



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Pratt
Charter Number 6229
223 South Main Street
Pratt, Kansas 67124**

**Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **First National Bank in Pratt** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 17, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- o The bank lends to borrowers with different income levels and to businesses of different sizes.

- o A majority of the bank's lending is within its assessment area.

DESCRIPTION OF INSTITUTION

First National Bank in Pratt is a \$53 million bank located in Pratt, Kansas. The bank has an attached drive-up facility and automated teller machine (ATM). The bank has two other ATMs. One ATM is located at the Pratt Regional Medical Center and another at T&S 66, a convenience store. The bank does not have any branches. The bank offers a full range of traditional commercial and personal banking services. As of December 31, 1997, the bank's loan portfolio had the following composition: 40% agriculture and agriculture real estate, 23% commercial and commercial real estate, 14% residential real estate, 23% consumer, and 2% other. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

The First National Bank in Pratt was rated a "Satisfactory record of meeting community credit needs" at its last CRA examination in June 1995.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Pratt County. The assessment area contains three block numbering areas (9686, 9687, 9688) which are all middle-income. There are no low-, moderate-, or upper-income block numbering areas in the assessment area. The assessment area does not arbitrarily exclude any low- or moderate-income block numbering areas.

Pratt County has a population of 9,702 based on 1990 census information. Pratt is the county seat and has a population of 6,800. Pratt is the largest city in Pratt County and is located in south-central Kansas, 80 miles east of Wichita.

The U.S. Department of Housing and Urban Development updated median family income for the assessment area is \$38,200. Family incomes in the area are 17% low-income, 19% moderate-income, 20% middle-income, and 44% upper-income. Nineteen percent of the population is over 65 years old. The housing stock in the area has a median age of 48 years and a median value of \$36,900. The majority of all businesses have annual gross revenues less than \$500,000. Unemployment remains low at 2%.

The bank's trade area is primarily agricultural as cattle and grain dominate the local economy. Besides agriculture, major employers include Pratt Regional Medical Center, local school districts, city and county government, and Pratt Community College. The local economy and population remain stable.

Four other financial institutions in the area provide competition for the bank. One of the financial institutions, The Peoples Bank, is headquartered in the county. Bank management considers The Peoples Bank its primary competitor.

A local community contact stated the credit needs of the community are primarily for agricultural, small business, and residential loans. The contact provided favorable comments on how the bank was meeting community banking and credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is reasonable based on its competitive environment. Based on the previous eight quarters, the bank's average loan-to-deposit ratio is 53%. Over the last eight quarters, the bank's loan-to-deposit ratio has trended upward from 45% to 67%. The bank's national peer group (banks of similar size) average for the same period is higher at 64%. The average loan-to-deposit ratio for the one other bank headquartered in the assessment area is lower at 47%.

Comparison of Credit Extended Inside and Outside of the Assessment Area

Management's origination of real estate, consumer, and commercial loans inside the assessment area is good. We reviewed a sample of 65 loans to determine the location and the pattern of loans originated in the assessment area. Our total loan sample showed 72% by number and 62% by dollar volume of loan originations are located within the assessment area.

The following table illustrates the bank's loan penetration inside its assessment area. As shown in the table, the bank has good loan penetration inside the assessment area based on the number and dollar amount of loans extended to borrowers, particularly for real estate.

Lending in the Assessment Area		
Loan Sample	% BY NUMBER	% BY DOLLAR
Real Estate	88%	77%
Consumer	67%	68%
Commercial	60%	60%
Total	72%	62%
Sample of 65 loans for \$8.6 million		

For residential real estate loans, we reviewed 24 home purchase and refinance loans made during 1997 totaling \$939,000. For consumer loans, we reviewed a sample of 21 automobile loans originated during December 1997 and January 1998, totaling \$215,000. For commercial loans, we reviewed a sample of 20 loans made during 1997 totaling \$7.4 million.

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

Management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers and to small businesses and farms. Examiners performed an income analysis on our sample of 65 loans. The following tables illustrate the bank's loan penetration to borrowers of different income levels and businesses of different sizes.

Consumer and Real Estate Loans		
INCOME	% BY NUMBER	% BY DOLLAR
Low	24%	8%
Moderate	24%	18%
Middle	29%	36%
Upper	23%	38%
Sample of 45 loans for \$1.2 million		

Our analysis of consumer and real estate loans shows the bank is lending to all income categories consistent with the area's demographics. The bank's loan penetration to low-income borrowers (24% by number of loans in our sample) exceeds the low-income family composition of 17%. The loan penetration to moderate-income borrowers (24% of number of loans in our sample) also exceeds the moderate-income family composition of 19%.

The bank has a good record of lending to businesses and farms of different sizes. Management considers a small farm or business to have gross revenues of less than \$750,000. We reviewed a sample of 20 commercial and farm loans totaling \$7.4 million made during 1997. As the table shows, the bank has made a significant number of loans to small businesses and farms. Our total sample showed 65% by number and 31% by volume of loans were made to these businesses and farms.

Commercial Loans		
GROSS REVENUES	% BY NUMBER	% BY DOLLAR
< \$500M	55%	21%
\$501M - \$750M	10%	10%
> \$750M	35%	69%
Sample of 20 loans for \$7.4 million		

Geographic Distribution of Loans

The geographic distribution of the bank's credit extensions is not meaningful because the assessment area does not have any low- or moderate-income block numbering areas.

Consumer Complaints

The bank has not had any complaints regarding its CRA performance since the last examination.

Compliance with Anti-discrimination Laws and Regulations

The bank is in compliance with applicable anti-discrimination laws and regulations. We did not find any violations of the fair lending laws at this examination.