

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**103 Parallel Street
Clifton, Kansas 66937**

**Office of the Comptroller of the Currency
Kansas City North Field Office
6700 Antioch, Suite 450
Merriam, Kansas 66204-1200**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Clifton (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 4, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

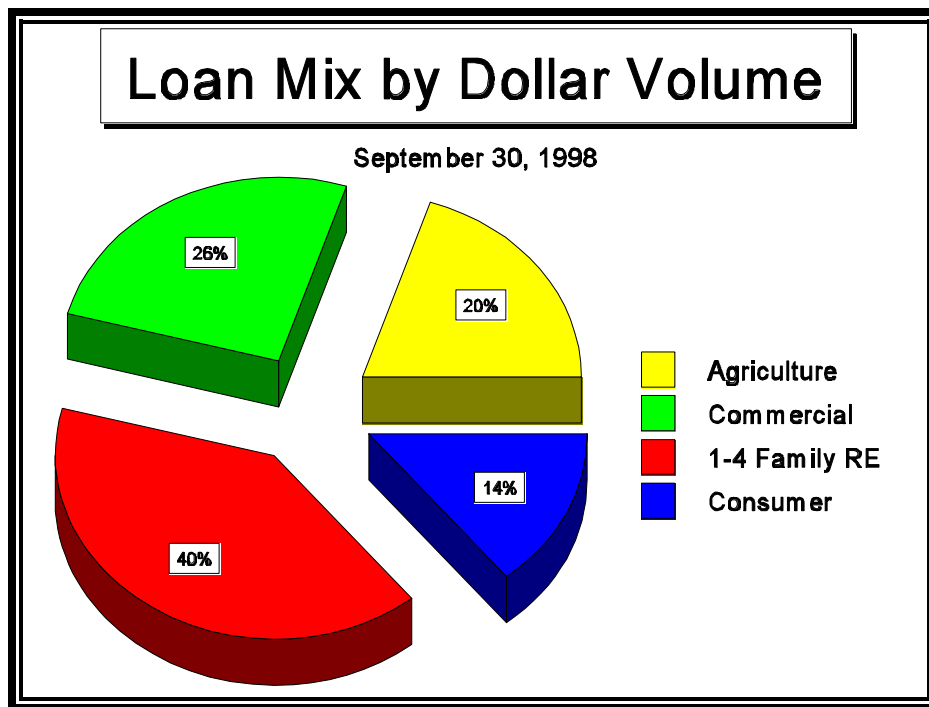
INSTITUTION'S CRA RATING: *This institution is rated “Satisfactory.”*

FNB's CRA rating is based on the following factors:

- The revenue distribution of the bank's borrowers is reasonable. FNB has a good record of lending to low- and moderate-income consumer borrowers. The bank appropriately lends to businesses and farms of various revenue sizes.
- The bank's loan-to-deposit ratio is more than reasonable. A majority of FNB's loan originations benefit borrowers within the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$29 million institution based in Clifton, Kansas. Clifton Bancshares, Inc., Wamego, Kansas, a one bank holding company, owns 100 percent of the bank stock. The bank offers full deposit and loan services. The bank also operates a full service branch office and an automatic teller machine in St. Marys, Kansas. No legal constraints, financial conditions, or other factors inhibit the bank’s ability to help meet the credit needs of its assessment area. The institution received a rating of “Satisfactory Record of Meeting Community Credit Needs” at its last CRA examination dated October 6, 1995. Net loans total \$19.5 million as of September 30, 1998, and represent 66 percent of total assets. The bank’s primary credit products by dollar volume are loans secured by one-to-four family residences. By number, the primary credit products are loans for various consumer purposes. Since the bank’s last CRA examination, loan volume has increased approximately \$7 million, or 55%. The loan growth has primarily resulted from an increase in one-to-four family residential real estate loan totals. The following table shows the bank’s loan portfolio composition as a percentage of average gross loans:



DESCRIPTION OF ASSESSMENT AREA

FNB has designated portions of Clay, Jackson, Pottawatomie, Shawnee, Wabaunsee, and Washington counties as its assessment area. The assessment area is divided into eight block numbering areas (BNA). All of the BNA's are identified as middle-income tracts based on their respective family income levels. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The total population of the assessment area based on 1990 U.S. Census information is 32,227. Census data shows the median housing value for Barton County is \$38,638. The median year that houses were built in Barton county is 1953. The assessment area includes 8,901 families. Approximately 16 percent of the families are designated as low-income, 18 percent are moderate-income, 27 percent are middle-income, and 39 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1998 non-metropolitan updated median family income figure of \$38,200. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis. Additional information regarding the bank's assessment area is included in the table on the following page.

