

Public Disclosure

November 29, 1999

**Community Reinvestment Act
Performance Evaluation**

First National Bank of Summerfield
Charter #10971
401 Main Street
Summerfield, Kansas 66541

Office of the Comptroller of the Currency
Kansas City South Field Office
6700 Antioch, Suite 450
Merriam, Kansas 66204

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 First National Bank of Summerfield prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 29, 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's loan to deposit ratio is reasonable considering the limited opportunities to lend within the assessment area. The bank's loan to deposit ratio for the last 13 quarters is 52%. As of September 30, 1999, the ratio had increased to 59.25%.
- The bank has a satisfactory record of lending within their assessment area. For agricultural production loans originated since the last CRA examination, bank management made 90% by number and 80% by dollar volume within the assessment area. For agricultural real estate loans originated, 57% by number and 51% by dollar amount were in the AA.
- The bank does a very good job of lending to farms of different sizes. For agricultural production and agricultural real estate loans originated since the last CRA examination, 100% were made to farms with gross annual revenues under \$1MM.
- First National Bank has good penetration throughout its assessment area. For agricultural production loans located in the AA, 63% by number and 69% by dollar were located in the moderate-income BNA. For agricultural real estate, 75% by number and 57% by dollar were in the moderate-income BNA. For the assessment area as a whole, 54% of all farms are in that same BNA.

DESCRIPTION OF INSTITUTION

The First National Bank of Summerfield (FNB) is a \$6 million dollar institution owned by Bancook Corporation, Inc., a multi-bank holding company located in Nebraska. The holding company has combined total assets of \$77 million as of December 31, 1998. FNB is located in Summerfield, Kansas, which is on the Kansas/Nebraska border. The bank is not located in a metropolitan statistical area. There are no branches, automated teller machines (ATMs), or drive-thru facilities. The bank offers a full range of commercial, residential, and consumer loan and deposit accounts.

There are no impediments that would hamper FNB's ability to help meet the credit needs of its local community. The bank's loan to deposit ratio as of September 30, 1999 is 59.25%. Net loans represent 54% of the bank's total assets. The loan portfolio breakdown by dollar is: 29.50% farmland, 20.96% commercial real estate, 15.23% agricultural production, 14.19% commercial or industrial, 8.64% 1-4 family residential, 7.29% consumer, and the remainder in various other types of credit. We considered farmland and agricultural production loans as primary products for our sample. These types of loans represent the credit needs of the bank's assessment area. Although the bank has a large volume of commercial real estate loans, we did not consider this a primary product. Loan demand in the bank's trade area is very low, and in order to diversify the asset base to limit risk, the bank receives several loan participations from its sister banks. Consequently, most of the commercial loans are out of the bank's assessment area. We did not consider this to be a concern, as the bank is meeting the assessment area's primary credit needs.

The bank was rated "Satisfactory record of meeting community credit needs" at its last CRA examination on May 20, 1996.

DESCRIPTION OF ASSESSMENT AREA

First National Bank has delineated one assessment area (AA) which is used for our evaluation of FNB's CRA performance. The bank's defined AA meets all of the regulations requirements and does not arbitrarily exclude low- and moderate-income geographies. The AA includes all of Pawnee County, Nebraska (BNA 9978) and a portion of Marshall County, Kansas (BNA 9791). There are three similarly situated banks providing competition within the AA. There are several larger banks providing competition in the Marshall County area, specifically in the city of Marysville, Kansas. This area comprises BNA 9792 in Marshall County, and for that reason, management chose not to include that BNA in their assessment area. BNA 9791 has been designated as moderate-income, and BNA 9978 is considered middle-income. The HUD 1999 updated median family income for the AA is \$39,250.

The AA has a population of 6,222 persons and 1,838 families. The family breakdown by income level is 25.79% low-income, 23.88% moderate-income, 22.47% middle-income and 27.86% upper-income. Overall, 19% of the households are below the poverty level. The median housing value for the AA is \$15,907 and 71% of the housing units are owner occupied.

