



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 09, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Cimarron
Charter Number 13329

122 N. Main
Cimarron, KS 67835

Office of the Comptroller of the Currency

Wichita Field Office
Northrock Business Park 3450 N. Rock Road, Suite 505
Wichita, KS 67226-1355

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 in Cimarron's average loan-to-deposit ratio is 60%. This is satisfactory compared to the other banks in the assessment area and the one bank located in an adjacent county that is considered a direct competitor.
- Lending in the assessment area is satisfactory. A majority of First National Bank in Cimarron's primary loan products have been granted in the assessment area. The sample indicated 70% of the number and 87% of the dollar volume were in the assessment area.
- Lending to farms and businesses of different sizes is satisfactory. The agricultural sample reflects that 85% of the number and 69% of the dollar amount of farm loans were made to small farms. The distribution of loans to businesses of different sizes reflects excellent penetration with 95% of the number and 84% of the dollar amount of business loans made to small businesses.

DESCRIPTION OF INSTITUTION

The First National Bank in Cimarron (First National) is a \$92 million bank headquartered in Cimarron, Kansas. First National has two locations consisting of the main office in Cimarron and a branch in Ingalls, Kansas. The main office in Cimarron has a drive-up facility. Cash-dispensing ATMs are located near the main bank in Cimarron and outside the Ingalls' branch. The bank has not opened any new branches, or closed any existing branches, since the previous Community Reinvestment Act (CRA) examination.

First National is a wholly-owned subsidiary of First National Agency, a one-bank holding company located in Cimarron. The holding company had total consolidated assets of \$92 million as of December 31, 2011. First National sold its only subsidiary, First Insurance Agency, in late 2011. Other than this sale, the bank's corporate structure has not changed since the previous CRA examination.

First National is primarily an agricultural lender, but does offer a variety of other loan products. Net loans represent 45% of the bank's total assets. As of December 31, 2011 the bank's \$37 million loan portfolio had the following composition: 50% agricultural loans, 25% business loans, 24% consumer loans, and 1% other loans. Management indicated the bank's primary lending products during the evaluation period were agricultural loans and commercial loans. Twenty loans of each primary product were used to evaluate lending to farms and businesses. For this examination, the evaluation period consists of 2009, 2010, and 2011.

First National's financial condition and size, along with local economic conditions and other factors, allowed it to meet the lending needs of its assessment area. We assigned a "Satisfactory" rating at the prior April 3, 2006 CRA examination.

DESCRIPTION OF ASSESSMENT AREA(S)

First National's assessment area (AA) consists of Gray County, Kansas. Gray County is located in southwest Kansas and is not in a Metropolitan Statistical Area (MSA). The AA contains two middle-income census tracts, 9626 and 9627. The AA does not contain any low- or moderate- income tracts. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts.

The U.S. Department of Housing and Urban Development (HUD) declared Gray County as a distressed and underserved area in 2009, 2010 and 2011. Per the 2000 U.S. Census, the population of the AA was 5,904. The Kansas Weighted Average of HUD Updated MSA Median Family Income for 2011 was \$53,700. The AA has the following income distribution for families: 12% low-income, 20% moderate-income, 27% middle-income, and 41% upper-income. Of the 2,076 households in the AA, 25% receive social security, 7% are below poverty level, and 1% receives public assistance. Thirteen percent of the population is over the age of sixty-five and 31% of the population consists of civilians not in the workforce. The Weighted Average of Median Housing value is \$69,663 and 68% of the housing units are owner-occupied.

The trade area is dependent on agriculture, namely livestock feeding, grain production, and alfalfa hay production. The economy is stable. The agriculture industry provides approximately 25% of the county's employment. Besides farming, other primary employers in the AA include the school districts, the county, and Next Era Energy. The unemployment rates for the state of Kansas and Gray County for December 2011 were 6.3% and 2.5%, respectively.

First National faces moderate competition from two other banks located in the AA and several located outside the AA. First National and its primary competitor inside the AA are approximately the same size in regard to total assets. Total deposits inside the AA for First National and its primary competitor are 51% and 46%, respectively. Total assets for all competitor banks range from \$51 million to \$112 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National's loan to deposit ratio is satisfactory. The bank's lending level is reasonable given the competition in the area. The bank's quarterly average loan-to-deposit ratio since the last CRA examination is 60%. The average quarterly loan-to-deposit ratio over the same period for the competitor banks was 60% with ratios ranging from 54% to 73%.

Lending in Assessment Area

First National's lending in the AA is satisfactory as it extended a majority of its primary loan products to borrowers in the AA. Specifically, we found the bank made 70% of the number and 87% of the dollar amount of loans inside the assessment area. The sample included twenty loans of each primary product originated during the evaluation period of 2009, 2010, and 2011.

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

First National's lending to farms and businesses of different sizes is satisfactory and reflects reasonable penetration. To assess the bank's performance, examiners selected a sample of twenty agricultural loans and twenty commercial loans originated in the AA during the evaluation period. These two loan types represent the bank's primary loan products.

First National's distribution of loans to farms of different sizes reflects reasonable penetration. The agricultural sample reflects that 85% of the number and 69% of the dollar amount of loans were made to farms with revenues less than \$1 million. This level reasonably reflects performance near the demographic data of 96%.

Distribution of Loans to Farms in the AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	96%	4%	0%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	69%	31%	0%	100%

Source: Loan sample, 2011 Business Geodemographic Data

The distribution of loans to businesses of different sizes reflects excellent penetration. The business sample reflects that 95% of the number and 84% of the dollar amount of loans were made to businesses with revenues less than \$1 million. These levels significantly exceed the demographic data which reflects 67% of the businesses in the AA have revenues less than \$1 million.

Distribution of Loans to Businesses in the AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	67%	2%	31%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	84%	16%	0%	100%

Source: Loan sample, 2011 Business Geodemographic Data

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. First National's AA does not contain any low- or moderate-income areas.

Responses to Complaints

First National has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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