Approved February 27, 1986
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./p.m. on February 26, 1986 in room 529-S of the Capitol.

All members were present except:

Senators Burke and Harder - Excused

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:
Sen. Ross Doyen
Murray Lull, Smith County State Bank
Mike Heitman, Kansas Banking Department
Jim Warren, Kansas Independent Bankers Association

The minutes of February 25 were approved.

The meeting began with the hearing on SB 636 dealing with detached auxiliary banking services facilities. Sen. Doyen, one of the authors, briefly testified in support of the bill. (See Attachment I).

Murray Lull, Smith County State Bank, followed with testimony in support of SB 636. (See Attachment II).

The chairman asked how the bill would affect the capital structure of the purchasing bank, and Mr. Lull said that it would not affect it at all. Sen. Werts had a question as to line 103 of the bill regarding the mechanics of the acquisition. Mr. Lull said SB 636 allows things to stay the same when a bank is acquired by another. Sen. Karr wondered if multibanking would be used. Mr. Lull said that it would be possible, but it is not probable that it would be affordable.

Mike Heitman, Kansas Banking Department, testified for the bank commissioner. The department supports HB 2988 which is a model of Nebraska legislation and is similar to SB 636. With some minor changes, SB 636 would also take care of the need for emergency legislation. The department feels this will have to be done sooner or later as small communities are dying more and more. This type of legislation is important in maintaining a good banking system, but the department would prefer not to have the geographical limitation in SB 636.

Jim Warren, Kansas Independent Bankers Association, testified in opposition to SB 636. because it would authorize statewide branch banking. (See Attachment III).

Brief committee questions followed regarding the difference between multibank holding companies and one bank ownership of several facilities. With this, the hearing on SB 636 was concluded, and it was taken under advisement.

Attention was turned to SB 528 regarding notice of increase in premiums by insurance companies which had been previously heard. The chairman had copies of language submitted by Larry Magill of the Independent Insurance Agents of Kansas which would call for any cancellations to be made on a pro rata basis and at the old rate to put everyone on equal footing. Committee discussion followed regarding some confusion as to what would happen if the notice were received one day before the renewal date. Staff said that the confusion is a result of referring to the wrong renewal date. Larry Magill informed the committee that there are two chnges involved. The first change clarifies that if the exposure goes up, a higher premium can be charged based on the old rate. The second change says that the whole statute does not apply unless there is a late delivery of notice and if the insured is unable to insure with another company at a lower rate.

There being no further time for discussion, the meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-26	Linda McGill	Topeka	Ks. Independent Bankers Assn
"	MURRAY LULL	SMITH CENTER	SMITH CO. STATE BANK
"	Jim Maag	Topeka	KBA
"	Rita D'Agostino	Topeka	Dept. of Banking
✓	Michael S. Heitman	Auburn	State Banking Dept.
	Gretchen Storey	Topeka	Ks Div of Budget
"	Gerl Wright	Topeka	Ks Credit Union League
"	Sue Ellen Doyle	Wichita	Ks Credit Union League
"	J B Warren	Galva	Kansas Independent Bankers Assn
	Pete McGill	Topeka	KIBA

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear before the committee on the provisions of SB 636. While this committee has already addressed the issue of how to handle failed bank situations I strongly believe it is important for you to also address the matter of how to avoid such failures in the first place. SB 636 is designed to be at least one part of a solution.

Under the provisions of this bill a Kansas bank would be allowed to acquire another bank in the same county or a contiguous county and convert it to a detached facility with the approval of the appropriate banking regulators. No bank which has been chartered for less than five years in eligible for acquisition under the act. My reason for such a proposal is very simple - it is in the best interests of the farmers, businessmen, and senior citizens of every small town in the state.

There are a significant number of banks in small towns which are currently for sale, but there is no market since no one is very interested in sinking a large amount of capital into a bank in a community where the possibility of making an adequate return simply doesn't exist. However, there may well be a well-capitalized bank in the county-seat town who would be willing to take over the operation of that small-town bank if it could be operated as a branch - thus avoiding the need for a large capital infusion. Under our present laws, those small-town banks run the very real risk of seeing their capital position steadily deteriorate until the bank reaches the point of insolvency and a forced closing occurs thus bringing problems not only for the banker, but for everyone in the community. Even if someone should, at that point, move in and buy the bank and run it as a branch or even a fully-chartered bank they will not have been required to keep all of the loans on the books of the failed bank. As a result, many farmers and businessmen will be faced with establishing a new lender relationship and in today's economic environment that will be very difficult as people in the many Kansas towns where banks have failed in the past two years can tell you.

Why should we allow circumstances to deteriorate to that point? Are not the people of the community better served in the long run if the small-town bank can be purchased before it reaches a point of insolvency? Aren't farmers and businessmen more likely to be able to retain their borrower relationship with the bank under those circumstances? Why should a small-town banker be faced with seeing his life's investment in that community be steadily depleted when there may well be a potential buyer for that bank as a branch facility? It is very difficult to understand who is well served by the restrictions of our current banking laws.

S. FII
2/26/86
Attachment I

It is interesting to note that Kansas, Nebraska and Oklahoma had the most bank failures in 1985 with 13 each. In those two neighboring states the banking industries promoted or are promoting legislation which addresses the pre-insolvency issue. In 1985 Nebraska passed an act allowing acquired banks (pre or post-insolvency) to be run as branches. There is every reason to believe that a number of small bank closings will be avoided this year and in future years in that state because of the pre-insolvency provisions of their act. The Oklahoma Bankers Association voted just last week by an overwhelming majority to support legislation which would allow pre-insolvency acquistions to be run as branch offices so long as the acquiring bank is within a 50-mile radius. That is essentially the same as the provisions of SB 636.

This bill is not in any way intended to allow a state-wide "grab" of banks for branching purposes. This is why I have incorporated in the bill the same geographic restrictions as are imposed on bidding banks under the provisions of SB 432. Nor are there any requirements that a banker must sell his bank if he doesn't want to. Eveyone has the choice to decide which course of action they want to take. I see this bill as being an important link in the possible survival of many of our small rural communities and I would hope that those within the banking industry could set aside their personal philosophies about banking structure and approach this problem from the standpoint of what is best for the people of Kansas.

Your positive consideration of SB 636 would be greatly appreciated.

February 26, 1986

TESTIMONY IN FAVOR OF SENATE BILL 636

by

Murray D. Lull
Smith Center, Kansas

S. FII 2/26/86

Attachment II

Rural banking in Kansas may be at the most important juncture in our time relative to the banking presence in small communities.

There are 625 banks in Kansas:

- of these, 245 banks are in communities of 1,000 people or less;
  - of these, 145 are in communities of 500 or less;
    - of these, 8 are in towns of 100 or less (Freeport, with a population of 12, is the smallest community with a bank).

The size of a community is no indication, necessarily, of the size of the bank, nor of the skills of the managers. Some very fine banks, and some exceptional bankers are in our small communities. The services that our small-town banks deliver are essentially the same services that our big-city banking friends deliver.

The problem that is developing, however, is one of evolution involving the makeup of small towns, their continuing losses of population, their residents' rising median age, transportation problems, and the shrinking number of mainstreet businesses.

Add to this shrinking rural scene a heavy pressure, at this time, on these small-towns' banks, because they serve for the most part, agriculture. The losses that some rural banks are taking on their loans to farmers are eroding the capital of these banks, and eating away the satisfaction of the small-town bankers in serving their communities.