Competition within the assessment area includes fourteen banks chartered in the assessment area. These banks range in size from \$12 million to \$121 million dollars. President Meek stated additional competition exists from financial institutions in nearby communities. Competition for residential lending in the St. Marys area is particularly felt from the Topeka market.

The primary credit needs of the assessment area are for residential real estate, consumer and small business loans. Agriculture also plays a significant role in the local economy, particularly in the Clifton area. Most of the deposit and loan growth is in the St. Marys area. The local economy is stable, but supported by its proximity to the Kansas state capital, Topeka. St. Marys is located 25 miles west of Topeka. Management sees population growth within a five mile radius of St. Marys. While agriculture plays an important role in the community's economy, diversification is provided by factory jobs in Topeka and the nearby Jeffrey Energy Center, a large regional power plant. Major employers include the school district, Custom Wood Products, and St. Marys Marble. St. Marys is also home to St. Marys Academy, a Catholic boarding school with approximately 400 students. The Clifton community's economy revolves around the cultivation of wheat, milo, corn, and other small grains. This area is predominantly rural with little growth. Major agricultural products include wheat, milo, and other small grains. Livestock offers some diversification.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual was involved in local city government. We determined the primary credit needs of the area are for housing and small business purposes. There is also loan demand for various consumer purposes and agriculture. Our contact identified no unmet credit needs in the assessment area.

DESCRIPTION OF ASSESSMENT AREA (Continued)

1990 Demographic Information for the Assessment Area					
Block Numbering Area (BNA)	Income Designation	Population of BNA	% of Owner-Occupied Housing	Median Housing Value	Median Family Income
9581 (Clifton, Wakefield, and rural Clay County)	Middle	4,271	64%	31,200	25,869
9582 (Clay Center and rural Clay County)	Middle	4,887	65%	33,100	27,912
9787 (Linn, Clifton, Barnes, and rural Washington County)	Middle	3,129	67%	20,100	25,919
9828 (rural Jackson County)	Middle	3,230	78%	29,000	31,550
9831 (Alma, Maple Hill, and rural Wabaunsee County)	Middle	4,049	72%	35,200	31,573
0002 (Wamego and rural Pottawatomie County)	Middle	4,690	71%	48,900	34,151
0003 (St. Marys, Belvue, Emmett, and rural Pottawatomie County)	Middle	3,033	70%	49,800	32,954
0035 (Rossville, Silver Lake, and rural Shawnee County)	Middle	4,938	76%	61,400	31,504
Assessment Area Totals		32,227	70%	38,638	30,418

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels

Consumer Lending:

The bank’s record of lending to low- and moderate-income families and individuals is good. We reviewed the family income distribution of 44 residential real estate borrowers in the assessment area with loan originations between July 1, 1995 and December 31, 1998. This sample represented 33 percent of bank’s customers with residential real estate loan originations in the assessment area during this time period. We determined the bank’s record of lending to low- and moderate-income borrowers is good in comparison to the percentage of low- and moderate-income families in the assessment area. The following table shows the breakdown of borrower income levels for the 44 residential real estate borrowers in our sample:

Individual Income Distribution - Residential Real Estate Sample of 44 Consumer Borrowers With Loan Originations Between 7/01/95 and 12/31/98				
Family Income Designation	Distribution of FNB’s Residential Real Estate Customers		Distribution of Families in Assessment Area	
	Number of Originations	Percentage	Number of Families	Percentage
Low (\$0-19,099)	9	20%	1,416	16%
Moderate (\$19,100-\$30,559)	9	20%	1,628	18%
Middle (\$30,560-\$45,839)	11	25%	2,422	27%
Upper (Over\$45,840)	15	35%	3,435	39%
Total	44	100%	8,901	100%

