



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 29, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Syracuse  
Charter Number 8114

111 South Main Street  
Syracuse, KS 67878

Office of the Comptroller of the Currency

WICHITA Field Office  
Northrock Business Park 3450 N. Rock Road, Suite 505  
Wichita, KS. 67226-1355

**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 Outstanding.**

- The First National Bank of Syracuse's (FNB) average quarterly loan-to-deposit ratio is more than satisfactory. FNB's average quarterly loan-to-deposit ratio is 82% compared to 75% for similarly situated banks in the assessment area.
- A majority of FNB's primary loan products have been granted in the assessment area. Examiner loan sampling found that 88% of the number and 87% of the dollar volume of loans were granted in the assessment area.
- FNB achieved excellent penetration in lending to small farms. Ninety-five percent (95%) of the number of sampled agricultural loans were to farms with revenues less than or equal to \$1 million.
- FNB achieved excellent penetration in lending to small businesses. Ninety percent (90%) of the number of sampled commercial loans were granted to businesses with revenues less than or equal to \$1 million.

**DESCRIPTION OF INSTITUTION**

FNB is a \$172 million bank as of December 31, 2010, with the main office headquartered in Syracuse, KS. FNB is owned by a two-tier holding company. The primary holding company is Kansas Bank Corporation (KBC), a multi-bank holding company based in Johnson, KS. KBC owns 100% of Syracuse Financial Corporation, the owner of FNB. Other banks in the holding company include The First National Bank of Liberal, Liberal, KS and First National Bank of Elkhart, Elkhart, KS.

In addition to the main office, FNB operates three full service branches; one in Johnson, KS approximately 30 miles south, and two in Garden City, KS approximately 55 miles east. The main office features a drive-up facility and a deposit taking automated teller machine (ATM). The branches in Johnson and Garden City operate drive-up facilities and cash-dispensing ATMs. FNB operates two additional cash dispensing ATMs in Garden City; one located at Crazy Horse, a local retail clothing store, and the other at the Tyson Foods Plant.

FNB is primarily an agricultural lender, offering a variety of loan products. Net loans represent 60% of total assets. As of December 31, 2010, the \$107 million loan portfolio had the following composition: agricultural 55%, commercial 23%, 1-4 family 18%, consumer loans 2%, and other loans and leases 2%.

The primary lending products by number and dollar amount granted since the last Community Reinvestment Act (CRA) examination are agricultural loans and commercial loans.

We assigned an "Outstanding" rating at the previous October 27, 2003 CRA examination.

## DESCRIPTION OF ASSESSMENT AREA(S)

FNB has identified two AAs. The first AA consists of Hamilton County, KS and Stanton County, KS (Hamilton/Stanton). The second AA consists of Finney County, KS. The AAs comply with regulation and do not arbitrarily exclude any low- or moderate-income tracts. A breakdown of deposits reveals that 55% are in the Hamilton/Stanton AA and 45% are in Finney County. Analysis of the primary loan products indicates a majority of the farm loans, 72%, are located within the Hamilton/Stanton AA while 28% are in Finney County. The distribution of commercial loans shows that 65% of these loans are situated in the Hamilton/Stanton AA with 35% in Finney County. Based on these factors and for the purposes of this Performance Evaluation, examiners conducted a full-scope review of the Hamilton/Stanton AA, and a limited scope review of the Finney County AA.

The Hamilton/Stanton AA contains two middle-income census tracts, 9586 and 9641. The U. S. department of Housing and Urban development (HUD) declared Hamilton County as an underserved area in 2009 and 2010. The 2000 U.S. Census population of Hamilton/Stanton AA is 5,076. The 2010 HUD median family income is \$52,800. The income distribution for households is 20% low-, 17% moderate-, 21% middle-, and 42% upper-income. Of the 1,910 households in the Hamilton/Stanton AA, 31% receive social security and 13% are below the poverty level. Sixteen percent of the population is over age 65, and 36% of the population consists of civilians not in the workforce. The median housing value is \$60,450 and 59% of the housing units are owner-occupied units. The December 2010 unemployment rate for Hamilton County is 3.25%, and 3.10% for Stanton County.

