

PUBLIC DISCLOSURE

December 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Community Bank
Certificate Number: 33965**

**1300 North 78th Street
P. O. Box 12067
Kansas City, Kansas 66112**

**Federal Deposit Insurance Corporation
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108**

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.

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating.....	1
III.	Description of Institution.....	2
IV.	Description of Assessment Area.....	3
V.	Conclusions with Respect to Performance Criteria	6

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 **First Community Bank, Kansas City, Kansas**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 8, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

First Community Bank has demonstrated a satisfactory commitment to community reinvestment that is supported by the following conclusions.

- A majority of the Home Mortgage Disclosure (HMDA)-reportable loans and commercial loans originated by the bank are within the bank's assessment area, reflecting an adequate commitment to meeting the credit needs of the assessment area.
- An analysis of HMDA-reportable loans and commercial loans reveals a good distribution of loans among borrowers of different incomes and an adequate allocation among businesses of different revenue levels.
- A geographic distribution analysis of HMDA-reportable loans and commercial loans revealed a reasonable dispersion of loans among the geographies within the assessment area considering demographic information and the location of the bank's offices within the assessment area.
- The bank's average net loan-to-deposit ratio reflects an exceptional willingness to provide credit given the institution's size, financial condition, and community credit needs.

DESCRIPTION OF INSTITUTION

First Community Bank operates from its main facility in Kansas City, Kansas, and one branch located in Fairway, Kansas. The Fairway branch is approximately thirteen miles southeast of the main bank in Johnson County, Kansas, while the main bank is located in Wyandotte County, Kansas. Both offices are located in the Kansas City Metropolitan Statistical Area (MSA). The bank also operates one automated teller machine, which is located at the Fairway branch.

As of September 30, 2003, the institution's total assets equaled \$172,311,000, of which total loans represented \$150,436,000. The bank's largest loan products by dollar volume are commercial loans (including commercial and industrial loans and commercial real estate loans), construction and land development, and residential real estate loans, which represent 54, 28, and 9 percent of total loans, respectively. Bank management indicated that the bank has a commercial lending focus, which includes construction and development lending. A distribution of the bank's entire loan portfolio is reflected in Table 1.

<i>Table 1 – Loan Distribution as of September 30, 2003</i>		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans (%)</i>
<i>Construction and Land Development</i>	\$ 42,626	28%
<i>Secured by Farmland</i>	\$ 0	0%
<i>1-4 Family Residential Real Estate</i>	\$ 14,076	9%
<i>Multifamily (5 or more) Residential</i>	\$ 6,988	5%
<i>Commercial Real Estate</i>	\$ 34,909	23%
<i>Commercial and Industrial</i>	\$ 47,177	31%
<i>Agricultural Production</i>	\$ 0	0%
<i>Consumer</i>	\$ 4,098	3%
<i>All Other</i>	\$ 728	1%
<i>Less Unearned Income</i>	(\$ 166)	0%
<i>Total Loans Net of Unearned Income</i>	\$150,436	100%

Source: September 30, 2003, Report of Condition.

The bank is owned by First Community Bancshares, Inc., Kansas City, Kansas, a one-bank holding company. The institution is not subject to any financial or legal impediments that would restrict its ability to help meet the credit needs of the assessment area. Participations in selected commercial loans are sold to other institutions. The bank was rated Satisfactory at the previous CRA Performance Evaluation dated January 12, 1999.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires a bank to identify one or more “assessment areas” within which its regulatory agency will evaluate the bank’s performance. Assessment areas always consist of one or more whole census tracts, which are statistical subdivisions of a county.

The bank’s assessment area consists of all of Wyandotte and Johnson Counties in Kansas. Both counties are located in the Kansas City MSA where the number of commercial businesses and residential areas are growing. Both counties experienced significant changes in the number and income classification of census tracts from 1990 to 2000.

