



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 27, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Exchange National Bank Of Cottonwood Falls
Charter Number 6590**

**235 Broadway
Cottonwood Falls, KS 66845**

**Comptroller of the Currency
Wichita Field Office
3450 North Rock Road Suite 505
Wichita, KS 67226**

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.

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INSTITUTION'S CRA RATING

This institution is rated SATISFACTORY.

- Exchange National Bank's average loan-to-deposit ratio of 78% is well above the 60% for other bank in the assessment area.
- A majority of the bank's major loan products have been granted in the assessment areas. The examiner's loan sample indicated 75% of the number and 96% of the dollar volume were in the assessment areas.
- The bank demonstrated excellent lending levels to low-income consumers. The examiner's consumer loan sample indicated the bank's level of lending to these borrowers was more than 43% higher than the demographics of the area. Lending to businesses of different sizes was satisfactory. The agricultural loan sample indicated over 90% were to borrowers with annual gross revenues under \$1 million.

DESCRIPTION OF INSTITUTION

The Exchange National Bank of Cottonwood Falls (Exchange) is a \$32 million bank in Cottonwood Falls, Kansas. The bank does not have any branches or affiliates. The bank has an ATM at the main location.

Exchange is a full-service bank offering a variety of loans. Net loans represent 73% of the bank's total assets. As of June 30, 2001, the bank's \$23 million loan portfolio had the following composition: 63% agricultural, 16% residential real estate, 12% commercial, and 9% consumer loans.

The bank's primary lending products, by number and dollar amount of loans granted since the last examination, were agricultural loans and consumer loans.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the January 30, 1997, examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is Chase County, Kansas. Chase County is in the heart of the Flint Hills region and is not in a Metropolitan Statistical Area (MSA). This county contains one Block Numbering Area (BNA) and that BNA is a moderate-income tract. The 2000 population of the AA was 3,030. The Kansas statewide non-metropolitan median family income for 2001 is \$43,200. The AA has the following income distribution for families:

Distribution of Family Income in Assessment Area	
Income Level	Percentage
Low-income Families	26%
Moderate-income Families	24%
Middle-income Families	19%
Upper-income Families	31%

Eighteen percent of the households have incomes below the poverty level, 39% receive social security, and 5% receive public assistance. Forty percent of the population is not in the work force and 23% is over the age of 65.

The median housing value is \$22,600 and 59% of the housing units are owner occupied. The trade area is dependent on agriculture, especially cattle. The economy is strong and stable. Major employers include the county, school district, and FAI. The Kansas unemployment rate for July was 3.7%.

Competition is not intense. The AA has only one other commercial bank and no savings institutions. Exchange is largest of the two banks and had 73% of the county's deposits on June 30, 2000. The other bank in the AA has total assets of \$19 million.

The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Examiners contacted one community professional. The contact indicated the financial institutions are very involved in the AA and they were not aware of any unmet credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Exchange's lending level is good. The average loan-to-deposit ratio for the last twelve quarters was 78%. The average loan-to-deposit ratio over the same period for the other bank in the AA was 60%.

Lending in Assessment Area

Exchange's lending in its AA is reasonable as it extended a majority of its major loan products in its AA. To determine the loan distribution examiners selected a sample of 40 loans granted since the last examination. This sample consisted of 20 agricultural loans and 20 loans granted to consumers. The following table depicts the distribution of these loans by number and dollar amount.

Percentage of Sample Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
75%	96%

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

Lending to borrowers of different incomes and businesses of different sizes is satisfactory. Examiners analyzed samples of consumer loans and loans to agricultural borrowers as those loan products represent the majority of loans originated since the last examination.

Lending to borrowers of different income levels is excellent. Examiners selected a sample of 20 consumer loans granted in the AAs since the last exam. The following table indicates the bank's lending to moderate-income borrowers is in line with demographics. Lending to low-income borrowers is 43% higher than the percentage of households in that income category.

Sample of Consumer Loans Granted Between January 1, 1997 and August 28, 2001			
	Consumer Loans		Households in Income Category
Income Level	% of #	% of \$	%
Low-income	40	17	28
Moderate- income	15	12	17
Middle-income	35	47	20
Upper-income	10	24	35
Total	100	100	100

Lending levels to businesses of different sizes are reasonable. Examiners selected a sample of 20 agricultural loans granted since the last examination. The agricultural loan table indicates 40% of the loans in the sample and 3% of the dollar amount of those loans were granted to small agricultural operations with annual gross revenues less than \$100,000. This percentage is below the 1997 Agriculture Census for Chase County which depicts 71% of the operations are in this range.

Sample of Agricultural Loans Granted Between January 1, 1997 and August 28, 2001		
Annual Gross Revenues	Percentage of Number of Loans	Percentage of Dollar Amount of Loans
Less than \$100,000	40%	3%
\$100,000 to \$250,000	20%	9%

\$250,000 to \$500,000	20%	19%
\$500,000 to \$1,000,000	10%	14%
Over \$1,000,000	10%	55%

Geographic Distribution of Loans

An analysis of the geographic distribution of credit would not be meaningful. The bank's AA consists only of one moderate-income area.

Responses to Complaints

The bank has not received any CRA related complaints since the previous CRA examination.

Fair Lending Review

An analysis of 1997, 1998, 1999, 2000, and year-to-date 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.