



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**August 11, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Pratt  
Charter Number 6229**

**223 South Main St  
Pratt, KS 67124**

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

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

## **INSTITUTION'S CRA RATING:**

**This institution is rated Satisfactory.**

- The First National Bank's average loan-to-deposit ratio of 73% is good compared to 62% for the other two banks in the assessment area.
- A majority of the bank's primary loan products have been granted in the assessment area. The sample indicated that 71% of the number and 83% of the dollar volume of loans were granted within the assessment area.
- First National Bank in Pratt demonstrated a good level of lending to borrowers of different incomes and farms of different sizes. The residential real estate loan sample indicated that 25% of the number of loans were granted to both low-income borrowers and moderate-income borrowers. The agricultural loan sample indicated that 60% of the number of loans were granted to farms with less than one million dollars in revenues.

## **DESCRIPTION OF INSTITUTION**

The First National Bank in Pratt (First National) is an \$86 million bank located in Pratt, Kansas. The bank is a wholly owned subsidiary of First Pratt Bancshares, Inc., a \$7.3 million, holding company also located in Pratt, Kansas. A drive-up facility and an automated teller machine (ATM) are attached to the bank. The only other ATM is located inside Pratt Regional Medical Center.

First National offers a full range of traditional commercial and personal banking services. The bank's primary loan products granted since the last examination, in terms of the number and the dollar volume of loans, are agricultural loans and 1-4 family residential real estate loans. As of June 30, 2006, the bank's \$46 million loan portfolio had the following composition: 38% commercial and commercial real estate, 34% agricultural and agricultural real estate, 19% residential real estate, and 9% consumer loans. Net loans represent 52% of the bank's total assets.

The bank's financial condition, size, local economic conditions, and other factors allow it to meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the March 11, 2002 Community Reinvestment Act (CRA) examination.

## **DESCRIPTION OF ASSESSMENT AREA**

First National's assessment area (AA) is Pratt County, Kansas, which contains three middle-income census tracts (9686, 9687, and 9688). The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Pratt County is located in south-central Kansas and, as of the 2000 U.S. Census, had a population of 9,647. The statewide non-metropolitan median family income for 2006 is \$49,800. The AA has the following income distribution for households: 21% low-income, 18% moderate-income, 20% middle-income, and 41% upper-income. Of the 3,964 households in the AA, 34% receive social security, 10% are below the poverty level, and 3% receive public assistance. Nineteen percent of the population is over the age of sixty-five and 27% of the population consists of civilians not in the workforce. The median housing value is \$59,464 and 63% of the housing units are owner-occupied.

The economic condition of the AA is stable. The bank's trade area is dominated by agriculture, primarily cattle and grain. Major employers in the area include Pratt Regional Medical Center, Pratt County Community College, Pratt Feedlot, Pratt Well Service, the public schools, and local government. The July 2006 unemployment rate for Kansas was 5%. The bank's direct competitors include two local banks and a credit union.

Examiners contacted one community professional in the AA. The contact indicated that the credit needs of the communities in Pratt County are agricultural loans and all types of consumer loans. The contact also stated that the credit needs of the communities are being met by the local financial institutions and that these institutions are very involved in the communities.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

First National's lending level is good. The average quarterly loan-to-deposit ratio since the last CRA examination was 73%, as compared to 62% for the two other similarly situated banks with locations in the AA. The average loan-to-deposit ratios for these banks are 66% and 57%.

### **Lending in Assessment Area**

First National's lending in the AA is good, as it extended a majority of its primary loan products to borrowers in the AA. Specifically, we found that the bank made 83% by number and 71% by dollar volume of loans in the AA. The sample included twenty loans, originated this year or in the prior two years, of each primary loan type.

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

First National's lending to borrowers of different incomes and farms of different sizes is good. To assess the bank's performance, examiners selected an initial sample of twenty agricultural

loans and twenty residential real estate loans. These two types represent the bank’s primary products and were originated between January 1, 2004 and June 30, 2006.

Lending levels to farms of different sizes is adequate. The agricultural loan sample had 60% of the number and 69% of the dollar amount of loans to farms with revenues less than or equal to one million dollars. Although this is below the geodemographic data showing 94% of farms with less than one million in gross revenue in Pratt County, it is due to the fact that eight (40%) of the loan files did not contain revenue documentation. All eight of these loans are for cattle and were purchased from a local feedlot. No loans in the sample were granted to farms with data showing over one million dollars in revenue.

<b>Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	94%	4%	2%	100%
% of Bank Loans in AA by #	60%	0%	40%	100%
% of Bank Loans in AA by \$	69%	0%	31%	100%

*Source: Loan sample and 2006 Geodemographic Data*

First National’s residential real estate lending to borrowers of different incomes is excellent. Lending to low-income borrowers is excellent. The bank extended 25% of the number and 20% of the dollar volume of loans to low-income borrowers, as compared to the AA demographic data showing that 17% of the families are low-income. Lending to moderate income borrowers is excellent. The sample of loans indicated that the bank granted 25% of the number and 19% of the dollar volume of loans to moderate-income borrowers, as compared to AA demographic data showing that 19% of the families are moderate-income.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family Res Real Estate	17%	25%	19%	25%	25%	25%	39%	25%

*Source: Loan sample and 2000 U.S. Census data*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful. First National does not have any low- or moderate-income tracts within its AA.

### **Responses to Complaints**

First National has not received any CRA-related complaints since the last CRA examination.

## **Fair Lending or Other Illegal Credit Practices Review**

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