The number of census tracts in Wyandotte County decreased from 75 in the 1990 U.S. Census to 70 in the 2000 U.S. Census. Low-income tracts decreased from 15 to 7, moderate-income tracts increased from 28 to 36, middle-income tracts decreased from 25 to 19, upper-income tracts decreased from 2 to 1, and tracts for which no income is available increased from 5 to 7. Tracts with no income available are tracts with substantially no housing units or population.

The number of census tracts in Johnson County increased from 75 in the 1990 U.S. Census to 107 in the 2000 U.S. Census. In 1990 there were no low- or moderate-income tracts in Johnson County; however, in 2000, Johnson County had 4 moderate-income tracts. Middle-income tracts increased from 29 to 40 and upper-income tracts increased from 46 to 63.

1990 census tract income classifications are based on the 1990 U.S. Census median family income (MFI) of \$37,652 for the Kansas City MSA. A breakdown of 1990 census tract income levels is presented in Table 2.

<i>Table 2 – 1990 Census Tract Income Levels</i>		
<i>Census Tract Income Level</i>	<i>Percent of MFI</i>	<i>Kansas City MSA</i>
<i>Low</i>	< 50%	< \$18,826
<i>Moderate</i>	50% to < 80%	\$18,826 to < \$30,122
<i>Middle</i>	80% to < 120%	\$30,122 to < \$45,182
<i>Upper</i>	120% and over	\$45,182 and over

Source: 1990 U.S. Census.

2000 census tract income classifications are based on the 2000 U.S. Census median family income (MFI) of \$55,779 for the Kansas City MSA. A breakdown of 2000 census tract income levels is presented in Table 3.

<i>Table 3 – 2000 Census Tract Income Levels</i>		
<i>Census Tract Income Level</i>	<i>Percent of MFI</i>	<i>Kansas City MSA</i>
<i>Low</i>	< 50%	< \$27,890
<i>Moderate</i>	50% to < 80%	\$27,890 to < \$44,623
<i>Middle</i>	80% to < 120%	\$44,623 to < \$66,935
<i>Upper</i>	120% and over	\$66,935 and over

Source: 2000 U.S. Census.

Based on 2000 U.S. Census information, the main bank is located in middle-income tract 441.03 and the Fairway branch is located in middle-income tract 503.02. The number of families in the assessment area increased from 141,271 to 161,791 between 1990 and 2000; however, the percentage of low-, moderate-, middle-, and upper-income families remained relatively flat. The percentage of low-income families decreased slightly from 14.5 percent to 14.2 percent, although the actual number increased from 20,415 to 22,996. The percentage of moderate-income families decreased slightly from 15.9 percent to 15.7 percent, although the actual number increased from 22,402 to 25,391. The percentage of middle-income families decreased slightly from 22.9 percent to 22.1 percent, although the actual number increased from 32,334 to 35,742. The percentage of upper-income families increased from 46.8 percent to 48 percent (66,120 to 77,692).

Unless otherwise stated, further demographic information is from the 2000 U.S. Census. Of the 247,504 housing units in the assessment area, 66 percent are owner-occupied, 29 percent are occupied rental units, and 5 percent are vacant. Mobile homes comprise 2 percent of the housing stock. The median housing value for the entire assessment area is \$141,425 (well above the MSA median value of \$104,400), and the median age of the housing stock in the assessment area is 27 years. The gross median rent in the assessment area is \$644, well above the MSA median of \$575.

The Kansas Department of Labor reports that the unemployment rate in Wyandotte County was 9.5 percent in October 2003, down from 11 percent a year earlier. For the same 12-month period, the unemployment rate in Johnson County decreased from 4.6 percent to 4.2 percent. The unemployment rate for Kansas statewide was 4.7 percent in October 2003, down from 5.2 percent a year earlier.