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

We could not compare the family income distribution for consumer loan originations because the bank does not regularly collect income information on non-real estate secured consumer loans. Due to this limitation, we performed an analysis of consumer loans by origination amount. We looked at all consumer loan originations between July 1, 1995 and December 31, 1998. Assuming loan size is an indicator of family income levels, the bank has a good record of lending to low- and moderate-income borrowers. Approximately 50 percent of the loan originations were for amounts of \$2,500 or less, with 24 percent for amounts of \$1,000 or less. The following table shows a more detailed breakdown of our analysis of consumer loan size:

CONSUMER LOAN SIZE DISTRIBUTION		
Consumer Loans Originated in the Assessment Area		
Between 7/01/95 and 12/31/98		
Loan Size Category	Number of Originations	Percentage
\$0 - \$500	89	7%
\$501 - \$1,000	212	17%
\$1,001 - \$1,500	142	11%
\$1,501 - \$2,500	183	15%
\$2,501 - \$5,000	276	22%
Over \$5,000	342	28%
TOTALS	1,244	100%

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

Small Business Lending:

FNB has an adequate record of lending to businesses of varying revenue levels within the assessment area. We reviewed the revenue distribution of 27 commercial borrowers with loan originations since the last CRA examination. Our commercial sample represented 20 percent of the bank's business customers with commercial loans originations in the assessment area during this time period. We determined that 85 percent of these borrowers had gross annual revenues of less than \$500 thousand, and 56 percent had gross revenues of less than \$100 thousand. This is comparable to business demographic information for the assessment area provided by Dun & Bradstreet in 1996. This information was compiled from 1,088 businesses and 130 farms in the assessment area. There were 168 entities that did not report sales information. Of the 1,050 entities that reported sales information, 83 percent had gross annual revenues of less than \$500 thousand. The information from Dun & Bradstreet combined businesses and farms in its analysis. Information on businesses alone was not available. Also, a more detailed breakdown of assessment area business and farm revenues of less than \$500 thousand was not available. The table on the following page shows our analysis of the revenue distribution of commercial borrowers.

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Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

COMMERCIAL BORROWER REVENUE DISTRIBUTION				
Sample of 27 Business Customers With Loan Originations Between 7/01/95 and 12/31/98				
	Distribution of FNB's Commercial Borrowers		Distribution of Businesses and Farms in the Assessment Area as Provided by Dun & Bradstreet	
Revenue Category	Number of Borrowers	Percentage	Number of Entities	Percentage
\$0 - \$100,000	15	56%	NA	NA
\$100,001 - \$250,000	6	22%	NA	NA
\$250,001 - \$500,000	2	7%	NA	NA
SubTotal of Revenues \$0 - \$500,000	23	85%	873	83%
Over \$500,000	4	15%	177	17%
TOTALS	27	100%	1,050	100%

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

Agricultural Lending:

FNB has a reasonable record of lending to small farms within its assessment area. We reviewed the revenue distribution of 17 agricultural borrowers with loan originations between July 1, 1995 and December 31, 1998. Our agricultural sample represented 21 percent of the bank's customers with agricultural loan originations in the assessment area during this time period. We compared the revenue distribution of FNB's agricultural customers to area demographic information obtained from the 1992 Agricultural Census conducted by the U.S. Bureau of the Census.