There are a number of things to keep in mind about small-bank ownership in Kansas:

1) Generally the owner is also going to be the manager, in most cases, living in that community.
2) The bank requires its own separate capital base, and that capital sets limits on lending and other services, such as trust.
3) The bank has its own distinct board of directors, and they

are increasingly difficult to recruit.

4) The bank requires its own staffing from top to bottom, and its own accounting system, allowing little chance for improving efficiencies in delivering services to a limited customer base.
5) The investment in a small bank is sizeable when compared to the customer base, earnings potential, and risks that come with banking.
6) If a bank sells, the new owner must be qualified both managerially and financially, more so in the last several years.
7) No prospective bank owner can buy a bank unless the present owner wants to sell. There is no such thing as a hostile takeover in small-town banking.
8) Eventually, for reasons of retirement and others, banks in our smaller communities will need to be sold.

The question then is, "who will be the prospective buyer, and will he be the same breed as the seller, willing to live in a small town, and be able to live and, at the same time, service the probably sizeable acquisition debt on a relatively small earnings base?"

Evidence seems clear at this point that there is practically no interest on the part of the major multi-bank organizations to invest in banks in low population areas where, as pointed out above, a lot of Kansas banks are located.

I sense that, for the very reasons that small town populations are dwindling, fewer individual prospects for buying these banks exist. Finding those that would be satisfied with small-town life, and at the same time have the financial resources suitable to bank ownership requirements, is going to be increasingly difficult.

I further sense that there may be a time fast approaching when we will see smaller banks wanting to form alliances to keep banking services in these small communities through merger/facilities arrangements.

If retaining banking services in these small towns now served by Kansas banks is desirable, new avenues must be developed to allow opportunities to enhance efficiencies in delivering banking services and to encourage small bank alliances.

Senate Bill 636 allows such an avenue.

For example, the First National Bank of Lebanon, Kansas, is a small bank in a town of 440 people. The present owners have an investment of about $1.2 million in the bank, and this investment constitutes a satisfactory and necessary capital base relative to the asset size of the bank. The owners desire to sell the bank to allow their retirements from an active banking capacity. To buy this bank, the prospective owner needs to come to this town of 440 people with an equity (non-debt) of at least $300,000 to invest as his "downpayment", and then needs to service a debt of $900,000 that would complete the purchase amount. The bank's historical earning ability would not indicate that it is capable of servicing this amount of debt in a time span that would meet the requirements of the Federal Reserve Board and a potential correspondent bank lender, and at the same time allow the investor a reasonable return consistent with the amount of his required equity investment.

Three possibilities are available to the present owners of the Lebanon bank: a) a sale of the bank to a purchaser, if one that would be qualified could be found; b) voluntarily close the bank to allow them to obtain their investment, leaving the community without a banking facility; or c) through an alliance arrangement, sell to a neighboring group of bankers that would be willing to buy the bank in the hope that, while it would return them nothing on their equity investment, it might afford an opportunity for the community to enjoy a banking facility, and an opportunity for the potential buyers to use a vehicle such as the possibilities offered in Senate Bill 636.

The potential buyers could merge the two banks they would then own, effectively terminating the Lebanon bank charter, but instead of having to remove a banking facility from the town, they could leave the "bank" open in the community, continuing to offer the same services that the community enjoyed without displacing them relative to the banking needs they have.

The synergy in the transaction would bring greater lending benefits to the community, access to additional serves to the Lebanon customers, the assurance to the community that financial services would not be curtailed, and to the investors a chance to maximize efficiencies of accounting, investing, lending, and staffing. Such efficiencies would add to the assurance that, financially, the investors could afford to continue direct banking service to the Lebanon community.

Are there any disadvantages to the community in such as arrangement allowed by Senate Bill 636?

Hopefully not. The present owners still have the opportunity to sell the bank in the most favorable way they can, to whomever they choose, but the vehicle of Senate Bill 636 allows a greater number of interested investors to compete for the acquisition, hence the present owners stand a better chance to realize an optimum sale. The community will still be assured that a facility will remain, because, remember, the Lebanon bank will have to be purchased, at a significant price to the buyers, before any of the elements of Senate Bill 636 could be applied, and the purchasers would not be about to offer the community anything less than the maximum services possible to protect their investment.

It seems clear that the Lebanon community could be the big winner because of the assured continuity of banking service.

And like Lebanon, Kansas, population 440, the more than 200 other small towns that are presently served by banks in their communities may well need this bill more than any other element in question. Will there be Senate Bill 636 to give these small-town banks and their communities hope, or, in its void, should these communities be dreading the day when they will be without still another business on their Main Streets --- their bank?

The benefits offered in this bill deserve prompt and serious study.

Thank you.

Attachments: Appendix A
Appendix B
Appendix C
Reflections on the data

APPENDIX A

As examples of appropriateness of Senate Bill 636, and its potentials for aid to small communities, attached are tables describing the banking situations in Smith County, and the counties contiguous to it: Jewell, Osborne, and Phillips.

Please review the pages that follow and ask yourselves the question, "Will there be any buyers of some of these banks, as the times come for them to sell, without Senate Bill 636?"

APPENDIX A

TABLE 1

BANKING IN SMITH, JEWELL, PHILLIPS, AND OSBORNE COUNTIES

COUNTY	COUNTY POPULATION	NUMBER OF BANKS	PEOPLE PER BANK	1984 YEAR-END DEPOSITS	1984 YEAR-END CAPITAL	CAPITAL INVESTMENT PER PERSON
JEWELL	5,241	7	749	$ 59,003,000	$ 5,373,000	$1,025
PHILLIPS	7,406	5	1,481	115,348,000	11,608,000	1,567
OSBORNE	5,959	6	993	92,710,000	9,423,000	1,581
SMITH	5,947	5	1,189	101,962,000	9,301,000	1,564
TOTAL	24,553	23	1,068	$369,023,000	$35,705,000	1,454
AS A COMPARISON . . .						
SALINE	48,905	7	6,986	351,008,000	32,865,000	672
SHAWNEE	154,916	16	9,682	1,028,918,000	98,822,000	638

Population data is 1980 Census. The population in the four-county area in 1986 is undoubtedly less.

APPENDIX A

TABLE 2

BANKING IN SMITH COUNTY

TOWN	BANK	1984 YEAR-END DEPOSITS	1984 YEAR-END CAPITAL	IF SOLD . . . * 25% EQUITY REQUIRED	BALANCE TO BE FINANCED
SMITH CENTER Population: 2,240	The Smith County State Bank and Trust Company	$42,115,000	$3,586,000	$896,000	$2,690,000
	First National Bank	33,625,000	3,066,000	766,000	2,300,000
KENSINGTON Population: 681	First National Bank	7,499,000	1,016,000	254,000	762,000
LEBANON Population: 440	First National Bank	12,712,000	1,057,000	264,000	793,000
GAYLORD	Farmers National Bank	6,011,000	576,000	144,000	432,000

(*) Assuming that the capital of each bank is at a normal operating level, and if that bank sold, the acquiring party would be required to furnish equity in the purchase roughly equal to 25% of the purchase price, and could then finance the balance of the purchase. This also assumes that the bank is bought with no premium over book value attached. Repayment requirements of the Federal Reserve Board limit the practical term of financing to a 12 to 14 year period. See appendix B and C for purchase and repayment data.

