



## **PUBLIC DISCLOSURE**

September 05, 2013

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

First National Bank of Holcomb  
Charter Number 17802

401 N. Henderson  
Holcomb, KS 67851

Office of the Comptroller of the Currency

2959 N. 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.

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

- The First National Bank of Holcomb's (FNB) quarterly average loan-to-deposit (LTD) ratio is reasonable. The quarterly average loan-to-deposit ratio since the last Community Reinvestment Act (CRA) examination is 61 percent. This is comparable to the 75 percent quarterly average LTD for the three largest peer institutions with locations in the Assessment Area (AA).
- FNB granted a majority of its primary loan product in the AA. The loan sample indicates that FNB granted 54 percent of the loans by dollar volume and 50 percent by number within the AA.
- FNB demonstrated excellent levels of lending to borrowers of different incomes. The consumer vehicle sample indicated FNB granted 25 percent of loans to each of the low- and moderate-income household groups.
- FNB demonstrated excellent penetration to borrowers in the moderate-income tract. The consumer vehicle sample indicated FNB granted 25 percent of the loans by number and 30 percent by dollar volume to borrowers in the moderate-income tract of the AA.

**SCOPE OF EXAMINATION**

This examination included a full-scope review of FNB's single AA, Finney County, Kansas. Examiners identified consumer vehicle loans as the primary loan product since the February 28, 2007 CRA examination. The evaluation included a review of 20 consumer vehicle loans originated or purchased from January 1, 2010 to December 31, 2011. FNB's business strategy has not changed; therefore, the loans granted during this period are representative of all loans granted since the previous CRA examination.

**DESCRIPTION OF INSTITUTION**

FNB is a \$51 million bank, headquartered in Holcomb, Kansas. The bank is a wholly owned subsidiary of American State Bancshares, Inc., a \$648 million holding company. FNB has one Automated Teller Machine (ATM) at the main location. The bank has no other branch or ATM locations.

FNB is a full-service bank offering a variety of loan and deposit products. As of June 30, 2013, net loans represent 46 percent of total assets. The \$23 million loan portfolio has the following composition: 35 percent real estate, 26 percent individual, 21 percent agricultural, and 18 percent commercial.

The primary lending product granted since the previous CRA examination, by number and dollar amount, is consumer vehicle loans. Consumer vehicle loans account for 68

percent of the total number of loans and 26 percent of the dollar volume originated or purchased during the assessment period.

The financial condition, size, local economic conditions and other factors allow FNB to meet the credit needs of the assessment area. We assigned a "Satisfactory" rating at the February 28, 2007 CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

The AA includes all of Finney County Kansas. The 2000 U.S. Census population of the AA was 40,523. The 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 comprises one upper-income census tract (9604), four middle-income tracts (9601, 9602, 9603, 9605), and one moderate-income tract (9606).

The 2011 Weighted Average of Housing and Urban Development Updated MSA Median Family Income of the AA was \$53,700. The AA has the following family income distribution: 17 percent low-income; 21 percent moderate-income; 24 percent middle-income; and 38 percent upper-income. Of the 12,987 households in the AA, 18 percent receive social security and 12 percent are below the poverty level. Seven percent of the population is over the age of sixty-five, and 30 percent of the population consists of civilians not in the work force. The median housing value is \$72,203 and 61 percent of the housing units are owner occupied. The AA economy is dependent on agriculture, primarily cattle feeding. Major employers include Tyson Fresh Meat, Inc. in Holcomb, St. Catherine Hospital, and Unified School District 457 in Garden City, KS. The June 2013 unemployment rates for the state of Kansas and Finney County were 5.8 percent and 5.1 percent, respectively.

FNB faces strong lending competition within the AA. FNB ranks fifth in market share with eight percent of the AA deposits. Based on the Federal Deposit Insurance Corporation's (FDIC) most recent deposit market share report dated June 30, 2012, nine other institutions maintain fifteen offices in the AA. Commerce Bank ranks first in market share with 32 percent of the AA deposits. Based on the FDIC's report, FNB's only competition with all locations inside the AA was Garden City State Bank. However, Kearny County Bank has since purchased Garden City State Bank. FNB is now the only institution with all of its branch operations within the AA.

Examiners contacted one community professional in the AA. The contact indicated that the primary credit needs of AA residents are agricultural and consumer real estate loans. The contact stated that local financial institutions meet the credit needs of the community and are actively involved in community development.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB’s level of lending is reasonable. The average quarterly LTD ratio since the last CRA examination is 61 percent. The quarterly LTD ratio fluctuated between 52 and 69 percent for the period under review. The three largest competitors in the AA by market share had an average quarterly LTD ratio of 75 percent over the same period. The average LTD ratios for peer banks over the same period fluctuated between 71 and 78 percent.

FNB’s lower LTD ratio did not significantly affect the overall CRA rating. FNB’s competitors have a significant presence in markets outside the AA. This provides competitors additional opportunities to lend and pricing flexibility. Furthermore, FNB management identified Golden Plains Credit Union and Farm Credit of Southwest Kansas as major competitors. Golden Plains offers significant competition for consumer lending and FNB competes with Farm Credit for agricultural lending.

### Lending in Assessment Area

FNB’s lending to borrowers within the AA is satisfactory. The bank extended a majority of the primary loan product to borrowers in the AA. Specifically, we found the bank granted 54 percent of the dollar amount and 50 percent of the number of loans to borrowers within the AA. The sample included twenty consumer vehicle loans originated or purchased during 2010 and 2011. Of the 10 loans originated outside the AA, eight loans, or 40 percent of the loan sample, originated through an indirect third party lender. Similarly, indirect vehicle lending outside the AA accounted for 44 percent of all consumer vehicle loans originated during the period under review.

### Lending to Borrowers of Different Incomes

FNB demonstrated excellent penetration to borrowers of different incomes. Consumer vehicle lending to low- and moderate-income consumers is excellent. The loan sample reflected the bank granted 25 percent of the number of loans to low-income households. Low-income households represent just 17 percent of the total households in the AA. The bank granted 25 percent of the number of loans to borrowers in moderate-income households, a group that represents only 17 percent of total households in the AA.

<b>Borrower Distribution of Consumer Vehicle Loans in Finney County</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 Vehicle Loans	17%	25%	17%	25%	20%	20%	46%	30%

Source: Loan Sample & 2000 U.S. Census Data

**Geographic Distribution of Loans**

FNB’s dispersion of consumer vehicle loans in the AA is excellent. The AA includes one moderate-income census tract (9606) located in Finney County Kansas. FNB granted 25 percent of the loans in the sample to borrowers in the moderate-income tract. This is well-above the demographic data, as just 14 percent of households in the AA were located within the moderate-income tract.

<b>Geographic Distribution of Consumer Vehicle Loans in Finney County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA House- holds	% of Number of Loans	% of AA House- holds	% of Number of Loans	% of AA House- holds	% of Number of Loans	% of AA House- holds	% of Number of Loans
Consumer Vehicle Loans	0%	0%	14%	25%	63%	60%	23%	15%

*Source: Loan sample & 2000 U.S. Census Data*

**Responses to Complaints**

FNB 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 the community credit needs.