



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 21, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank In Wellington
Charter Number 3091**

**206 E. Harvey
Wellington, KS 67152**

**Comptroller of the Currency
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Wichita Field Office
3450 North Rock Road, Suite 505
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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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The First National Bank in Wellington's quarterly average loan-to-deposit ratio of 80% is satisfactory compared with 72% for its peer bank group.
- The First National Bank in Wellington's lending in the assessment area is satisfactory. The bank grants a majority of its loan products in the assessment area.
- The First National Bank in Wellington demonstrates a good level of lending to businesses and farms of different sizes. The distribution of commercial loans is excellent. The distribution of agricultural loans is satisfactory.

DESCRIPTION OF INSTITUTION

The First National Bank in Wellington (the bank) is a \$69 million bank headquartered in Wellington, Kansas. The main office features a drive-up facility and a deposit-taking automated teller machine (ATM). The bank operates a cash-dispensing ATM inside the Dillons grocery store in Wellington. The bank does not operate any branches.

The bank is a wholly-owned subsidiary of First Financial Corporation (FFC). FFC is a one-bank holding company headquartered in Wellington, Kansas. On June 30, 2002, FFC had total assets of \$7 million. The bank's one affiliate, Wellington Area Test Farm, is located in Wellington, Kansas. The bank's corporate structure has not changed since the previous CRA examination.

The bank is primarily an agricultural lender, offering a variety of loan products. On June 30, 2002, net loans represented 64% of the bank's total assets. The bank's \$45 million loan portfolio has the following composition: agriculture 38%; commercial and industrial 18%; commercial real estate 17%; consumer 14%; residential real estate 11%; and real estate construction and development 2%. The bank has not changed any existing products or offered any new products since the previous examination. Examiners determined the bank's primary loan products, based on the number and the dollar volume granted from January 1, 2000, to September 30, 2002, are commercial loans and agricultural loans, respectively.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. At the March 2, 1998, CRA examination examiners assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is Sumner County. The AA contains the following six block numbering areas: 9921 - 9926. Fifty percent are middle-income tracts, and 50% are upper-income tracts. The AA is not part of a Metropolitan Statistical Area (MSA) and 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 AA has a population of 25,841. The Kansas statewide non-MSA median family income for 2002 is \$44,200. The AA has the following income distribution for families:

Distribution of Family Income in the Assessment Area	
Income Level	Percentage
Low-income Families	12
Moderate-income Families	16
Middle-income Families	24
Upper-income Families	48

Total	100
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Ten percent of the households have income below the poverty level, 34% receive social security, and 6% are on public assistance. Twenty-eight percent of the population are not in the work force, and 17% are over the age of 65. The medium housing value is \$38,339, and 69% of the housing units are owner-occupied.

The AA has a high concentration in agricultural production. The primary agricultural products are wheat, milo, and cattle. Aircraft subcontractors and the railroad industry help provide employment diversity. Major employers include local farmers, BAE Systems-Aerospace Support, Stellex Precision Machining, Inc., Triumph Machine Parts, Burlington Northern & Santa Fe Railway, Unified School District 353, and local governments. The local economy is experiencing a slowdown because of recent drought conditions, low cattle prices, and a decline in aircraft production. The Kansas unemployment rate for September 2002 is 4.6% compared with 5.6% nationwide.

The bank faces strong competition in the area. In addition to the bank, 12 other banks, 1 farm credit association, and 1 credit union association have offices in the AA. The asset sizes for these institutions range from \$16 million to \$112 million. Examiners selected nine of these institutions as peer banks since the majority of their deposits are in the AA. The asset sizes for the peer banks range from \$16 million to \$112 million with the bank ranking third within this group. With 16% of the AA's deposits, the bank ranks first in deposit market share.

Examiners contacted one community economic development professional. The contact identified commercial loans and agricultural loans as two of the community's primary credit needs. The contact stated that area banks are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is satisfactory. The bank's quarterly average loan-to-deposit ratio over the past 12 quarters ending June 30, 2002, is 80% compared with 72% for peer banks. For peer banks, examiners selected nine banks that had the majority of their deposits in the AA. The average loan-to-deposit ratios for the peer banks range from 46% to 101%.

Lending in Assessment Area

The bank's lending in the AA is satisfactory as it extends a majority of its loan products in the AA. To determine the distribution, examiners reviewed the bank's analysis of all of its loan originations from January 1, 2000, through September 30, 2002. Examiners verified the accuracy of the bank's analysis. The table below shows the bank's lending in the AA:

Percentage of Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
85	68

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

Lending to farms and to businesses of different sizes is good. Examiners selected a sample of 20 commercial loans and 20 agricultural loans. These products represent the majority of loans originated from January 1, 2000, through September 30, 2002. The distribution for the commercial loans is excellent. The distribution for the agricultural loans is satisfactory. Examiners did not analyze consumer loans since they were not identified as primary loan products. The community contact identified commercial loans and agricultural loans as two of the community's primary credit needs.

Lending to businesses of different sizes in the AA is excellent. All the loans in the sample are to businesses with annual gross revenue of \$1 million, or less. The Dunn & Bradstreet 2001 demographic data indicates 87% of the businesses in the AA have annual gross revenue of \$1 million, or less.

Sample of Commercial Loans Granted Between January 1, 2000 and September 30, 2002		
Annual Gross Revenues	Percentage of Number	Percentage of Dollar
Less than \$100,000	40	11
\$100,000 - \$249,999	20	09
\$250,000 - \$499,999	25	29
\$500,000 - \$1,000,000	15	51
Over \$1,000,000	0	0
Total	100	100

Lending to farms of different sizes in the AA is satisfactory. The table below shows 95% of the agricultural loans in the sample are to farms with annual gross farm revenue of \$1 million or less. The bank's performance is comparable with the Dunn & Bradstreet 2001 demographic data showing 99% of the farms in the AA have annual gross farm revenue of \$1 million or less.

Sample of Agricultural Loans Granted Between January 1, 2000 and September 30, 2002		
Annual Gross Farm Revenue	Percentage of Number	Percentage of Dollar
Less than \$100,000	55	66
\$100,000 - \$249,999	20	11
\$250,000 - \$499,999	20	20
\$500,000 - \$1,000,000	0	0
Over \$1,000,000	5	3
Total	100	100

Geographic Distribution of Loans

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

Responses to Complaints

The bank has not received any CRA-related complaints or comments since the previous CRA examination.

Fair Lending Review

An analysis of 1999, 2000, 2001, and first half of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in December 1997.