Based on our limited sample of agricultural borrowers, we determined that 77 percent of the farm customers in our sample had gross annual revenues of less than \$250 thousand. Census data showed 96% of the area farms had revenues of less than \$250 thousand. The following table shows a more detailed analysis of the agricultural borrower revenue distribution:

AGRICULTURAL BORROWER REVENUE DISTRIBUTION				
Sample of 17 Agricultural Borrowers With Loan Originations				
Between 7/01/95 and 12/31/98				
	Distribution of FNB's Agricultural Borrowers		Distribution of Farms within the Assessment Area	
Revenue Category	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$99,999	10	59%	4,005	85%
\$100,000 - \$249,999	3	18%	492	11%
\$250,000 - \$499,999	3	18%	132	3%
\$500,000 and Over	1	5%	68	1%
TOTALS	17	100%	4,697	100%

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)

Initially, the sample appears to indicate the bank does not lend to small farms at a volume comparable to the assessment area population. However, our sample may not fully represent loans made to borrowers with lower gross revenues, because the bank does not regularly require income information for smaller agricultural borrowers. Because of this, we also looked at all agricultural loan originations between July 1, 1995 and December 31, 1998 by loan size. Assuming loan size is an indicator of farm size and gross revenues, FNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics. Approximately 49 percent of the agricultural loan originations were for amounts of \$5,000 or less, and 70 percent were for amounts of \$10,000 or less. The following table shows a more detailed breakdown of our analysis of agricultural loan size.

AGRICULTURAL LOAN SIZE DISTRIBUTION Agricultural Loans Originated in the Assessment Area Between 7/01/95 and 12/31/98		
Loan Size Category	Number of Originations	Percentage
\$0 - \$2,500	79	28%
\$2,501 - \$5,000	59	21%
\$5,001 - \$10,000	60	21%
\$10,001 - \$25,000	51	18%
\$25,001 - \$50,000	18	7%
Over \$50,000	14	5%
TOTALS	281	100%

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. This analysis is performed if one or more of the block numbering areas in the bank's assessment area is designated as a low- or moderate-income geography. There are no low- or moderate-income block numbering areas in FNB's assessment area.

Loan-to-Deposit Ratio (LTD)

The bank's LTD ratio is more than reasonable. We compared FNB's quarterly average LTD ratio to eight other similarly-situated banks operating within the multi-county assessment area. Each of the banks in our comparison had total average assets of less than \$61 million and no branches in metropolitan areas. FNB's quarterly average LTD ratio since the last CRA review was 77 percent. The overall quarterly average LTD ratio for the nine banks in our comparison was 68 percent. Quarterly average LTD ratios ranged from 52 percent to 77 percent. FNB's quarterly average LTD ratio ranked highest among the nine banks we reviewed.

Lending in the Assessment Area

A majority of the bank's loan originations are extended to borrowers living within the assessment area. Bank personnel generated reports during the examination which showed agricultural, commercial, residential real estate, and consumer loans originated between January 1, 1996 and December 31, 1998. The bank could not easily generate this information back to the last CRA examination. Based on mailing address, we determined which of these borrowers were within the bank's assessment area. During the period under review, FNB originated 373 agricultural loans totaling \$5.2 million, 635 commercial loans totaling \$12.0 million, 302 residential real estate loans totaling \$11.4 million, and 1,994 consumer loans totaling \$10.1 million. We determined approximately 63 percent of these loan originations, by number, and 64 percent, by dollar volume, were to borrowers using loan proceeds within the assessment area. The table below details our analysis of the bank's record of lending in the assessment area:

Lending in the Assessment Area (Continued)

ASSESSMENT AREA (A.A.) ANALYSIS (Based on 373 Agricultural, 635 Commercial, 302 Residential Real Estate, and 1,994 Consumer Loans Originated Between 7/01/95 and 12/31/98)				
Type of Loan	Number of Loans in A.A.	Percentage	Dollar Volume of Loans in A.A. (In Thousands)	Percentage
Agricultural	281	75%	\$3,452	67%
Commercial	351	55%	\$7,491	62%
Residential Real Estate	218	72%	\$8,003	70%
Consumer	1,244	62%	\$5,917	59%
Total Loans in A.A.	2,094	63%	\$24,863	64%

Compliance with Antidiscrimination Laws and Regulations

FNB has a satisfactory record of compliance with antidiscrimination laws and regulations. During our consumer compliance examination, we found no substantive violations of fair lending laws and no evidence of discriminatory practices.

Response to Complaints

FNB has not received any written complaints regarding its CRA performance since the previous examination dated October 6, 1995.