



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 22, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers National Bank of Oberlin
Charter Number 7298**

**104 South Penn Avenue
Oberlin, Kansas 67749-0087**

**Office of the Comptroller of the Currency
Salina Duty Station
1516 East Iron
Salina, Kansas 67402-0616**

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 Oberlin** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 22, 1996. 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's overall lending levels are adequate and reflect a reasonable response to local credit needs.
- The bank makes a majority of its loans within its assessment area.
- The bank does a good job of lending to farms of different sizes, particularly to small farms.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FARMERS NATIONAL BANK OF OBERLIN 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

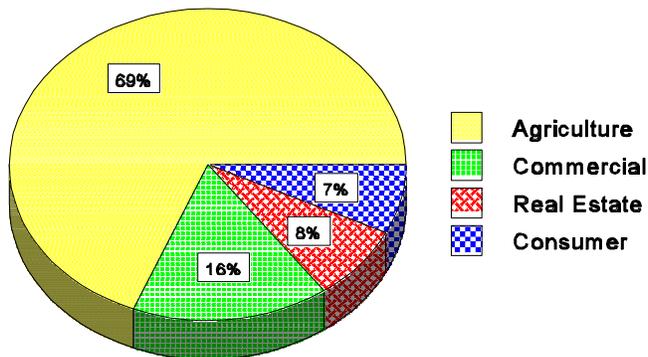
The Farmers National Bank of Oberlin (FNB) is a \$54 million bank located in Oberlin, Kansas. FNB has a branch office in Norcatour, Kansas which is 18 miles east of the main office. Farmer's Bancshares of Oberlin, Inc., a one-bank holding company, controls 100% of the bank's stock.

The primary lending focus is on meeting the agricultural needs of the area. The bank also extends small business, real estate, and consumer loans. As of March 31, 1996, the

loan portfolio represented 60% of the bank's total assets and had the following composition: 69% agricultural and farmland, 16% commercial, 8% real estate, and 7% consumer.

Loan Portfolio Composition

As of December 31, 1995



The main bank offers drive-up facilities and an Automated Teller Machine (ATM) that is accessible 24 hours a day.

There are no legal impediments or other factors including the financial condition of the bank which limits its ability to help meet the credit needs of the assessment area.

DESCRIPTION OF THE FARMERS NATIONAL BANK'S ASSESSMENT AREA

The bank's assessment area complies with the guidelines of the CRA regulation. The assessment area includes all of Decatur County, all but the central portion of Rawlins County, and all of Norton County except the northeast quarter. None of these counties are located in a Metropolitan Statistical Area (MSA). The population of the assessment area is approximately 7,400.

The assessment area contains four block numbering areas (BNA). BNA 9511 and 9512 represent all of Decatur County. The assessment area includes Rawlins County BNA 9506, and Norton County BNA 9516. All four BNA's are middle income. These income levels are based on a comparison to the 1996 Kansas statewide non-metropolitan median family income of \$34,300.

DESCRIPTION OF THE FARMERS NATIONAL BANK'S ASSESSMENT AREA CONTINUED

The local economy is dominated by agriculture. The strength of the economy parallels the success of the agricultural sector. Currently, the agricultural sector is stressed with a mediocre harvest and depressed livestock prices. Other industry is limited and unemployment is only 1% for the assessment area.

We performed two community contacts with representatives of the county and government during our examination. Both contacts stated the primary credit needs stem from agriculture and these needs are being met by the local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is reasonable in relation to comparable banks in the area. This ratio averaged 57% for the twelve quarters since the last CRA examination, and 60% over the past eight quarters. The eight quarter average loan-to-deposit ratio for the other bank in Decatur County was 61%. For this same time period, the three banks in Rawlins County averaged a 60% loan-to-deposit ratio with ranges from 49% to 73%. The four banks in Norton County averaged a 67% loan-to-deposit ratio over the past eight quarters. Individual ratios for the banks in Norton County ranged from 41% to 86%.

Comparison of Credit Extended Inside and Outside of the Assessment Area

The majority of the bank's loans are within its assessment area. We judgmentally sampled 28 agricultural originations made during 1996. These loans totaled \$2.6 million and represented about 10% of the bank's total loans. We found 86% of the banks loans, by number, are to borrowers within the assessment area. By dollar volume this ratio was 75%. The sample of 14 real estate loans revealed 100% of the bank's loans were made within the assessment area.

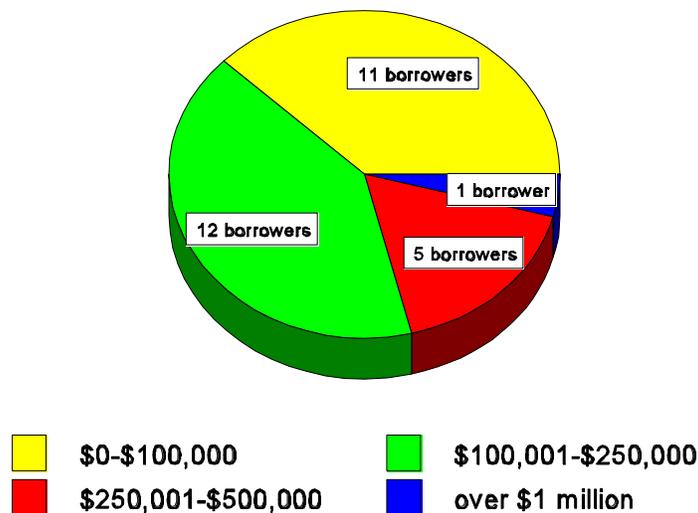
Lending to Borrowers of Different Incomes, and to Businesses and Farms of

Different Sizes

The bank does a good job of lending to farms of different sizes, especially to small farms. The bank has a good distribution of lending to borrowers of different income levels. Gross annual revenues to borrowers in our sample ranged from \$3,800 to \$1.8 million. The following graph shows the income distribution of the 28 agricultural borrowers that we reviewed:

Gross Annual Revenues

Agricultural Borrowers



We also sampled 14 residential real estate purchase or refinance loans and found the average loan amount was \$24,000. Seven of these real estate loans were to borrowers with gross family income levels below the statewide average of \$34,300. In fact, two loans were made to low-income and three loans were made to moderate-income individuals.

Compliance Officer Jody Black stated they have no minimum amounts for any types of loans. While reviewing loan originations, we did note a very large volume of small loans.

Distribution of Credit Within the Assessment Area

A geographic analysis within the assessment area would not be meaningful. The entire assessment area is middle income.

Compliance with Antidiscrimination Laws and Regulations

We found no substantive violations of fair lending laws and regulations. We reviewed a sample of 14 residential real estate approvals and 10 denials made over the past year. Based upon this review, we found no evidence of disparate treatment of applicants.