APPENDIX A

TABLE 3

BANKING IN JEWELL COUNTY

TOWN	BANK	1984 YEAR-END DEPOSITS	1984 YEAR-END CAPITAL	IF SOLD . . . * 25% EQUITY REQUIRED	BALANCE TO BE FINANCED
MANKATO Population: 1,205	First National Bank	$11,905,000	$ 873,000	$218,000	$655,000
	State Exchange Bank	12,091,000	1,293,000	323,000	970,000
ESBON Population: 234	State Bank of Esbon	7,912,000	701,000	175,000	526,000
BURR OAK Population: 366	Burr Oak State Bank	5,122,000	687,000	172,000	515,000
FORMOSO Population: 166	The Formoso Bank	5,216,000	460,000	115,000	345,000
JEWELL Population: 589	Citizens State Bank	10,421,000	718,000	180,000	539,000
RANDALL Population: 154	The Randall Bank	6,336,000	641,000	160,000	481,000

(*) Assuming that the capital of each bank is at a normal operating level, and if that bank sold, the acquiring party would be required to furnish equity in the purchase roughly equal to 25% of the purchase price, and could then finance the balance of the purchase. This also assumes that the bank is bought with no premium over book value attached. Repayment requirements of the Federal Reserve Board limit the practical term of financing to a 12 to 14 year period. See appendix B and C for purchase and repayment data.

APPENDIX A

TABLE 4

BANKING IN PHILLIPS COUNTY

TOWN	BANK	1984 YEAR-END DEPOSITS	1984 YEAR-END CAPITAL	IF SOLD . . . * 25% EQUITY REQUIRED	BALANCE TO BE FINANCED
PHILLIPSBURG Population: 3,574	First National Bank	$75,167,000	$5,996,000	$1,499,000	$4,497,000
AGRA Population: 321	Farmers National Bank	15,786,000	1,521,000	380,000	1,141,000
LOGAN Population: 720	First National Bank	4,666,000	1,470,000	368,000	1,103,000
LONG ISLAND Population: 187	Commercial State Bank	9,473,000	1,279,000	320,000	959,000
STUTTGART Population: 100	Farmers State Bank	10,256,000	1,342,000	336,000	1,007,000

(*) Assuming that the capital of each bank is at a normal operating level, and if that bank sold, the acquiring party would be required to furnish equity in the purchase roughly equal to 25% of the purchase price, and could then finance the balance of the purchase. This also assumes that the bank is bought with no premium over book value attached. Repayment requirements of the Federal Reserve Board limit the practical term of financing to a 12 to 14 year period. See appendix B and C for purchase and repayment data.

APPENDIX A

TABLE 5

BANKING IN OSBORNE COUNTY

TOWN	BANK	1984 YEAR-END DEPOSITS	1984 YEAR-END CAPITAL	IF SOLD . . . * 25% EQUITY REQUIRED	BALANCE TO BE FINANCED
OSBORNE Population: 2,120	Farmers National Bank	$19,585,000	$1,626,000	$407,000	$1,220,000
	First State Bank	14,782,000	1,194,000	299,000	896,000
PORTIS Population: 172	First State Bank	1,889,000	252,000	63,000	189,000
DOWNS Population: 1,324	Downs National Bank	14,188,000	1,135,000	284,000	851,000
	State Bank of Downs	23,260,000	3,113,000	778,000	2,335,000
NATOMA Population: 515	First National Bank	20,420,000	2,103,000	526,000	1,577,000

(*) Assuming that the capital of each bank is at a normal operating level, and if that bank sold, the acquiring party would be required to furnish equity in the purchase roughly equal to 25% of the purchase price, and could then finance the balance of the purchase. This also assumes that the bank is bought with no premium over book value attached. Repayment requirements of the Federal Reserve Board limit the practical term of financing to a 12 to 14 year period. See appendix B and C for purchase and repayment data.

APPENDIX B

Purchase and repayment data follows in this appendix using the assumptions stated in appendix A. Additional assumptions for this appendix are that the bank does not grow appreciably during the period of repayment of the purchase debt, that the financing interest rate if 9.50%, that the financing is over a 12-year period, and that a dividend of 50% of net after tax earnings of the bank is paid to a holding company owning 100% of the stock of the bank, thereby utilizing a consolidated income tax return and tax benefits from the subsidiary bank for repayment of the debt. Also, an assumed income tax rate of 36% is used. Earnings of the bank reflect 1984 earnings.

The banks in the four-county area have been numbered 1 through 23, and the financial data used is publicly available, and came from Sheshunoff's Banks of Kansas.

Five of the twenty-three banks in the study had negative earnings in 1984, thus had no repayment ability based on that year's earnings, so no data appears for those five in this appendix.

This appendix reflects that only one bank of the twenty-three could repay 75% acquisition debt over the twelve-year period on a 50% dividend policy. Asterisks in the repayment schedule indicate that the debt service requirements exceed the dividend.

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BANK NO. 1 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $873 (amounts in thousands)

Total assets of bank to be acquired..... $12,350

Capital to total assets ratio........... 7.07%

25% required equity..................... $218

75% to be financed...................... $655

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $115

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $94

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	58	58	58	58	58	58	58	58	58	58	58	58
Calculated tax benefit	22	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	80	58	58	58	58	58	58	58	58	58	58	58
Beginning principal balance	655	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-14	-36	-36	[illegible]	-36	-36	-36	-36	-36	-36	-36	-36
Cumulative debt service margin	-14	-50	-86	[illegible]	-159	-195	-231	-268	-304	-340	-376	-413

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	62%	82%	82%	[illegible]	[illegible]	82%	[illegible]	82%	[illegible]	82%	82%	[illegible]

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BANK NO. 2 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $1,293 (amounts in thousands)

Total assets of bank to be acquired..... $13,910 (average assets for year)

Capital to total assets ratio........... 9.30%

25% required equity..................... $323

75% to be financed...................... $970

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $160

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $139

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	80	80	80	80	80	80	80	80	80	80	80	80
Calculated tax benefit	33	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	113	80	80	80	80	80	80	80	80	80	80	80
Beginning principal balance	970	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-26	-59	-59	-59	-59	-59	-59	-59	-59	-59	-59	-59
Cumulative debt service margin	-26	-85	-143	-202	-261	-320	-379	-438	-497	-555	-614	-673

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	66%	87%	87%	87%	87%	87%	87%	87%	87%	87%	87%	87%

Bankbuy Study

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BANK NO. 3

Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$701	(amounts in thousands)
Total assets of bank to be acquired.....	$8,517	(average assets for year)
Capital to total assets ratio...........	8.23%	
25% required equity.....................	$175	
75% to be financed......................	$526	
Rate of interest on financing...........	9.50%	
Years for repayment (assume annual payments - twelve years maximum).....	12	
Assumed annual earnings.................	$79	
Assumed effective tax rate..............	36%	
Assumed dividend payout policy..........	50%	
Calculated annual payment on debt.......	$75	

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	40	40	40	40	40	40	40	40	40	40	40	40
Calculated tax benefit	18	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	57	40	40	40	40	40	40	40	40	40	40	40
Beginning principal balance	526	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-18	-36	-36	-36	-36	-36	-36	-36	-36	-36	-36	-36
Cumulative debt service margin	-18	[illegible]	-89	-125	[illegible]	-197	-232	-268	-304	-340	-376	[illegible]
Dividend policy needed for debt service	[illegible]	[illegible]	95%	95%	[illegible]	95%	95%	95%	[illegible]	95%	95%	[illegible]

(*) Debt service exceeds dividend policy (including tax benefit)

Bankbuy Study

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BANK NO. 4 Data Source: Year-end 1984; Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$687 (amounts in thousands)
Total assets of bank to be acquired.....	$6,061 (average assets for year)
Capital to total assets ratio...........	11.33%
25% required equity.....................	$172
75% to be financed......................	$515
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$81
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	50%
Calculated annual payment on debt.......	$74

