



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**August 16, 2004**

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

**The First National Bank of Hope  
Charter Number 12384**

**112 Main Street  
Hope, KS 67451**

**Comptroller of the Currency  
Kansas City North – Salina Office  
Post Office Box 616  
Salina, KS 67402-0616**

**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 Outstanding.**

### **The major factors supporting this rating are:**

- The majority of loans by number and dollar are made to borrowers within the bank's Assessment Area (AA).
- The bank's overall lending levels are good and reflect a more than reasonable response to meeting community credit needs.
- The First National Bank of Hope (FNB) bank has an excellent record of lending to farm operators of different revenue levels and sizes.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA:**

### **Lending in the Assessment Area**

*FNB originated the majority of its loans to borrowers with farm operations within the AA.* Since the bank's last CRA evaluation dated October 12, 1999 through August 11, 2004, the bank originated 819 loans totaling \$57 million. We selected a sample of 40 agricultural related loans to assess the bank's performance. Based on the sample, 97.5 percent by number and 99.8 percent by dollar were originated to borrowers within the bank's AA.

Additional lending activities consist of the bank's participation in a 30-year fixed rate residential real estate and a low-interest agricultural loan program. Between February 2003 and August 2004, the bank originated 37 loans totaling \$2.9 million through a nearby financial institution and the Federal Home Loan Bank in Topeka. From July 2000 through December 2001, the bank originated 23 loans totaling \$3.8 million through the state of Kansas Agricultural (Ag) Production Loan Deposit Program. The Ag program offers a low interest, short-term loan to qualified borrowers.

### **Loan to Deposit Ratio (LTD)**

*The bank's overall lending levels are good and reflect a more than reasonable response to meeting community credit needs.* We calculated the bank's quarterly LTD ratio since the last CRA evaluation and compared it to the average of local competitors with offices in Dickinson or Marion County. From December 1999 through March 2004, the bank's quarterly average LTD ratio was 84.6 percent. FNB ranked second amongst its local peers. The local peer average was 67.4 percent with a low of 49 percent and a high of 87 percent. The asset size of the financial institutions used for comparison ranged from \$8 million to \$116 million.

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

*FNB has an excellent record of lending to farm operators of different revenue levels and sizes.* Based on our sample of 40 agricultural borrowers, 39 have loans in the bank's AA. All have revenues under \$1 million with 61 percent in the \$50 thousand to \$249 thousand revenue categories. The bank's level compares very favorably to business demographic data included in the 2003 Dunn and Bradstreet Revenue Report and the 2002 Census of Agriculture county reports. Review the tables below for details.

<b>REVENUE DISTRIBUTION OF LOANS TO AGRICULTURAL BORROWERS IN THE AA</b>				
<b>Farm Revenue/Sales Level</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Revenue not Reported</b>	<b>Total</b>
<b>% of AA Farms</b>	95%	3%	2%	100%
<b>% of Bank Loans in AA by #</b>	100%	0%	0%	100%
<b>% of Bank Loans in AA by \$</b>	100%	0%	0%	100%

Source: Loan Sample; Dunn and Bradstreet Revenue Report; updated annually

<b>REVENUE DISTRIBUTION OF LOANS TO AGRICULTURAL BORROWERS BY CATEGORY - Sample of 39 Agriculture Borrowers with Loan Originations January 1, 2001- December 31, 2002</b>				
<b>Revenue Category</b>	<b>Based on Loan Sample</b>		<b>Dickinson and Marion County Farms</b>	
	<b># of Borrowers</b>	<b>Percentage</b>	<b># of Farmers</b>	<b>Percentage</b>
<b>\$1,000 - \$49,999</b>	7	18%	864	58%
<b>\$50,000 - \$99,999</b>	11	28%	228	15%
<b>\$100,000 - \$249,999</b>	13	33%	224	15%
<b>\$250,000 - \$499,999</b>	5	13%	114	8%
<b>\$500,000 or more</b>	3	8%	62	4%
<b>Total</b>	<b>39</b>	<b>100%</b>	<b>1492</b>	<b>100%</b>

Source: Loan Sample; Census of Agriculture County Profiles

The revenue category in the chart above began with \$1 thousand since the Census of Agriculture department (Ag Census) defines a farm or ranch as any place that produced and sold \$1 thousand or more of agricultural products. Additional information obtained from the Ag Census shows that:

- Most entities did not show profitability until reaching \$25 thousand or more in net cash from farm income. Therefore, the majority of the entities in the \$1 thousand to \$49 thousand revenue category are considered hobby farmers.
- The average sales volume was \$97 thousand for Dickinson County and \$81 thousand for Marion County.
- Data from the Census of Agriculture is updated once every 5 years.

## Geographic Distribution of Loans

Since all census tracts in the AA are designated as middle-income geographies, a geographic analysis would not be meaningful.

## **Responses to Complaints**

FNB has not received any written complaints regarding its CRA performance during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

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

## **DESCRIPTION OF INSTITUTION**

FNB is a \$37 million full service financial institution. Hope Bancshares, Inc., a one-bank holding company owns 98.4 percent of the bank stock. Coup Insurance Agency is an affiliate of the bank through common ownership. FNB has its main office and one ATM in Hope, Kansas. The bank does not have any branches. FNB offers a variety of loan products to help serve the credit needs of this agricultural-based community. Agricultural related loans are the bank's primary credit product by number and dollar. During the evaluation period, the bank originated 819 loans totaling \$57 million. Of that total, agricultural related loans represented 30 percent of the total by number and 73 percent by dollar. The bank also offers a variety of commercial and consumer loans, deposit products, and investment services through a third party. Customers can also access the bank's website to conduct limited banking transactions and for informational purposes.

At this time, there are no legal or financial circumstances impeding the bank's ability to help meet community credit needs. The institution received a rating of "Satisfactory" during the previous CRA evaluation dated October 12, 1999.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank designated all of Dickinson County and the northern census tract in Marion County, Kansas as the bank's AA. This designation meets the requirements of CRA legislation and does not arbitrarily exclude low- or moderate-income geographies. Several competitors have offices or branches in the AA. FNB is the only financial institution with an office in Hope. A community contact stated that FNB actively participates in community lending projects and programs.

The overall economic condition of the AA is considered stable due to good wheat crops and a healthy cattle market. Management and a community contact stated that the local economy has been improving for the past three years. The 2000 Census in comparison to the 1990 Census shows modest economic improvement. For example, the percentage of the population living below the poverty level decreased from 13 to 8 percent. Residents receiving public assistance also declined from 5 to 2 percent. The unemployment rate has remained relatively low at 2 percent. The updated median family income is \$44,232.

The 2002 County Economic Vitality and Distress Report prepared by Kansas, Inc., ranks Dickinson County 66 and Marion County 86 out of the 105 counties within the state of Kansas. Economic factors considered include: population, employment, property valuation, per capita income, and financial aid assistance.

Refer to the bank's CRA Public File and external publications for additional information about the bank's AA.