



PUBLIC DISCLOSURE

September 24, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community First National Bank
Charter Number 24080

215 S. Seth Child
Manhattan, KS 66502

Office of the Comptroller of the Currency

2959 N. Rock Road, Suite 510
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

- The bank's loan-to-deposit ratio is more than reasonable given its asset size, financial condition, and lending opportunities within the assessment area (AA).
- The institution meets the credit needs of the community by originating a substantial majority of loans inside the AA.
- Given the opportunities within the AA, lending to borrowers of different income levels is reasonable.
- The bank's geographic distribution of loans reflects a reasonable dispersion.

SCOPE OF EXAMINATION

We assessed the record of Community First National Bank (CFNB) in meeting the credit needs of the local community in accordance with the Community Reinvestment Act (CRA) for the period beginning January 2012 to August 2014. In order to determine the lending performance, we selected primary products based on both the number and dollar amount of loans originated between January 1, 2012 and August 31, 2014. Residential real estate (RRE) and consumer loans were determined to be the primary products within the assessment area (AA). We selected a random sample of 20 consumer loans and analyzed Home Mortgage Disclosure Act (HMDA) data in order to evaluate lending performance within the AA.

We conducted a HMDA Data Integrity review in August 2014 by comparing the bank's Loan Application Registers (LARs) to actual loan files. We found the HMDA data is accurate and reliable for use during this examination.

DESCRIPTION OF INSTITUTION

CFNB is a \$167 million financial institution with the main office located in Manhattan, KS. CFNB is wholly-owned by TTAC Corporation, a one-bank holding company. In addition to the main branch, CFNB has an additional branch located in Manhattan, KS. While both branches are located in Manhattan, the main branch is located in Riley County, while the other branch is located in Pottawatomie County.

CFNB's primary strategy during the assessment period was to concentrate efforts on small business and retail accounts within the city of Manhattan and immediate surrounding area.

A CRA Performance Evaluation (PE) was last prepared in January 27, 2009, with a "Satisfactory" rating assigned.

CFNB offers traditional banking products, which are tailored to meet the needs of the assessment area. As of June 30, 2014, loans totaled \$139 million and represented 83 percent of the institution's total assets. The following table illustrates the composition of the bank's loan portfolio based on the data presented in the Consolidated Reports of Condition and Income.

Loan Product Category	Dollar Amount Outstanding (\$000)	Percentage of Portfolio
Commercial Real Estate Loans	45,452	32.75
C&I	25,119	18.10
Residential Real Estate Loans	44,407	32.00
Consumer Loans	10,879	07.84
Farm Real Estate Loans	8,343	06.01
Other Loans and Other Farm/Agriculture Loans	4,574	03.30
Total	138,774	100.00

Source: June 30, 2014 Consolidated Reports of Condition and Income

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs in the AA.

DESCRIPTION OF ASSESSMENT AREA(S)

Management designated a single AA for the assessment period included in this evaluation. The AA includes 13 Census Tracts (CTs) in Riley County and 1 CT in Pottawatomie County. The AA is reasonable, consists of contiguous, whole CTs, includes geographies where the institution has its main office and branch, and does not arbitrarily exclude any low-or moderate-income area(s).

The AA consists of zero low, five moderate, six middle, and three upper-income tracts. The weighted average HUD median family income is \$66,600. 22.48 percent of households (HHs) are below the poverty level, and 1.31 percent receive public assistance. Housing types within the AA is split between owner occupied and rental units comprising 43.60 and 47.55 percent of all units, respectively (*2010 U.S. Census*).

There is moderate competition within the AA; specifically, in the Manhattan area. There are 14 banks, one savings institution, and two credit unions located within Manhattan. Per the FDIC Market Share report, CFNB controlled 8.32 percent of the AA's market share as of June 30, 2014.

Per the Moody's analytics reports as of June 2014, key economic drivers in the Manhattan area are the university (Kansas State University) and military defense (Fort Riley). Industrial diversity is limited with nearly 60 percent of area jobs provided by the base, KSU, and other government employers. Regional economic strengths include a low cost of doing business, a highly educated population, and below-average damage to housing market during recession. Weaknesses include low industrial diversity, lack of a growth driver in the private sector, significant exposure to public sector employment, and vulnerability to military budget cuts.