There are 608,968 persons residing in the assessment area and employment opportunities are good. Kansas City, Kansas, (population 146,866) is the largest city in Wyandotte County. Employers in Wyandotte County with more than 1,000 employees include Kansas University Medical Center; the Unified Government of Wyandotte County; and Burlington Northern Santa Fe Railroad. Olathe (population 63,352); Overland Park (population 111,790); Lenexa (population 34,034); and Leawood

(population 27,656) are the largest cities/towns in Johnson County, Kansas. Johnson County, Kansas, employers with more than 1,000 employees include Sprint Corporation; Leopoldstadt, Inc.; Mustang Holdings, Inc.; Johnson County Community College; Honeywell International, Inc.; Renzenberger, Inc.; Health Midwest; J. C. Penney Company, Inc.; Deffenbaugh Industries, Inc.; and Krystal Klear Water Systems.

Based on 2003 D&B business demographic data, there are 41,815 businesses in the assessment area, of which 24,926 reported gross annual revenue less than \$1.0 million and 3,068 reported gross annual revenue greater than \$1.0 million. Since reporting is voluntary, the remaining 13,821 businesses did not report revenues.

Management stated that the bank competes with numerous other institutions throughout its assessment area for loan and deposit products. There are 55 banks with headquarters or branches in Wyandotte or Johnson County, Kansas.

During the evaluation, examiners reviewed a recent interview with a representative from the local community (community contact) to obtain a profile of the community, identify community development opportunities and general credit needs, and assess opportunities for participation by local financial institutions. The community contact stated that Kansas City, Kansas, has an aggressive revitalization program in place and that area banks are generally responsive to the needs of the community. The community contact also stated that the market for loans is very competitive and that financing is generally available. Further, the community contact was unaware of any unmet credit or community development needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Conclusions with respect to the following three performance criteria, Lending in Assessment Area, Lending Among Businesses of Different Sizes and to Borrowers of Different Incomes, and Geographic Distribution of Loans, are based on a sampling of the institution's loan portfolio. Examiners reviewed residential real estate loans and commercial loans (including commercial real estate loans and commercial and industrial loans), which together comprise 63 percent of the loan portfolio. Consumer loans were not reviewed as they make up only 3 percent of the loan portfolio and agricultural loans were not reviewed as the bank is not an agricultural lender.

Because the bank collects and reports loan data pursuant to HMDA, residential real estate loan data is readily available. Therefore, examiners analyzed all HMDA-reportable loans originated in 2001, 2002, and year-to-date 2003, rather than a sample of residential real estate loans. Because 2000 census data was not available until 2003, HMDA-reportable loans originated in 2001 and 2002 were compared to 1990 census data, while loans originated in 2003 were compared to 2000 census data. The HMDA-reportable loan universe consisted of 129 loans totaling \$11,468,000. A sample of outstanding commercial loans originated between January 1, 2003, and October 30, 2003, was reviewed for purposes of this evaluation. The commercial loan sample consisted of 35 loans totaling \$5,189,195 (net of participations sold) from a universe of 154 loans totaling \$21,186,989 (net of participations sold).

a) Lending in Assessment Area

A majority of the HMDA-reportable loans and commercial loans originated by the bank are within the bank's assessment area, reflecting an adequate commitment to meeting the credit needs of the assessment area.

HMDA-reportable Loans

Of the 129 HMDA-reportable loans reviewed, 80, or 62 percent, were originated within the assessment area. The 80 loans represented 66 percent of the dollar volume of loans reviewed.

Commercial Loans

Of the 35 commercial loans sampled, 24, or 69 percent, were originated within the assessment area. The 24 loans represented 50 percent of the dollar volume of sampled loans (net of participations sold).

b) Lending to Borrowers of Different Incomes and among Businesses of Different Sizes

An analysis of HMDA-reportable loans and commercial loans reveals a good distribution of loans among borrowers of different incomes and an adequate allocation among businesses of different revenue levels. Only loans within the assessment area are included in the analysis.

