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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

March 13, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank  
of Medicine Lodge  
Charter Number 10575**

**101 South Main  
Medicine Lodge, Kansas 67104**

**Office of the Comptroller of the Currency  
Wichita Duty Station  
3450 N. Rock Road, Suite 505  
Wichita, Kansas 67226**

**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 Medicine Lodge** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 13, 1997. 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. The bank lends to borrowers of different income levels and businesses of different sizes. The bank makes a majority of its loans within its assessment area.

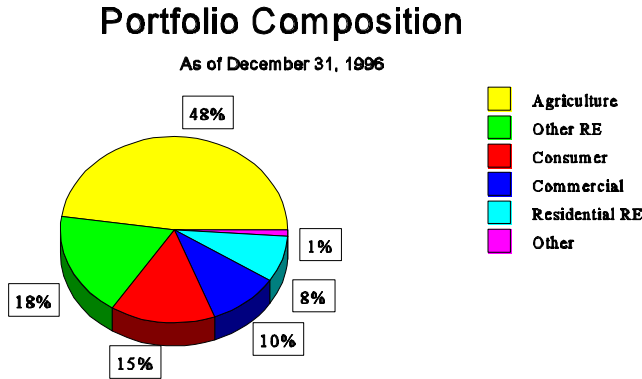
The following table indicates the performance level of **The First National Bank of Medicine Lodge** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>THE FIRST NATIONAL BANK OF MEDICINE LODGE PERFORMANCE LEVELS</b>		
	<i>Exceeds Standards for Satisfactory Performance</i>	<i>Meets Standards for Satisfactory Performance</i>	<i>Does not meet Standards for Satisfactory Performance</i>
<i>Loan to Deposit Ratio</i>		X	
<i>Lending in Assessment Area</i>		X	
<i>Lending to Borrowers of Different Incomes and to businesses of Different sizes</i>		X	
<i>Geographic Distribution of Loans</i>	<i>An analysis of the geographic distribution of loans would not be meaningful.</i>		
<i>Response to Complaints</i>	<i>No complaints were received since the prior examination.</i>		



**DESCRIPTION OF INSTITUTION**

The First National Bank of Medicine Lodge, a \$56 million financial institution, is one of 16 banks headquartered within this bank's assessment area. The bank has its main office and one branch in Medicine Lodge and one branch in Isabel. First Medicine Lodge Bancshares, Inc. owns 100% of The First National Bank of Medicine Lodge's common stock. First National Bank is a full service bank and offers a



variety of loan products with an emphasis on agriculture. As of December 31, 1996, agricultural loans total 48% of gross loans. Consumer loans represent 15% of the loan portfolio. Commercial and commercial real estate loans total 10% and 18%, respectively. Residential real estate total 8% and other loans make up the remaining 1%.

The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area. The bank has not opened or closed any branches since the previous examination. At the last Community Reinvestment Act examination dated June 30, 1994, The First National Bank of Medicine Lodge received a satisfactory rating.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA.**

The assessment area includes all or parts of Barber, Comanche, Harper, Kingman, and Pratt counties. The assessment area includes block numbering areas 9681 and 9682 in Barber county; 9676 in Comanche county; 9916, 9917, and 9918 in Harper county; 9911 and 9913 in Kingman county; and 9686, 9687, and 9688 in Pratt county. The bank excludes block numbering area 9912, which includes the city of Kingman, because two local financial institutions satisfy the community's credit need. All eleven block numbering areas in the assessment area are middle-income areas. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The bank's assessment area is located in south-central Kansas and has a total population of nearly 30,000. Medicine Lodge is located about 70 miles southwest of Wichita. The local economy is dominated by agriculture with reliance on wheat and cattle production. Several area banks provide moderate competition

Of all households in the assessment area, 18% are low-income, 20% are moderate-income, 23% are middle-income, and 39% are upper-income. The Kansas statewide nonmetropolitan median family income is \$34,300 for 1996.

**CONCLUSIONS WITH RESPECT  
TO PERFORMANCE CRITERIA:**

**Loan-to-Deposit Analysis**

The bank's loan-to-deposit ratio is satisfactory compared to other bank's in the assessment area. During the last eight quarters ending September 30, 1996, the bank's average loan-to-deposit ratio is 60%. This is comparable to the average loan-to-deposit ratio of 53% for the other 15 banks headquartered within the assessment area. The bank's average loan-to-deposit ratio is also comparable to the three agricultural banks in the area of similar size. These three banks have an average loan-to-deposit ratio of 55%.

Average loan-to-deposit ratios for other banks in the assessment area range from 15% to 85% over the same eight quarter time period. First National Bank has the ninth highest loan-to-deposit ratio of the 16 area banks.

First National Bank's loan-to-deposit ratio has steadily increased to 65% as of September 30, 1996. The bank's ratio increased every quarter since September 30, 1995, when the loan-to-deposit ratio equaled 55%.

**Comparison of Credit Extended Inside and Outside the Assessment Area**

First National Bank extends a majority of its loans within the assessment area. Bank compiled information shows that the bank made approximately 91% of its loans in 1996 within the assessment area. Examiners reconciled the bank's calculations back to appropriate reports.

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

The bank makes loans to borrowers of different incomes and businesses of different sizes. We focused on the bank's primary line of business: agricultural lending. Examiners sampled twenty agricultural loans and determined 75% of the borrowers meet the bank's definition of a small farm. The bank defines a small farm as one generating gross revenues of \$250,000 or less.

**Distribution of Credit Within the Assessment Area**

An analysis of the distribution of credit within the assessment area would not be meaningful as the assessment area is a middle income tract.

**Compliance with Anti-Discrimination Laws and Regulations**

We did not identify any substantive violations of the Fair Lending laws and regulations. Our review did not indicate any evidence of apparent disparate treatment or other illegal credit practices.