



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 06, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 16286**

**1033 North Buckner Street
Derby, KS 67037**

**Comptroller of the Currency
Assistant Deputy Comptroller - C. Scott Schainost
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.

DESCRIPTION OF INSTITUTION

First National Bank (FNB or "the bank") is a \$76 million bank headquartered in Derby, Kansas. In addition to its main office, FNB has a branch in Derby and two branches in El Dorado, Kansas. Each FNB location has a drive-up facility and an automated teller machine (ATM). Each ATM dispenses cash and accepts deposits from FNB customers. FNB is a wholly owned subsidiary of First Team Resources Corporation, a one-bank holding company located in Derby, Kansas. On June 30, 2003, the holding company had total assets of \$8 million. There are no significant subsidiaries or affiliates of the holding company. No significant changes in the bank's corporate structure have taken place since the last CRA exam.

FNB is a full-service bank offering a variety of loan products with an emphasis on residential real estate and consumer purpose loans. On June 30, 2003, net loans represented 55% of the bank's total assets. FNB's \$42 million loan portfolio has the following composition: residential real estate 37% (\$15 million); other real estate 34% (\$14 million); consumer 14% (\$6 million); commercial and industrial 7% (\$3 million); construction and development 4% (\$2 million); and agricultural 4% (\$2 million). FNB has not changed any existing loan products, or offered any new products since the previous CRA examination.

Management indicates the primary loan products, based on the number and dollar volume of loans originated since the previous CRA examination, are residential real estate and consumer automobile loans. FNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. The last CRA examination dated June 7, 1999, rated FNB's CRA "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA

FNB has one assessment area (AA). The AA consists of the Wichita, Kansas Metropolitan Statistical Area (MSA) #9040 which includes the counties of Butler, Harvey and Sedgwick. The AA contains 118 Census Tracts (CTs). Nine percent (10) of the tracts are low-income, 21% (25) are moderate-income, 54% (64) are middle-income, and 16% (19) are upper-income. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The 1990 US census data shows the AA has a population of 485,270. The 1990 decennial median family income in the MSA is \$35,931 and the median family income for 2002 is \$59,000. The AA is located in south central Kansas and has the following income distribution for families located in the AA: low-income families 18%; moderate-income families 18%; middle-income families 26%; and upper-income families 38%. Ten percent of the households have incomes below the poverty level, 24% receive social security, and 5% receive public assistance. Twenty-three percent of the population is not in the workforce, 3% are unemployed, and 12% are over the age of 65. The median housing value is \$57,805, and 60% of the housing units are owner occupied.

Competition in the AA is strong. Forty-nine other financial institutions have offices in the

Wichita MSA. FNB ranks 17th in market share with 0.91% of the area deposits. We selected 23 of these institutions as peer banks because either the majority of the deposits originate from the AA or management considers the banks as competition. The asset size of the 23 peer banks range from \$5.5 million to \$2.5 billion, with FNB ranking 11th in asset size.

Examiners made three community contacts in the Wichita MSA. The contacts indicate business, consumer, and residential real estate loans are three of the primary credit needs in the bank's AA. The contacts stated the area banks are meeting these credit needs given the current economic condition of the Wichita MSA.

The Wichita MSA has a strong manufacturing base with four general aviation manufacturers, a major camping supply manufacturer, and a chemical manufacturer. They include Boeing, Cessna, Raytheon, and Bombardier-Learjet Aircraft Companies, The Coleman Company, and Vulcan Chemicals. Aircraft manufacturing employment is the largest industry in the MSA and employs approximately 33,000 employees. Despite recent aviation layoffs, Boeing remains the largest local employer in the AA with approximately 12,000 employees. The Wichita MSA also has a diverse retail trade, services, local schools, hospitals, and local governments that provide additional economic support in the AA. The statewide Kansas unemployment rate for August 2003 is 4.7% compared to 6.1% nationwide. The Wichita MSA unemployment rate is 6.3%.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's level of lending is adequate. The quarterly average loan-to-deposit ratio since the last CRA examination and ending June 30, 2003 is 58% compared with 76% for peer banks. We selected 23 banks as a peer group because either management considered them competition or the banks had a majority of their deposits in the AA. The average quarterly loan-to-deposit ratio over the same period for the peer group ranged from 51% to 95%.

