

October 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**112 North Main Street
Hope, Kansas 67451**

**Office of the Comptroller of the Currency
Kansas City North - Salina Office
Post Office Box 616
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 (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 12, 1999. 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 **ASatisfactory.**@

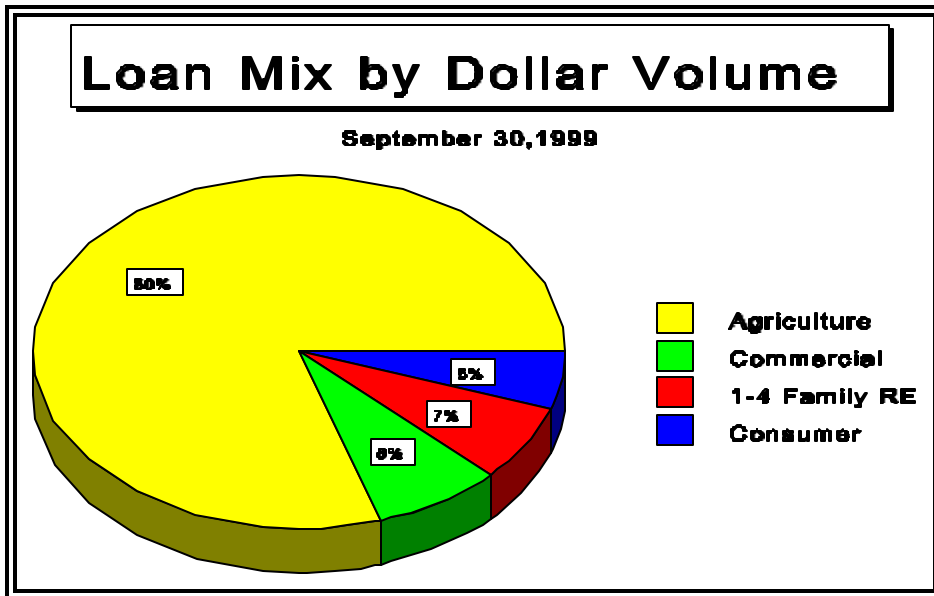
FNB's CRA rating is based on the following factors:

- ! The revenue distribution of the bank's borrowers is reasonable. The bank lends to farms and businesses of various revenue sizes.
- ! The bank maintains a reasonable loan-to-deposit ratio. A majority of FNB's loan originations benefit borrowers within the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$32 million institution that has one office based in Hope, Kansas. Hope Bancshares Inc., owns 98.4% of the bank stock. The remaining 1.68% of the bank's stock is evenly distributed among three other shareholders. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The institution received a rating of **ASatisfactory Record of Meeting Community Credit Needs**@ at its last CRA examination dated August

27, 1996. Net loans total \$16.8 million as of June 30, 1999, and represent 52 percent of total assets. Agricultural loans are the bank's primary credit product by dollar volume. Since the bank's last CRA examination, loan volume has increased approximately \$5.9 million. The following table shows the bank's loan portfolio composition as a percentage of average gross loans:



DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Dickinson County and the Northern most BNA tract in Marion County as its assessment area. This designation meets the requirements of the CRA regulation and does not

arbitrarily exclude any low- or moderate-income geographies. Competition within the assessment area includes six banks in Dickinson County and two banks in Marion County. Agricultural loans of all types are the primary credit need of the assessment area. The major agricultural product is cattle. Other agricultural products include wheat, corn, and soybeans. Commercial lending activity offers some diversification to the loan portfolio. Major employers in the area include The First National Bank of Hope, North Central Cooperative, Main Street Grocery, and the school district.

Total population of the assessment area based on 1990 U.S. Census information is 20,837. The assessment area is divided into seven block numbering areas (BNA), 9841, 9842, 9843, 9844, 9845, 9846, and 9895. FNB's main office is located in BNA 9845. All of the BNAs are designated as middle-income tracts based on their respective family income levels. Based on 1990 U.S. Census data, the median housing value for the assessment area is \$34,200. The median year that houses were built in the assessment area was 1946. There are 13% of the households that have been classified below the poverty level, with 67% of the total housing being owner occupied.

