

PUBLIC DISCLOSURE

August 23, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Hoxie
Charter Number 5687**

**801 Main Street
Hoxie, Kansas 67740**

**Office of the Comptroller of the Currency
Kansas City North - Salina Office
Post Office Box 616
Salina, Kansas 67402-0616**

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Hoxie (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 23, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

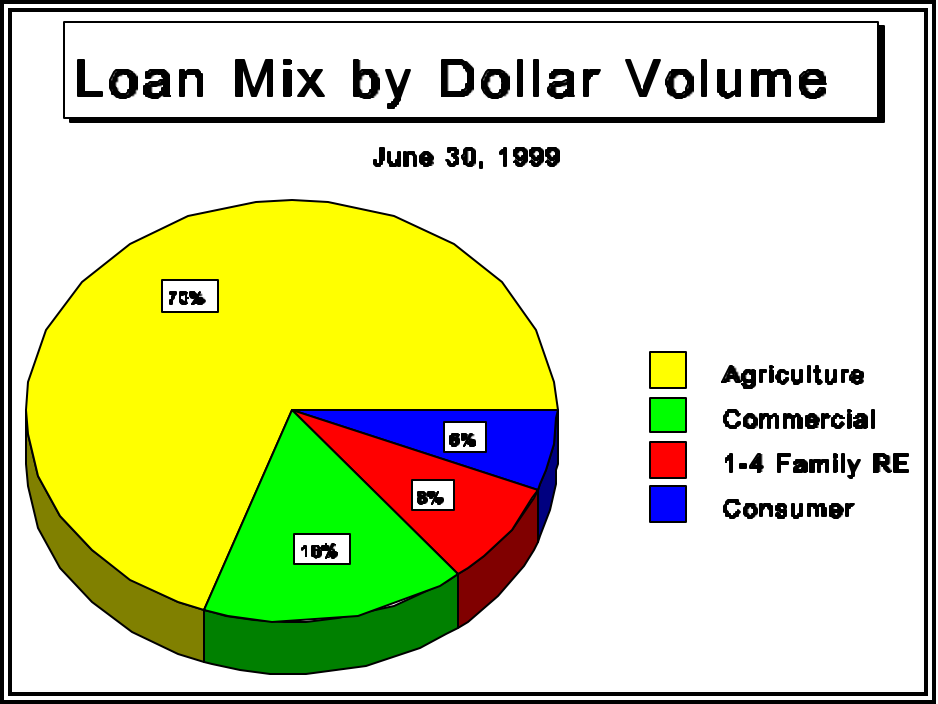
INSTITUTION'S CRA RATING: This institution is rated **A Satisfactory.**@

FNB's CRA rating is based on the following factors:

- ! The revenue distribution of the bank's borrowers is reasonable. The bank lends to farms and businesses of various revenue sizes.
- ! The bank maintains a reasonable loan-to-deposit ratio. A majority of FNB's loan originations benefit borrowers within the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$54 million institution that has one office based in Hoxie, Kansas. FNB has one off-premise ATM located in Hoxie, Kansas. The bank is owned 100% by First Bancshares of Hoxie, Inc., a one-bank holding company. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The institution received a rating of **A Satisfactory Record of Meeting Community Credit Needs**@ at its last CRA examination dated April 22, 1996. Net loans total \$31 million as of June 30, 1999, and represent 56 percent of total assets. The bank's primary credit products by dollar volume are loans for agricultural purposes. Since the bank's last CRA examination, loan volume has increased approximately \$4 million. The following table shows the bank's loan portfolio composition as a percentage of average gross loans:



DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Sheridan County as its assessment area. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. Competition within the assessment area includes one bank chartered in Sheridan County.

Total population of the assessment area based on 1990 U.S. Census information is 3,043. The assessment area is divided into two block numbering areas (BNA), 9526 and 9527. FNB's main office is located in BNA 9527. Both of the BNA's are designated as middle-income tracts based on their respective family income levels. Based on 1990 U.S. Census data, the median housing value for Sheridan County is \$26,258. The median year that houses were built in Sheridan County is 1956. Additional information regarding the bank's assessment area is included in the table on the following page.

The assessment area includes 863 families. Approximately 22 percent of the families are designated as low-income, 21 percent are moderate-income, 25 percent are middle-income, and 32 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1999 non-metropolitan updated median family income figure of \$38,700. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis.

The primary credit need of the assessment area is for agricultural purposes. Major agricultural products include wheat, corn, and cattle. Commercial lending activity, mainly in the township of Hoxie, offers some diversification to area banks' loan portfolio. Major employers in the area include Hoxie Implement, Taylor Implement, Sheridan County Hospital, and the school district.

DESCRIPTION OF ASSESSMENT AREA (Continued)

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual was involved in a local business. He indicated the primary credit needs of the area are for agricultural purposes. Our contact identified no unmet credit needs in the assessment area.

1990 Demographic Information for Sheridan County						
Block Numbering Area (BNA)	Income Designation	% of Households Below Poverty Level	Population of BNA	% of Owner-Occupied Housing	Median Housing Value	Median Family Income
9526 (Seldon, Solomon Twnshp, Logan Twnshp, Valley Twnshp, West Saline Twnshp)	Middle	19%	1,527	69%	20,300	25,291
9527 (Hoxie, Kenneth Twnshp, Parnell Twnshp)	Middle	14%	1,516	71%	31,800	24,875
County Totals		16%	3,043	70%	26,258	25,135

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Farms and Businesses of Different Revenue Sizes

Agricultural Lending:

FNB has a reasonable record of lending to small farms within its assessment area. We reviewed the revenue distribution of 31 agricultural borrowers with loan originations between May 20, 1996 and August 3, 1999. Our agricultural sample represented 4 percent of the total dollar volume of agricultural loans originated in the assessment area during this time period. Our sample represented 2 percent by total number.

