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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

August 27, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Hope  
Charter Number 12384

112 N. Main, P.O. Box 67  
Hope, Kansas 67451-0067

Office of the Comptroller of the Currency  
Salina Duty Station  
1516 E. Iron  
Salina, Kansas 67402-0616

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 Hope prepared by The Comptroller of the Currency, the institution's supervisory agency, as of August 27, 1996. 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 good record of lending to farms and businesses of different sizes and to individuals at various income levels. Lending levels are reasonable in relation to the credit needs of the community. The bank extends a significant portion of its loans to borrowers within the assessment area.

The following table indicates the performance level of The First National Bank of Hope with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF HOPE PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	The bank has not received any complaints since the last CRA examination.		

## DESCRIPTION OF INSTITUTION

The First National Bank of Hope (FNB) is a \$28 million institution located in north central Kansas. FNB does not have a branch or an automated teller machine, but operates a drive-up window at the main office in Hope. Hope Bancshares, Inc., a one-bank holding company owns 97% of the bank's outstanding stock. The bank offers a variety of loan products but is primarily an agricultural lender. As of June 30, 1996, the composition of the bank's loan portfolio was as follows:

Loan Category	\$(thousands)	% of Total
Agricultural loans	7,459	67%
Real estate loans	2,261	20%
Commercial loans	838	8%
Consumer loans	586	5%
Gross Loans	11,144	100%

No legal or financial impediments limit the bank's ability to assist in meeting community credit needs. Several area financial institutions provide strong competition in the bank's two county assessment area. Competition includes independent banks and branches of financial institutions with main offices outside the assessment area. The bank received an overall rating of "Satisfactory" at its last CRA examination dated March 23, 1994.

## DESCRIPTION OF The First National Bank of Hope ASSESSMENT AREA

FNB primarily serves the city of Hope and the local surrounding area of southern Dickinson and northern Marion Counties. The bank's assessment area (AA) consists of six block numbering areas (9841 through 9846) in Dickinson County and block numbering area 9895 in Marion County. The 1996 Kansas statewide non-metropolitan median family income is \$34,300. All of the block numbering areas in the bank's AA are considered middle income. However, 13% of the households are below the poverty level. The population of the AA is 20,837 with 20% of the population over age sixty-five. The median home value is \$32,900. The median age of homes is 47 years. Management stated that there is limited commercial and consumer loan demand in the city of Hope. Our analysis of area demographic data supports management's conclusion.

Hope consists of approximately 420 residents and a few business establishments. The farming and service industries are the area's largest employers, employing about 51% of the workforce. Many non-farm workers commute to jobs in the nearby towns of Herington, Abilene, Junction City, Fort Riley and Salina.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

### Loan to deposit ratio

The loan to deposit ratio is reasonable due to the level of agricultural loans. The bank's average loan to deposit ratio since the last CRA examination was 51%. There are twelve independent financial institutions in the two county AA. Five of these banks have total assets similar to FNB. The loan to deposit ratio for these comparable banks ranged from a low of 22% to a high of 72% as of June 30, 1996.

FNB's volume of agricultural loans exceeds that of other area financial institutions. About 67% of the bank's loans are for agricultural purposes. Other area banks' agricultural loans averaged 23% of their respective loan portfolios. The bank's focus on agricultural loans is consistent with meeting the primary credit needs of the assessment area.

### Lending in the assessment area

A substantial portion of FNB's loans are within its assessment area. According to the bank's loan distribution analysis dated June 30, 1996, approximately 97% of the dollar volume and 82% of the number of loans outstanding were within the assessment area. Approximately 71% of the borrowing relationships originated in the cities of Hope, Herington and Abilene. Our sample of agricultural and consumer loans confirmed the bank's findings.

Lending to borrowers of different incomes and to businesses and farms of different sizes  
The bank has a good record of lending to businesses and farms of different sizes and to individuals of varying income levels. Since agriculture is the bank's primary lending focus, we reviewed a sample of five farm real estate loans and fifteen farm operating lines originated in 1995 and 1996. This is consistent with the primary credit needs of the AA. Approximately 40% of the loans sampled were to agricultural customers with annual gross revenues of \$100 thousand or less. This compares favorably to the average farm income of \$180 thousand for both Dickinson and Marion counties. We obtained information regarding average farm income from the Kansas State University 1995 Farm Records Analysis Summary.

The table below reflects the income distribution of the bank's agricultural borrowers:

DISTRIBUTION OF SAMPLE AGRICULTURAL LOANS BY ANNUAL GROSS REVENUE		
1995 Gross revenue	# of loans	% of loans
less than \$100,000	8	40%
\$100,000 - \$250,000	7	35%
\$250,001 - \$500,000	4	20%
\$500,001 - \$1,000,000	1	5%
greater than \$1,000,000	0	0%
Total	20	100%
Percent in assessment area	100%	

Although all block numbering areas in the AA are middle income, the bank's distribution of consumer credit includes a good mix of loans to borrowers at all income levels. We reviewed a sample of fifteen automobile and ten residential real estate loans originated in 1995 and 1996. In our sample, 68% of the number of loans were to low-and moderate-income individuals. The following table shows the percentages of loans for various income categories:

INCOME DISTRIBUTION OF SAMPLE CONSUMER LOANS			
Borrowers' income level	AA % of families	# of loans	% of loans
Low (<50% of median family income)	18%	8	32%
Moderate (50-80% of median family income)	20%	9	36%
Middle (80-120% of median family income)	24%	5	20%
Upper (>120% of median family income)	38%	3	12%
Total	100%	25	100%
Percent in Assessment Area		100%	

Note: The HUD estimated 1996 median family income is \$34,300.

#### Geographic distribution of loans

All block numbering areas in the assessment area are designated as middle income. Therefore, an analysis of the geographic distribution of loans is not meaningful.

### Review of Complaints

The bank has not received any complaints since the last CRA examination.

### Record of Compliance with Antidiscrimination Laws and Regulations

FNB is in compliance with applicable antidiscrimination laws and regulations. We did not find any practices intended to discourage applications for any type of credit offered by the bank. The bank has proper procedures and policies in place to prevent discriminatory or other illegal credit practices.