



PUBLIC DISCLOSURE

August 24, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank in Cimarron
Charter Number 13329**

**121 N. Main
Cimarron, Kansas 67835**

**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.

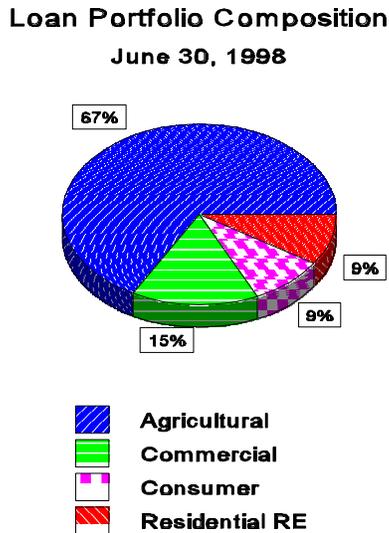
*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank in Cimarron, Kansas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 24, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- ▶ Agricultural lending is the bank’s primary loan product and the lending level to small farms is satisfactory. The bank also has a satisfactory level of lending to small businesses. Although, residential real estate loans and consumer loans represent only a small portion of the loan portfolio, the bank has an excellent record of lending to borrowers with low- and moderate-income levels.
- ▶ The bank’s average loan-to-deposit ratio is good at 77% and well above the average for the other local bank and six other similarly-situated Kansas banks.
- ▶ A majority of the loans are granted within the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank in Cimarron (FNB), a \$42 million financial institution, is one of two financial institutions in Gray County. The bank has a main office in Cimarron and a branch in Ingalls, Kansas. FNB also offers automated teller machines (ATMs) in each town. First National Agency, 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 June 30, 1998, agricultural loans accounted for 67% of the bank's \$29 million loan portfolio, with commercial loans representing another 15%. Consumer loans and residential real estate comprise another 9% each.



to help meet the credit needs of its assessment area. FNB has 46% of the deposits in Gray County and .09% of the deposits in Kansas as of June 30, 1997. At the previous CRA examination dated January 11, 1996, FNB received a "Satisfactory" rating.

The bank's financial condition, size, local economic conditions, and other factors allow it

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) includes all of Gray County. Gray County, with a population of 5,400, is an agricultural dependent area located in southwest Kansas. Cimarron, 18 miles west of Dodge City, is the county seat with a population 1,850. Ingalls, located 6 miles west of Cimarron, has a population of 300. Census data from 1990 indicates 95% of the Gray County population is white, less than 1% black or American Indian, and 5% Hispanic. Management indicates the population is growing as Cimarron becomes more of a bedroom community of Dodge City.

Depressed cattle prices and low grain prices have affected the local agricultural economy. The economy relies upon feed grain and alfalfa hay production, coupled with livestock feeding operations. The primary employers are Cimarron Insurance Company and Irsik and Doll Company. Gray County contains two tracts. Both are middle-income tracts. The AA does not arbitrarily exclude any low- or moderate-income areas. Households with income below the poverty level represent 10% of the total households. Unemployment is low at 2.8%

Examiners conducted an interview with a community contact. The contact indicated local financial institutions were effectively meeting the credit needs of the area.

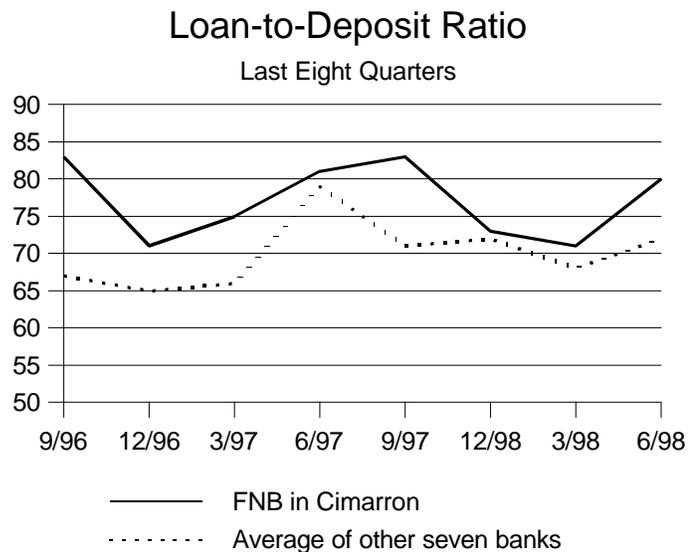
The Kansas statewide nonmetropolitan median family income is \$38,200 for 1998. The following table shows the distribution of families in the AA by income level.

Population	Percentage
Low-Income Families	14%
Moderate-Income Families	18%
Middle-Income Families	28%
Upper-Income Families	40%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank’s level of lending is good. During the last eight quarters ending June 30, 1998, the bank’s average loan-to-deposit ratio was 77%. This was higher than the average loan-to-deposit ratio of 69% for the seven other similarly-situated Kansas banks. FNB has the third highest average loan-to-deposit ratio. The seven other banks have average loan-to-deposit ratios ranging from 48% to 82%. The other bank in Gray County had an average loan-to-deposit ratio of 64%.



Lending in Assessment Area

FNB extends a majority of its loans within the AA. Bank records indicate 75% of the number and 83% of the dollar amount of all loans granted by the bank during the first seven months of 1998 are in the AA.

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

Lending levels to businesses of different sizes are satisfactory. Examiners reviewed commercial and agricultural loans granted during 1997 and 1998 with gross revenue information. The resulting agricultural sample represented 24% of the farms in Gray County, while the business sample equals 3% of the businesses. Management considers businesses with annual gross revenues of less than \$250,000, and farms with annual gross revenues of less than \$500,000, to be small operations. The following tables show the distribution of business and agricultural loans by annual gross revenues.

Agricultural Annual Gross Revenues	Number of Loans	Percentage
Under \$500,000	11	65%
Over \$500,000	6	35%
TOTAL	17	100%

Business Annual Gross Revenues	Number of Loans	Percentage
Under \$250,000	3	43%
Over \$250,000	4	57%
TOTAL	7	100%

The bank has an excellent record of lending to borrowers of different income levels. The following table depicts the distribution by income level of consumer and residential real estate loans granted in the first eight months of 1998. The table shows the bank has a strong record of lending to low- and moderate-income individuals as the level of lending exceeded the population distribution.

Distribution of 1998 Residential Real Estate and Consumer Loans by Income Levels		
Income Levels	Percentage of Loans	Percentage of Families in Income Category
Low	26%	14%
Moderate	32%	18%
Middle	10%	28%
Upper	32%	40%

Source: Bank records

Geographic Distribution of Loans

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

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 prohibited discrimination or other illegal credit practices.