

PUBLIC DISCLOSURE

January 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Chetopa State Bank and Trust Company
13956**

**409 Maple Street, P.O. Box 226
Chetopa, Kansas 67336**

Federal Deposit Insurance Corporation

**2345 Grand Blvd., Suite 1500
Kansas City, Missouri 64108**

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.

TABLE OF CONTENTS

I.	General Information	1
II.	Institution Rating 1
III.	Description of Institution	2
IV.	Description of Assessment Area	2
V.	Conclusions	3

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 **Chetopa State Bank and Trust Company, Chetopa, Kansas** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 25, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The bank's CRA performance is considered outstanding based on the following:

- The bank's average net loan-to-deposit ratio demonstrates a strong responsiveness to assessment area credit needs.
- An analysis of agricultural loans, which represent 60 percent of the dollar volume within the bank's loan portfolio, revealed a reasonable lending penetration to farm operations of different sizes.
- The analysis of agricultural loans indicates that a substantial majority of the institution's lending is within the assessment area.
- The bank has achieved a reasonable geographic dispersion of loans within its assessment area.

DESCRIPTION OF INSTITUTION

Chetopa State Bank and Trust Company is a full-service bank located in Chetopa, Kansas (population 1,357). The bank is located in the southeastern portion of Labette County and is approximately two miles from the Oklahoma border. The institution reported total assets of \$18,255,000 as of September 30, 1998. Although the bank does not have any branch offices, it is affiliated with five other institutions through common ownership. Southeast Bancshares, Inc., the bank's holding company, also controls financial institutions in Chanute, Erie, Neodesha, Stark, and Thayer, Kansas.

The institution's primary lending focuses on providing operating loans for area farm and cattle operations. The table below illustrates the loan portfolio composition as of September 30, 1998.

LOAN TYPE	DOLLAR AMOUNT	PERCENT
Agricultural	\$7,793,000	60%
Residential Real Estate	2,213,000	17%
Commercial	1,545,000	12%
Consumer	1,482,000	11%
Totals	\$13,033,000	100%

No apparent legal, financial, or other factors were noted which would significantly prohibit the bank from being able to meet the local credit needs of the community.

DESCRIPTION OF INSTITUTION'S ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires financial institutions to identify one or more "assessment areas" within which the appropriate regulatory agency will evaluate CRA performance. Typically, an institution's assessment area will include towns, cities, counties, or other political subdivisions in which the bank's facilities are located and where a significant portion of the bank's loans are originated. Assessment areas consist of one or more block numbering areas (BNAs) or census tracts (CTs), which are statistical subdivisions of a county. BNAs are generally used in non-metropolitan areas, and CTs are generally used in metropolitan areas.

Each BNA tract is designated as low, moderate, middle, or upper income based on the following definitions in relation to the Census Bureau's 1990 non-metropolitan median family income figure of \$28,067 for the state of Kansas and \$24,139 for the state of Oklahoma.

Low Income - Income of less than 50 percent of the area median family income (MFI)
Moderate Income - Income of at least 50 percent and less than 80 percent of the area MFI
Middle Income - Income of at least 80 percent and less than 120 percent of the area MFI
Upper Income - Income of 120 percent or more of the area MFI

The institution's assessment area consists of seven non-metropolitan contiguous BNAs located in Kansas and Oklahoma. Two middle-income and two moderate-income BNAs are located in southern Labette and western Cherokee counties in Kansas, and two middle-income and one moderate-income BNAs are located in northern Craig and Ottawa counties in Oklahoma. The bank is located in a moderate income geography which is surrounded by middle income BNAs to the north, west, and south. To the east of the bank's location, an adjacent moderate income BNA encompasses the entire western portion of Cherokee county in Kansas.

Census information indicates 46 percent of the assessment area's families are moderate and middle income (21 percent moderate income and 25 percent middle income). Of the remaining assessment area families, 24 percent are low income and 30 percent are upper income.

According to census information, the unemployment rate for the bank's entire assessment area is 8.1 percent, as compared to 4.6 percent for the state of Kansas and 6.7 percent for the state of Oklahoma.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance was evaluated with respect to each of the following criteria to determine the overall CRA rating. The evaluation of the bank's performance under some of the criteria is based on a sampling of agricultural loans, the bank's major loan category. The samples were taken from loans originated in the past six months and were selected statistically based on a 90 percent confidence level with a 15 percent precision. The loan sample consisted of 28 loans totaling \$1,281,367.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio has historically been high, and is 76 percent as of September 30, 1998. Since the previous evaluation, the bank's quarterly net loan-to-deposit ratios have averaged 76%. This loan to deposit relationship compares favorably to other area banks that are considered similarly situated due to their asset size and proximity to the subject bank. The following table illustrates the average net loan-to-deposit ratios of the subject bank and the nine similarly situated banks.

