



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Independence
Charter Number 8145**

**113 North Penn Avenue
Independence, Kansas 67301**

**Comptroller of the Currency
Dan L. Gipple, Assistant Deputy Comptroller-Kansas City South
1710 East 32nd Street, Suite H
Joplin, Missouri 64804**

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 The First National Bank of Independence (FNB) is rated satisfactory.

Examiners reviewed a sample of 20 loans for each of the bank's primary product types originated in the assessment area (AA) since the previous CRA examination through December 31, 2002 to assess the bank's performance. Consumer installment, 1-4 family real estate, and commercial real estate are the bank's primary loan products representing approximately 80% by number and 76% by dollar amounts of total loans outstanding since the last CRA examination. The bank's performance is assessed in comparison to demographics from the 1990 U.S. Census data.

FNB has a good record of lending to individuals of different incomes and businesses of different sizes.

The distribution of consumer installment loans reflects a good penetration to low- and moderate-income borrowers, considering 17% of households are below the poverty level. Lenders originated 40% by number and 35% by dollar to low-income individuals compared to the demographic data of 27% of households in the AA designated as low income. Lenders originated 20% by number and 10% by dollar to moderate-income individuals relative to demographic information of 17% of households in the AA designated as moderate-income.

The distribution of 1-4 family real estate loans reflects a satisfactory penetration of low- and moderate-income borrowers, considering 12% of families in the AA are below the poverty level, and the bank sells a majority of all fixed rate mortgages into the secondary market. Lenders originated 5% by number and 3% by dollar to low-income and 15% by number and 11% by dollar to moderate-income individuals. This compares reasonably to demographic data, which indicates 20% and 19% of families in the AA are designated as low- and moderate-income, respectively.

The distribution of commercial credit reflects an excellent penetration of businesses with less than \$1 million in annual gross revenues. Commercial real estate credit distribution is centered solely in small business, with 100% of all loans by number and dollar to businesses with less than \$1 million in annual gross revenues. Lending to small businesses far exceeds the demographic information of 73% for small businesses.

FNB originated a majority of its loans in the AA.

FNB originated 85% by number and 51% by dollar amount within its AA for consumer installment, 1-4 family real estate, and commercial real estate loans. The lower percentage by dollar is a result of higher dollar commercial real estate loans originated in Colorado.

FNB's average loan-to-deposit ratio since the last examination was excellent.

The bank's average loan-to-deposit ratio over the past 15 quarters exceeds the standards for satisfactory performance. The bank's average ratio of 89% surpasses the ratios of similarly situated banks in the AA. Competing banks' ratios ranged from 47% to 77%.

FNB's geographic distribution of credit reflects satisfactory penetration throughout the AA.

There are no low-income tracts in the bank's AA. The volume of consumer installment, 1-4 family real estate, and commercial real estate lending activity in moderate-income areas, although below demographics, is satisfactory. Three of the four moderate-income tracts are located a sizable distance from Independence (two in the Coffeyville area and one in the Cherryville area). Due to the location of the moderate-income tracts, we would not expect a high penetration of loans in these tracts.

FNB has not received any consumer complaints regarding its performance in helping to meet the credit needs in the AA during the evaluation period.

We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

FNB is a \$40 million financial institution located in Independence, Kansas. FNB has one full service facility in Independence, two deposit service facilities (one in Independence and one in Elk City), and two automated teller machines, (one at the main facility and one at the branch location in Independence). The bank's primary loan products are consumer installment, 1-4 family real estate, and commercial real estate. FNB received a "Satisfactory" rating at the last CRA examination, dated July 19, 1999. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA encompasses all of Montgomery County in Kansas. The AA is comprised of thirteen block numbering areas containing no low-income tracts, four moderate-income tracts, seven middle-income tracts, and two upper-income tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income geographies. Strong competition is provided from the eight banks and offices of three other institutions in the AA. These competing financial institutions range in size from \$37 million to \$8.6 billion.

COMMUNITY CONTACT INFORMATION

We conducted a community contact during this examination. The contact indicated he was unaware of any institutions in the area that were not helping to meet the primary credit needs and services of the community.

Please refer to FNB of Independence's CRA Public File for more information.