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	41	41	41	41	41	41	41	41	41	41	41	41
Calculated tax benefit	18	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	58	41	41	41	41	41	41	41	41	41	41	41
Beginning principal balance	515	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*		*	*	*	*	*	*	*	*
Ending principal balance	*	*	*		*	*	*	*	*	*	*	*
Debt service margin	-16	-33	-33	-33	-33	-33	-33	-33	-33	-33	-33	-33
Cumulative debt service margin	-16	-49	-82	-115	-149	-182	-215	-249	-282	-315	-348	-382

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	-9%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%

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BANK NO. 5 Data Source: Year-end 1984; [illegible]

Capital of bank to be acquired.......... $460 (amounts in thousands)

Total assets of bank to be acquired..... $5,680 (average assets for year)

Capital to total assets ratio........... 8.10%

25% required equity..................... $115

75% to be financed...................... $345

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $128

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $49

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	64	64	64	64	64	64	64	64	64	64	64	64
Calculated tax benefit	12	11	11	10	[illegible]	[illegible]	7	6	5	4	3	[illegible]
Amount available for debt service	76	75	75	74	73	72	71	70	69	68	67	66
Beginning principal balance	345	328	310	290	[illegible]	245	218	190	158	124	86	45
Interest	33	31	29	28	25	23	21	18	15	12	8	4
Principal reduction	17	18	20	22	24	26	29	31	34	38	41	45
Ending principal balance	328	310	290	268	245	218	190	158	124	86	45	[illegible]
Debt service margin	26	26	25	25	24	23	21	21	20	19	18	[illegible]
Cumulative debt service margin	26	52	77	102	126	149	171	192	212	231	248	264

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	29%	[illegible]	30%	[illegible]	[illegible]	32%	[illegible]	34%	[illegible]	35%	[illegible]	[illegible]

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BANK NO. 10

Data Source: Year-end 1984: [illegible] Banks of Kansas [illegible] & Co.

Capital of bank to be acquired..........	$1,476 (amounts in thousands)
Total assets of bank to be acquired.....	$5,648 (average assets for year)
Capital to total assets ratio...........	26.03%
25% required equity.....................	$368
75% to be financed......................	$1,103
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$72
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	50%
Calculated annual payment on debt.......	$158

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	36	36	36	36	36	36	36	36	36	36	36	36
Calculated tax benefit	38	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	74	36	36	36	36	36	36	36	36	36	36	36
Beginning principal balance	1,103	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-84	-122	-122	-122	-122	-122	-122	-122	-122	-122	-122	-12[illegible]
Cumulative debt service margin	-84	-206	-328	-450	-572	-693	-815	-937	-1,059	-1,181	-1,303	-1,425

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	[illegible]7%	219%	219%	219%	219%	219%	219%	219%	219%	219%	219%	[illegible]

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BANK NO. 11 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,279	(amounts in thousands)
Total assets of bank to be acquired.....	$10,909	(average assets for year)
Capital to total assets ratio...........	11.72%	
25% required equity.....................	$320	
75% to be financed......................	$959	
Rate of interest on financing...........	9.50%	
Years for repayment (assume annual payments - twelve years maximum).....	12	
Assumed annual earnings.................	$75	
Assumed effective tax rate..............	36%	
Assumed dividend payout policy..........	50%	
Calculated annual payment on debt.......	$137	

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	38	38	38	38	38	38	38	38	38	38	38	38
Calculated tax benefit	33	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	70	38	38	38	38	38	38	38	38	38	38	38
Beginning principal balance	959	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-67	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100
Cumulative debt service margin	-67	-167	-267	-367	-466	-566	-666	-766	-866	-966	-1,066	-1,165

(*) Debt service exceeds dividend policy (including tax benefit)

Dividend policy needed for debt service	139%	183%	183%	183%	183%	183%	183%	183%	183%	183%	183%	183%

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BANK NO. 12 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $1,342 (amounts in thousands)

Total assets of bank to be acquired..... $11,360 (average assets for year)

Capital to total assets ratio.......... 11.81%

25% required equity.................... $336

75% to be financed..................... $1,007

Rate of interest on financing.......... 9.50%

Years for repayment (assume annual
payments - twelve years maximum)..... 12

Assumed annual earnings................ $146

Assumed effective tax rate............. 35%

Assumed dividend payout policy......... 50%

Calculated annual payment on debt....... $144

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	73	73	73	73	73	73	73	73	73	73	73	73
Calculated tax benefit	34	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	107	73	73	73	73	73	73	73	73	73	73	73
Beginning principal balance	1,007	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*		*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-37	-72	-72	-72	-72	-72	-72	-72	-72	-72	-72	-72
Cumulative debt service margin	-37	-109	-180	-252	-324	-395	-467	-539	-610	-682	-753	-8[illegible]

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	75%	[illegible]	99%	[illegible]	99%	97%	9[illegible]%	97%	[illegible]	99%	99%	[illegible]

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BANK NO. 13 Data Source: Year-end 1984; Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,626 (amounts in thousands)
Total assets of bank to be acquired.....	$19,585 (average assets for year)
Capital to total assets ratio...........	8.30%
25% required equity.....................	$407
75% to be financed......................	$1,220
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$190
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	50%
Calculated annual payment on debt.......	$175

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	95	95	95	95	95	95	95	95	95	95	95	95
Calculated tax benefit	42	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	137	95	95	95	95	95	95	95	95	95	95	95
Beginning principal balance	1,220	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-38	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80	-80
Cumulative debt service margin	-38	-118	-197	-277	-356	-436	-516	-595	-675	-754	-834	-914

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	70%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%	92%

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BANK NO. 14 Data Source: Year-end 1984: Sheshunoff banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $1,194 (amounts in thousands)

Total assets of bank to be acquired..... $15,715 (average assets for year)

Capital to total assets ratio........... 7.60%

25% required equity..................... $299

75% to be financed...................... $896

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $146

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $126

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	73	73	73	73	73	73	73	73	73	73	73	73
Calculated tax benefit	31	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	104	73	73	73	73	73	73	73	73	73	73	73
Beginning principal balance	896	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-25	-55	-55	-55	-55	-55	-55	-55	-55	-55	-55	-55
Cumulative debt service margin	-25	-80	-135	-190	-245	-301	-356	-411	-466	-522	-577	-632

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	67%	[illegible]	88%	[illegible]	88%	88%	[illegible]	[illegible]	[illegible]	88%	88%	[illegible]

BANK NO. 15 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$252 (amounts in thousands)
Total assets of bank to be acquired.....	$2,055 (average assets for year)
Capital to total assets ratio...........	12.26%
25% required equity.....................	$63
75% to be financed......................	$189
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$35
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	50%
Calculated annual payment on debt.......	$27

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	18	18	18	18	18	18	18	18	18	18	18	18
Calculated tax benefit	6	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	24	18	18	18	18	18	18	18	18	18	18	18
Beginning principal balance	189	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-3	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10
Cumulative debt service margin	-3	-13	-22	-32	-41	-51	-60	-70	-80	-89	-99	-108

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	59%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%

BANK NO. 16 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,135 (amounts in thousands)
Total assets of bank to be acquired.....	$15,406 (average assets for year)
Capital to total assets ratio...........	7.37%
25% required equity.....................	$284
75% to be financed......................	$851
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$51
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	50%
Calculated annual payment on debt.......	$122

