



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers National Bank of Stafford
Charter Number 8883**

**200 South Main
Stafford, Kansas 67578**

**Office of the Comptroller of the Currency
Wichita Duty Station
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 Farmers National Bank of Stafford prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 3, 1997. 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.**”

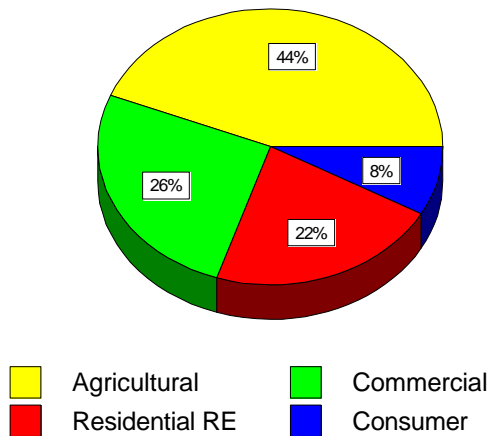
The bank has a satisfactory record of meeting the credit needs of its assessment area. A significant portion of the bank's agricultural loan portfolio is advanced to small agricultural customers. The bank makes a majority of its loans within its assessment area.

DESCRIPTION OF INSTITUTION

The Farmers National Bank of Stafford is a \$43 million bank located in Stafford, Kansas. The bank maintains the main office and one automated teller machine in Stafford and a branch office and an automated teller machine in Buhler. Farmers National Bancshares, Inc., a one-bank holding company, owns 99.64% of the bank's stock.

Loan Portfolio Composition

March 31, 1997



The Farmers National Bank of Stafford is primarily an agricultural lender, but also offers a variety of loan products for commercial, residential real estate, and consumer credit needs. As of March 31, 1997, the bank's \$17 million loan portfolio had the following composition: 44% agricultural and farmland, 26% commercial, 22% residential real estate, and 8% consumer.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the community credit needs. The bank has not opened or closed any offices since

the previous examination on December 8, 1994. We assigned an "Outstanding Record of Meeting Community Credit Needs" rating at that time.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area comprises all of Stafford and Reno Counties in central Kansas. Stafford and Reno counties have a population of 5,365 and 62,389, respectively. The bank's assessment area is not in a Metropolitan Statistical Area.

Stafford County contains block numbering areas 9766 and 9767. Both are middle-income tracts. Reno County contains tracts one through eighteen. Reno County has three moderate-income tracts, eight middle-income tracts, and six upper-income tracts. The assessment area complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The Kansas statewide nonmetropolitan median family income is \$36,100 for 1997. The 1990 Census median family income is \$28,068. The assessment area has the following income distribution:

Distribution of Family Income in Assessment Area	
Low-income Families	18%
Moderate-income Families	21%
Middle-income Families	24%
Upper-income Families	37%

The local economy is dependent on agriculture, mainly wheat, corn, milo, and cattle. Hutchinson, the largest city in the assessment area, offers economic diversity with manufacturing, retail, and service industries.

In addition to the Farmers National Bank of Stafford, three other banks are headquartered in Stafford County. Eight banks are headquartered in Reno County. Examiners contacted two community organizations from the local area. These contacts indicated the primary credit needs of the area include agricultural and residential real estate loans. The contacts also indicated the local financial institutions are adequately meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is reasonable with an average loan-to-deposit ratio of 49% during the last eight quarters. The other eleven banks headquartered in Stafford and Reno Counties had a combined average loan-to-deposit ratio of 60%. Loan-to-deposit ratio averages for these banks range from 44% to 77% over the same eight quarters. Despite an increase in the loan volume, The Farmers National Bank has experienced large growth in its public fund deposits, thereby producing a declining loan-to-deposit ratio.

Lending in the Assessment Area

The bank extends a majority of its loans within its assessment area. Examiners reviewed all loans generated during the last twenty-four months. The following table depicts the new loan distribution by number and dollar amount:

Percentage of New Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
83%	83%

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Lending levels to businesses of different sizes are reasonable. Examiners randomly sampled twenty-nine agricultural loan customers with loans granted during 1996 or 1997. This represented 15% of the agricultural businesses in the assessment area. Management considers twenty-four these borrowers as small farmers and five as large operations. The following table displays the distribution of gross annual revenues for the sample:

Agricultural Gross Annual Revenue Distribution	
\$0 to \$100,000	14
\$100,001 to \$300,000	6
\$301,000 to \$500,000	4
\$500,001 and above	5

Examiners randomly sampled seventeen commercial loan customers with loans granted during 1996 or 1997 at the Buhler branch. This represented 1% of the businesses in Reno County. Management considers eight of these borrowers as small businesses and nine as large businesses. The following table displays the distribution of gross annual revenues for the sample:

Gross Annual Revenue Distribution for Businesses	
\$0 to \$50,000	2
\$50,001 to \$100,000	1
\$101,000 to \$300,000	5
\$300,001 and above	9

Lending levels to borrowers of different income levels are reasonable. Examiners selected a sample of twelve residential real estate loans granted at the Buhler branch. This sample represented 28% of the residential real estate loans at Buhler. The following table depicts the distribution of sample loans:

Distribution of Real Estate Loans	
Low-income families	8%
Moderate-income families	17%
Middle-income families	25%
Upper-income families	50%

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the assessment area indicates the bank has reasonable penetration of the tracts in Reno County, including moderate-income tracts. Although, the three moderate-income tracts in Reno County are not close to the Buhler branch, bank reports indicate five loans in these tracts. A review of the loan distribution in Stafford County would not be meaningful since all the county is middle-income.

Record of Compliance with Antidiscrimination Laws and Regulations

Based on our review, the bank is in substantial compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of disparate treatment.

Response to Complaints

The bank has not received any complaints since the prior examination.