Lending in Assessment Area

FNB's lending in its AA is excellent since it extends the majority (97% of the number and 99% of the dollar) of its primary loan products in the AA. To determine the loan distribution, we selected a sample of 40 loans originated from January 1, 2000, to December 31, 2002. The sample consists of 20 automobile loans and 20 residential real estate loans. These loans represent the majority of the loans originated in that time period.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB's lending to borrowers of different income levels in the AA is good. We did not evaluate the bank's lending to businesses of different sizes since commercial or agricultural loans were not the bank's primary loan products. We analyzed a sample of 20 consumer automobile loans and 20 residential real estate loans since these loan products represent the bank's primary loan products. Community contacts identified consumer loans and residential real estate loans as primary credit needs in the AA.

Lending to consumer automobile borrowers of different income levels is excellent. The lending level to low-income consumer automobile borrowers represents excellent performance. FNB made 35% of consumer automobile loans to low-income households compared to demographic data showing 22% of households with low-incomes. The lending level to moderate-income consumer automobile borrowers represents excellent performance. FNB made 40% of consumer automobile loans to moderate-income households compared to demographic data showing 17% of households with moderate-incomes.

Lending to residential real estate borrowers of different income levels is good. The lending level to low-income residential real estate borrowers represents excellent performance. FNB made 35% of residential real estate loans to low-income families compared to demographic data showing 18% of families with low-incomes. The lending level to moderate-income residential real estate borrowers represents satisfactory performance. FNB made 20% of residential real estate loans to moderate-income families compared to demographic data showing 18% of families with moderate-incomes. Management stated some of the low- and moderate-income families choose to rent housing in the AA, and therefore do not apply for residential real estate loans. Demographic data shows 32% of housing in the AA are occupied rental units, 7% are vacant housing units, and rental units total 36% of the housing units in the AA.

Geographic Distribution of Loans

The geographic distribution of FNB's loans in the Wichita MSA is satisfactory. Examiners analyzed a sample of 20 consumer automobile loans and 20 residential real estate loans granted during 2001 and 2002, as those are FNB's primary loan products in the AA.

The distribution of consumer automobile loans in the sample is satisfactory. Our sample indicates FNB granted no consumer automobile loans to borrowers in low-income tracts. However, we consider this performance to be satisfactory. FNB's AA is the entire Wichita MSA. The low- and moderate-income tracts are a considerable distance from Derby and El Dorado. Therefore, financial institutions that are closer to or immediately in the low- and moderate-income tracts fulfill a majority of the area's lending needs. Demographics indicate 5% of the AA households are located in low-income tracts. The distribution of consumer automobile loans in the moderate-income tracts is satisfactory. FNB granted 20% (4) of the number and 13% of the dollar amount of the automobile loan sample to borrowers in moderate-income tracts. Demographics indicate 18% of the AA households are located in moderate-income tracts.

The distribution of residential real estate loans in the sample is satisfactory. Our sample

indicates FNB granted no residential real estate loans to borrowers in low-income tracts; however, demographics indicate only 3% of the AA housing units in low-income tracts are owner occupied. The distribution of residential real estate loans to borrowers in moderate-income tracts is satisfactory. FNB granted 5% (1) of the number and 1% of the dollar amount of the residential real estate loan sample to borrowers in moderate-income tracts, which is below demographics indicating 14% of the AA housing units in moderate-income tracts are owner occupied. Although FNB's penetration in the low- to moderate-income tracts is minimal, we consider this performance satisfactory since 36% of the housing units in FNB's AA are rental units. Fifty-six percent of the housing units within the low-income tracts are rental units, and 51% of the housing units within the moderate-income tracts are rental units. Therefore, home lending opportunities are minimal. Additionally, the low- and moderate-income tracts are a considerable distance from Derby and El Dorado. Therefore, potential borrowers have access to financial institutions that are closer to or immediately in the low- and moderate-income tracts, and these banks fulfill the majority of loan needs.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA related examination.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.