Lending to Borrowers of Different Income Levels – HMDA-reportable Loans

To evaluate the bank's HMDA-reportable loans, examiners used the Department of Housing and Urban Development (HUD) 2001, 2002, and 2003, adjusted MFI of \$62,200, \$64,500, and \$66,700 respectively, for the Kansas City MSA. Table 4 defines each income category by year. Table 5 shows the distribution of 2001 and 2002 HMDA-reportable loans among borrowers of different income levels. In addition, the table includes the percentage of assessment area families within each income level according to 1990 U.S. Census data. Table 6 shows the distribution of 2003 HMDA-reportable loans among borrowers of different income levels. In addition, the table includes the percentage of assessment area families within each income level according to 2000 U.S. Census data.

Table 4 – Borrower Income Levels				
Borrower Income Level	Percent of MFI	2001 Kansas City MSA MFI	2002 Kansas City MSA MFI	2003 Kansas City MSA MFI
<i>Low</i>	< 50%	< \$31,100	< \$32,250	< \$33,350
<i>Moderate</i>	50% to < 80%	\$31,100 to < \$49,760	\$32,250 to < \$51,600	\$33,350 to < \$53,360
<i>Middle</i>	80% to < 120%	\$49,760 to < \$74,640	\$51,600 to < \$77,400	\$53,360 to < \$80,040
<i>Upper</i>	120% and over	≥ \$74,640	≥ \$77,400	≥ \$80,040

Source: HUD estimated 2001, 2002, and 2003 MFI.

Table 5 – Distribution of 2001 & 2002 HMDA Loans by Borrower Income					
Borrower Income Level	Percent of Assessment Area Families	Number of Loans	Percent of Total Number of Loans	Dollar Amount of Loans	Percent of Dollar Amount of Loans
<i>Low</i>	14%	6	10%	\$280,000	5%
<i>Moderate</i>	16%	9	15%	\$181,000	4%
<i>Middle</i>	23%	11	18%	\$326,000	6%
<i>Upper</i>	47%	26	42%	\$2,123,000	40%
<i>Income Not Available</i>	0%	9	15%	\$2,358,000	45%
TOTALS	100%	61	100%	\$5,268,000	100%

Source: 1990 U.S. Census and bank data. Loans for which income is not available include HMDA-reportable multi-family loans and certain other loans for which income is not reported under HMDA.

<i>Table 6 – Distribution of 2003 HMDA Loans by Borrower Income</i>					
<i>Borrower Income Level</i>	<i>Percent of Assessment Area Families</i>	<i>Number of Loans</i>	<i>Percent of Total Number of Loans</i>	<i>Dollar Amount of Loans</i>	<i>Percent of Dollar Amount of Loans</i>
<i>Low</i>	14%	3	16%	\$108,000	5%
<i>Moderate</i>	16%	2	11%	\$39,000	2%
<i>Middle</i>	22%	4	21%	\$161,000	7%
<i>Upper</i>	48%	9	47%	\$1,215,000	53%
<i>Income Not Available</i>	0%	1	5%	\$766,000	33%
<i>TOTALS</i>	100%	19	100%	\$2,289,000	100%

Source: 2000 U.S. Census and bank data. Loans for which income is not available include HMDA-reportable multi-family loans.

Based on the information presented in Tables 5 and 6, the bank has a good HMDA-reportable loan penetration among low- and moderate-income borrowers. The information reveals that the bank originated 10 and 15 percent, by number, of its 2001 and 2002 HMDA-reportable loans to low- and moderate-income borrowers, respectively, which compares to the 14 and 16 percent of low- and moderate-income families, respectively, in the assessment area. For HMDA-reportable loans originated in 2003, the bank's performance is also good. Sixteen percent of the bank's loans were originated to low-income borrowers and 11 percent were originated to moderate-income borrowers. These percentages compare to 14 and 16 percent low- and moderate-income family demographics in the assessment area based on 2000 census data. This is considered a good performance since many low- and moderate-income borrowers typically have difficulty meeting down payment and other loan requirements.

While the dollar volume of lending to low- and moderate-income borrowers is below the family demographic percentages, it is consistent with generally smaller loan requests of low- and moderate-income borrowers.

Lending among Businesses of Different Sizes – Commercial Loans

Table 7 shows the distribution of the commercial loan sample among businesses of varying sizes based on gross annual revenue levels. Table 7 also shows the percentage of businesses by gross annual revenue located in the assessment area based on 2003 D&B business demographic data.

