



SMALL BANK

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

PUBLIC DISCLOSURE

March 22, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**206 East Harvey Street
Wellington, KS 67152**

**Comptroller of the Currency
Wichita
3450 North Rock Road Suite 505
Wichita, KS 67226**

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.

- First National Bank in Wellington's (FNB) average quarterly loan-to-deposit ratio is good. FNB's average quarterly loan-to-deposit ratio is 87% compared to 70% for similarly situated banks in the assessment area.
- A majority of FNB's primary loan products have been granted in the assessment area. The loan sample indicates that 85% of the number and 53% of the dollar volume of loans were granted in the assessment area.
- FNB's lending to commercial businesses is good. Ninety-five percent (95%) of the number loans were granted to businesses with revenues less than or equal to \$1 million.
- FNB's lending to farms of different sizes is excellent. One hundred percent (100%) of the number of loans were to farms with revenues less than or equal to \$1 million.

DESCRIPTION OF INSTITUTION

First National Bank in Wellington is a \$72 million bank headquartered in Wellington, Kansas. The main office features a drive-up facility and a deposit taking automated teller machine (ATM). FNB operates a cash-dispensing ATM inside the Dillons grocery store in Wellington. FNB does not operate any branches.

First National Bank is a wholly-owned subsidiary of First Financial Corporation (FFC). FFC is a one-bank holding company headquartered in Wellington, Kansas. On December 31, 2006, FFC had total assets of \$72 million. FNB has two affiliates; Wellington Area Test Farm, located in Wellington, Kansas and Caldwell State Bank located in Caldwell, Kansas. FNB's corporate structure has not changed since the previous CRA examination.

FNB is primarily an agricultural lender, offering a variety of loan products. On December 31, 2006, net loans represented 78% of the FNB's total assets. The bank's \$59 million loan portfolio has the following composition: agriculture 19%, commercial and industrial 15%, commercial real estate 26%, consumer 8%, residential real estate 15%, farmland 10%, and real estate construction and development 7%. FNB 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 rated from January 1, 2005, through February 28, 2007, are commercial loans and agricultural loans, respectively.

FNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. At the October 21, 2002, CRA examination examiners assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment Area (AA) is Sumner County, Kansas. The AA contains the following six middle-income census tracts: 9921 – 9926. The AA is part of the Wichita, Kansas Metropolitan Statistical Area (MSA) and does not contain any low-, moderate-, or upper-income tracts. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts.

The AA has a population of 25,946. The weighted average of HUD updated MSA median family income for 2006 is \$61,200. The AA has the following income distribution for families: 21% low-income, 21% moderate-income, 27% middle-income, and 31% upper-income. Of the 9,920 households in the AA, 10% are below the poverty level, 31% receive social security, and 3% are on public assistance. Twenty-seven percent (27%) of the population is not in the work force, and 15% are over the age of 65. The median housing value is \$64,324 and 70% 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, TECHT Aerospace, GKN Aerospace Precision Machining, Triumph Machine Parts, Burlington Northern & Santa Fe Railway, Unified School District 353, and local governments. The local economy has been stable despite the fluctuating agricultural and aircraft industries. The Kansas unemployment rate for February 2007 is 4.4% compared with 4.5% nationwide.

FNB faces strong competition in the area. Twelve other banks, one farm credit association, and one credit union association have offices in the AA. The asset sizes for these institutions range from \$12 million to \$221 million. With 16% of the AA's deposits, FNB ranks first in deposit market share.

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

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's lending level is good. The average quarterly loan-to-deposit ratio since the last Community Reinvestment Act (CRA) exam is 87% compared with 70% for the peer banks. Examiners selected 10 banks as peer institutions since a majority of their deposits are in the AA. The asset sizes for the peer banks range from \$18 million to \$221 million with FNB ranking fourth within this group. The average loan-to-deposit ratios for the peer banks range from 53% to 104%.

Lending in Assessment Area

FNB's lending in the AA is satisfactory, as it extends a majority of its loan products in the AA. Specifically, we found FNB made 85% of the number and 53% of the dollar amount of loans in the AA. The sample included 40 loans originated, purchased, or committed this year or in the prior two years. The loan sample included 20 loans of each of the two primary products. While the dollar percentage appears low in comparison to the number percentage, FNB purchased a participation in a loan originated outside of the AA. The purchased participation represents 41% of the dollar amount of the sample.

Lending to Borrowers of Different Income 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, 2005, through February 28, 2007.

The distribution for commercial loans is good. The commercial loan sample indicates 95% of the number were granted to commercial businesses with revenues less than or equal to \$1 million. Business demographic data shows that 50% of commercial businesses in the AA have revenues less than or equal to \$1 million, with 47% of businesses having an unknown revenue.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	50%	3%	47%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	76%	24%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution for agricultural loans is excellent. The agricultural loan sample indicates 100% of the number were granted to farms with revenues less than or equal to \$1 million. The agricultural demographic data shows that 99% of farms in the AA have revenues less than or equal to \$1 million.

Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

An analysis of the distribution of credit within the assessment area would not be meaningful, as the AA does not have 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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.