



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**February 28, 2007**

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

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

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

**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 Holcomb's average quarterly loan-to-deposit ratio is reasonable. The average quarterly loan-to-deposit ratio since the last Community Reinvestment Act (CRA) examination is 77%, compared to 81% for the four other similarly situated banks with locations in the Assessment Area (AA).
- A majority of The First National Bank of Holcomb's primary loan products have been granted in the assessment area. The loan sample indicates 78% of the loans by number and 93% by dollar volume were granted within the assessment area.
- The First National Bank of Holcomb demonstrated excellent levels of lending to borrowers of different incomes and farms of different sizes. The consumer vehicle sample indicated the bank granted 25% and 20% of the loans by number to low- and moderate-income households, respectively. The agricultural loan sample indicated 95% of the number of loans granted in the AA were to farms with annual revenues less than one million dollars.
- The First National Bank of Holcomb demonstrated good penetration to borrowers in the moderate-income tract. The consumer vehicle loan sample indicated that 12% by dollar amount and 15% by number were granted to borrowers located in the moderate-income tract of the assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Holcomb (FNB) is a \$41 million bank, headquartered in Holcomb, Kansas. The bank is 100% owned by Holcomb Bancshares, Inc., a \$46 million one-bank holding company. The bank has an Automated Teller Machine (ATM) located at the bank's main location. FNB has no other branches.

FNB is a full-service bank offering a variety of loans. Net loans represent 64% of the bank's total assets. As of December 31, 2006, the bank's \$25 million loan portfolio had the following composition: 42% real estate, 28% individual, 19% agricultural, and 11% commercial.

The bank's primary lending products, by number and dollar amount, granted since the last CRA examination were agricultural loans and consumer vehicle 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 November 6, 2002 CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

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

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: 17% low-income, 21% moderate-income, 24% middle-income, and 38% upper-income. Of the 12,987 households in the AA, 18% receive social security and 12% are below the poverty level. Seven percent of the population is over the age of sixty-five, and 21% of the population consists of civilians not in the workforce. The median housing value is \$72,203, and 61% of the housing units are owner-occupied. The assessment area is dependent on agriculture, primarily cattle feeding. Major employers include the Tyson Fresh Meat Packing Plant, St. Catherine Hospital, and Unified School District 457 in Garden City, KS. The December 2006 unemployment rate for Kansas was 4.5%, and 3.6% for Finney County.

Examiners contacted one community professional in the AA. The contact indicated that the primary credit needs of the community are agriculture and small commercial businesses, and that these needs are 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 level of lending is reasonable. The average quarterly loan-to-deposit ratio since the last CRA examination was 77%, as compared to 81% for the four other similarly situated banks with locations in the AA.

### **Lending in Assessment Area**

FNB's lending levels in its AA are good, as it has extended a majority of its primary loans to borrowers in the AA. Specifically, we found the bank made 78% of the number and 93% 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 excellent. To assess the bank's performance, examiners selected a sample of twenty agriculture loans, and twenty consumer auto loans from the bank's AA. These loan products represent the primary loan types originated since the last CRA examination.

FNB's level of consumer vehicle lending is excellent. Consumer vehicle lending to low-income consumers is excellent. The bank granted 25% of the number of loans in the sample to low-income households; a group that represents only 17% of the total households in the AA. The level of consumer vehicle lending to moderate-income consumers is good. The bank granted 20% of the number of loans to borrowers in moderate-income households as this group represents 17% of the total households in the AA.

| <b>Borrower Distribution of Consumer Vehicle 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   | 17%                | 25%                  | 17%                | 20%                  | 20%                | 40%                  | 46%                | 15%                  |

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

The volume of lending to farms of different sizes in the AA is excellent. The agricultural loan sample had 95% of the number and 100% of the dollar amount of loans granted in the AA to farms with revenues less than one million dollars. Demographics indicate that 88% 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/<br>Unknown | Total |
| % of AA Farms  | 88%          | 9%           | 3%                      | 100%  |
| % of Bank Loans in AA by #                           | 95%          | 0%           | 5%                      | 100%  |
| % of Bank Loans in AA by \$                          | 100%         | 0%           | 0%                      | 100%  |

Source: Loan sample and 2006 Business Geodemographic Data

## Geographic Distribution of Loans

An analysis of the geographic distribution of loans within the AA indicates the bank has good penetration of moderate-income areas considering the bank's relative locations and competition in these areas. The bank's AA includes one moderate-income tract located in Finney County Kansas (census tract 9606).

FNB's level of consumer vehicle lending in the moderate-income census tract in the AA is good. Fifteen percent of the loans in the consumer vehicle loan sample were granted to borrowers in the moderate-income tract. This compares favorably considering 14% of the total households in the AA are located within this moderate-income tract.

| Geographic Distribution of Consumer Vehicle Loans in the AA |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract 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  | 0%                 | 0%                   | 14%                | 15%                  | 63%                | 75%                  | 23%                | 10%                  |

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

The geographic distribution of farm loans in the AA is adequate. The agricultural loan sample did not include any loans located in the moderate-income tract as this area is primarily located within the city limits of Garden City, KS. Demographic data shows only 9% of the total farms in the AA are located in this tract. Therefore, the bank has limited opportunities to lend to farms located in this area.

| Geographic Distribution of Loans to Farms in AA |               |                      |               |                      |               |                      |               |                      |
|---|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| 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 |
|   | 0%            | 0%                   | 9%            | 0%                   | 72%           | 100%                 | 19%           | 0%                   |

*Source: Loan sample and 2006 Business Geodemographic 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

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