



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 09, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Midland National Bank of Newton
Charter Number 4860**

**527 Main Street
Newton, KS 67114**

**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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- Midland National Bank's average loan-to-deposit ratio is 61%. This is satisfactory compared to other similarly-situated institutions in the assessment area.
- A majority of Midland National Bank's primary loan products were granted within the assessment area. The initial sample indicated that 75% of the number and 64% of the dollar volume were in the assessment area.
- The bank's record of lending to businesses of different sizes and borrowers of different incomes is good. The bank's lending to businesses of different sizes is good. The commercial loan sample utilized indicates 80% of the number and 51% of the dollar amount of loans made are to businesses with revenues less than \$1 million. The bank's lending to residential real estate borrowers is good. The volume of residential real estate lending to low-income borrowers is good and lending to moderate-income borrowers is adequate.

DESCRIPTION OF INSTITUTION

Midland National Bank (the bank) is a \$126.7 million bank headquartered in Newton, Kansas. Locations include the main bank and a drive-up facility located across the alley and four branches, one having a drive-up facility. The bank also has eight ATMs, three are deposit-taking. The bank has not opened any new branches, or closed any existing branches, since the previous Community Reinvestment Act (CRA) examination.

The bank is a wholly-owned subsidiary of Midland Financial Corporation, a one bank holding company located in Newton, Kansas. The holding company had total assets of \$11.8 million as of December 31, 2005. The bank's corporate structure has not changed since the previous CRA examination.

The bank is a full-service financial institution offering a variety of loan products. Net loans represent 54% of the bank's total assets. As of December 31, 2005, the bank's \$69 million loan portfolio had the following composition: 68% real estate loans, 25% commercial loans, 5% individual loans, and 2% agricultural and other loans. Management indicated that the bank's primary lending products are commercial loans and residential real estate loans.

The bank's financial condition and size, along with local economic condition and other factors allow it to meet the needs of its assessment area. We assigned a "Satisfactory" rating at the December 3, 2001 examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Harvey County, Kansas, which is one of four counties in the Wichita Metropolitan Statistical Area (MSA) #48620. All six of the census tracts in the AA are middle-income tracts. The AA does not contain any low-, moderate-, or upper-income tracts. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts. The 2000 U.S. Census population of the AA was 32,869. The Kansas MSA median family income for 2006 is \$61,200. The AA has the following income distribution for families: 16% low-income, 23% moderate-income, 27% middle-income, and 34% upper-income. Of the 12,607 households in the AA, 31% receive social security, 8% have income below the poverty level, and 2% receive public assistance. Nearly 17% of the population is over the age of sixty-five and 26% of the population consists of civilians not in the workforce.

In the AA, the median housing value is \$75,801 and 68% of the units are owner occupied. Harvey County's economy is stable and the population is growing. Major employers in the AA include: Ag Co., Excel, Norcraft, the schools districts, the county, and the hospital. The Kansas unemployment rate for March 2006 was 4.9%.

The bank faces moderate competition from nine banks with locations in the AA. Five of these banks are headquartered in Harvey County and have total assets ranging from \$5.7 million to \$126.7 million. Three other banks and one savings and loan have branches in the AA, all with a majority of their deposits located outside the AA. With 23% of deposits, the bank has the largest market share within the AA.

Examiners contacted one community professional. The contact indicated that Midland National Bank is involved in the community and supportive of the community's credit needs. The contact identified residential real estate and commercial as the area's primary credit needs and that the local financial institutions are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Midland National Bank's lending level is reasonable, given the bank's size, financial condition, and AA credit needs. The bank's average quarterly loan-to-deposit ratio since the last CRA examination is 61%. The average quarterly loan-to-deposit ratio over the same period for the banks in the AA is 69%, with ratios ranging from 61% to 75%.

Lending in Assessment Area

The bank's lending in the AA is good, as it extended a majority of its primary loan products to borrowers in the AA. Specifically, we found the bank made 75% of the number and 64% of the dollar amount of loans in the assessment area. The sample included twenty commercial loans originated this year or in the prior two years and all Home Mortgage Disclosure Act (HMDA) loans from the same time period.

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

Midland National Bank's lending to borrowers of different income levels and businesses of different sizes is good. Examiners completed a data integrity assessment of the bank's HMDA Loan/Application Register (LAR) and determined it to be reliable. To assess the bank's performance, our sample included all residential real estate loans as reported on the HMDA LAR and twenty commercial loans. All loans in the sample were originated within this year or the prior two years.

The bank's lending to businesses of different sizes is good. The commercial loan sample used for the assessment indicated 80% of the number and 51% of the dollar amount of loans are to businesses with revenues less than \$1 million, as compared to 60% of businesses in the AA with revenues less than \$1 million.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	60%	5%	35%	100%
% of Bank Loans in AA by #	80%	15%	5%	100%
% of Bank Loans in AA by \$	51%	49%	0%	100%

Source: U.S. Census data and loan sample

The bank has reasonable penetration among individuals of different income levels. Residential real estate lending to low-income borrowers is good when considering 8% of the households in the AA have income levels below the poverty level. Residential real estate lending to moderate-income borrowers is adequate, as the percentage of loans granted is slightly below AA demographics.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16%	12%	23%	25%	27%	27%	34%	36%
Home Improvement	16%	27%	23%	9%	27%	9%	34%	55%
Refinancing	16%	12%	23%	21%	27%	20%	34%	47%
Total	16%	14%	23%	21%	27%	22%	34%	43%

Source: U.S. Census data and data reported under HMDA

Geographic Distribution of Loans

Midland National Bank's AA does not contain any low- or moderate-income areas. An analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

Midland National Bank has not received any CRA related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.