



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**November 06, 2002**

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

**First National Bank Of Holcomb  
Charter Number 17802**

**401 N. Henderson  
Holcomb, KS 67851**

**Comptroller of the Currency  
Assistant Deputy Comptroller C. Scott Schainost  
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.**

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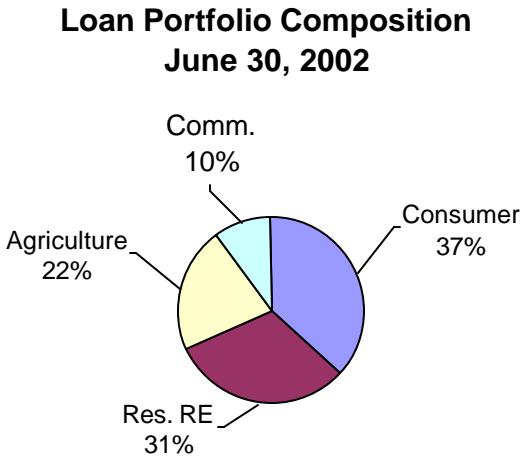
## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- The First National Bank of Holcomb's quarterly average loan-to-deposit ratio of 90% is good compared to 80% for peer banks in the assessment area.
- The bank's lending in the assessment area is satisfactory. The bank granted 70% of the number and 80% of the dollar amount of loan products in the assessment area.
- The bank demonstrates a good level of lending to borrowers of different income levels. The distribution for consumer loans is excellent and the distribution for residential real estate loans is satisfactory.

## DESCRIPTION OF INSTITUTION

The First National Bank of Holcomb (FNB) is a \$38 million financial institution located in Holcomb, Kansas. FNB does not have any branches or significant affiliates. FNB has two automated teller machines (ATM). One deposit-taking ATM is located at the main office and another is located at a local meatpacking plant. Holcomb Bancshares, a one-bank holding company, owns 100% of FNB's common stock. There have been no changes to FNB's corporate structure. FNB is a full service bank offering a variety of loan products with an emphasis on consumer loans. Net loans represent 69% of the bank's total assets. As of June 30, 2002, the bank's \$26 million loan portfolio has the following composition: consumer 37%, residential real estate 31%, agricultural 22%, and commercial 10%.



FNB's primary loan products, as determined by calculating the number and dollar amount of loans granted between January 1, 2002, and October 31, 2002, are consumer and residential real estate. FNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of the assessment area. A "Satisfactory" rating was assigned at the May 4, 1998, CRA examination.

A local community professional was interviewed and indicated the financial institutions are involved in the assessment area and he was not aware of any unmet credit needs. He identified real estate and commercial lending as the credit needs of the community.

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) is all of Finney County. Finney County is located in western Kansas and is not in a Metropolitan Statistical Area. The county contains six Block Numbering Areas with four or 66% being middle-income tracts, and two or 33% being upper-income tracts. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income areas. The 2000 population of the AA was 33,070. The Kansas 2002 statewide non-metropolitan median family income is \$44,200. The AA has the following income distribution for families.

<b>Distribution of Family Income In Assessment Area</b>	
<b>Income Level</b>	<b>Percentage</b>

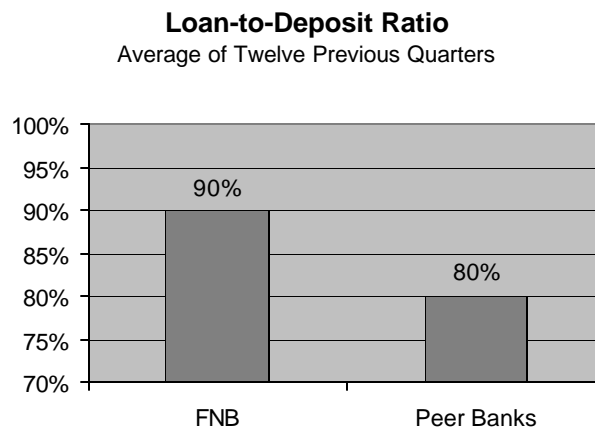
Low-income Families	12%
Moderate-income Families	19%
Middle-income Families	24%
Upper-income Families	45%

Eleven percent of the households have incomes below the poverty level, 17% receive social security, and 4% receive public assistance. Eighteen percent of the population is not in the workforce, 1% is unemployed, and 8% is over the age of 65. The median housing value is \$49,899 and 57% of the housing units are owner occupied. Competition in the area is strong. There are 11 banks with offices in the assessment area, which are comprised of 4 national, 4 state, and 3 savings banks. FNB has 6% of the market share. Major employers in the area include a meatpacking plant and local commercial cattle feedlots. Area economic conditions are poor due to dry conditions adversely affecting both cattle feeders and crop yields. Additional strain has been put on the local economy as the meatpacking plant has been reducing employees' hours. The local power plant is considering expanding output capacity. Should this event occur, approximately 400 new jobs would be created.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's lending level is good. FNB's quarterly average loan-to-deposit ratio over the past 12 quarters, ending June 30, 2002, is 90% compared with 80% for peer banks. Peer banks are composed of four banks that derive the majority of their deposits in the AA. The 12-quarter average loan-to-deposit ratio for peer banks ranged from 73% to 86%.



### Lending in Assessment Area

FNB's lending in its AA is satisfactory since it extends the majority of its primary loan products in the AA. To determine the loan distribution, we selected a sample of 40 loans originated from January 1, 2002, to October 31, 2002. The sample consisted of 20 consumer loans and 20 residential real estate loans. These loans represent the majority of the loans originated in that time period. The table below shows the bank's lending in the AA.

Lending in the Assessment Area	
Percent by Number	Percent by Dollar
70%	80%

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

FNB's lending to consumer and residential real estate borrowers of different income levels in the AA is good. The sample used to determine the bank's lending in the AA was also used to measure the bank's lending to borrowers of different income levels.

Lending to consumer borrowers of different income levels is excellent. FNB made 80% of consumer loans to low- and moderate-income households compared to demographic data showing 38% of households with low- and moderate-incomes. The following table indicates the bank's lending to low-income borrowers is excellent compared to the household demographics. Lending to moderate-income borrowers is also excellent.

<b>Lending to Borrowers of Different Incomes Consumer Loans</b>			
<b>Borrower Income Level</b>	<b>Percentage of the Number</b>	<b>Percentage of the Dollar Volume</b>	<b>Households in Income Category</b>
Low	40%	40%	22%
Moderate	40%	29%	16%
Middle	15%	17%	20%
Upper	5%	14%	42%
Total	100%	100%	100%

Lending to residential real estate borrowers of different income levels is satisfactory. The following table indicates the bank's lending to low-income borrowers is good compared to the family income demographics. Lending to moderate-income borrowers is adequate. Management explained that many of the low- and moderate-income families rent and therefore do not apply for residential real estate loans. Demographic data shows 40% of housing in the AA are rental units.

<b>Lending to Borrowers of Different Incomes Residential Real Estate</b>			
<b>Borrower Income Level</b>	<b>Percentage of the Number</b>	<b>Percentage of Dollar Volume</b>	<b>Families in the Income Category</b>
Low	25%	11%	12%
Moderate	10%	3%	19%
Middle	25%	37%	24%
Upper	40%	49%	45%
Total	100%	100%	100%

### **Geographic Distribution of Loans**

An analysis of the bank's geographic distribution of loans would not be meaningful. The bank's AA contains no low- or moderate-income tracts.

## **Responses to Complaints**

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

## **Fair Lending Review**

An analysis of 1998, 1999, 2000, 2001, and year-to-date 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 need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in May of 1998.