An OCC Community Affairs Officer conducted a community contact interview with an organization that provides assistance for local small businesses. The contact stated that they were pleased with the amount of support provided by the area's financial institutions. The

contact also said that many area institutions; specifically, CFNB actively support small businesses. The contact mentioned one area where financial institutions could improve would be to become more familiar with the Small Business Association’s (SBA) Patriot Express Program. The contact stated there is a large volume of individuals in the market area that would qualify for such loans. Overall, the contact was very pleased with local bank support to small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The lending test is based on the following five factors: loan-to-deposit ratio, lending within the AA, income distribution, geographic distribution, and responses to CRA related complaints.

Loan-to-Deposit Ratio

CFNB’s loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, and the credit needs within the AA. The bank’s quarterly average loan-to-deposit ratio of 96.13 percent from March 31, 2009 to March 30, 2014 far exceeds the average loan-to-deposit ratio of similarly situated institutions in the area with an average ratio of 72.80 percent.

Lending in Assessment Area

Lending within the AA is satisfactory. A substantial majority of sampled loans were originated inside the AA with 81 percent by number and 82 percent by dollar volume. The following table depicts the lending activities within the AA during the evaluation period.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	183	79	49	21	232	43,380	86	7,075	14	50,455
Home Refinance	257	82	58	18	315	53,576	82	11,898	18	65,474
Home Improvement	39	81	9	19	48	5,117	62	3,109	38	8,226
Consumer	19	95	1	5	20	204	99	57	1	207,184
Total	498	81	117	19	615	102,277	82	22,139	18	124,416

Source: loan origination report; 2012-2014 HMDA data

Borrower Distribution

Given the opportunities within the AA, lending to borrowers of different income levels is reasonable.

Residential Real Estate

Empirical comparison reflects CFNB’s home purchase, home improvement, and home refinance lending to low- and moderate- income families reflects poor penetration. However, due to the presence of a military base (Fort Riley) and large university (Kansas State University), many

lower-income borrowers in the area are transient and are not in the home purchasing market. Additionally, with the housing type fairly equally split between rental and owner-occupied units, a larger portion of low- and moderate-income families; specifically students and temporarily located troops are likely renters. It follows that home improvement and refinancing activity would be lower for such groups.

Borrower Distribution of Residential Real Estate Loans in AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Additional Data
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans Reported as NA
Home Purchase	20	4	19	6	21	13	40	57	20
Home Refinance	20	1	19	7	21	16	40	63	13
Home Improvement	20	8	19	18	21	8	40	54	12

Source: 2010 U.S. Census data; 2012-2014 HMDA data

Consumer Loans

The borrower distribution of loans to consumers indicates excellent penetration among low- to moderate- income (LMI) households. Consumer loans to low-income households significantly exceed demographics given that 20 percent of households are classified as low-income, and 35 percent of the sampled loans were to households designated as such. Loans to moderate-income households also significantly exceed the demographic percentages. Please refer to the table below for additional information.

Borrower Distribution of Consumer Loans in 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	20.00%	35%	19.00%	30%	21.00%	15%	40.00%	20%

Source: Bank reports; 2010 U.S. Census data

Geographic Distribution of Loans

CFNB’s geographic distribution of residential real estate and consumer loans reflects a reasonable dispersion in moderate-income tracts (there are no low-income tracts within the AA).

Residential Real Estate

While there are no low-income tracts within the AA, the portion of home purchase loans extended to moderate-income households reflects reasonable penetration. The portion of refinance loans and home improvement loans made in moderate-income tracts reflect reasonable penetration relative to the demographic percentages.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	12	14	54	45	34	41
Home Improvement	0	0	12	8	54	54	34	38
Refinancing	0	0	12	9	54	47	34	44

Source: 2010 U.S. Census data; 2012-2014 HMDA data

Consumer Loans

The geographic distribution of consumer loans reflects a reasonable dispersion throughout census tracts of different income levels, and CFNB’s performance meets the standard for satisfactory performance.

The following table details the bank’s performance as compared to the percentage of households in each census tract income level.

Geographic Distribution of Consumer Loans in 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 Loans	0%	0%	27%	20%	50%	55%	23%	25%

Source: Bank Reports; 2010 US Census data

Responses to Complaints

Neither the Office of the Comptroller of the Currency nor the bank received any complaints about its CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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