

PUBLIC DISCLOSURE

June 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 16286**

**1033 N. Buckner
Derby, Kansas 67037**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226**

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 First National Bank, Derby, Kansas, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 7, 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.**”

The bank has a satisfactory record of meeting the credit needs of its assessment area.

- C Lending to borrowers of different incomes is satisfactory. Residential real estate loans and a sample of consumer loans indicate 37% and 46%, respectively, are advanced to low- and moderate-income individuals.
- C The bank's 56% average loan-to-deposit ratio for the past twelve quarters is satisfactory.
- C Ninety percent of all real estate loans granted from January 1, 1996 to June 1, 1999, are within the bank's assessment area.
- C The bank has marginal penetration of the low-income areas. The bank's lending to moderate-income areas is satisfactory.

DESCRIPTION OF INSTITUTION

First National Bank is a \$75 million bank located in Derby, Kansas. Derby is primarily a commuter community of Wichita, Kansas. In addition to the main office in Derby, the bank has three branches. One is located in Derby and two are located in El Dorado, Kansas. The bank opened the second El Dorado branch in March 1998. The main office and each branch have Automated Teller Machines. First Team Resources Corporation owns 97% of the bank's stock. The holding company has total assets of \$6 million and is located in Wichita, Kansas.

First National Bank is primarily a retail lender. The bank provides commercial and agricultural lending products in addition to traditional consumer loan products. The following table illustrates the loan portfolio's primary concentration is 1-4 family real estate at 39%. Net loans represent 44% of total assets.

Loan Distribution by Type			
Loan Type	Dollar Amount 3/31/99	Percentage of Loan Portfolio 3/31/99	Percentage of Loan Portfolio 12/31/95
Consumer Real Estate	\$12,965,000	39%	42%
Other Consumer	\$7,979,000	24%	17%
Commercial	\$10,638,000	32%	32%
Agricultural	\$1,662,000	5%	9%
Gross Loans	\$33,244,000	100%	100%

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the community credit needs. The prior public evaluation, March 31, 1996, rated the bank "Satisfactory".

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's Assessment Area (AA) comprises all of the Wichita Metropolitan Statistical Area (MSA). The AA complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA includes all of Butler, Harvey, and Sedgwick counties with a consolidated population of 486M, according to the most recent census data (1990). Refer to the following table for the specific breakdown of income tracts located in the AA.

Updated MSA Median Income	\$49,000
Median Housing Value	\$57,805
Low Income Tracts	10 tracts - 8.47%
Moderate Income Tracts	25 tracts - 21.19%
Middle Income Tracts	64 tracts - 54.24%
Upper Income Tracts	19 tracts - 16.10%

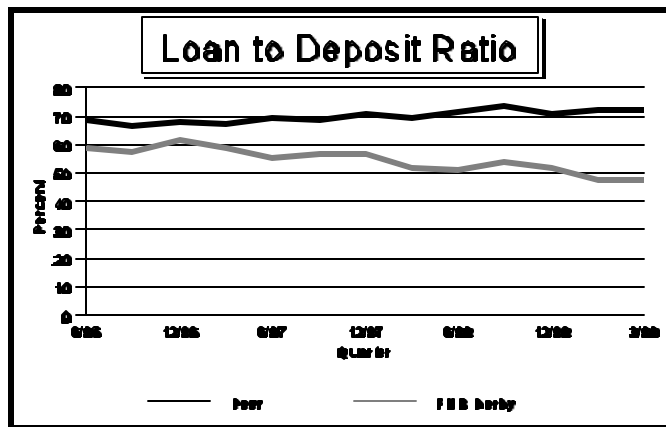
The Wichita economy is heavily dependent on the aircraft industry. Primary employers include Boeing, Raytheon, Learjet, and Cessna.

