



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 11, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Clifton
Charter Number 7178**

**103 Parallel Street
Clifton, KS 66937**

**Comptroller of the Currency
Kansas City North Field Office
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.

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INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: This institution is rated "Outstanding."

The First National Bank of Clifton (FNB) has an excellent record of lending to individuals of different income levels and to businesses of different sizes. The bank has been very responsive to meeting the identified credit needs of the community.

Based on a review of originations since the last CRA evaluation, the bank's primary products by dollar is commercial and residential real estate loans, and by number consumer vehicle loans.

- Our sample of 20 residential real estate loans shows the bank's distribution of loans by income level exceeds area demographic data for the low- and moderate-income categories. Area demographics show 16.6 percent of the families at the low-income level and 18.9 percent of the families at the moderate-income level. The bank's loan sample shows 25 percent in each income category.
- The bank's distribution of consumer loans by income levels also exceeds area demographic data for the low- and moderate-income categories for households. Our sample of 20 loans shows 25 percent of the loans to low-income households and 30 percent of the loans to moderate-income households. Area demographic data shows 21.1 percent and 16.2 percent in the low- and moderate-income categories, respectively.
- Demographic information for families and households was obtained from the 1990 United States Census Bureau. The income levels are based on the updated 2002 HUD median family income of \$45,867.
- In addition to the favorable income distribution for individuals, the bank's revenue distribution for businesses is excellent. Our sample of 20 loans shows that 80 percent of the loans was to businesses with revenues less than \$1 million with 55 percent to businesses with revenues less than \$100 thousand. According to 2002 Business Geo-demographic Data 72 percent of the area businesses have revenues less than \$500 thousand with 65 percent having four or less employees.
- A bank-prepared document showed that the bank's lending activity to small businesses has helped to create approximately 21 jobs in the area during this evaluation period. The bank has committed to donate \$25 thousand to the Community Nursing Home in Clifton since the home was able to obtain Kansas tax credits. The home is one of the largest employers in Clifton.

A significant majority of the bank's loan originations are extended to borrowers within the bank's assessment area.

- Our sample consisted of 25 loans from each category (residential real estate, consumer, and commercial). The analysis shows 82 percent by dollar and 77 percent by number originated in the bank's assessment area.

The bank's loan-to-deposit ratio is reasonable based upon local economic conditions and the lending opportunities available in the bank's assessment area.

- The bank's quarterly average loan-to-deposit ratio of 66 percent for first quarter 1999 through first quarter 2003 compares favorably to similarly situated financial institutions. The quarterly ratios for three local competitors ranged from 61 percent for a \$25 million bank to 82 percent for a \$61 million.
- In addition to adjustable rate mortgages originated by the bank internally, FNB has provided customers access to fixed rate mortgages through the secondary market. Another institution originates the loans. Loan officers assist customers during the application and settlement process. The bank has assisted with the sale of 45 mortgages totaling \$4.6 million for the time period of January 2002 through August 2003. The loan sizes range from \$40 thousand to \$201 thousand.

Additional information:

- We did not perform an analysis of the geographic distribution of loans since all of the bank's geographic tracts are designated middle-income. A geographic analysis is performed if one or more of the geographic tracts are designated low- or moderate-income.
- The bank has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.
- An analysis of public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on an analysis of the information, the OCC determined that a comprehensive fair lending examination would not be performed in connection with this CRA evaluation.

DESCRIPTION OF INSTITUTION

FNB is a \$41 million financial institution with its main office in Clifton, Kansas and a branch in St. Mary's, Kansas. An ATM is located near each office. Management has focused its lending activities on small business loans, residential real estate activities, and consumer loans. The bank's lending activity helps to meet the identified primary credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) meets regulatory requirements and does not arbitrarily exclude low- or moderate-income areas. The AA area covers portions of six counties: BNA 9581 and 9582 in Clay, BNA 9771 Cloud, BNA 9828 in Jackson, CT 2.00 and 3.00 in Pottawatomie, CT 35.00 in Shawnee, BNA 9831 in Wabaunsee, and BNA 9787 in Washington County. All of the tracts are considered middle-income tracts. The community contact stated that area financial institutions are meeting the credit needs of the community.

Refer to the bank's CRA Public File for additional information about the bank and its assessment

area.