The assessment area is not very diversified, primarily relying on agriculture and the farming economy. A home manufacturing plant provides the most outside employment opportunities, but only has forty employees on staff. Businesses and farms with gross revenues less than \$1 million per year comprise 75% and 98% of all businesses and farms, respectively, in the assessment area. Overall, ag conditions are stable. Unemployment remains low in the AA. For the month of October 1999, the unemployment rate for Marshall County, Kansas was 1.9% and 2.0% for Pawnee County, Nebraska.

Examiners made one community contact during the examination with a local business owner. The contact stated the area's primary concern was retaining the population of the area. There are no opportunities for the bank's to participate in any business development lending, as the population declines so does the need for new business. The primary needs of the community are the continued operations of the local farming economy. The contact felt the local bank had become more aggressive recently, and had the means and the willingness to work with the local community and fund the types of loans their customers required.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

We focused on FNB's two primary loan products to analyze their CRA performance: agricultural real estate and agricultural production loans. For the agricultural real estate sample, we sampled all outstanding lending relationships originated between June 1, 1996 and September 30, 1999. There were 15 borrowing relationships included in that sample. For agricultural production, we sampled 21 of the 31 (68%) relationships outstanding with loans originated between June 1, 1996 and September 30, 1999. These 21 loan customers originated 73 loans in the evaluation period totaling \$793,326. There were 96 total originations of \$1,226,917 during the same time. We reviewed 76% of originations by number and 65% by dollar amount. For both loan samples, we did not include loans that had been originated since the last CRA examination, but had been purged from the system. We feel the sample remains valid and represents the bank's lending practices.

Loan-to-Deposit Analysis

First National Bank has a satisfactory loan to deposit ratio. FNB's September 30, 1999 loan to deposit ratio is 59.25%. We used a thirteen-quarter average since the last examination for comparison with other banks. FNB's thirteen-quarter loan to deposit ratio is 51.85%. We compared FNB to three similarly situated local financial institutions that provide the most competition for the bank. The bank's are similar in asset size, and are all located in smaller communities comparable to Summerfield. The following table summarizes the performance of all four financial institutions.

Thirteen Quarter Loan to Deposit Average First National Bank vs. Local Competitors		
Bank	Total Assets	Loan to Deposit Average
Marshall County Bank of Beattie	\$5,416,000	74.13%
Bank of Steinauer	\$7,369,000	54.20%
First National Bank of Summerfield	\$5,690,000	51.85%
Citizens State Bank & Trust Co.	\$6,705,000	27.54%

The national peer average, which uses similar sized national banks across the country, is 57.40%. The bank's loan to deposit ratio has historically been low, but it is similar to national peer and is considered reasonable given the opportunities to lend in their assessment area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

First National Bank does a satisfactory job of lending within their assessment area. For agricultural real estate loans originated since the last examination, 57% by number and 51% by dollar amount were made within their assessment area. Of the 21 agricultural production relationships sampled, 19 or 90% of originations by number and 80% by dollar volume were made within the assessment area. This shows that a majority of all of the bank's primary loan activity takes place in the boundaries of their assessment area.

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

First National Bank does a good job of lending to farms of different sizes. For those loans located within the AA for both the agricultural real estate and agricultural production sample, 100% by number and dollar amount were to farms with revenues under \$1 million. For the agricultural real estate sample, farms with gross annual revenues less than \$1 million represent 98% of all farms in the assessment area. The remaining 2% do not report revenue information. Additional analysis shows that 74% of the agricultural production sample and 63% of the agricultural real estate sample, by number, are to farms with gross annual revenues under \$100,000.

Geographic Distribution of Loans

FNB has good loan penetration throughout their AA, and does not arbitrarily exclude any low- or moderate-income areas. The bank's AA consists of two block numbering areas. BNA 9791 in Marshall County is considered moderate-income and BNA 9978 in Pawnee County, Nebraska has been designated middle income. For the agricultural production sample, 63% by number and 69% by dollar are located within the moderate-income BNA. For the agricultural real estate sample, 75% by number and 57% by dollar are located in the moderate-income BNA. For the entire AA, the majority of the total farms (54%) are in BNA 9791.

Compliance with Antidiscrimination Laws and Regulations

First National Bank is in compliance with the applicable antidiscrimination laws and regulations. We found no violations of the fair lending laws at a compliance examination performed in April 1999.

Response to Complaints

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