



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 01, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank and Trust
Charter Number 3601**

**225 State Street
Phillipsburg, KS 67661**

**Comptroller of the Currency
Kansas City North
7101 College Boulevard Suite 1600
Overland Park, Kansas 66210**

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 COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Outstanding.

The major factors supporting the institution's ratings are:

- First National Bank and Trust's record of lending to businesses of different sizes and to borrowers of different income levels is strong.
- The bank's lending level is strong in relation to its size, financial condition, and credit needs of the assessment area.
- The level of lending to businesses and borrowers within the assessment area is strong.

DESCRIPTION OF INSTITUTION

The First National Bank and Trust (FNB&T) is a \$144 million financial institution located in Phillipsburg, Kansas. The bank is a subsidiary of Golden Plains Bankshares, Inc., a one-bank holding company. FNB&T is a full-service bank offering a variety of loan and deposit products and trust services. The bank is primarily an agricultural lender, which is consistent with primary needs of the assessment area. The primary loan products are agricultural production loans, consumer loans, and commercial loans.

This Performance Evaluation is an assessment of the bank's CRA performance from November 16, 1999 through December 31, 2005. The bank received a rating of "Outstanding Record of Meeting Community Credit Needs" at the last CRA Examination dated November 15, 1999. There are no legal constraints, financial conditions, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area. Refer to the bank's CRA Public File for more information.

DESCRIPTION OF PHILLIPS COUNTY

FNB&T has designated all of Phillips County as the assessment area (AA), which is located in the non-metropolitan area of northwest Kansas. The AA is composed of three middle-income block-numbering areas. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Refer to the bank's CRA Public File for more information.

The primary credit needs of the AA include agricultural and consumer loans. There is also a demand for small business loans. Two individuals contacted within the community indicated there are no unmet credit needs. A credit union, a savings & loan association, and two other commercial banks headquartered in Phillipsburg provide strong competition for loans and deposits.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB&T's level of lending to business of different sizes and to borrowers of different income levels is strong. We reviewed loans the bank originated in its AA for the revenue and income comparison. We used data collected by the bank to internally monitor their CRA performance, verifying the accuracy of the information by random sample and review of original reports.

Loan-to-Deposit Ratio

FNB&T's lending level is strong in relation to its size, financial condition, and the credit needs of the AA. The bank's quarterly average loan-to-deposit (LTD) ratio since the last CRA examination through December 31, 2005 is 69 percent. FNB&T ranked first among the three banks headquartered in Phillips County and second for the six similarly situated banks in the three county area. The quarterly average ratio for similarly situated banks ranged from 46.1 percent to 80.1 percent.

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

FNB&T's level of lending to businesses of different sizes and to borrowers of different income levels is strong. For this section of the examination, we reviewed loans the bank originated in its AA for the revenue and income comparison. Since the last CRA examination approximately 5 years ago, the bank originated 14,420 loans totaling \$480 million.

Based on the volume of loan originations by number and dollar, we focused our primary emphasis on agricultural, consumer, and commercial loans. During this period agricultural loans represented 54 percent of total originations by dollar and consumer loans represented 54 percent of total loan originations by number. We also reviewed commercial loans since they represent 20 percent of total loan originations by dollar.

- The bank's record of lending to agricultural borrowers of different sizes is excellent. The agricultural production loan sample shows that 97 percent of the number of loans made and 94 percent of the dollar volume of loans made are to borrowers with gross annual revenues under \$1 million. This is comparable to the area demographic data that shows 96 percent of the businesses that reported information had gross revenues of less than \$1 million.

Information on the *size* of the individual agricultural production loans originated during the review period further supports lending to small farm borrowers. Using the same loans sampled for gross annual revenue analysis, 83 percent of the number of those loans made was for \$25,000 or less.

- The bank's record of lending to consumers of different income levels is excellent. The consumer sample shows the level of lending to borrowers of different income levels compares favorably to area demographic data. Approximately 65 percent of the number of loans in the consumer sample is to low- and moderate-income borrowers, compared to 42 percent of the households in the AA.

