
Upper	12	60%	\$452,472	65%	39%
Total	20	100%	\$699,678	100%	100%

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the assessment area would not be meaningful as it includes only middle-income geographies.

Response to Complaints

The bank has not received any CRA related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. We based our fair lending review on gender and reviewed seventeen individual female or individual male vehicle loans. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.