Examiners interviewed one community contact from the Derby area, and reviewed one contact made in the El Dorado area and six made in the Wichita area. One contact indicated he would like to see more help given to small businesses and more programs offered by the banking industry. Overall, the contacts indicated the local financial institutions are adequately meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is satisfactory with a quarterly, average loan-to-deposit ratio of 56% since the prior exam. Comparable institutions located in the AA had an average loan-to-deposit ratio of 70%. Loan-to-deposit ratio averages for these banks range from 47% to 93% over the last twelve quarters.



As indicated by the graph, the subject bank's loan-to-deposit ratio has been declining. Two factors contribute to the declining trend. The amount of public funds held by the bank is substantial. Three large public funds deposits have opened in one year intervals, from 1995 through 1997. One third of the public funds are on a rotation and will move out during June of 1999. Total public funds for First National Bank are \$9.5 million as of February 28, 1999. Without these public funds, the bank's loan-to-deposit

ratio would be 56%, compared to 48% on March 31, 1999. In addition, the bank sells loans into the secondary market. The bank has sold 12 loans totaling \$1 million through May 1999, and 37 loans totaling \$3 million during 1998.

Lending in the Assessment Area

The bank extends a majority of its loans within its AA. Totals for year-end 1997, 1998, and year-to-date 1999 Home Mortgage Disclosure Act (HMDA) data, show the bank originated 88% of the dollar volume and 90% of the number of loans within its AA. HMDA data includes a variety of information collected on real estate loan applications including purchases, refinances, and home improvement loans.

Percentage of Real Estate Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
90%	88%

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

Lending to borrowers of different incomes is satisfactory. HMDA data shows that the bank's lending to low-income individuals is reasonable. Lending to moderate-income individuals is satisfactory.

Distribution of Real Estate Loans within MSA by Income Levels		
Income Levels	% of HMDA Loans Granted by Number	% of Families in Income Category
Low	12%	18%
Moderate	25%	18%
Middle	31%	26%
Upper	32%	38%
Total	100%	100%

Examiners selected a sample of 22 consumer loans granted at the Derby office. The following table indicates good distribution of loans to low- and moderate-income borrowers in the MSA.

Distribution of Consumer Loan Sample in MSA by Income Levels		
Income Levels	% of Consumer Loan Sample Granted by Number	% of Families in Income Category
Low	23%	18%
Moderate	23%	18%
Middle	23%	26%
Upper	31%	38%
Total	100%	100%

Geographic Distribution of Loans

First National Bank has a marginal record of lending to borrowers residing in low-income census tracts of the AA. Lending to borrowers in moderate-income tracts is satisfactory.

An analysis of the geographic distribution of real estate loan originations, indicates the bank granted no real estate loans to borrowers in low-income tracts and twenty loans or 12%, to borrowers in moderate-income tracts. Within the AA, 5% of the population live in low-income census tracts, and 17% live in moderate-income census tracts. The analysis was comprised of all real estate loans originated since 1997. The HMDA report indicates that 164 loans were granted during that time period.

Examiners conducted an additional analysis using an internal bank report which lists 240 loans of all types of loans outstanding in the southern region of the city of Wichita. This area includes two low-income census tracts and 17 moderate-income census tracts, and contains a population of approximately 113M. The low-income census tract population equals 6M or approximately 5% of this area. Four loans or 2% were to residents of low-income census tracts. This sample indicates satisfactory penetration into the moderate-income census tracts. Management believes the marginal penetration of these two low-income census tracts is due to several factors. The factors include: natural geographic boundaries such as the Boeing Corporation plant and McConnell Air Force Base separating the low-income census tracts from the bank's location, the distance and inconvenience to bank at the Derby location, the relatively low number of residents within the low-income census tracts, and the location of other financial institutions nearer to the low-income census tracts.

Record of Compliance with Antidiscrimination Laws and Regulations

Based on our review, the bank is in substantial compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of disparate treatment.

Response to Complaints

The bank has not received any complaints since the prior examination.