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	26	26	26	26	26	26	26	26	26	26	26	26
Calculated tax benefit	29	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	55	26	26	26	26	26	26	26	26	26	26	26
Beginning principal balance	851	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-67	-96	-96	-96	-96	-96	-96	-96	-96	-96	-96	-96
Cumulative debt service margin	-67	-164	-260	-356	-453	-549	-646	-742	-838	-935	-1,031	-1,128

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	182%	239%	239%	239%	239%	239%	239%	239%	239%	239%	239%	239%

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BANK NO. 17 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $3,113 (amounts in thousands)

Total assets of bank to be acquired..... $26,806 (average assets for year)

Capital to total assets ratio........... 11.58%

25% required equity..................... $778

75% to be financed...................... $2,335

Rate of interest on financing........... 9.50%

Years for repayment (assume annual
payments - twelve years maximum)..... 12

Assumed annual earnings................. $313

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $334

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	157	157	157	157	157	157	157	157	157	157	157	157
Calculated tax benefit	80	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	236	157	157	157	157	157	157	157	157	157	157	157
Beginning principal balance	2,335	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	[illegible]	*	*	*	*	*	*	*	*
Debt service margin	-98	-178	-178	-178	-178	-178	-178	-178	-178	-178	-178	-178
Cumulative debt service margin	-98	-276	-454	-631	-809	-987	-1,165	-1,343	-1,520	-1,698	-1,876	-2,054

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	81%	107%	107%	[illegible]	107%	107%	107%	107%	107%	107%	107%	[illegible]

BANK NO. 18 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$2,103	(amounts in thousands)
Total assets of bank to be acquired.....	$22,749	(average assets for year)
Capital to total assets ratio..........	9.24%	
25% required equity.....................	$526	
75% to be financed......................	$1,577	
Rate of interest on financing...........	9.50%	
Years for repayment (assume annual payments - twelve years maximum).....	12	
Assumed annual earnings.................	$271	
Assumed effective tax rate..............	36%	
Assumed dividend payout policy..........	50%	
Calculated annual payment on debt.......	$226	

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	136	136	136	136	136	136	136	136	136	136	136	136
Calculated tax benefit	54	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	189	136	136	136	136	136	136	136	136	136	136	136
Beginning principal balance	1,577	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-36	-90	-90	-90	-90	-90	-90	-90	-90	-90	-90	-90
Cumulative debt service margin	-36	-127	-217	-307	-398	-488	-578	-669	-759	-849	-940	-1,030

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	63%	83%	83%	83%	83%	83%	83%	83%	83%	83%	83%	83%

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BANK NO. 19 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $3,586 (amounts in thousands)

Total assets of bank to be acquired..... $45,880 (average assets for year)

Capital to total assets ratio........... 7.82%

25% required equity..................... $897

75% to be financed...................... $2,690

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $403

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $385

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	202	202	202	202	202	202	202	202	202	202	202	202
Calculated tax benefit	92	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	293	202	202	202	202	202	202	202	202	202	202	202
Beginning principal balance	2,690	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-92	-184	-184	-184	-184	-184	-184	-184	-184	-184	-184	-184
Cumulative debt service margin	-92	-275	-459	-642	-826	-1,010	-1,193	-1,377	-1,560	-1,744	-1,928	-2,111

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	73%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%

BANK NO. 20 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $3,066 (amounts in thousands)

Total assets of bank to be acquired..... $37,992 (average assets for year)

Capital to total assets ratio........... 8.07%

25% required equity..................... $767

75% to be financed...................... $2,300

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $475

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 50%

Calculated annual payment on debt....... $329

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	238	238	238	238	238	238	238	238	238	238	238	238
Calculated tax benefit	79	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	316	238	238	238	238	238	238	238	238	238	238	238
Beginning principal balance	2,300	*	*		*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-13	-92	-92	-92	-92	-92	-92	-92	-92	-92	-92	-92
Cumulative debt service margin	-13	-105	-197	-280	-380	-472	-564	-655	-747	-839	-931	-1,022

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	53%	69%	69%	[illegible]	69%	69%	69%	69%	69%	69%	69%	[illegible]

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BANK NO. 21

Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,016 (amounts in thousands)
Total assets of bank to be acquired.....	$8,531 (average assets for year)
Capital to total assets ratio...........	11.91%
25% required equity.....................	$254
75% to be financed......................	$762
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$71
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	50%
Calculated annual payment on debt.......	$109

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	36	36	36	36	36	36	36	36	36	36	36	36
Calculated tax benefit	26	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	62	36	36	36	36	36	36	36	36	36	36	36
Beginning principal balance	762	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-48	-74	-74	-74	-74	-74	-74	-74	-74	-74	-74	-74
Cumulative debt service margin	-48	-121	-195	-268	-342	-416	-489	-563	-636	-710	-784	-857

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	117%	154%	154%	154%	154%	154%	154%	154%	154%	154%	154%	154%

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BANK NO. 22 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,057	(amounts in thousands)
Total assets of bank to be acquired.....	$14,050	(average assets for year)
Capital to total assets ratio...........	7.52%	
25% required equity.....................	$264	
75% to be financed......................	$793	
Rate of interest on financing...........	9.50%	
Years for repayment (assume annual payments - twelve years maximum).....	12	
Assumed annual earnings.................	$110	
Assumed effective tax rate..............	36%	
Assumed dividend payout policy..........	50%	
Calculated annual payment on debt.......	$114	

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	55	55	55	55	55	55	55	55	55	55	55	55
Calculated tax benefit	27	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	82	55	55	55	55	55	55	55	55	55	55	55
Beginning principal balance	793	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-31	-59	-59	-59	-59	-59	-59	-59	-59	-59	-59	-59
Cumulative debt service margin	-31	-90	-148	-207	-265	-324	-382	-441	-499	-558	-617	-675

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	79%	103%	103%	103%	103%	103%	103%	103%	103%	103%	103%	[illegible]

APPENDIX C

This section reflects similar data to that in appendix B, except that a 75% dividend policy is utilized. A payout of this relatively high level over the twelve-year period would prohibit much, if any, growth of the bank, nor would it allow for much coverage of capital should significant loan losses be incurred by the bank.

Again, five of the banks in the group had negative 1984 earnings and are not included.

This appendix reflects that eleven out of the twenty-three banks could repay 75% acquisition debt over the twelve-year period on a 75% dividend policy. Asterisks in the repayment schedule indicate that the debt service requirements exceed the dividend.

