



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 02, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank & Trust
Charter Number 3467**

**216 N. Main Street
St. John, KS 67576**

**Comptroller of the Currency
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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

- First National Bank & Trust's quarterly average loan-to-deposit ratio of 75 percent is moderately above the 66 percent quarterly average loan-to-deposit ratio for other banks headquartered in the assessment area.
- A majority of the bank's major loan products have been granted in the assessment area. The examiner's loan sample indicated 75% of the number and 79% of the dollar volume was in the assessment area.
- The bank demonstrated good lending levels to small businesses. The examiner's commercial loan sample indicated the bank's lending level was 7% higher than the demographics of the area. Lending to agricultural borrowers of different sizes was satisfactory. The agricultural loan sample indicated 90% of the number of loans were to borrowers with annual gross revenues under \$1,000,000.

DESCRIPTION OF INSTITUTION

The First National Bank & Trust (First National) is a \$51 million financial institution located in St. John, Kansas. St. John is a small rural community whose economy is agricultural based. First National does not have any branches or affiliates. The bank has one ATM at an offsite location. First United Holding Company, a one-bank holding company, owns 100% of First National's common stock. First National is one of six banks located in the county.

First National is a full service bank offering a variety of loan products. Net loans represent 59 percent of the bank's total assets. As of June 30, 2002 the bank's \$32 million loan portfolio has the following composition: agricultural 47 percent, commercial 9 percent, residential real estate 6 percent, and consumer 5 percent. The remaining 33 percent of the portfolio is comprised of agricultural and commercial leases.

Examiners determined the bank's primary loan products, by number and dollar amount of loans, granted in the past two years, are agricultural and commercial.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the December 18, 1997, examination.

Competition in the area is strong. There are four banks, including First National, headquartered in the Assessment Area (AA) and two other banks that have branches in the AA. First National is the largest of the banks with headquarters in the AA and had 35 percent of the county's deposits on June 30, 2001. The other bank located in St. John had 21 percent of the county's deposits.

The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Examiners contacted one community professional. The contact indicated the financial institutions are involved in the AA and they were not aware of any unmet credit needs.

DESCRIPTION OF ASSESSMENT AREA

First National's AA is all of Stafford County, Kansas. Stafford County is located in south-central Kansas and is not in a Metropolitan Statistical Area (MSA). The county contains two Block Numbering Areas (BNA) with both being middle-income tracts. The 2000 population of the AA was 5,365. The Kansas statewide non-metropolitan median family income for 2002 is \$44,200. The AA has the following income distribution for families:

Distribution of Family Income in Assessment Area	
Income Level	Percentage
Low-income Families	21%
Moderate-income Families	23%
Middle-income Families	24%
Upper-income Families	31%

Fifteen percent of the households have incomes below the poverty level, 40 percent receive social security, and 7 percent receive public assistance. 33 percent of the population is not in the workforce and 23 percent is over the age of 65. The median housing value is \$23,578 and 63 percent of the housing units are owner occupied. The trade area is dependent on agriculture, especially growing crops. Area economic conditions are average due to dry conditions and low grain prices. Major employers in the area include the county, school district and the Stafford County Flour Mill.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National's lending activity, which includes lease financing, is satisfactory compared to other banks in the AA. The quarterly average loan-to-deposit ratio for 14 quarters was 75 percent. This compares favorably to the average loan-to-deposit ratio of 66 percent for the three other banks headquartered in the AA. Quarterly average loan-to-deposit ratios for this group ranged from 77 percent to 58 percent.

Lending in Assessment Area

First National's lending in its AA is satisfactory as it extended a majority of its major loan products in its AA. To determine the loan distribution examiners selected a sample of 40 loans granted since July 1, 2000. The sample consisted of 20 agricultural loans and 20 commercial loans. The following table depicts the distribution of these loans by number and dollar amount:

Percentage of Sample Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
75%	79%

The bank's lease portfolio comprises approximately 33 percent of the overall loan and lease portfolio. Current management reports indicate the number of leases made in the assessment area totals 40 while the dollar volume totals \$1,010,123. The reports indicate the number of leases out of the assessment area totals 541 while the dollar volume totals \$9,712,225. The leasing activity the bank performs, which is primarily agricultural and commercial, involves significant activity outside the bank's assessment area. Very few community banks are involved in leasing activities and the bank has been successful in expanding this line of business to surrounding areas. This has been achieved while still maintaining satisfactory levels of lending in the AA.

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

Lending to borrowers of different incomes and businesses of different sizes is satisfactory. Examiners analyzed samples of loans to agricultural and commercial borrowers as those loan products represent the majority of loans originated in the past two years.

Lending levels to agricultural borrowers of different sizes is reasonable. Examiners selected a sample of 20 agricultural loans granted in the AA since July 1, 2000, which represents approximately 4 percent of the farms in the county. The following table indicates 20 percent of the loans in the sample and 9 percent of the dollar amount of those loans were granted to agricultural operations with annual gross revenues less than \$100,000. This percentage is below the 1997 Agriculture Census for Stafford County, which depicts 67 percent of the operations are in this range. Approximately 33 percent of the farms in this category reported revenues below \$5,000.

Sample of Agricultural Loans Granted Between July 1, 2000 and June 30, 2001		
Annual Gross Revenues	Percentage of Number of Loans	Percentage of Dollar Amount of Loans
Less than \$100,000	20%	9%
\$100,000 to \$250,000	30%	12%
\$250,000 to \$500,000	25%	38%
\$500,000 to \$1,000,000	15%	29%
Over \$1,000,000	10%	12%

Lending levels to commercial borrowers of different sizes is good. Examiners selected a sample of 20 commercial loans granted in the AA since July 1, 2000. The following table indicates that 50 percent of the loans in the sample and 41 percent of the dollar amount of those loans were granted to businesses with gross revenues less than \$100,000. 95 percent of the number of loans and 95 percent of the dollar amount of those loans were granted to businesses with revenues less than \$500,000. Business demographic data for the AA indicates that 88 percent of businesses within the AA have revenues less than \$500,000.

Sample of Commercial Loans Granted Between July 1, 2000 and June 30, 2001		
Annual Gross Revenues	Percentage of Number of Loans	Percentage of Dollar Amount of Loans
Less than \$100,000	50%	41%
\$100,000 to \$500,000	45%	54%
Over \$500,000	5%	5%

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful. The assessment area contains no low- or moderate-income BNA's.

Responses to Complaints

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

Fair Lending Review

An analysis of 1997, 1998, 1999, 2000, 2001 and year-to-date 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 that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.