The bank provided information showing the size distribution of consumer loans originated during the review period that further supports the bank lending to low- to moderate-income borrowers. Approximately 57 percent of the number of loans made was for amounts under \$5,000. To help meet the AA consumer loan needs, management has not established a minimum loan amount.

- The bank's record of lending to commercial borrowers of different sizes is excellent. The commercial sample shows 70 percent of the loans within the AA by number are to borrowers with gross annual revenues under \$ 1 million. This compares favorably to local demographic data showing 62 percent of the businesses in the AA have gross revenues of less than \$1 million.

Lending in Assessment Area

FNB&T's level of lending to businesses and borrowers within its AA is strong. Based on our sample, the bank originated 97 percent of the loans by number and 98 percent by dollar volume within the AA. We reviewed a sample of 200 agricultural, 113 consumer, and 100 commercial loans the bank originated since the last CRA examination dated November 15, 1999.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not applicable because there are no low- and moderate-income geographies in FNB&T's AA.

Qualified Investments and Community Development Services

Flexible Loan Programs

The bank offers a variety of flexible loan programs targeting small farms and businesses.

Farm Service Agency (FSA) Guaranteed Agriculture Loan Program: The program's primary purpose is to assist farmers who do not qualify for bank loans due to financial distress or lack of adequate collateral. The bank originated ten loans totaling \$1.6 million during the review period.

Beginning Farmer Loan Program: The primary purpose of the program is to assist beginning farmers in the state of Kansas to acquire agricultural property at preferable interest rates. The general loan limit is \$250 thousand. The lending institution is able to obtain a state and federally tax-exempt bond in the amount of the loan from the Kansas Development Finance Authority. The bank originated eight loans totaling \$797 thousand during the review period. FNB&T is the only bank participating in this program within the AA.

First Time Home Owner Program: The primary purpose of the program is to encourage home ownership for qualified participants by providing considerable income tax savings for first time homeowners. Participants in the program are also required to attend an initial consumer credit counseling seminar the bank hosts. The bank originated 31 loans totaling slightly over \$1 million during the review period. The loans were small to moderate in size, ranging in amounts from \$15 thousand to \$60 thousand. FNB&T is the only bank participating in this program within the AA and has had customers referred to the bank from other financial institutions in the area. The bank actively advertises this program.

Community Development Services

The bank has a long history of community involvement through both financial assistance and officer and employee community involvement. Several of the bank's employees serve as board or committee members of various agencies and organizations that benefit small businesses and farms. In this capacity, bank employees offer their technical expertise. For example, the bank has provided extensive employee time and resources to help attract and start up an ethanol plant, Prairie Horizon Agri-Energy, Inc. Ethanol production is scheduled to begin mid-year 2006. Bank employees were instrumental in the organization and start-up of the plant construction and will serve on the operating board when the plant begins production. Bank President Culbertson serves as the corporate treasurer. The bank has also donated secretarial time, use of the bank airplane, along with numerous hours of work, copies, and mailings. The bank is providing a portion of the construction financing. The plant will have significant financial impact on the community. In the first year of operation, the plant is estimated to help create 204 jobs in the county. The new plant is expected to bring 65 new residents to the community and increase local personal income \$6.4 million and local sales \$4.2 million.

Some other areas of community development services include significant involvement with economic development organizations, downtown revitalization projects, community housing committees, and numerous other civic, charitable, and religious organizations whose primary purpose is serving needs of low- and moderate- income persons.

Qualified Investments

FNB&T helps support low- and moderate-income families through donations to several community organizations. For example, the bank has been a major contributor, with help of bank employees, to the Phillipsburg Community Fund. The bank provides 100 percent matching of employees' contributions. From October 2002 to December 31, 2005, the bank contributed \$12,697 to the fund. While the Phillipsburg Community Fund was discontinued in 2004, the bank has developed its own version of the charitable fund and will continue 100 percent matching of employee contributions. In 2003 the bank donated \$100 thousand to the Phillips County Hospital to upgrade and improve local medical care.

Responses to Complaints

FNB&T has not received any consumer complaints regarding its CRA performance during the

evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.