



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 12, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number 11968

1100 Fort Street  
Hays, KS 67601-0000

Office of the Comptroller of the Currency

Kansas City North Field Office  
7101 College Boulevard Suite 1600  
Overland Park, KS. 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 CRA RATING: This institution is rated Satisfactory.**

The major factors supporting First National Bank's (FNB) rating include:

- FNB's Loan to Deposit (LTD) ratio is reasonable.
- FNB's volume of lending inside the Assessment Area (AA) is reasonable.
- Lending to borrowers with differing levels of income is good.
- **FAIR LENDING**

**SCOPE OF EXAMINATION**

We performed a full scope evaluation of FNB's CRA performance using Small Bank Examination procedures. Our objective was to assess FNB's ability to serve and meet the credit needs of the communities within its AA. The bank's primary lending products, by number and dollar, are commercial, agricultural, and residential refinance loans. Our loan sample included 20 loan originations of each type. We did not include any affiliate lending in this review.

**DESCRIPTION OF INSTITUTION**

FNB is a \$92 million institution with branches in Ellis and Rooks counties in Kansas. FNB is wholly owned by Kansas Pacific Inv. LLC, a one bank holding company. The bank has two wholly owned subsidiaries, Bank Mortgage Solutions, LLC, and National Billing.

There are no legal or financial factors that impede FNB's ability to help meet the credit needs of the AA. FNB received a "Satisfactory" rating at the last CRA examination dated June 9, 2004. Please refer to FNB's CRA Public File for additional information.

**DESCRIPTION OF ASSESSMENT AREA(S)**

FNB has one AA which includes the entire counties of Ellis and Rooks in Kansas. The population of the AA is approximately 33,000. The AA includes seven census tracts, five in Ellis county and two in Rooks. None of the census tracts are designated by the U.S. Census Bureau as low- or moderate-income. However, 16.67 percent of the families in the AA are considered low-income and 20.01 percent of the families are considered moderate-income. The median annual income for the AA is \$41,490. Unemployment is around 4 percent which compares favorably to the rate for the state of Kansas at 6.3 percent and the national rate of 9.5 percent.

Overall, the economic condition of the AA is good. Crop yields and prices are good, as are cattle prices. There is also good oil production in the area. The area has added some manufacturing jobs recently and there are some new start-up small businesses. There have been several hotels built in recent years, adding to the positive economic outlook.

We made one community contact during the examination with a local economic development agency in the area. The director there stated the banks are doing a good job of meeting credit needs, sometimes in innovative ways. Affordable housing is limited, with some availability in smaller rural communities.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB's performance under the lending test is satisfactory. FNB was found to have reasonable penetration among borrowers of different income levels and businesses and farms of different sizes. FNB's LTD is reasonable. Of the loans sampled, a majority were made within the AA. No complaints were filed during the assessment period regarding FNB's CRA performance.

### **Loan-to-Deposit Ratio**

FNB's LTD ratio is reasonable, given the institution's size, financial condition, AA credit needs, and deposit activity. The average LTD for the 29 quarters since the previous CRA examination was 76.13 percent. As of June 30, 2010, FNB reported \$74 million in deposits in the AA, which represents a market share of 8.10 percent. Comparably sized institutions within the AA had an average LTD of 92.17 percent, ranging from a low of 75.74 percent to a high of 101.75 percent.

### **Lending in Assessment Area**

FNB's lending inside the AA is reasonable. Based on our sample of loans, we found 80 percent by number, and 77 percent by dollar, were made inside the AA. Farm loans inside the AA equaled 80 percent by number, and 68 percent by dollar, commercial loans inside equaled 90 percent by number, and 87 percent by dollar, and residential refinance loans equaled 70 percent by number, and 76 percent by dollar, inside the AA.

### **Borrower Distribution of Loans**

Lending to borrowers of different incomes and to businesses and farms of different sizes is reasonable. Residential refinance lending to LMI borrowers is lower than the percentage of LMI families in the AA. However, this percentage is influenced by the fact that 6.68 percent of families and 14.83 percent of households in the AA are living below the poverty level.

FNB's lending to businesses and farms with revenues less than \$1 million is excellent, with FNB's lending to businesses equivalent to the percentage of businesses in the AA with revenues less than \$1 million and lending to farms exceeding the percentage of farms in the AA with revenues less than \$1 million.

See tables below.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
RE Refinance	16.67%	0.00%	20.01%	14.29%	25.08%	14.29%	38.24%	71.43%

Source: Loan Sample and US Census Data

<b>Table 2A - Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.48%	3.64%	21.88%	100%
% of Bank Loans in AA by #	77.78%	22.22%	NA	100%
% of Bank Loans in AA by \$	68.72%	31.28%	NA	100%

Source: Loan sample; Dun and Bradstreet data.

<b>Table 2B - Borrower Distribution of Loans to Farms</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	97.45%	1.91%	0.64%	100%
% of Bank Loans in AA by #	100%	0.00%	NA	100%
% of Bank Loans in AA by \$	100%	0.00%	NA	100%

Source: Loan sample; Dun and Bradstreet data.

## **Geographic Distribution of Loans**

Since there are no LMI census tracts within the AA, a geographic analysis would not be meaningful and was not performed.

## **Responses to Complaints**

There were no complaints regarding FNB's CRA performance received during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

Write a paragraph about the institution's record of complying with the laws relating to

discrimination and other illegal credit practices inconsistent with helping to meet community credit needs using the following guidelines:

If no substantive violations are found, the PE must state: "We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs."

OR

When substantive violations involving discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs have been identified in the supervisory process and were taken into account in the CRA evaluation, state that substantive violations were found, the nature and scope of the violations, whether they caused the CRA rating to be adjusted downward, and why the rating was or was not adjusted. Identify the law(s) and regulations(s) violated, the extent of the violation(s) (e.g., widespread or limited to a particular office, division, subsidiary, or affiliate) and characterize management's response in acting upon the violation(s).