



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 18, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Frankfort
Charter Number 11916

124 N Kansas
P.O. Box 186
Frankfort, Kansas 66427

Office of the Comptroller of the Currency
Kansas City Duty Station
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1277

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 The First National Bank in Frankfort (FNB) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 18, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: "Satisfactory record of meeting community credit needs."

First National Bank in Frankfort (FNB) is meeting the credit needs of its assessment area. The bank's loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. Also, the bank's distribution of borrowers reflects reasonable penetration among farms of different sizes and individuals of different income levels.

The following table indicates the performance levels of FNB with respect to the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK IN FRANKFORT PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Analysis is not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank in Frankfort (FNB) is a \$20 million bank located in Frankfort, Kansas. The bank is a subsidiary of First Frankfort Bancshares, Inc., a one-bank holding company. FNB does not have any branches or ATM facilities. As of 3/31/96, the loan portfolio totalled \$12 million and consisted of 31% agriculture production, 20% farmland, 15% 1-4 family residential, 14% consumer installment, 12% commercial, and 8% other.

There are no legal or financial impediments which impedes the bank's ability to help meet the credit needs of its assessment area. Our agency last evaluated FNB's performance under CRA as of October 19, 1992. At that time we assigned a rating of "Satisfactory record of meeting community credit needs."

DESCRIPTION OF ASSESSMENT AREA

Management has identified Block Numbering Area (BNA) 9794 of Marshall county, BNA 9803 of Nemaha county, and BNA 4 of Pottawatomie county as its assessment area. FNB is located in BNA 9794 but it's within 25 miles of both BNA's 9803 and 4. All three BNA's are designated as middle-income BNA's, and all three counties are non-MSA counties in Kansas. Based on 1990 census data, Kansas statewide non-metropolitan median family income is \$28,068. The bank's assessment area does not arbitrarily exclude low- or moderate-income areas.

Per 1990 census data, FNB's assessment area's population totals 8,695. Within the bank's assessment area, 21% of the population are low-income families, 22% are moderate-income, 25% middle-income and 32% upper-income. The area's economy is stable and has 1% unemployment. Farming and cattle ranching represent the major sources of revenue for the area. According to the Kansas Farm Management Association 1995 survey, the average gross farm revenues for Marshall, Nemaha, and Pottawatomie counties are \$143,556, \$187,823, and \$210,433, respectively.

Management has identified the following loans as credit needs: agricultural, 1-4 family real estate, and consumer. Examiner contact with a local government official confirmed the above credit needs. The community contact also stated the area needed more local businesses to grow and prosper; however, businesses are unwilling to locate in low population towns even though business loans are available.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

First National Bank in Frankfort's loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. The bank's average quarterly loan-to-deposit ratio equaled 62% for the period December 31, 1992 to March 31, 1996. The average quarterly loan-to-deposit ratio for five local competing banks equaled 57% during the same timeframe. Although the bank is fifth in total assets when compared to five local competing banks, the bank's loan-to-deposit ratio ranked the third highest at 67% on March 31, 1996.

Lending in Assessment Area

FNB makes a substantial majority of its loans within its assessment area. Using zip codes to determine what loans are within the bank's assessment area, we found that 77% of the total number of loans outstanding and 75% of the total dollar volume of loans outstanding were within the bank's assessment area. These percentages reflect loans on the bank's books as of July 10, 1996 with origination dates after October 19, 1992, and not necessarily all loan originations since the bank's October 19, 1992 CRA performance evaluation. Also, the zip codes used in our analysis are reflective of the BNA's within the bank's assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes¹

FNB's distribution of borrowers reflects reasonable penetration among farms of different sizes and individuals of different income levels.

Agricultural Loans:

We analyzed the distribution of agricultural production and farm land loans (agricultural loans) based on gross farm revenues by sampling 36% of the total number of the agricultural loans outstanding and 43% of the total dollar volume of agricultural loans outstanding as of July 10, 1996. The following table illustrates our findings. The bank makes a high percentage of loans to farms with gross revenues less than \$175,000. The average farm revenue in the assessment area is \$180,000.

DISTRIBUTION OF AGRICULTURAL PRODUCTION AND FARM LAND LOANS BY GROSS REVENUE OF THE FARM (WITHIN ASSESSMENT AREA)				
Gross Farm Revenues	# of Loans Reviewed	% of Loan Sample Based on #	\$ of Loans Reviewed	% of Loan Sample Based on \$
<\$75,000	45	23%	388,000	16%
\$75,000 - \$124,999	35	18%	416,000	17%
\$125,000 - \$174,999	108	54%	1,545,000	64%
\$175,000 - \$224,999	11	6%	86,000	4%
\$225,000 - \$999,999	0	0%	0	0%
>\$1,000,000	0	0%	0	0%
Total Loans Reviewed	199	100%	2,425,000	100%

1-4 Family Residential Real Estate Loans and Consumer Loans:

We analyzed the distribution of 1-4 family residential real estate loans (home loans) based on gross borrower income by sampling 52% of the total number of home loans outstanding and 58% of the total dollar volume of home loans outstanding as of July 10, 1996. The following table illustrates the bank makes a reasonable percentage of loans to various income groups, including low-to moderate-income borrowers.

¹ This evaluation is based mostly on FNB's performance in its primary lines of agriculture, farm land, 1-4 family residential real estate, and consumer lending which entails 80 percent of its loans.

**DISTRIBUTION OF 1-4 FAMILY RESIDENTIAL REAL ESTATE LOANS
BY INCOME LEVEL OF THE BORROWER (WITHIN ASSESSMENT
AREA)**

Income Designation of the Borrower	# of Loans Reviewed	% of Sample Based on #	\$ of Loans Reviewed	% of Sample Based on \$	Income Designation of families within Assessment Area (%)
Low	4	13%	110,000	11%	21%
Moderate	4	13%	61,000	6%	22%
Middle	8	26%	224,000	23%	25%
Upper	15	48%	583,000	60%	32%
Total Loans Reviewed	31	100%	978,000	100%	100%

An analysis of consumer loans from the bank's consumer loan trial as of July 10, 1996 shows 21% by number of consumer loans outstanding and 1% by dollar volume of consumer loans outstanding were for small loans with original balances less than or equal to \$1,000. Management stated that the typical borrower for less than \$1,000 loans has a gross income under \$10,000. Using the 1996 HUD statewide non-metropolitan median family income for Kansas, these borrowers would be characterized as low-income. We did not analyze borrower income on consumer loans because management does not usually maintain income information on these loans.

Geographic Distribution of Loans

All of the block numbering areas (BNA's) within the bank's assessment area are middle-income; therefore, an analysis of the distribution of loans among the BNA's would not be meaningful.

Compliance with Antidiscrimination Laws and Regulations

FNB is in compliance with the substantive provisions of Antidiscrimination laws and regulations. We found no evidence of discriminatory practices during our fair lending examination.