<i>Table 7 – Distribution of Commercial Loans by Gross Annual Revenue</i>					
<i>Gross Annual Revenue of the Borrower</i>	<i>Percentage of Businesses in Assessment Area</i>	<i>Number of Loans</i>	<i>Percent of Total Number of Loans</i>	<i>Dollar Amount of Loans</i>	<i>Percent of Dollar Amount of Loans</i>
<i>≤ \$1,000,000</i>	89%	16	67%	\$2,233,164	86%
<i>> \$1,000,000</i>	11%	8	33%	\$370,373	14%
<i>TOTALS</i>	100%	24	100%	\$2,603,537	100%

Source: 2003 D&B business demographic data excluding 13,821 businesses not reporting revenue and bank data.

The bank has achieved an adequate loan penetration among businesses of different sizes with 67 percent of its commercial loans originated to businesses with gross annual revenue less than or equal to \$1.0 million dollars. The percentage of the bank’s loans in this revenue category is less than the percentage of businesses in the assessment area in the same category. However, given the large number of businesses in the assessment area that did not voluntarily report revenues (33 percent), the comparison should be viewed with caution. The bank has a commercial lending focus and markets its products to all business sizes in the assessment area.

c) Geographic Distribution of Loans

A geographic distribution analysis of HMDA-reportable loans and commercial loans revealed a reasonable dispersion of loans among the geographies within the assessment area considering demographic information and the location of the bank’s offices within the assessment area. Only loans originated within the assessment area are included in the analysis.

HMDA-reportable Loans

Table 8 shows the distribution of the 2001 and 2002 HMDA-reportable loans among the different geographies in the assessment area. Table 9 shows the distribution of the 2003 HMDA-reportable loans among the different geographies in the assessment area. In addition, the tables include the percentage of owner occupied housing units within each geographic designation based on the 1990 and 2000 census, respectively.

<i>Table 8 – Geographic Distribution of 2001 and 2002 HMDA Loans</i>					
<i>Income Designation of Geography</i>	<i>% of Housing Units Within Each Geographic Designation</i>	<i>Number of Loans</i>	<i>Percent of Total Number of Loans</i>	<i>Dollar Amount of Loans</i>	<i>Percent of Dollar Amount of Loans</i>
<i>Low</i>	17%	1	2%	\$25,000	1%
<i>Moderate</i>	41%	9	15%	\$1,867,000	35%
<i>Middle</i>	36%	36	59%	\$1,929,000	37%
<i>Upper</i>	6%	15	24%	\$1,447,000	27%
<i>Income NA</i>	0%	0	0%	\$0	0%
<i>Assessment Area Total</i>	100%	61	100%	\$5,268,000	100%

Source: 1990 U.S. Census and bank data.

<i>Table 9 – Geographic Distribution of 2003 HMDA Loans</i>					
<i>Income Designation of Geography</i>	<i>% of Housing Units Within Each Geographic Designation</i>	<i>Number of Loans</i>	<i>Percent of Total Number of Loans</i>	<i>Dollar Amount of Loans</i>	<i>Percent of Dollar Amount of Loans</i>
<i>Low</i>	2%	0	0%	\$0	0%
<i>Moderate</i>	19%	12	63%	\$1,319,000	58%
<i>Middle</i>	38%	3	16%	\$284,000	12%
<i>Upper</i>	41%	4	21%	\$686,000	30%
<i>Income NA</i>	0%	0	0%	\$0	0%
<i>Assessment Area Total</i>	100%	19	100%	\$2,289,000	100%

Source: 2000 U.S. Census and bank data.

