



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Hoisington National Bank
Charter Number 12694**

**Second And Main Streets
Hoisington, KS 67544**

**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

The Hoisington National Bank (HNB or "the bank") is a \$24 million bank headquartered in Hoisington, Kansas. The bank does not have any branches. HNB has one Automated Teller Machine located at the main office. The bank does not operate under a holding company. There have been no changes in the bank's corporate structure.

HNB is a full service bank offering a variety of loan products with an emphasis on residential real estate and agricultural loans. On December 31, 2002, net loans represented 34% of the bank's total assets. The bank's \$8 million loan portfolio has the following composition: 42% residential real estate; 25% agricultural; 12% commercial; 11% consumer; and 10% other real estate. The bank has not changed any existing loan products, or offered any new products since the previous CRA examination. Examiners determined the primary loan products were residential and agricultural loans.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. Examiners assigned a "Satisfactory" rating at the August 3, 1998, CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is all of Barton County, Kansas. The AA consists of block numbering areas (BNA) 9711-9718. Seven (88%) of the BNA are middle-income tracts and one (12%) of the BNA is an upper-income tract. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts. The Kansas statewide non-MSA median family income for 2002 is \$44,200. The statewide Kansas unemployment rate for February 2003 is 4.6% compared to 5.8% nationwide.

Examiners made one community contact with a local business professional in the AA. The contact identified home loans and agricultural purpose loans as two of the area's primary credit needs. The contact further stated that the area banks are meeting these credit needs.

The AA has a population of 29,382. The income distribution for families in the AA is 16% low-income, 19% moderate-income, 24% middle-income, and 41% upper-income. Ten other banks and several financial institutions with offices in the AA provide strong competition. The asset sizes for these institutions range from \$13 million to \$312 million. With 3% of the area's deposits, HNB ranks 10th in deposit market share. The weighted average median housing value is \$38,852. Owner occupied housing units represent 64% of the homes in the AA.

The local economy is centered in agriculture; however, nearby Great Bend provides access to

additional employment and commerce. The AA has been affected by poor cattle prices and below average crop yields.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

HNB's level of lending is adequate. The bank's quarterly average loan-to-deposit ratio (LTD) over the past 12 quarters ending December 31, 2002, is 36%. Examiners compared this ratio to that of peer banks in the AA. For peer banks, examiners analyzed the ratios over the same time period for a group of five banks, which derive the majority of their deposits from the AA. The quarterly average ratio for this group is 63%. The quarterly average ratios for the banks within the peer group range from 43% to 87%.

While HNB's quarterly average LTD is below that of peer banks, it is still considered adequate. In April of 2001 the community of Hoisington was struck by a tornado, devastating the local economy. The peer group banks located in Great Bend were not as adversely affected by the tornado. Additionally, peer banks in Great Bend have the ability to lend in areas outside the AA through loan production offices and branches. The quarterly average LTD for the Great Bend banks is 74% compared to the quarterly average for Hoisington banks of 39%. HNB's December 31, 2002, LTD of 41% has an increasing trend and is at its highest level in 12 quarters. The bank's LTD has increased 52% since June 30, 2001, the largest increase among the peer group. Bank management stated they will continue to attract as many loans as the economy will allow. The community contact felt the banks in Hoisington were active in the community, and were meeting the credit needs of the area.

Lending in Assessment Area

The bank's lending in its AA is excellent as it extends the vast majority (98% of the number and 96% of the dollar) of its loans in the AA. Examiners utilized a sample of 20 agricultural and 20 residential real estate loans to assess the bank's performance in this area. These loan products were selected as they represent the primary lending products of the bank.

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

The level of lending to farms of different sizes and residential real estate borrowers of different incomes is good. The sample used to determine the bank's performance in lending within the AA was used to determine the performance in this area.

The bank's level of lending to farms of different sizes is good. All loans in the examiner's sample are to farms with annual gross revenues of \$1 million or less. The bank's performance exceeds the Dunn & Bradstreet 2002 demographic data that shows 95% of the farms in the AA have annual gross revenues of \$1 million or less. Further breakdown of the sample shows 85% of the loans were to farms with revenues of less than \$250 thousand and 20% to farms with revenues under \$100 thousand.

Lending to residential real estate borrowers of different incomes is excellent. Lending to low-income borrowers is excellent (30% of the consumer sample) compared to the family income

demographics of 16%. Lending to moderate-income borrowers representing 25% of the sample is above demographic data showing 19% and represents good performance.

Geographic Distribution of Loans

An analysis of the distribution of loans within the AA would not be meaningful as the AA does not include any low- or moderate-income tracts.

Responses to Complaints

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

Fair Lending Review

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with this CRA.