



## **PUBLIC DISCLOSURE**

December 19, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Hope  
Charter Number 12384

112 Main Street  
Hope, KS 67451

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 First National Bank of Hope's (FNB's) average quarterly loan-to-deposit (LTD) ratio is reasonable.
- FNB's record of lending shows a substantial majority of lending is within the Assessment Area (AA).
- FNB's lending patterns reflect reasonable penetration to agricultural borrowers of different sizes.

**SCOPE OF EXAMINATION**

Examiners performed an evaluation of FNB's CRA performance using the Small Bank CRA procedures to assess management's ability to meet the community's credit needs within the bank's AA. The Performance Evaluation (PE) is an assessment of CRA performance from January 1, 2014, through November 30, 2016. Our loan sample included 20 agriculture loan originations during this time period since agriculture loans are the bank's primary product.

**DESCRIPTION OF INSTITUTION**

FNB is an \$82 million dollar institution headquartered in Hope, Kansas. FNB has two additional branches in Herrington, KS and Miltonvale, KS. Since the previous CRA examination, FNB purchased a Citizens State Bank branch in Miltonvale, KS in April 2013 and opened a new branch in Herrington, KS in October 2015. FNB is 100 percent owned by Hope Bancshares, Inc., a single bank holding company. The bank has no affiliates requiring consideration for CRA activities. The bank had Tier One Capital of \$9.9 million as of September 30, 2016.

FNB is a full service institution offering a variety of loan and deposit products. As of September 30, 2016, FNB's \$56 million loan portfolio consisted of 76 percent agriculture loans; 14 percent commercial loans; four percent residential real estate; three percent consumer loans; two percent municipal loans; and one percent other loans.

No legal, financial, or other matters impede FNB's ability to meet the credit needs of the AA. The Office of the Comptroller of the Currency last evaluated FNB's CRA performance on May 9, 2011. FNB received an overall rating of "Satisfactory" under the Small Bank Performance Standards.

**DESCRIPTION OF ASSESSMENT AREA(S)**

FNB designates the following census tracts (CT) as their AA:

- Morris County (CT 9636, 9637)
- Clay County (CT 4581, 4582)

- Dickinson County (CT 842, 843, 845, 846)
- Marion County (CT 4895)
- Ottawa County (CT 856)
- Cloud County (CT 9771)

The purchase of Citizens State Bank's branch in Miltonvale, KS added the respective areas in Marion, Ottawa, and Cloud counties since the previous PE. The AA includes eleven CTs, which are all middle-income tracts. There are no census tracts designated as distressed or underserved non-MSA middle-income tracts. This AA designation meets the regulation's requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The 2010 U.S. Census data shows the AA population of 31,331 persons, 8,786 families, and 12,743 households. Additionally, 66 percent of the housing units are owner occupied. The AA's 2016 Weighted Average of Median Family Income is \$53,491. Data shows 17 percent of the families are low-income, 19 percent moderate-income, 25 percent middle-income, and 39 percent upper-income. Thirty-seven percent of civilians are not in the workforce with 20 percent of the population over the age of 65. Eleven percent of households have incomes below the poverty level and two percent of households receive public assistance. Competition within the AA includes several nationally and state chartered banks and farm credit services. Twenty-nine other institutions compete for deposits within the AA. The FDIC Market Share Report as of June 30, 2016, ranked FNB 8<sup>th</sup> with a 4.6 percent share of total deposits in the AA.

Housing units in the AA consist of 90 percent one-to-four family units, seven percent mobile homes, and three percent multifamily. The Weighted Average of Median Housing Value from the 2010 U.S. Census data is \$82,795.

The state of Kansas's economy is projected to underperform the nation in 2017 according to the Moody's Analytics report from October 2016. As of November 2016, the Kansas unemployment rate was 4.3 percent, which is below the national unemployment rate of 4.6 percent. This remains relatively unchanged from 2015. Top employers within the AA include Russell Stover Candies, Inc., Great Plains Manufacturing, Abilene Machine, Girton Propane Service, Inc., and Hutchinson/Mayrath. Health services and local government also provide significant employment for the AA population. The leading employment sectors in the state are government, education and health services, and professional and business services with 18 percent, 14 percent, and 13 percent, respectively. Agriculture and manufacturing are more prominent within the bank's AA.

Examiners communicated with one economic development organization in the AA during the exam. The contact stated that there are many opportunities in Clay Center and Clay County. She stated that local banks are meeting the needs of the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

FNB's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The quarterly average LTD ratio since the last CRA examination was 80.7 percent. Quarterly average LTD ratios of similarly situated banks ranged from 41 percent to 102.8 percent. FNB's LTD ratio ranked the fourth highest among the 10 comparative banks.

### **Lending in Assessment Area**

FNB originated the substantial majority of their agriculture loans within their AA. Examiners selected a sample of 20 agricultural loans to assess management's lending performance in the bank's AA. Based on our sample, FNB originated 95 percent by number and 99.6 percent by dollar within their AA.

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

FNB's overall lending patterns reflect reasonable penetration among farms of different sizes. The loan sample indicates that FNB originated approximately 60 percent of the number and 17 percent of the dollar volume of loans to farms with gross revenues of less than or equal to \$1 million. This represents performance that is lower than the demographic. Approximately 98 percent of farms in the AA have gross revenues of less than or equal to \$1 million. The bank's lower percentage is a result of five loans in the sample having no income information available. Ninety percent of the sampled loans were \$250 thousand or less and 70 percent were under \$100 thousand. Two larger loans skewed the sample, as these two loans represented 10 percent of our sample by number while representing 71 percent by volume.

### **Geographic Distribution of Loans**

Examiners did not complete an analysis of the geographic distribution of loans since there are no low- or moderate-income geographies in FNB's AA.

### **Responses to Complaints**

FNB has not received any consumer complaints regarding 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 association's (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 AA 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.