NET LOAN-TO-DEPOSIT RATIOS (11 Quarter Average) FOR BANKS WITH ASSETS UNDER \$50M AND SIMILAR LOAN PORTFOLIO COMPOSITION		
Bank Name and Location	Total Assets (000) as of 09- 30-98	Average Net Loan-to-Deposit Ratio*
The Baxter State Bank, Baxter Springs, KS	\$31,099	58%
Chetopa State Bank & Trust Company, Chetopa, KS	18,255	76%
The First Bank of Fairland, Fairland, OK	9,734	42%
The First State Bank, Ketchum, OK	20,763	63%
Bank of Parsons, Parsons, KS	7,432	65%
First State Bank, Picher, OK	5,936	70%
The Bank of Quapaw, Quapaw, OK	6,813	53%
Oklahoma State Bank, Vinita, OK	49,481	65%
The Citizens Bank of Weir, Weir, KS	6,201	45%
The Bank of Wyandotte, Wyandotte, OK	12,660	66%

* The average net loan-to-deposit ratio is calculated for the period from March 31, 1996, through September 30, 1998. The institutions above are listed alphabetically by the city in which they are chartered and are not ranked by any other factors.

Lending in the Assessment Area

Sampled loans indicate a substantial majority of the bank's lending is within the designated assessment area. Of the 28 agricultural loans sampled, 82 percent of the number and 86 percent of the dollar volume were within the designated assessment area.

Lending to Borrowers of Different Incomes and Business of Different Sizes

The distribution of borrowers reflects a reasonable penetration among businesses of different sizes. The sampled agricultural loans were categorized into different size operations according to the annual gross revenue generated by the farm. The following table summarizes the distribution of lending to agricultural operations of different sizes. For this analysis, gross revenues are assumed to be an indicator of farm size.

AGRICULTURAL LOANS				
SAMPLED LOANS IN THE ASSESSMENT AREA TO AGRICULTURAL OPERATIONS OF DIFFERENT SIZES				
<i>Gross Revenues</i>	<i>Number of Loans</i>	<i>%</i>	<i>Dollars of Loans</i>	<i>%</i>
\$0 to \$20,000	11	48%	\$446,306	41%
\$20,001 to \$50,000	5	21%	\$99,568	9%
\$50,001 to \$100,000	2	9%	\$15,220	1%
\$100,001 to \$150,000	2	9%	\$401,893	37%
Greater than \$150,000	3	13%	\$133,000	12%
Total Sample Size	23	100%	\$1,095,987	100%

Note: Five loans totaling \$185,380 to borrowers outside the bank's assessment area were excluded from the table.

The table reveals that 48 percent of the number of loans in the sample, that were granted to borrowers in the assessment area, are provided to small farm operations with annual gross revenues of less than \$20,000. A slightly greater percentage of the dollar volume of sampled loans, within the assessment area, are to farm operations with gross revenues in excess of \$100,000. This is consistent with the increased credit needs of larger operations.

Geographic Distribution

The bank has achieved a reasonable dispersion of loans within the assessment area. As previously discussed, the bank's assessment area contains moderate- and middle-income geographies. The bank is located in a moderate-income BNA. The following table reflects the distribution of the sampled agricultural loans within the assessment area.

Geographic Distribution of All Sampled Loans within Assessment Area		
Number of Geographies (BNAs) within Assessment Area by Income Category	Number of Loans	Dollar Volume of Loans
Low Income (None)		
Moderate Income (3 BNAs)	7	\$448,299
Middle Income (4 BNAs)	16	647,688
Upper Income (None)		
Totals	23	\$1,095,987

Response to Complaints

Management has not received any complaints regarding the Community Reinvestment Act since the previous evaluation. Therefore, the bank's record of responding to complaints is not applicable in this evaluation.

Compliance with Anti-discrimination Laws and Regulations

The institution's record of complying with anti-discrimination laws was also considered in the overall rating. We noted no violations of the substantive provisions of the anti-discrimination laws and regulations.