BANK NO. 1 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$873 (amounts in thousands)
Total assets of bank to be acquired.....	$12,350 (average assets for year)
Capital to total assets ratio...........	7.07%
25% required equity.....................	$218
75% to be financed......................	$655
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$115
Calculated return on average assets.....	0.93%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$94

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	86	86	86	86	86	86	86	86	86	86	86	86
Calculated tax benefit	22	21	20	19	17	16	14	12	10	8	6	3
Amount available for debt service	109	108	106	105	104	102	100	99	97	94	92	89
Beginning principal balance	655	623	589	551	509	464	414	360	300	235	164	86
Interest	62	59	56	52	48	44	39	34	29	22	16	8
Principal reduction	32	35	38	4[illegible]	45	50	54	60	65	71	78	86
Ending principal balance	623	589	551	509	464	414	360	300	235	164	86	-0
Debt service margin	15	14	13	11	10	8	7	5	3	1	-2	-5
Cumulative debt service margin	15	29	41	5[illegible]	63	71	78	82	85	86	84	79

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	62%	63%	64%	[illegible]	66%	68%	69%	71%	73%	75%	77%	[illegible]

BANK NO. 2 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.........	$1,293 (amounts in thousands)
Total assets of bank to be acquired.....	$13,910 (average assets for year)
Capital to total assets ratio..........	9.30%
25% required equity....................	$323
75% to be financed.....................	$970
Rate of interest on financing..........	9.50%
Years for repayment (assume annual payments - twelve years maximum)......	12
Assumed annual earnings................	$160
Calculated return on average assets.....	1.15%
Assumed effective tax rate.............	34%
Assumed dividend payout policy.........	75%
Calculated annual payment on debt.......	$139

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	120	120	120	120	120	120	120	120	120	120	120	120
Calculated tax benefit	33	32	30	28	26	24	21	18	15	12	8	4
Amount available for debt service	153	152	150	148	146	144	141	138	135	132	128	124
Beginning principal balance	970	923	872	816	754	687	614	533	445	348	243	127
Interest	92	88	83	78	72	65	58	51	42	33	23	12
Principal reduction	47	51	56	61	67	74	81	88	97	106	116	127
Ending principal balance	923	872	816	754	687	614	533	445	348	243	127	-0
Debt service margin	14	13	11	9	7	5	2	-1	-4	-7	-11	-15
Cumulative debt service margin	14	27	38	47	54	59	61	60	56	50	39	24

(*) Debt service exceeds dividend policy (including tax benefit)

Dividend policy needed for debt service	66%	67%	68%	69%	71%	72%	74%	75%	77%	79%	82%	[illegible]

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BANK NO. 3   Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$701 (amounts in thousands)
Total assets of bank to be acquired......	$8,517 (average assets for year)
Capital to total assets ratio...........	8.23%
25% required equity.....................	$175
75% to be financed......................	$526
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$79
Calculated return on average assets.....	0.93%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$75

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	59	59	59	59	59	59	59	59	59	59	59	59
Calculated tax benefit	18	17	16	15	14	13	11	10	8	6	4	2
Amount available for debt service	77	76	75	74	73	72	71	69	68	66	64	62
Beginning principal balance	526	500	473	442	409	373	333	289	241	189	132	69
Interest	50	48	45	42	39	35	32	27	23	18	12	7
Principal reduction	25	28	30	33	36	40	44	48	52	57	63	69
Ending principal balance	500	473	442	409	373	333	289	241	189	132	69	-0
Debt service margin	2	1	0	-1	-2	-3	-5	-6	-8	-10	-12	-14
Cumulative debt service margin	2	3	3	2	0	-3	-8	-14	-22	-31	-43	-56

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	73%	74%	75%	76%	78%	79%	81%	83%	85%	87%	90%	92%

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BANK NO. 4   Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $687 (amounts in thousands)

Total assets of bank to be acquired..... $6,061 (average assets for year)

Capital to total assets ratio........... 11.33%

25% required equity..................... $172

75% to be financed...................... $515

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $81

Calculated return on average assets..... 1.34%

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 75%

Calculated annual payment on debt....... $74

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	61	61	61	61	61	61	61	61	61	61	61	61
Calculated tax benefit	18	17	16	15	14	12	11	10	8	6	4	2
Amount available for debt service	78	78	77	76	74	73	72	70	69	67	65	63
Beginning principal balance	515	490	463	433	401	365	326	283	236	185	129	67
Interest	49	47	44	41	38	35	31	27	22	18	12	6
Principal reduction	25	27	30	32	36	39	43	47	51	56	62	67
Ending principal balance	490	463	433	401	365	326	283	236	185	129	67	-0
Debt service margin	5	4	3	2	1	-1	-2	-3	-5	-7	-9	-11
Cumulative debt service margin	5	8	11	13	14	13	11	8	3	-4	-12	-23

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	69%	70%	72%	73%	74%	76%	77%	79%	81%	83%	86%	[illegible]

BANK NO. 5 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $460 (amounts in thousands)

Total assets of bank to be acquired..... $5,680 (average assets for year)

Capital to total assets ratio........... 8.10%

25% required equity..................... $115

75% to be financed...................... $345

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $128

Calculated return on average assets..... 2.25%

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 75%

Calculated annual payment on debt....... $49

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	96	96	96	96	96	96	96	96	96	96	96	96
Calculated tax benefit	12	11	11	10	9	8	7	6	5	4	3	2
Amount available for debt service	108	107	107	106	105	104	103	102	101	100	99	98
Beginning principal balance	345	328	310	290	268	245	218	190	158	124	86	45
Interest	33	31	29	28	25	23	21	18	15	12	8	4
Principal reduction	17	18	20	22	24	26	29	31	34	38	41	45
Ending principal balance	328	310	290	268	245	218	190	158	124	86	45	-0
Debt service margin	58	58	57	57	56	55	54	53	52	51	50	48
Cumulative debt service margin	58	116	173	230	286	341	395	448	500	551	600	648

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	29%	30%	30%	[illegible]	31%	32%	33%	34%	34%	35%	36%	37%

BANK NO. 10 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.......... $1,470 (amounts in thousands)

Total assets of bank to be acquired..... $5,648 (average assets for year)

Capital to total assets ratio........... 26.03%

25% required equity..................... $368

75% to be financed...................... $1,103

Rate of interest on financing........... 9.50%

Years for repayment (assume annual payments - twelve years maximum)..... 12

Assumed annual earnings................. $72

Calculated return on average assets..... 1.27%

Assumed effective tax rate.............. 36%

Assumed dividend payout policy.......... 75%

Calculated annual payment on debt....... $158

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	54	54	54	54	54	54	54	54	54	54	54	54
Calculated tax benefit	38	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	92	54	54	54	54	54	54	54	54	54	54	54
Beginning principal balance	1,103	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-66	-104	-104	-104	-104	-104	-104	-104	-104	-104	-104	-104
Cumulative debt service margin	-66	-170	-274	-378	-482	-585	-689	-793	-897	-1,001	-1,105	-1,209

(*) Debt service exceeds dividend policy (including tax benefit)

Dividend policy needed for debt service	167%	219%	219%	219%	219%	219%	219%	219%	219%	219%	219%	219%

BANK NO. 11 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.........	$1,279 (amounts in thousands)
Total assets of bank to be acquired.....	$10,909 (average assets for year)
Capital to total assets ratio..........	11.72%
25% required equity....................	$320
75% to be financed.....................	$959
Rate of interest on financing..........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings................	$75
Calculated return on average assets.....	0.69%
Assumed effective tax rate.............	36%
Assumed dividend payout policy.........	75%
Calculated annual payment on debt......	$137

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	56	56	56	56	56	56	56	56	56	56	56	56
Calculated tax benefit	33	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	89	56	56	56	56	56	56	56	56	56	56	56
Beginning principal balance	959	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-48	-81	-81	-81	-81	-81	-81	-81	-81	-81	-81	-81
Cumulative debt service margin	-48	-129	-211	-292	-373	-454	-535	-616	-697	-778	-859	-940

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	139%	183%	183%	[illegible]	[illegible]	[illegible]	183%	[illegible]	183%	183%	183%	[illegible]

BANK NO. 12 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,342 (amounts in thousands)
Total assets of bank to be acquired.....	$11,360 (average assets for year)
Capital to total assets ratio...........	11.81%
25% required equity.....................	$336
75% to be financed......................	$1,007
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$145
Calculated return on average assets.....	1.28%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$144