The information presented in Tables 8 and 9 illustrates that the bank's geographic distribution of HMDA-reportable loans is reasonable overall but has substantially improved with the origination of loans in 2003. In 2001 and 2002, the bank originated 2 and 15 percent of its loans in low- and moderate-income census tracts, respectively, compared to 17 and 41 percent of the assessment area housing units located in low- and moderate-income census tracts, respectively. In 2003, the bank did not originate any loans in low-income census tracts; however, the 2000 census determined that there are only 4,941 housing units in low-income areas out of 247,504 total units in the assessment area. Accordingly, the market for residential real estate loans in low-income

areas is very limited. The bank's 2003 performance in moderate-income areas was excellent with 63 percent of the loans being in moderate-income tracts versus 19 percent of the housing units in the assessment area.

Commercial Loans

Table 10 shows the distribution of the commercial loan sample among the different geographies in the assessment area. In addition, the table includes the percentage of assessment area businesses located in each geography income category.

<i>Table 10 – Geographic Distribution of Commercial Loans</i>					
<i>Income Designation of Geography</i>	<i>% of Assessment Area Businesses Within Each Geographic Designation</i>	<i>Number of Loans</i>	<i>Percent of Total Number of Loans</i>	<i>Dollar Amount of Loans</i>	<i>Percent of Dollar Amount of Loans</i>
<i>Low</i>	1%	0	0%	\$0	
<i>Moderate</i>	13%	3	12%	\$174,989	7%
<i>Middle</i>	33%	4	17%	\$67,554	3%
<i>Upper</i>	51%	17	71%	\$2,360,994	90%
<i>Income NA</i>	2%	0	0%	\$0	0%
<i>Assessment Area Total</i>	100%	24	100%	\$2,603,537	100%

Source: 2003 D&B business demographic data and bank data.

As shown in Table 10, the bank's geographic distribution of commercial loans is reasonable. The bank did not originate any loans in low-income tracts or in tracts where no income was available; however, 2003 D&B business demographic data indicates that only 324 and 692 businesses, respectively, are located in these areas, out of 41,815 businesses in the assessment area. The community contact stated that the market for loans is very competitive and that credit is generally available in the assessment area. The bank's commercial lending performance percentage in moderate-income tracts at 12 percent by number is comparable to the percentage of businesses in moderate-income tracts.

d) Loan-to-Deposit Ratio

The bank's average net loan-to-deposit ratio (ratio) reflects an exceptional willingness to provide credit given the institution's size, financial condition, and community credit needs. The bank's ratio, based on 19 quarters since the previous evaluation, is 94 percent. With the exception of two quarters, the bank's ratio has consistently been above 90 percent and is at 101 percent as of the most recent quarter end, September 30, 2003.

To evaluate the reasonableness of this ratio, examiners compared the bank’s ratio over the prior 19 quarters to that of similarly situated banks (banks with similar asset size, structure, loan portfolio mix, and area served). This information is detailed in Table 11.

<i>Table 11 – Similarly Situated Banks</i>					
<i>Bank Name</i>	<i>Branches</i>	<i>Total Assets (000s)</i>	<i>Total Deposits (000s)</i>	<i>Net Loans (000s)</i>	<i>Average Net Loan to Deposit Ratio</i>
<i>First Community Bank Kansas City, Kansas</i>	1	\$172,311	\$147,534	\$148,780	94%
<i>Industrial State Bank Kansas City, Kansas</i>	3	\$155,513	\$126,136	\$77,907	63%
<i>Metcalf Bank Overland Park, Kansas</i>	5	\$234,846	\$201,704	\$126,759	65%

Source: Bank financial data. The banks are listed in alphabetical order by city.

The table shows that First Community Bank’s ratio of 94 percent is substantially higher than all other banks identified as similarly situated.

Over the past 19 quarters, the bank’s net loans have increased 68 percent, whereas total deposits have increased 51 percent, positively impacting the ratio. Furthermore, First Community Bank’s loan growth exceeded the loan growth of the similarly situated banks. Industrial State Bank and Metcalf Bank experienced loan growth of 20 percent and 48 percent, respectively.

e) Response to CRA-Related Complaints

Neither the bank nor the Federal Deposit Insurance Corporation has received a CRA-related complaint since the last evaluation.

g) Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.