



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

February 26, 2013

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

First National Bank in Pratt  
Charter Number 6229

223 South Main Street  
Pratt, KS 67124

Office of the Comptroller of the Currency

Wichita Field Office  
2959 North Rock Road, Suite 510  
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.

**This institution is rated SATISFACTORY**

- First National Bank in Pratt's (First National) average loan-to-deposit ratio of 47% reflects reasonable responsiveness to the credit needs of the Assessment Area (AA).
- The bank granted a majority of the bank's primary loan products in the AA. The sample indicated that management granted 85% of the number and 75% of the dollar volume of loans within the AA.
- First National achieved reasonable penetration in lending to small farms. Eighty-five percent (85%) of the number of sampled agricultural loans were to farms with revenues less than or equal to one million dollars.
- An analysis of the geographic distribution of loans originated in the AA would not be meaningful, as the AA does not contain low- or moderate- income tracts.

**SCOPE OF EXAMINATION**

The examination included a full-scope review of First National's assessment area. The bank's primary loan product is agricultural loans. The evaluation of this lending product included a review of 20 agricultural loans originated in the bank's AA during 2010 and 2011. The bank's business strategy has not changed, therefore, the loans granted during these years are representative of all loans granted since the August 11, 2006, CRA examination.

**DESCRIPTION OF INSTITUTION**

First National is a \$107 million bank located in Pratt, Kansas. The bank is a wholly owned subsidiary of the holding company, Pratt Community Bancshares, Inc., also located in Pratt, Kansas. The holding company had total assets of \$11.3 million as of December 31, 2012. First National has one bank location with a drive-up facility and automated teller machine (ATM) adjacent to the bank. There are two other ATMs; one is located inside Pratt Regional Medical Center and one inside Pratt Community College.

First National is a full-service banking institution offering a full range of commercial, real estate and consumer credit products. As of December 31, 2012, net loans represent 39% of the bank's total assets. The \$42 million loan portfolio had the following composition: agricultural 40%; commercial 42%; 1-4 family 15%; and consumer loans 3%.

There are no legal, financial, or other factors impeding the bank's ability to help meet the needs of its AA. We assigned a "Satisfactory" rating at the August 11, 2006, Community Reinvestment Act (CRA) examination.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

First National's assessment area 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 Housing and Urban Development Updated 2011 MSA Median Family Income is \$53,700. The AA has the following distribution for families: 16% low-income; 18% moderate-income; 27% middle income; and 39% 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 (19%) of the population is over the age of 65, and 34% 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 Bureau of Labor Statistics reflects a December 2012 unemployment rate for Pratt County of 4.1%. The unemployment rate in Kansas for the same period was 5.4%. 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, Kansas Wildlife & Parks, Wal-Mart, Pratt Feedlot, Pratt Well Service, the public schools, and local government.

First National faces strong competition in the AA. Based on the Federal Deposit Insurance Corporation's (FDIC) most recent deposit market share report dated June 30, 2012; two other financial institutions maintain nine offices in the AA. The asset sizes for these institutions range from \$112 million to \$347 million. With 59% of the deposits in the AA, First National ranks first in deposit market share. Management considers these institutions to be strong competitors due to their geographic proximity and similar lines of business.

Examiners contacted one community professional in the AA. The contact indicated that the primary credit needs of the communities located in Pratt County are agricultural and various types of consumer loans. The contact stated local financial institutions are meeting the credit needs of the institutions are very involved in the communities.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

First National's average quarterly LTD ratio of 47% reflects reasonable responsiveness to the credit needs of the AA. The LTD ratio ranged between 39% and 55% for the

period under review. The average quarterly LTD ratio over the same period for the bank’s competitors was 63%, with ratios ranging from 56% to 67%.

First National’s lower loan to deposit ratio did not significantly affect the bank’s CRA rating. Management modified its credit philosophy to concentrate on making direct loans to borrowers within the AA. During this evaluation period, management allowed purchased participations for borrowers outside the AA to mature per their terms. Redirecting focus to direct lending in the AA reflects reasonable responsiveness to the credit needs of the AA.

**Lending in Assessment Area**

First National’s lending to agricultural borrowers within the AA is reasonable. The bank extended a majority of its primary loan product to borrowers in the AA. Specifically, the bank made 85% of the number and 75% of the dollar amount of loans in the AA.

**Lending to Farms of Different Sizes**

As reflected in the table below, First National’s lending performance to farms of different sizes is reasonable when compared to AA demographics. The loan sample reflected 85% of the number and 95% of the dollar amount of loans to farms with gross revenues less than or equal to \$1 million. Ten of the loans in our sample benefited very small farms with gross annual revenues under \$250 thousand.

<b>Borrower Distribution of Loans to Farms in AA</b>				
<b>Business Revenues (or Sales)</b>	<b>&lt;= \$1,000,000</b>	<b>&gt; \$1,000,000</b>	<b>Unavailable</b>	<b>Total</b>
<b>% of AA Farms</b>	96%	1%	3%	100%
<b>% of Bank Loans in AA by #</b>	85%	15%	0.00%	100%
<b>% of Bank Loans in AA by \$</b>	95%	5%	0.00%	100%

*Source: Loan Sample and 2000 Census and Business Demographic Summary*

**Geographic Distribution of Loans**

An analysis of the geographic distribution of loans originated in the AA during the evaluation period would not be meaningful. The AA does not contain low- or moderate-income tracts.

**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**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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