



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Central National Bank
Charter No. 4284**

**802 North Washington
Junction City, Kansas 66441**

**Office of the Comptroller of the Currency
Salina Duty Station
1516 East Iron
Salina, Kansas 67401**

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 **Central National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 24, 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.

Central National Bank (CNB), is actively meeting the credit needs of its assessment areas. CNB's loan-to-deposit ratio is reasonable, with the majority of loans being made within its assessment areas. Loan originations penetrated all segments of the four assessment areas and are reasonably dispersed to borrowers of all income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	CENTRAL 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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

CNB is a \$358 million bank headquartered in Junction City, Kansas. CNB has eighteen branch locations and 10 automated teller machines. Branch offices are located in Durham, Gypsum, Halstead, Herington, Hesston, Hillsboro, Lawrence, Marion, Newton, Topeka, White City, and Wichita. CNB opened a branch in Salina in November 1996.

CNB is a full service lending institution. The bank's loan portfolio mix is 35% commercial, 16% agricultural, 10% consumer, 22% residential real estate, and 17% other. The bank is owned by Central of Kansas, Inc., a one bank holding company. There are no financial conditions, legal constraints, or other factors that prevent CNB from helping to meet the credit needs of its assessment area.

Lending decisions for CNB are centralized in Junction City and CRA lending performance is generally consistent throughout the four assessment areas. The bank received a Satisfactory rating at its last CRA examination dated December 8, 1994.

DESCRIPTION OF ASSESSMENT AREA

CNB has four assessment areas. The non-MSA (Metropolitan Statistical Area) assessment area consists of Geary, Dickinson, McPherson, Saline, Morris, and Marion counties. The other assessment areas include the Topeka MSA (#8440), the Lawrence MSA (#4150), and Harvey and Sedgwick counties, which are part of the Wichita MSA (#9040). Total population of the four assessment areas is 822,530. The assessment areas consist of 204 Census Tracts (CTs) or Block Numbering Areas (BNAs). According to 1990 statistics, 6% of the tracts are low-income, 22% are moderate, 51% are middle, and 20% are upper. The 1996 HUD median family incomes for the various assessment areas are as follows: Non-MSA areas, \$34,300; Topeka, \$45,300; Lawrence, \$43,800; Harvey and Sedgwick counties, \$44,500. All assessment areas are experiencing moderate growth. Local economic conditions are stable and diverse. The economies are supported by service industries, retail trade, manufacturing, finance, insurance, and real estate. Diversification is also provided by the surrounding agricultural activities. Competition, offered by various financial institutions, is strong.

We reviewed numerous recent community contacts made by regulatory agencies within the assessment areas. We also made two new contacts in the Junction City area. Contacts included public officials, neighborhood organizations, and community groups involved in affordable housing, agriculture, small business, and economic and community development. According to these contacts, credit needs are diverse and include loans for affordable housing, small businesses and farms, and consumer purposes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is closely comparable to other banks within the assessment areas. CNB's average loan-to-deposit ratio for the past eight quarters was 68%. The average loan-to-deposit ratio for the past seven quarters for all banks within CNB's assessment areas was 64%.

LENDING IN ASSESSMENT AREA

The bank originates a majority of its loans within its assessment area. Management collected information on the location of all loan originations during 1996. We verified the accuracy of management's data. This analysis shows that 90% of loans were made within the assessment areas.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of lending reflects a reasonable distribution among borrowers of different incomes and to businesses and farms of different sizes. We reviewed samples of business, farm, and consumer loans. We relied on the bank's HMDA (Home Mortgage Disclosure Act) records for residential lending performance.

The following two tables show that CNB originates loans to businesses and farms of different sizes.

Distribution of Business Loans by Revenue of the Business		
Revenues (000's)	# of Loans Reviewed	% of Loans Reviewed
< \$50	8	32%
\$51 - \$100	4	16%
\$101 - \$200	1	4%
\$201-\$500	7	28%
\$501-\$1,000	1	4%
> \$1,000	4	16%
Total Loans Reviewed	25	100%

Distribution of Farm Loans by Revenue of the Farm		
Revenues (000's)	# of Loans Reviewed	% of Loans Reviewed
< \$50	7	28%
\$51 - \$100	11	44%
\$101 - \$200	5	20%
> \$200	2	8%
Total Loans Reviewed	25	100%

The consumer loan sample below reveals that CNB originated a higher percentage of loans to low and moderate-income consumers than the demographics in the assessment areas:

Income Designation of the Borrower	Consumer Loan Sample:		% of households in Assessment Area
	#	%	
Low	25	26%	22%
Moderate	32	33%	17%
Middle	23	24%	21%
Upper	17	17%	40%
Total	97	100%	100%

The following table shows that CNB originated a reasonable, but lower percentage of its 1996 HMDA-reportable real estate loans to low-income people compared to area demographics and to the average of other lenders within the market. CNB lent a higher percentage of its loans to moderate-income people than area demographics and other lenders (based on the most recently available market comparisons for 1995).

Income Designation of the Borrower	HMDA Loans		% of families in Assessment Area	Market Performance (all HMDA lenders)
	#	%		
Low	18	7%	18%	10%
Moderate	78	32%	18%	21%
Middle	70	28%	26%	30%
Upper	80	33%	38%	39%
Total	246	100%	100%	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of loans reflects reasonable penetration throughout the assessment areas. Management collected information on the location of all loan originations during 1996. We verified the accuracy of this information. CNB's originations fall slightly below the demographics in low- and moderate-income CTs/BNAs.

1996 Loan Originations within the Assessment Area						
CENSUS TRACT:	# of loans		Dollar Volume (000's)		CTs/BNAs in Assessment Area	% of Households in Assessment Area
	#	%	\$	%	%	%
Low	37	1%	2,906	2%	7%	4%
Moderate	1,067	16%	26,052	17%	22%	21%
Middle	4,631	69%	91,351	60%	51%	52%
Upper	938	14%	30,987	20%	20%	24%
NA	3	0%	1,180	1%	0%	0%
Total	6,676	100%	152,476	100%	100%	100%

RESPONSE TO COMPLAINTS

The bank did not receive any CRA-related complaints since the last examination in 1994.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

We did not identify any violations of antidiscrimination laws or regulations.