Based on our sample of agricultural borrowers, we determined that 52 percent of the farm customers in our sample had gross annual revenues of less than \$250 thousand. We compared the revenue distribution of FNB's agricultural customers to area demographic information obtained from the 1997 Agricultural Census which was conducted by the U.S. Bureau of the Census. FNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics. The following table shows a more detailed analysis of the agricultural borrower revenue distribution:

Lending to Farms and Businesses of Different Revenue Sizes (Continued)

AGRICULTURAL BORROWER REVENUE DISTRIBUTION				
Sample of 31 Agricultural Borrowers With Loan Originations Between 5/20/96 and 8/3/99				
Revenue Category	Distribution of FNB=s Agricultural Borrowers		Distribution of Farms in Sheridan County	
	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$99,999	11	36%	265	60%
\$100,000 - \$249,999	5	16%	92	21%
\$250,000 - \$499,999	10	32%	57	13%
\$500,000 and Over	5	16%	28	6%
TOTALS	31	100%	442	100%

Small Business Lending:

FNB has an adequate record of lending to businesses of varying revenue levels within the assessment area. We reviewed the revenue distribution of 20 commercial borrowers with loan originations between May 20, 1996 and August 3, 1999. Our commercial sample represented 7 percent of the total dollar volume of commercial loans originated in the assessment area during this time period. Our sample represented 5 percent by total number. We determined that 85 percent of these borrowers had gross annual sales of less than \$1 million. This compares favorably to business demographic information for Sheridan County provided by Dun & Bradstreet. This information was compiled from 114 businesses and 29 farms in Sheridan County. There were 16 entities that did not report sales information. Of the 127 entities that reported sales information, 85 percent had gross annual revenues of less than \$500 thousand. The information from Dun & Bradstreet combined businesses and farms in its analysis. Information on businesses alone was not available. Also, a more detailed breakdown of revenues was not available. The following table shows our analysis of the revenue distribution of commercial borrowers:

Lending to Farms and Businesses of Different Revenue Sizes (Continued)

COMMERCIAL BORROWER REVENUE DISTRIBUTION Sample of 20 Business Customers With Loan Originations Between 5/20/96 and 8/3/99				
Gross Sales Category	Distribution of FNB=s Commercial Borrowers		Distribution of Businesses and Farms in Sheridan County as Provided by Dun & Bradstreet	
	Number of Borrowers	Percentage	Number of Entities	Percentage
\$0 - \$499,999	12	60%	108	85%
\$500,000 - \$999,999	5	25%	8	6%
\$1,000,000 - \$24,000,000	3	15%	11	9%
Over \$24,000,000	0	0%	0	0%
TOTALS	20	100%	127	100%

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. This analysis is performed if one or more of the block numbering areas in the bank=s assessment area is designated as a low- or moderate-income geography. There are no low- or moderate-income block numbering areas in FNB=s assessment area.

Loan-to-Deposit Ratio (LTD)

The bank=s LTD ratio is reasonable. The bank's overall lending levels are good and reflect a reasonable response to community credit needs given the strong competition within the county. The bank's average loan-to-deposit ratio during the previous thirteen quarters was 68 percent despite the fact the other bank in Sheridan County had a 91 percent average. We compared FNB=s quarterly average LTD ratio

to nine other financial institutions operating in Sheridan, Thomas, Gove, Graham, and Decatur Counties. Each of the banks in our comparison had total assets of less than \$99 million and no branches in metropolitan areas. The overall quarterly average LTD ratio for the ten banks in our comparison was 73 percent. Quarterly average LTD ratios ranged from 63 percent to 91 percent. FNB's quarterly average LTD ratio ranked seventh among the ten banks we reviewed.

Lending in the Assessment Area

A majority of the bank's loan originations are extended to borrowers living within the assessment area. Bank personnel generated reports during the examination which showed agricultural, commercial, residential real estate, and consumer loans originated between May 20, 1996 and August 3, 1999. During the period under review, FNB originated 1,764 agricultural loans totaling \$63.3 million, 515 commercial loans totaling \$19.6 million, 89 residential real estate loans totaling \$2.8 million, and 1,799 consumer loans totaling \$8.6 million. We determined approximately 77 percent of these loan originations, by number, and 85 percent, by dollar volume, were to borrowers within the assessment area. The following table details our analysis of the bank's record of lending in the assessment area:

ASSESSMENT AREA (A.A.) ANALYSIS (Based on 1,764 Agricultural, 515 Commercial, 89 Residential Real Estate, and 1,799 Consumer Loans Originated Between 5/20/96 and 8/3/99)				
Type of Loan	# of Loans in A.A.	% of Loans in A.A. (By #)	\$ Volume of Loans in A.A. (In Thousands)	% of Loans in A.A. (By \$)
Agricultural	1,487	84%	\$56,357	89%
Commercial	387	75%	\$15,836	81%
Residential Real Estate	75	84%	\$2,474	87%
Consumer	1,280	71%	\$5,657	65%
Total Loans in A.A.	3,229	77%	\$80,324	85%

Compliance with Antidiscrimination Laws and Regulations

FNB has a satisfactory record of compliance with antidiscrimination laws and regulations. During our

consumer compliance examination, we found no substantive violations of fair lending laws and no evidence of discriminatory practices.

Response to Complaints

FNB has not received any written complaints regarding its CRA performance since the previous examination dated April 22, 1996.