



SMALL BANK

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

PUBLIC DISCLOSURE

June 9, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 11968**

**1100 Fort Street
Hays, KS 67601**

**Comptroller of the Currency
Kansas City North
6700 Antioch Road Suite 450
Merriam, KS 66204**

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 bank lends to individuals of all income levels and businesses of different sizes.
- The bank's loan-to-deposit ratio is reasonable at 67 percent given the competition and credit needs of the bank's assessment area.
- The majority of loans are made to borrowers in the bank's assessment area.
- The overall geographic distribution reflects an acceptable penetration throughout the bank's assessment area.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a \$75 million community bank located in Ellis and Rooks counties, Kansas. The bank's main office is located in Hays, Kansas, with additional branches in Palco and Plainville, Kansas. All of the facilities are included in the bank's assessment area (AA). FNB is not a holding company subsidiary. FNB is a full-service bank offering a variety of loans and services. The primary loan focus is on commercial real estate and vehicle loans.

This Performance Evaluation is an assessment of the bank's CRA performance from March 23, 1999 through December 31, 2002. FNB received a "Satisfactory" rating at the last CRA examination dated March 22, 1999. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the assessment area. Refer to the bank's CRA Public File for more information.

Description of Ellis and Rooks Counties

FNB has designated Ellis and Rooks counties as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Hays is the county seat of Ellis County and is the largest city in the northwest quadrant of Kansas. Stockton is the county seat of Rooks County.

The AA includes seven block numbering areas/census tracts (BNA/CT). The BNA/CT's are comprised of one moderate-income, one upper-income, and five middle-income tracts. The campus of Fort Hays State University, Hays, Kansas, is located within the AA's only moderate-income tract. Most of the students reside in student housing or near campus. The AA does not arbitrarily exclude any low- or moderate-income areas. Refer to the bank's CRA Public File for more information.

A significant percentage of households (17 percent) have incomes below the poverty level due to the AA's large college student population. Twenty-seven percent of the households in the AA receive social security and four percent are on public assistance programs. Twenty-five percent

of the population is not in the work force, and fifteen percent is over the age of 65.

Examiners contacted one community professional in Hays, Kansas. The contact identified business, residential, and consumer purpose loans as the credit needs in the community. The contact also noted that area banks are meeting those needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's lending level is reasonable given the bank's size, financial condition, risk appetite, and AA credit needs. The bank's quarterly average loan-to-deposit ratio since June 30, 1999, was 67.47 percent. This ratio approximates the average ratios for the four similarly situated banks. Ratios for these banks ranged from 44 to 110 percent.

Lending in Assessment Area

FNB's lending in the AA is good, as it extends a majority of its primary loan products in the AA. We selected a sample of 20 loans made during 1999 through year-end 2002. These twenty loans included consumer vehicle and commercial real estate loans. Eighty percent of these loans by number and 96 percent by dollar volume were located within the bank's AA.

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

FNB's overall lending patterns reflect reasonable penetration among businesses of different sizes and among individuals of different income levels. Loan originations demonstrate the bank's focus on loans to small businesses and to consumers.

Table 2A – Borrower Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61%	5%	34%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	54%	46%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

The bank is active in meeting the credit needs of small businesses within the community. We reviewed a sample of 20 commercial real estate loans that originated during the assessment period. As shown in Table 2A, loans in the AA made to small businesses with annual revenues of less than \$1 million represented 90 percent by number and 54 percent by dollar volume.

Table 2B - Borrower Distribution of Consumer Vehicle Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	26%	25%	16%	5%	18%	25%	40%	45%

Source: loan sample; U.S. Census data.

The bank actively meets the needs of consumers. We reviewed a sample of 20 vehicle loans that originated during the assessment period. Table 2B shows that the bank's performance is adequate. The AA's high poverty rate results from the college student population. Students represent a significant percentage of the low- and moderate-income categories and impact loan demand.

Geographic Distribution of Loans

The overall geographic distribution reflects an acceptable penetration throughout the bank's assessment area.

Table 3A - Geographic Distribution of Loans to Businesses in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	0%	0%	25%	25%	60%	55%	15%	20%

Source: loan sample; D and B data

The geographic distribution of commercial real estate loans is satisfactory. Based on our sample of 20 commercial real estate loans (Table 3A), the geographic distribution in moderate-income tracts matches the demographics.

Table 3B - Geographic Distribution of Consumer Vehicle Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Vehicle Loans	0%	0%	18%	10%	60%	55%	22%	35%

Source: loan sample; U.S. Census data.

The geographic distribution of consumer vehicle loans is adequate. Based on our sample of 20 consumer vehicle loans (Table 3B), the geographic distribution in moderate-income tracts is 10 percent by number. This percentage is lower than demographics. Mitigating factors for this low percentage include the college student population, the high poverty level, and the large number of residents that are not in the work force.

Responses to Complaints

FNB has not received any written CRA related complaints during our review period of June 30, 1999 through December 31, 2002.

Fair Lending or Other Illegal Credit Practices Review

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