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Comptroller of the Currency  
Administrator of National Banks

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Midwestern District Office  
2345 Grand Boulevard, Suite 700  
Kansas City, MO 64108

## **Corporate Decision #2001-08 May 2001**

### **Decision Document**

DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION TO PURCHASE THE ASSETS AND ASSUME THE LIABILITIES OF THE FREDONIA BRANCH OF COMMERCIAL FEDERAL BANK, FSB, OMAHA, NEBRASKA BY COMMUNITY NATIONAL BANK, CHANUTE, KANSAS, UNDER THE CHARTER AND TITLE OF COMMUNITY NATIONAL BANK.

#### Introduction

On February 27, 2001, application was made to the Comptroller of the Currency for prior authorization to purchase the assets and assume the liabilities of the "Fredonia" branch of Commercial Federal Bank, fsb, Omaha, Nebraska 68124 (hereinafter "Commercial Federal") by Community National Bank, Chanute, Kansas 66720 (hereinafter "Community NB") under the charter and the title of Community NB. This application was based on an agreement entered into between the proponents on February 12, 2001.

#### Participating Financial Institutions

As of December 31, 2000, the one office of Commercial Federal subject to the purchase and assumption agreement had total deposits of \$20.7 million. On that same date, Community NB had total deposits of \$188 million and operated 12 offices. Community NB is 100% owned and controlled by Community Bancshares of Chanute, Inc., a one-bank holding company.

#### Competitive Analysis

The relevant geographic market for this proposal is Wilson County, Kansas. This is the area where competition between Community NB and Commercial Federal is direct and immediate.

Based on deposit data as of June 30, 2000, four banks and two federal savings banks compete for approximately \$163 million in deposits in Wilson County. Community NB (purchaser) was the fifth largest depository institution in the market with \$16 million in deposits (or 10 percent of the market's total deposits). Commercial Federal was the fourth largest depository institution with \$19 million in deposits (or 12 percent of deposits). After Community NB purchases Commercial Federal's Fredonia branch, it will become the third largest depository institution in the market with 22 percent of total market deposits. Other competitors remaining in the market are the State Bank of Fredonia, the market's largest competitor with 30 percent of total market deposits, First National Bank in Fredonia with 26 percent of total market deposits, First Neodesha Bank with 17

percent of total market deposits, and First Federal Savings and Loan Association of Independence with 6 percent of total market deposits. While the proposed transaction eliminates

one competitor in the relevant geographic market, any adverse effects would be mitigated by the presence of five other banking alternatives. Therefore, consummation of this proposal would not have a significantly adverse effect on competition in the Wilson County banking market.

#### Banking Factors

The Bank Merger Act requires the OCC to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of Community NB and Commercial Federal do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served. Community NB will retain Commercial Federal's "Fredonia" branch as a branch of the resulting bank and no products or services will be eliminated.

#### Community Reinvestment Act

A review of the record of this application and other information available to the OCC as a result of its regulatory responsibilities has revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, is less than satisfactory. Each of the applicant banks has at least a satisfactory record of performance under the Community Reinvestment Act. On March 2, 1999, the OCC rated Community NB's CRA performance "Satisfactory". On December 29, 2000, the OTS rated Commercial Federal's overall CRA performance "Outstanding" with a "High Satisfactory" rating for the State of Kansas.

#### Conclusion

We have analyzed this proposal pursuant to the Bank Merger Act (12 USC 1828(c)) and/or 12 CFR 5.33, and find that it will not lessen significantly competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

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Ellen Tanner Shepherd  
Licensing Manager

Dated: April 10, 2001 \_\_\_\_\_

ACN# 2001 MW 02 012