



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southwest Kansas National Bank
Charter Number 18323**

**1100 West Oklahoma Street
Ulysses, Kansas 67880**

**Office of the Comptroller of the Currency
Wichita Duty Station
3450 N. 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 **Southwest Kansas National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 21, 1997. 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: This institution is rated **Satisfactory**.

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

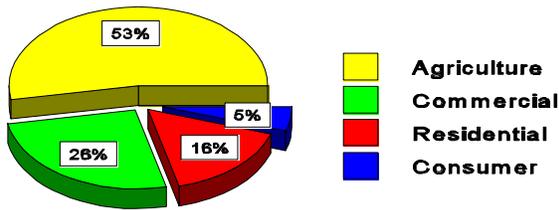
The following table indicates the performance level of **Southwest Kansas National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	SOUTHWEST KANSAS NATIONAL BANK 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	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Southwest Kansas National Bank (Southwest), a \$31 million bank, is one of two banks located in Grant County. The bank is a wholly owned subsidiary of Western Kansas Bancshares, Inc., a one bank holding company. The bank does not have any branch locations or automated teller machines.

Loan Portfolio Composition
As of December 31, 1995



Southwest is a full service bank and offers a variety of loan products with an emphasis on agricultural loans. As of December 31, 1996, agricultural and farm real estate loans accounted for 53% of the bank's \$21MM loan portfolio. Commercial loans represented 26% of the loan portfolio, residential real estate 16%, and consumer loans 5%, as depicted.

The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area. The bank

has not opened or closed any branches since the previous examination. Southwest opened a loan production office in Hugoton, Kansas on June 30, 1995.

The bank was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination, April 30, 1994.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area is Grant, Stevens, and Stanton Counties. It is located in southwest Kansas, sixty miles north of the Oklahoma border and forty miles east of the Colorado border in Southwest Kansas. Population of the three counties is 14,540. The assessment area is not in a Metropolitan Statistical Area.

The area contains block numbering areas 9636, 9637, 9641, 9651, and 9652. All are middle-income tracts. Of all households in the assessment area, 18% are low-income, 14% are moderate-income, 16% are middle-income, and 52% are upper-income. The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The Kansas statewide nonmetropolitan median family income was \$34,300 for 1996.

The economy is primarily agricultural, with oil and gas production providing some

economic diversification. Unemployment is modest at 4.2%. Ulysses is the county seat of Grant County. The county's population is 7,159.

In addition to Southwest Kansas National Bank, three other banks are headquartered in the assessment area. The area also contains two branches of banks headquartered in surrounding counties, one savings and loan, and two credit unions.

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 Analysis

The bank's lending level is good and reflects a reasonable response to community credit needs. The bank's eight quarter average loan-to-deposit ratio is 73%. The average loan-to-deposit ratio for banks in the three county surrounding area is 58%, and ranged from 51% to 66% over the same eight quarter time period. Southwest's loan-to-deposit ratio trend is increasing and exceeded 80% in each of the last three calendar quarters.

Lending in the Assessment Area

The bank extends a majority of its loans within its assessment area. Examiners determined by reviewing all new loans, that 90% of the number and 90% of the dollar volume of loans originated in the one-year period ending December 31, 1996, were in the assessment area.

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

Lending levels to small agricultural customers are satisfactory. Examiners randomly sampled twenty agricultural loans, which was 14% of the number of agricultural loans originated in the last year. Management considers fourteen of these borrowers as small farmers and six as large operations.

Gross Annual Revenue Distribution	
\$0 to \$100,000	5
\$100,001 to \$300,000	9

Gross Annual Revenue Distribution	
\$300,001 to \$500,000	3
\$501,000 and above	3

Examiners focused on agricultural borrowers as they comprise the majority of the bank's loan customers.

Distribution of Credit Within the Assessment Area

An analysis of the distribution of credit within the assessment area would not be meaningful as the assessment area is a middle-income tract.

Compliance with Anti-Discrimination Laws and Regulations

We did not identify any substantive violations of the fair lending laws and regulations. Our review did not indicate any evidence of apparent disparate treatment or other illegal credit practices.