



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**December 15, 2006**

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

**The First National Bank of Scott City  
Charter Number 8808**

**501 Main Street  
Scott City, KS 67871**

**Comptroller of the Currency  
Wichita  
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 of Scott City's average quarterly loan-to-deposit ratio is good. The average quarterly loan-to-deposit ratio since the last CRA examination is 83%, compared to 73% for the two other similarly situated banks with locations in the AA.
- A majority of The First National Bank of Scott City's primary loan products have been granted in the assessment area. The loan sample indicates 80% of the loans by number and 91% by dollar volume were granted within the assessment area.
- The First National Bank of Scott City demonstrated good levels of lending to borrowers of different incomes and farms of different sizes. The consumer loan sample indicated the bank granted 40% and 15% of the loans by number to low- and moderate-income households, respectively. The agricultural loan sample indicated 75% of the number of loans granted in the AA were to farms with annual revenues less than one million dollars.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Scott City (FNB) is a \$57 million bank, headquartered in Scott City, Kansas. The bank is 100% owned by First National Bancshares of Scott City Limited, a \$64 million one-bank holding company. The bank has one Automated Teller Machine (ATM) located at the drive up facility at the bank's main location.

FNB is a full-service bank offering a variety of loans. Net loans represent 68% of the bank's total assets. As of September 30, 2006, the bank's \$38 million loan portfolio had the following composition: 43% agricultural, 33% real estate, 16% commercial, and 8% individual loans.

The bank's primary lending products, by number and dollar amount, granted since the last CRA examination were agricultural loans and consumer loans.

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 October 8, 2002 CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's Assessment Area (AA) includes all of Scott County Kansas. The 2000 U.S. Census population of the AA was 5,120. The bank's AA is not in a Metropolitan Statistical Area (MSA). The AA complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA is comprised of one upper income census tract (9571).

The 2006 Housing and Urban Development (HUD) median family income of the AA was \$49,800. The AA has the following income distribution for families: 16% low-income, 16% moderate-income, 19% middle-income, and 49% upper-income. Of the 2,047 households in the AA, 29% receive social security and 5% are below the poverty level. Seventeen percent of the population is over the age of sixty-five, and 22% of the population consists of civilians not in the workforce. The median housing value is \$69,300, and 66% of the housing units are owner-occupied. The assessment area is dependent on agriculture, primarily cattle feeding. Major employers include the local feed yards and Unified School District 466. The October 2006 unemployment rate for Kansas was 4.2%, and 3.0% for Scott County.

Examiner contacted one community professional in the AA. The contact indicated that the primary credit need of the community is agriculture, and that this need is being adequately met by the local financial institutions. The contact noted that FNB is extensively involved in the communities in which it serves.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

FNB's lending level is good. The average quarterly loan-to-deposit ratio since the last CRA examination was 83%, as compared to 73% for the two other similarly situated banks with locations in the AA.

### **Lending in Assessment Area**

FNB's lending in its AA is good, as it has extended a majority of its primary loans to borrowers in the AA. Specifically, we found the bank made 80% of the number and 91% of the dollar amount of loans in the AA. The sample included forty loans originated, purchased, or committed this year or in the prior two years. The loan sample included twenty loans of each of the two primary products in the bank's AA.

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

FNB's level of lending to borrowers of different incomes and to farms of different sizes is good. To assess the bank's performance, examiners selected a sample of twenty agriculture loans, and twenty commercial loans from the bank's AA. These loan products represent the primary loan types originated since the last CRA examination.

FNB's level of lending for consumer purpose loans is good. Consumer purpose lending to low-income consumers is excellent. The bank granted 40% of the number of loans in the sample to low-income households; a group that represents only 19% of the total households in the AA. The volume of consumer purpose lending to moderate-income consumers is adequate. The bank granted 15% of the number of loans to borrowers in moderate-income households as this group represents 17% of the total households in the AA. Fifteen percent of consumer loans granted in the assessment area did not include borrower income data.

<b>Borrower Distribution of Consumer Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	19%	40%	17%	15%	15%	15%	49%	15%

*Source: Loan Sample and 2000 U.S. Census Data.*

The volume of lending to farms of different sizes in the AA is adequate. The agricultural loan sample had 75% of the number and 54% by dollar amount of loans granted in the AA to farms with revenues less than one million dollars. Only one of the twenty agricultural loans included in the sample had revenues in excess of one million dollars. Demographics indicate that 87% of the farms in the AA have gross annual revenues less than one million dollars.

<b>Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	87%	9%	4%	100%
% of Bank Loans in AA by #	75%	5%	20%	100%
% of Bank Loans in AA by \$	54%	41%	5%	100%

*Source: Loan sample and 2006 Business Geodemographic Data*

### **Geographic Distribution of Loans**

An analysis of the distribution of credit within the assessment area would not be meaningful, as the assessment area does not have any low- or moderate-income tracts.

### **Responses to Complaints**

FNB 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.