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	109	109	109	109	109	109	109	109	109	109	109	109
Calculated tax benefit	34	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	143	109	109	109	109	109	109	109	109	109	109	109
Beginning principal balance	1,007	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-1	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35	-35
Cumulative debt service margin	-1	-36	-72	-10[illegible]	-142	-178	-213	-249	-284	-319	-355	-39[illegible]

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	76%	99%	99%	[illegible]	99%	99%	99%	99%	99%	99%	99%	[illegible]

BANK NO. 13 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,626 (amounts in thousands)
Total assets of bank to be acquired.....	$19,585 (average assets for year)
Capital to total assets ratio...........	8.30%
25% required equity.....................	$407
75% to be financed......................	$1,220
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$190
Calculated return on average assets.....	0.97%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$175

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	143	143	143	143	143	143	143	143	143	143	143	143
Calculated tax benefit	42	40	37	35	32	30	26	23	19	15	10	5
Amount available for debt service	184	182	180	178	175	172	169	165	162	157	153	148
Beginning principal balance	1,220	1,161	1,096	1,026	949	864	772	670	560	438	305	159
Interest	116	110	104	97	90	82	73	64	53	42	29	15
Principal reduction	59	64	70	77	84	93	101	111	121	133	146	159
Ending principal balance	1,161	1,096	1,026	949	864	772	670	560	438	305	159	-0
Debt service margin	10	8	5	3	0	-3	-6	-9	-13	-17	-22	-27
Cumulative debt service margin	10	17	23	26	26	23	18	8	-5	-22	-43	-70

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	70%	71%	72%	73%	75%	76%	78%	80%	82%	84%	86%	89%

BANK NO. 14 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,194 (amounts in thousands)
Total assets of bank to be acquired.....	$15,715 (average assets for year)
Capital to total assets ratio...........	7.60%
25% required equity.....................	$299
75% to be financed......................	$896
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$146
Calculated return on average assets.....	0.93%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$128

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	110	110	110	110	110	110	110	110	110	110	110	110
Calculated tax benefit	31	29	28	26	24	22	19	17	14	11	8	4
Amount available for debt service	140	139	137	135	133	131	129	126	124	121	117	114
Beginning principal balance	896	852	805	753	697	635	567	492	411	322	224	117
Interest	85	81	76	72	66	60	54	47	39	31	21	11
Principal reduction	43	47	52	57	62	68	74	81	89	98	107	117
Ending principal balance	852	805	753	697	635	567	492	411	322	224	117	-0
Debt service margin	12	10	9	7	5	3	1	-2	-5	-8	-11	-15
Cumulative debt service margin	12	22	31	38	43	46	47	45	40	33	22	7

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	67%	68%	69%	70%	72%	73%	75%	76%	78%	80%	83%	[illegible]

BANK NO. 15 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.........	$252	(amounts in thousands)
Total assets of bank to be acquired.....	$2,055	(average assets for year)
Capital to total assets ratio..........	12.26%	
25% required equity....................	$63	
75% to be financed.....................	$189	
Rate of interest on financing..........	9.50%	
Years for repayment (assume annual payments - twelve years maximum).....	12	
Assumed annual earnings................	$35	
Calculated return on average assets.....	1.70%	
Assumed effective tax rate.............	36%	
Assumed dividend payout policy..........	75%	
Calculated annual payment on debt.......	$27	

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	26	26	26	26	26	26	26	26	26	26	26	26
Calculated tax benefit	6	6	6	5	5	5	4	4	3	2	2	1
Amount available for debt service	33	32	32	32	31	31	30	30	29	29	28	27
Beginning principal balance	189	180	170	159	147	134	120	104	87	68	47	25
Interest	18	17	16	15	14	13	11	10	8	6	4	2
Principal reduction	9	10	11	12	13	14	16	17	19	21	23	25
Ending principal balance	180	170	159	147	134	120	104	87	68	47	25	0
Debt service margin	6	5	5	5	4	4	3	3	2	2	1	0
Cumulative debt service margin	6	11	16	21	25	29	32	35	37	38	39	39

(*) Debt service exceeds dividend policy (including tax benefit)

Dividend policy needed for debt service	59%	60%	61%	62%	63%	64%	66%	67%	69%	71%	73%	75%

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BANK NO. 16 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,135 (amounts in thousands)
Total assets of bank to be acquired.....	$15,406 (average assets for year)
Capital to total assets ratio...........	7.37%
25% required equity.....................	$284
75% to be financed......................	$851
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$51
Calculated return on average assets.....	0.33%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$122

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	38	38	38	38	38	38	38	38	38	38	38	38
Calculated tax benefit	29	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	67	38	38	38	38	38	38	38	38	38	38	38
Beginning principal balance	851	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-55	-84	-84	-84	-84	-84	-84	-84	-84	-84	-84	-84
Cumulative debt service margin	-55	-138	-222	-305	-389	-473	-556	-640	-724	-807	-891	-975

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	182%	239%	239%	239%	239%	239%	239%	239%	239%	239%	239%	[illegible]

BANK NO. 17 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$3,113 (amounts in thousands)
Total assets of bank to be acquired.....	$26,886 (average assets for year)
Capital to total assets ratio...........	11.58%
25% required equity.....................	$778
75% to be financed......................	$2,335
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$313
Calculated return on average assets.....	1.16%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$334

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	235	235	235	235	235	235	235	235	235	235	235	235
Calculated tax benefit	80	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	315	235	235	235	235	235	235	235	235	235	235	235
Beginning principal balance	2,335	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-20	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100
Cumulative debt service margin	-20	-119	-219	-318	-418	-517	-617	-717	-816	-916	-1,015	-1,115

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	81%	107%	107%	107%	107%	107%	107%	107%	107%	107%	107%	[illegible]

BANK NO. 18 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.........	$2,103 (amounts in thousands)
Total assets of bank to be acquired.....	$22,749 (average assets for year)
Capital to total assets ratio..........	9.24%
25% required equity....................	$526
75% to be financed.....................	$1,577
Rate of interest on financing..........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings................	$271
Calculated return on average assets.....	1.19%
Assumed effective tax rate.............	36%
Assumed dividend payout policy.........	75%
Calculated annual payment on debt.......	$226

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	203	203	203	203	203	203	203	203	203	203	203	203
Calculated tax benefit	54	51	48	45	42	38	34	30	25	19	13	7
Amount available for debt service	257	255	252	249	245	241	237	233	228	223	217	210
Beginning principal balance	1,577	1,501	1,418	1,327	1,227	1,118	998	867	724	567	395	206
Interest	150	143	135	126	117	106	95	82	69	54	37	20
Principal reduction	76	83	91	100	109	120	131	143	157	172	188	206
Ending principal balance	1,501	1,418	1,327	1,227	1,118	998	867	724	567	395	206	-0
Debt service margin	31	29	26	23	19	16	12	7	2	-3	-9	-16
Cumulative debt service margin	31	60	86	109	128	144	155	162	165	161	152	137

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	63%	64%	65%	67%	68%	69%	71%	72%	74%	76%	78%	81%

BANK NO. 19 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired.........	$3,586 (amounts in thousands)
Total assets of bank to be acquired.....	$45,860 (average assets for year)
Capital to total assets ratio...........	7.82%
25% required equity.....................	$897
75% to be financed......................	$2,690
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$403
Calculated return on average assets.....	0.88%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$385

