



PUBLIC DISCLOSURE

July 2, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Scott City
Charter Number 8808

501 Main Street
Scott City, KS 67871

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.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY

- First National Bank of Scott City's (First National) average loan-to-deposit ratio (LTD) of 74% reflects reasonable responsiveness to the credit needs of the assessment area (AA).
- A majority of the bank's primary loan products were granted inside the AA. The sample indicated that 80% of the number and 87% of the dollar volume of loans were granted within the AA.
- First National achieved reasonable penetration in lending to small farms. Seventy percent (70%) of the number of sampled agricultural loans were to farms with gross revenues less than or equal to one million dollars.

SCOPE OF EXAMINATION

The bank's primary loan product is agricultural loans. The evaluation of this lending product included a review of 20 agricultural loans originated in Scott County 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 December 15, 2006, Community Reinvestment Act examination (CRA).

DESCRIPTION OF INSTITUTION

First National Bank of Scott City is a \$116 million bank located in Scott City, Kansas. First National has one bank location with a drive-up facility and an automated teller machine adjacent to the bank. The bank is a wholly owned subsidiary of the holding company, First National Bancshares of Scott City, Ltd. The holding company had total assets of \$12.2 million as of May 31, 2013.

First National is a full-service banking institution offering a full range of agriculture, commercial, real estate, and consumer credit products. As of March 31, 2013, net loans represent 59% of the bank's total assets. The \$70 million loan portfolio had the following composition: agricultural 60%; commercial 23%; 1-4 family real estate 7%; and consumer loans 10%.

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 December 15, 2006, Community Reinvestment Act examination.

DESCRIPTION OF ASSESSMENT AREA

First National's AA is Scott County, located in extreme western Kansas. The AA contains one upper income census tract (9571). The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The 2000 U.S. Census reflects a population of 5,120. The Weighted Average of HUD Updated MSA Median Family Income for 2011 is \$53,700. The AA has the following distribution for families: 16% low-income; 16% moderate-income; 19% middle-income; and 49% upper-income. Of the 2,047 households in the AA, 29% receive social security and 5% are below the poverty level. Seventeen percent (17%) of the population is over the age of 65, and 28% of the population consists of civilians not in the workforce. The median housing value is \$69,300 and 66% of the housing units are owner-occupied.

The economic condition of the AA is stable. The bank's trade area is dominated by agriculture, primarily cattle feeding. Major employers in the area include Unified School District 466, Scott County Hospital, and local cattle feed yards. The Bureau of Labor Statistics reflects a March 31, 2013 unemployment rate (unadjusted) for Scott County of 3.3%. The unadjusted rate in Kansas for the same period was 5.6%.

First National faces moderate competition in the AA. Based on the Federal Deposit Insurance Corporation's most recent deposit market share report dated June 30, 2012, two other financial institutions maintain offices in the AA. The asset sizes for these institutions range from \$143 million to \$467 million. First National ranks first in deposit market share with 45% of the deposits in the AA.

Examiners contacted one community professional in the AA. The contact indicated that the primary credit needs of the communities located in the AA are agricultural and various types of consumer loans. The contact stated that the credit needs of the communities are being met by local financial institutions and these 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 74% is satisfactory. The LTD ratio ranged between 56% and 85% for the period under review. The average quarterly LTD ratio over the same period for the bank's competitors was 79%, with ratios ranging from 72% to 86%.

Lending in Assessment Area

First National's lending to agricultural borrowers within the AA is satisfactory. The bank extended a majority of its primary loan product to borrowers in the AA. Specifically, the bank granted 80% of the number and 87% of the dollar amount of loans in the AA.

Lending to Farms of Different Sizes

First National's lending performance to farms of different sizes is satisfactory. The loan sample reflected 70% of the number of loans were granted to farms with gross revenues less than or equal to one million dollars. While the ratio is lower than demographics, bank management did not have income information on 15% of the loan sample. Furthermore, eleven, or 55%, of the loans in the loan sample benefited very small farms with gross annual revenues under \$250 thousand.

Borrower Distribution of Loans to Farms in Scott County AA				
Farm Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	93%	3%	4%	100%
% of Bank Loans in AA by #	70%	15%	15%	100%
% of Bank Loans in AA by \$	89%	5%	6%	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.