The Finney County AA contains five middle-income census tracts, 9601-9605; and one moderate-income census tract, 9606. The 2000 U.S. Census population of the Finney County AA is 40,523. The 2010 HUD median family income is \$72,203. The income distribution for families is 17% low-, 16% moderate- 21% middle-, and 46% upper-income. Of the 12,987 households in the Finney County AA, 18% receive social security and 12% are below the poverty level. Seven percent (7%) of the population is over age 65, and 30% of the population consists of civilians not in the workforce. The median housing value is \$52,800 and 61% of the housing units are owner-occupied units. The December 2010 unemployment rate for the Finney County AA is 4.2%.

Both AAs have a high concentration in agricultural production and agriculture-related businesses. The primary agricultural products are wheat, corn, milo, and cattle. Several dairies in the Hamilton/Stanton AA, the Tyson Foods Plant in Finney County, and local hospitals, schools, and county offices in both AAs help to provide employment diversity.

FNB faces strong competition for financial services in both AAs. Two other banks and one farm credit association have offices in the Hamilton/Stanton AA. The asset sizes for these institutions range from \$68 million to \$70 million. With 42% of the deposits in this AA, FNB ranks first in deposit market share. Competition for financial services in Finney County comes primarily from three other banks and one farm credit association. The asset sizes for these three institutions range from \$18 billion to \$61 million. The larger financial institutions in Finney County have access to out-of-area loans and deposits. The bank considers them to be close competitors due to

their geographic proximity and similar lines of business. With 13% of the deposits, FNB ranks third in deposit market share in Finney County.

Examiners contacted one community professional in the Hamilton/Stanton AA. The contact identified agricultural loans and commercial loans as two of the community's primary credit needs. The contact stated that area financial institutions are meeting these needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's average quarterly loan-to-deposit ratio of 82% is more than reasonable. The ratio exceeds the standard for satisfactory performance. The bank considers two banks within the Hamilton/Stanton AA and three banks in Finney County as primary competitors. The average loan-to-deposit ratios for the peer banks range from 49% to 96%.

### Lending in Assessment Area

FNB's lending within its AAs is outstanding as the bank extends a substantial majority of its loan products in the designated AAs. FNB made 88% of the number and 87% of the dollar amount of loans in its AAs. The examiner loan sample consisted of 20 loans of each primary product originated during 2009, 2010, and year-to-date 2011.

### Lending to Farms and to Businesses of Different Sizes

The level of lending to farms and businesses of different sizes in FNB's Hamilton/Stanton AA, for which examiners conducted a full-scope review, is outstanding. Examiners selected a sample of 20 agricultural loans and 20 commercial loans. These products represent the majority of loans originated from January 1, 2004, through March 30, 2011.

FNB achieved excellent penetration for loans to small farms. The sample indicates 95% of the number of agricultural loans were granted to farms with revenues less than or equal to \$1 million. The agricultural demographic data shows that 93% of farms in the AA have revenues less than or equal to \$1 million.

<b>Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	93%	6%	2%	100%
% of Bank Loans in AA by #	95%	0%	5%	100%
% of Bank Loans in AA by \$	95%	0%	5%	100%

Source: Farm loan data sampled from 2009-2011 and 2011 Business Geodemographic Data.

FNB also achieved excellent penetration for loans to small businesses. The sample indicates 90% of the number of commercial loans were granted to businesses with revenues less than or equal to \$1 million. Business demographic data shows that 56% of commercial businesses in the

AA have revenues less than or equal to \$1 million, with 42% of businesses having an unknown revenue.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	56%	2%	42%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	83%	14%	3%	100%

*Source: Business loan data sampled from 2009-2011 and 2011 Business Geodemographic Data.*

### **Geographic Distribution of Loans**

An analysis of the distribution of credit within the Hamilton/Stanton assessment area would not be meaningful, as the AA consists only of middle-income tracts.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, FNB's performance under the Lending to Farms and to Businesses of Different Sizes criteria in the Finney County, KS AA is not inconsistent with the overall performance of the bank.

### **Responses to Complaints**

FNB has not received any CRA-related complaints or comments since the previous CRA examination.

### **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.