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	302	302	302	302	302	302	302	302	302	302	302	302
Calculated tax benefit	92	88	83	77	72	65	58	51	42	33	23	12
Amount available for debt service	394	390	385	380	374	367	360	353	344	335	325	314
Beginning principal balance	2,690	2,560	2,418	2,263	2,092	1,906	1,702	1,479	1,234	966	673	352
Interest	256	243	230	215	199	181	162	140	117	92	64	33
Principal reduction	130	142	155	170	186	204	223	245	268	293	321	352
Ending principal balance	2,560	2,418	2,263	2,092	1,906	1,702	1,479	1,234	966	673	352	-0
Debt service margin	9	5	-0	-5	-11	-18	-25	-32	-41	-50	-60	-71
Cumulative debt service margin	9	14	14	8	-3	-21	-45	-78	-118	-168	-228	-299

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	73%	74%	75%	76%	78%	79%	81%	83%	85%	87%	90%	[illegible]

BANK NO. 20 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$3,066 (amounts in thousands)
Total assets of bank to be acquired.....	$37,992 (average assets for year)
Capital to total assets ratio...........	8.07%
25% required equity.....................	$767
75% to be financed......................	$2,300
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$475
Calculated return on average assets.....	1.25%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$329

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	356	356	356	356	356	356	356	356	356	356	356	356
Calculated tax benefit	79	75	71	66	61	56	50	43	36	28	20	10
Amount available for debt service	435	431	427	422	417	412	406	399	392	385	376	367
Beginning principal balance	2,300	2,189	2,067	1,934	1,789	1,630	1,455	1,264	1,055	826	575	301
Interest	218	208	196	184	170	155	138	120	100	78	55	29
Principal reduction	111	121	133	145	159	174	191	209	229	251	275	301
Ending principal balance	2,189	2,067	1,934	1,789	1,630	1,455	1,264	1,055	826	575	301	-0
Debt service margin	106	102	98	93	88	83	77	70	63	55	47	37
Cumulative debt service margin	106	207	305	398	486	569	646	716	779	835	881	918

(*) Debt service exceeds dividend policy (including tax benefit)

Dividend policy needed for debt service	53%	54%	54%	55%	56%	58%	59%	60%	62%	63%	65%	[illegible]

BANK NO. 21 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,016 (amounts in thousands)
Total assets of bank to be acquired.....	$8,531 (average assets for year)
Capital to total assets ratio...........	11.91%
25% required equity.....................	$254
75% to be financed......................	$762
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$71
Calculated return on average assets.....	0.83%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$109

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	53	53	53	53	53	53	53	53	53	53	53	53
Calculated tax benefit	26	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	79	53	53	53	53	53	53	53	53	53	53	53
Beginning principal balance	762	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-30	-56	-56	-56	-56	-56	-56	-56	-56	-56	-56	-56
Cumulative debt service margin	-30	-86	-142	-197	-253	-309	-365	-421	-477	-533	-588	-644

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	117%	154%	154%	154%	154%	154%	154%	154%	154%	154%	154%	154%

BANK NO. 22 Data Source: Year-end 1984: Sheshunoff Banks of Kansas (c) Sheshunoff & Co.

Capital of bank to be acquired..........	$1,057 (amounts in thousands)
Total assets of bank to be acquired.....	$14,050 (average assets for year)
Capital to total assets ratio...........	7.52%
25% required equity.....................	$264
75% to be financed......................	$793
Rate of interest on financing...........	9.50%
Years for repayment (assume annual payments - twelve years maximum).....	12
Assumed annual earnings.................	$110
Calculated return on average assets.....	0.78%
Assumed effective tax rate..............	36%
Assumed dividend payout policy..........	75%
Calculated annual payment on debt.......	$114

REPAYMENT SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Calculated dividend available	83	83	83	83	83	83	83	83	83	83	83	83
Calculated tax benefit	27	*	*	*	*	*	*	*	*	*	*	*
Amount available for debt service	110	83	83	83	83	83	83	83	83	83	83	83
Beginning principal balance	793	*	*	*	*	*	*	*	*	*	*	*
Interest	*	*	*	*	*	*	*	*	*	*	*	*
Principal reduction	*	*	*	*	*	*	*	*	*	*	*	*
Ending principal balance	*	*	*	*	*	*	*	*	*	*	*	*
Debt service margin	-4	-31	-31	-31	-31	-31	-31	-31	-31	-31	-31	-31
Cumulative debt service margin	-4	-35	-66	-97	-128	-159	-190	-221	-252	-283	-314	-345

(*) Debt service exceeds dividend policy (including tax benefit)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Dividend policy needed for debt service	79%	103%	103%	103%	103%	103%	103%	103%	103%	103%	103%	103%

REFLECTIONS ON THE STUDY

Given that the appendix A data indicates that only one of the twenty-three banks utilizing a 50% dividend policy can provide sufficient cash flow to service the acquisition debt lends strong argument that there are other benefits to Senate Bill 636.

Utilization of a consolidated cash flow from the acquired and absorbed bank with that of the acquiring/absorbing bank seems necessary to adequately service the acquisition debt of the acquired bank. Assuming that the financial condition of the acquiring bank is satisfactory, and that it might have little, if any, debt prior to the acquisition and absorbtion of the second bank, the combination of banks could more safely repay the acquisition debt compared to a unit-bank purchase situation with no absorbtion by another.

It appears some correspondent banks that have, in the past, provided financing for bank purchases have tightened credit available to purchasers somewhat, and it is probable that obtaining as much as 75% acquisition financing might be difficult in some instances. The strengthened cash flow, and additional collateral available, that would come from a purchase and absorbtion situation should make financing a much more feasible proposition.

TESTIMONY REGARDING SENATE BILL 636
before the
Senate Committee on Financial Institutions & Insurance

Presented by

J.B. Warren
February 26, 1986

Mr. Chairman and members of the committee. I am Jim Warren, Chairman of the Farmers State Bank in Galva, Kansas and President of the Kansas Independent Bankers Association.

I appear here to strongly oppose SB 636.

It is a bill that would authorize statewide branch banking.

For the last several years many of you have observed a parade of witnesses before this committee discussing bank structure issues stating their strong opposition to statewide branch banking. You have copies of testimony on record of numerous officers of the Kansas Bankers Association expressing their strong opposition. The Kansas Independent Bankers Association is also on record many times expressing their opposition to statewide branch banking.

SB 636 as I interpret it, would permit any bank, chain of banks or multibank holding company system to take the assets, liabilities, capital, surplus and undivided profits and merge them with one central bank leaving only a string of branches across Kansas. There is no mention in the bill of a distressed bank or any other specific qualifications for such a merger. In fact, there appears to be few restrictions other than the acquired bank must have been in existence for five or more years.

S. FII
2/26/86
Attachment III

Since there are no specific requirements to justify such a merger and there is no criteria or guidelines to provide any direction for the bank commissioner, it is assumed that the commissioner could approve any such proposal upon receipt of an application. Coupled with the current multibank holding company law in Kansas, it is easily conceivable under SB 636 to have even small multibank systems in Kansas with more than 150 branches. This total would be feasible considering the inclusion of the three authorized detached facilities stated in the bill.

Branching could hopscotch across the state even though the bill states home and contiguous county branching.

In a hypothetical example using a multibank holding company owning banks in just Topeka and Hutchinson, each of these two banks could own 3 detached facilities. In addition to this, each bank could acquire any number of banks in the home counties and contiguous counties of these two cities, plus up to 3 more facilities for each acquired bank. An illustration of this is included on the last page of my handout.

You can see how easily statewide branch banking could spread across the state and how the control of Kansas banks would become more and more centralized.

The Kansas legislature has historically been opposed to the concentration of the financial resources of this state in the hands of fewer and fewer individuals.

Chairman, members of the committee, we respectfully request you report SB 636 adversely.