The assessment area includes 5,905 families. Approximately 18 percent of the families are designated as low-income, 20 percent are moderate-income, 24 percent are middle-income, and 38 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1999 non-metropolitan updated median family income figure of \$38,700 for the state of Kansas. The median family income for the area is \$28,206. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual is currently holding a political office within the assessment area. He indicated the primary credit needs of the area are for agricultural purposes. Our contact identified no unmet credit needs in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Farms of Different Revenue Sizes

Agricultural Lending:

FNB has a satisfactory record of lending to small farms within its assessment area. Sixty-four percent of FNB's loan portfolio is in agricultural loans. We reviewed the revenue distribution of 21 agricultural borrowers with loan originations between August 27, 1996 and October 12, 1999. Our agricultural sample represented 5 percent of the total dollar volume of agricultural loans originated.

Based on our sample of agricultural borrowers, we determined that 33 percent of the farm customers in our sample had gross annual revenues of less than \$50 thousand. We compared the revenue distribution of FNB's agricultural customers to area demographic information obtained from the 1997 Agricultural Census which was conducted by the U.S. Bureau of the Census. FNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics. The following table shows a more detailed analysis of the agricultural borrower revenue distribution:

AGRICULTURAL BORROWER REVENUE DISTRIBUTION				
Sample of 21 Agricultural Borrowers With Loan Originations Between 8/27/96 and 10/12/99				
Revenue Category	Distribution of FNB's Agricultural Borrowers Per Sample		Distribution of Farms in Dickinson and Marion Counties	
	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$50,000	7	33%	1146	62%
\$50,000 - \$100,000	6	29%	270	14%
\$100,000 - \$250,000	7	33%	282	15%
\$250,000 - \$500,000	1	5%	107	6%
\$500,000 and over	0	0%	56	3%
TOTALS	21	100%	1861	100%

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. This analysis is performed if one or more of the block numbering areas in the bank's assessment area is designated as a low- or moderate-income geography. There are no low- or moderate-income block numbering areas in FNB's assessment area.

Loan-to-Deposit Ratio (LTD)

The bank's LTD ratio is reasonable. The bank's overall lending levels are good and reflect a reasonable response to community credit needs given the strong competition and small immediate population within the assessment area. The bank's average loan-to-deposit ratio during the previous thirteen quarters was 52.24 percent. FNB's loan-to-deposit ratio has been significantly increasing since the last examination.

We compared FNB's quarterly average LTD ratio to seven other financial institutions operating in Dickinson and Marion Counties. Each of the banks in our comparison had total assets of less than \$99 million and no branches in metropolitan areas. The overall quarterly average LTD ratio for the eight banks in our comparison was 63.75 percent. Quarterly average LTD ratios ranged from 26 percent to 81 percent. FNB's quarterly average LTD ratio ranked seventh among the eight banks we reviewed.

Lending in the Assessment Area

A majority of the bank's loan originations are extended to borrowers living within the assessment area. Bank personnel generated reports during the examination which showed agricultural, commercial, residential real estate, and consumer loans, as well as location of the borrower. We determined approximately 73.3 percent of loan originations, by number, and 92.3 percent, by dollar volume, were to borrowers within the assessment area. The following table details our analysis of the bank's record of lending in the assessment area:

ASSESSMENT AREA (A.A.) ANALYSIS (Based on 375 Loan Relationships Outstanding As of 10/20/99)				
Location Of Relationship	Loans By Number	Percent By Number	Loans By Dollar (Thousands)	Percent By Dollar
In Assessment Area	275	73.3%	15,739	92.3%

ASSESSMENT AREA (A.A.) ANALYSIS

(Based on 375 Loan Relationships Outstanding
As of 10/20/99)

Out of Assessment Area	100	26.7%	1,305	7.7%
Totals	375	100%	17,044	100%

Compliance with Antidiscrimination Laws and Regulations

FNB has a satisfactory record of compliance with antidiscrimination laws and regulations. During our consumer compliance examination, we found no substantive violations of fair lending laws and no evidence of discriminatory practices.

Response to Complaints

FNB has not received any written complaints regarding its CRA performance since the previous examination dated August 27, 1996.