



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 12, 2007**

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

**The First National Bank of Spearville  
Charter Number 10161**

**Main Street and A Avenue  
Spearville, KS 67876**

**Comptroller of the Currency  
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.**

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- The First National Bank of Spearville's average quarterly loan-to-deposit ratio is good. The bank's average quarterly loan-to-deposit ratio is 75% compared to 57% for similarly situated banks in the assessment area.
- A majority of the bank's primary loan products have been granted in the assessment area. The loan sample indicated that 85% of the number and 63% of the dollar volume of loans were granted in the assessment area.
- First National Bank's lending to farms of different sizes and borrowers of different income levels is adequate. Eighty-five percent of the number of loans were granted to farms with revenues less than or equal to one million dollars. The consumer automobile loan sample indicated 75% of the loans (by number) granted in the assessment area were under \$9,999.
- First National's lending performance to low- and moderate-income tracts is adequate. While the loan sample did not reflect any loans were granted to farms or borrowers located in the one moderate-income tract, only 21 farms and 18% of households in the assessment area are located in this tract. Due to the bank's location, lending opportunities are limited in this area.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Spearville (First National) is a \$20 million bank headquartered in Spearville, Kansas. The bank installed a new cash dispensing automated teller machine (ATM) in December 2005. The ATM is located north of Spearville at Brothers Truck Stop convenience store. The bank does not have any branch locations. Spearville Bancshares, Inc., a one-bank holding company, owns 100% of the bank. First National does not have any affiliates.

First National is a full service bank offering a variety of loan products with an emphasis on agricultural loans. As of December 31, 2006, net loans represented 57% of the bank's total assets. The bank's \$13 million loan portfolio had the following composition: agriculture 73%, commercial and industrial 13%, commercial real estate 8%, other 6%. The bank has not changed any existing loan products or offered any new products since the previous Community Reinvestment Act (CRA) examination. Examiners determined the primary loan products, based on the number and the dollar volume granted during the previous two calendar years and year-to-date 2007, were agricultural loans and consumer automobile loans.

First National's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the prior CRA examination dated February 12, 2003.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank has one assessment area (AA), which comprises Ford County, Hodgeman County, and Edwards County, Kansas. The counties are not in a Metropolitan Statistical Area (MSA). Spearville is located in western Kansas, 17 miles northeast of Dodge City in Ford County. The AA contains nine census tracts, two are upper-income, six are middle-income, and one is moderate-income. The AA does not contain any low-income census tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 37,992. The Kansas statewide non-MSA median family income for 2006 is \$49,800. The income distribution for families in the AA is 18% low-income, 20% moderate-income, 25% middle-income, and 37% upper-income. Of the 13,113 households in the AA, 25% receive social security, 11% have income below poverty level, and 3% receive public assistance. Twenty-four percent of the population is not in the work force and 12% is over the age of 65.

The AA is dominated by agricultural production, primarily cattle feeding and wheat production. Cattle feeding and beef packing industries represent a concentration of employment. The area's agricultural sector has improved with the stabilization of grain prices and strong cattle market. The closing of Fiest Yellow Book in Spearville is anticipated to adversely affect the local economy. The Kansas unemployment rate for January 2007 is equal to the nationwide unemployment rate of 4.6%.

The level of competition in First National's AA is driven by a number of other banks and several financial institutions with offices in the AA. With 3% of the area's deposits, the bank ranks twelfth in deposit market share.

Examiners contacted one community professional. The contact indicated First National is actively involved in the community. The contact identified agricultural loans and consumer automobile loans as two of the area's primary credit needs and indicated the area banks are meeting these needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's lending level is good. Since the last CRA examination, the bank's average loan-to-deposit ratio is 75%. The average quarterly loan-to-deposit over the same period for five similarly situated banks is 57%. The average loan-to-deposit ratios for the peer banks range from 27% to 70%.

### Lending in Assessment Area

First National's lending in the AA is good, as the bank extended a majority of its primary loan products to borrowers located in the AA. We found that 85% of the number and 63% of the dollar amount of loans granted by the bank were in the bank's assessment area. The sample consisted of 20 loans of each primary product originated during 2005, 2006, and year-to-date 2007.

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

The level of lending to farms of different sizes and borrowers of different incomes is adequate. To assess the bank's performance, examiners selected a sample of 40 loans originated since the last CRA examination. The bank's primary products are agriculture and consumer automobile loans. The sample included 20 loans of each loan product type.

Lending to farms of different sizes is adequate. The agriculture loan sample indicated 85% of the number were granted to farms with revenues less than or equal to one million dollars. This is slightly below the geodemographic data showing that 93% of farms in the AA have revenues less than or equal to one million dollars. Fifteen percent of the loan sample did not have revenue information on file.

Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	93%	6%	1%	100%
% of Bank Loans in AA by #	85%	0%	15%	100%
% of Bank Loans in AA by \$	95%	0%	5%	100%

Source: Loan sample and 2006 Business Geodemographic Data.

Lending to borrowers of different income levels is good. The bank does not consistently collect income information on consumer loans, so examiners utilized loan size as a proxy. The consumer automobile loan sample indicated 75% of the number and 50% of the dollar amount of loans granted in the AA that were below \$9,999. This is consistent with the bank's portfolio of many small loans with a few large loans. The loan sample also included two loans (10%) over \$20,000 equating to 30% of the total dollar volume.

<b>Borrower Distribution of Loans to Consumers by Loan Size</b>				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$4,999	6	30%	\$21,657	13%
\$5,000 - \$9,999	9	45%	\$63,896	37%
\$10,000 - \$14,999	3	15%	\$35,750	21%
\$15,000 - \$19,999	0	0%	0	0%
Over \$20,000	2	10%	\$51,347	30%

Source: Loan sample

### **Geographic Distribution of Loans**

Geographic distribution of loans to borrowers in low- and moderate-income tracts in the AA is adequate. The bank's AA includes one moderate-income tract located in Ford County, Kansas. The AA does not contain any low-income tracts.

The bank's distribution of agriculture loans in moderate-income tracts in the AA is adequate. The sample indicates the bank did not grant any loans to farms in the moderate-income tract. This is compared to loan demographics data of 4%. The moderate-income tract is located 17 miles southwest of Spearville in Dodge City, Kansas. Only 21 farms are located in the moderate-income tract and the competition from area financial institutions limits First National's agriculture lending opportunities in Dodge City.

<b>Geographic Distribution of Loans to Farms in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0%	0%	4%	0%	74%	40%	22%	60%

Source: Loan sample and 2006 Geodemographic Data

The geographic distribution of loans to consumer borrowers in the AA is adequate. The consumer automobile loan sample did not include any loans located in the moderate-income tract as this area is primarily located within the city limit of Dodge City. Demographic data shows only 18% of households in the AA are located in this tract. The vicinity of the bank to Dodge City has limited its opportunities to lend to borrowers located in the Dodge City area.

<b>Geographic Distribution of Loans to Consumers in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Automobile Loans	0%	0%	18%	0%	56%	25%	26%	75%

Source: Loan sample and 2000 U.S. Census Data

**Responses to Complaints**

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

**Fair Lending Review**

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