

PUBLIC DISCLOSURE

April 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Scott City
Charter Number 8808**

**5th and Main Streets
Scott City, Kansas 67871**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226-1327**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Scott City** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 20, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

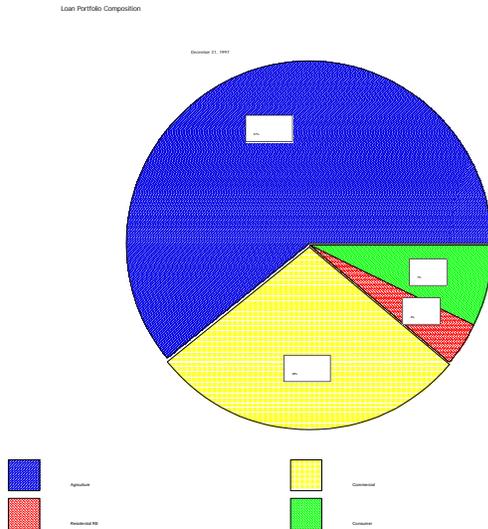
INSTITUTION'S CRA RATING: This institution is rated "**Satisfactory.**"

The bank's loan-to-deposit ratio is satisfactory, with a reasonable number of loans being made within its assessment area. The bank has a good record of lending to low-income individuals.

DESCRIPTION OF INSTITUTION

The First National Bank of Scott City (FNB), a \$50 million financial institution, is located in Scott City, Kansas. Scott City is a small rural community whose economy is agricultural based. The First National Bancshares of Scott City, LTD., a one-bank holding company, owns 100% of the bank. FNB is a full service bank and offers a variety of loan products with an emphasis on agricultural loans. As of December 31, 1997, the bank's \$33 million loan portfolio had the following composition:

61% agricultural and farmland, 23% commercial, 7% consumer, 4% residential real estate loans, and 5% commercial leasing. FNB also provides automatic teller machine services at its branch office adjacent to the main office.



The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. The bank has not opened or closed any branches since the prior CRA examination. At the March 1, 1996, examination we assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) is Scott County, block numbering area (BNAs) 9571. This BNA is a middle-income tract. Scott County has a population of 5,300 with two small towns. Scott City, population 3,800, serves as the county seat of Scott County. Scott County is the largest cattle feeding county in Kansas. The local economy is dependent on cattle feeding, feed grain, wheat, and alfalfa production. Area economic conditions are good, driven by a strong agriculture sector, although cattle prices have been down for several months. The primary employers are the local feedlots, school system, and the hospital. Nearby Garden City provides additional employment opportunities, especially at two major beef processing plants.

The 1998 Kansas statewide nonmetropolitan median family income is \$38,200. The AA does not arbitrarily exclude any low- or moderate-income areas. A local bank, credit union, S&L, branch on an area bank, and the PCA provide strong competition for FNB.

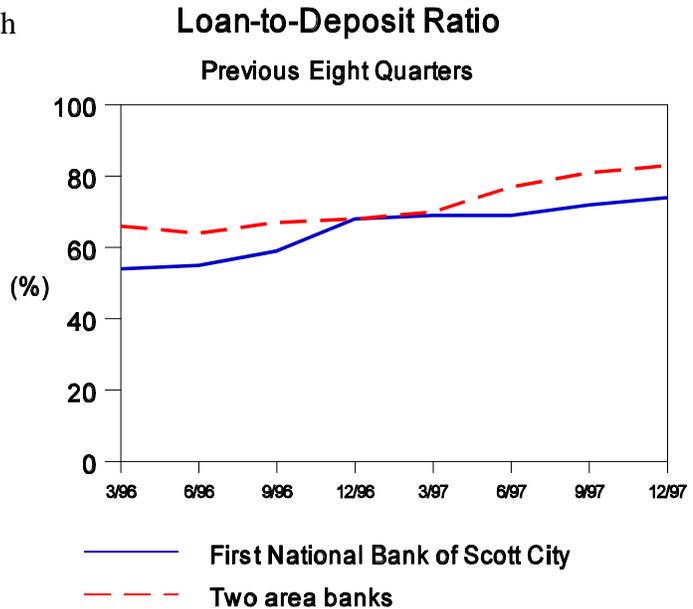
Examiners made a community contact with a local business professional. The contact indicated the primary needs of the area are residential real estate loans. The contact also indicated the local financial institutions are adequately meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is satisfactory with an average loan-to-deposit ratio of 65% over the last eight quarters. A locally headquartered bank and a local branch of an area bank, which FNB considers its main competition, each had an average loan-to-deposit ratio of 72% over the same period.

FNB accounted for \$40 million, or 36% of the assessment area's total deposits as of June 30, 1997. The bank's locally headquartered competitor had \$63 million, or 56% of the assessment area's total deposits.



Lending in Assessment Area

The bank's financing inside the assessment area is satisfactory. FNB extends a large majority of its loans to customers in Scott County. The following table depicts the distribution of loans granted since March 1996.

Percentage of New Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
87%	85%

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

The bank's record of lending to borrowers of different income levels is good. Examiners selected a sample of 20 consumer loans extended during 1997 or 1998. The sample indicates an excellent record of loans to low-income borrowers compared to the demographic composition of the AA. Lending to moderate-income borrowers is in line with the population demographics. Below is a breakdown of FNB's consumer loans by income levels.

Distribution of Consumer Loans by Income Levels			
Income Levels	Consumer Loan Sample		Percent of Families in Income Category
	Number	Percent	
Low	7	35%	12%
Moderate	3	15%	18%
Middle	3	15%	29%
Upper	7	35%	41%

Lending to farms of different sizes is satisfactory, with a reasonable number of loans made to small farms. Agriculture lending is the bank's primary financing product. Management considers farms with annual gross revenues over \$500,000 as large operations. Examiners sampled 15 agriculture purpose loans extended during 1997 or 1998. Based on our sample, 46% of the loans were to small farms. The following is a breakdown of the agricultural loan sample by annual gross revenues.

Farm Annual Gross Revenues	Number of Loans	Percent
Under \$250,000	2	13%
\$250,000 to \$500,000	5	33%
Over \$500,000	8	53%
TOTAL	15	100%

Lending to commercial businesses, FNB's second most prevalent financing product, is satisfactory. Management considers businesses with annual gross revenues below \$500,000 as small operations. Examiners sampled 19 business purpose loans granted during 1997 or 1998. Based on our sample, FNB made approximately 21% of its loans to small businesses. The following table illustrates FNB's lending to businesses of different sizes.

Business Annual Gross Revenues	Number of Loans	Percent
Under \$250,000	4	40%
\$250,000 to \$500,000	1	10%
Over \$500,000	6	60%
TOTAL	10	100%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful as the assessment area does not contain any low- or moderate-income BNAs.

Response to Complaints

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

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of discriminatory treatment.