



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 12, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Spearville
Charter Number 10161**

**401 North Main Street
Spearville, KS 67876**

**Comptroller of the Currency
C. Scott Schainost, Assistant Deputy Comptroller
Wichita Field Office
3450 North Rock Road, Suite 505
Wichita, KS 67226**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

DESCRIPTION OF INSTITUTION

First National Bank of Spearville ("the bank") is a \$17 million bank headquartered in Spearville, Kansas. The bank does not have any branch locations or automated teller machines. The bank is not part of a holding company and does not have any affiliates.

The bank is a full service bank offering a variety of loan products with an emphasis on agricultural loans. On December 31, 2002, net loans represented 65% of the bank's total assets. The bank's \$11 million loan portfolio has the following composition: agriculture 80%; commercial and industrial 12%; consumer 7%; and residential real estate and construction/development 1%. The bank has not changed any existing loan products, or offered any new products since the previous CRA examination. Examiners determined the primary loan products, based on the number and the dollar volume granted between August 1, 1998, and December 31, 2002, were agricultural loans and consumer automobile loans.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. At the July 27, 1998, CRA examination, examiners assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA), which comprises Ford County, Hodgeman County, and Edwards County. The counties are not in a Metropolitan Statistical Area (MSA). The AA contains nine block numbering areas, seven are middle-income and two are upper-income. The AA does not contain any low- or moderate-income block numbering areas. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The 1990 U.S. census data shows the AA has a population of 33,427. Spearville accounts for 2.25% of the population and is located 17 miles northeast of Dodge City in Ford County. Dodge City is the largest town in the AA with 60% of the AA's population. The Kansas statewide non-MSA median family income for 2002 is \$44,200. The income distribution for families in AA is 16% low-income, 19% moderate-income, 23% middle-income, and 42% upper-income.

Twelve other banks and several financial institutions with offices in the AA provide competition. The asset sizes for these institutions range from \$16 million to \$565 billion. With three percent of the area's deposits, the bank ranks thirteenth in deposit market share.

The AA has a strong agricultural production, primarily cattle feeding and wheat production. Cattle feeding and beef packing industry represents a concentration of employment and the lack of profitability in the cattle market and drought conditions have adversely affected the area. The Kansas unemployment rate for December 2002 is 4.6% compared with 6% nationwide.

Examiners reviewed one recent community contact with a local business professional in the AA. The contact identified agricultural loans and consumer automobile loans as two of the area's primary credit needs. The contact also stated that area banks are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's level of lending is good. The quarterly average loan-to-deposit ratio over the past 18 quarters ending December 31, 2002, is 77%, well above the ratio for peer banks. For peer banks, examiners analyzed the ratios over the same period for a group of five banks which derive the majority of their deposits from the AA. The average ratio for this group is 56%. The ratios for the peer banks range from 31% to 75%.

Lending in Assessment Area

The bank's lending in its AA is satisfactory as it extends a majority (85% by number and 94% by dollar) of its primary loan products in the AA. To determine the level of lending in the AA, examiners selected a sample of 20 agricultural loans and 20 consumer automobile loans granted between August 1, 1998, and December 31, 2002.

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

The level of lending to farms of different sizes and individuals of different incomes is good. Examiners utilized the sample described above of the bank's primary loan products to assess performance in this area. The community contact also identified agricultural loans and consumer automobile loans as two of the area's primary credit needs.

The bank's lending to farms of different sizes is excellent. All loans in the examiner's sample are to farms with annual gross farm revenue of \$1 million, or less. The bank's performance exceeds the Dunn & Bradstreet 2002 demographic data, which shows 92% of farms in the AA have annual gross farm revenue of \$1 million, or less. Further breakdown of the sample shows 85% of the loans were to farms with revenues of less than \$250 thousand and 40% to farms with revenues under \$100 thousand.

Lending levels to borrowers of different incomes is good. Lending to low-income borrowers is satisfactory (25% the consumer automobile loan sample) and slightly above the household demographics of 19%. Lending to moderate-income borrowers representing 50% of the sample is significantly above the demographics of 16% and is considered an excellent performance.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans would not be meaningful since the AA does not contain any low- or moderate-income block numbering areas or census tracts.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA examination.

Fair Lending Review

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.