



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 19, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Hoisington National Bank
Charter Number: 12694**

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

Office of the Comptroller of the Currency

**Wichita
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.

- The Hoisington National Bank's average quarterly loan-to-deposit ratio is reasonable. The bank's average quarterly loan-to-deposit ratio is 47% compared to 66% for similarly situated banks in the assessment area.
- All of the bank's primary loan products have been granted in the assessment area. The loan sample indicated that 100% of the number and 100% of the dollar volume of loans were granted in the assessment area.
- The Hoisington National Bank demonstrated adequate levels of lending to borrowers of different incomes and businesses of different sizes. The bank's level of residential real estate lending to borrowers of different incomes is reasonable. Lending to low-income borrowers is excellent as 45% of the loans in the sample were granted to low-income borrowers. This is well above the demographics of the assessment area that show 20% of the borrowers are low-income. Lending volume to moderate-income borrowers is below area demographics. The bank's level of lending to commercial businesses is excellent. One hundred percent (100%) of the number of loans were granted to businesses with revenues less than or equal to \$1 million.
- The Hoisington National Bank's lending level in moderate-income tracts is excellent. The geographic distribution of 1 - 4 family residential real estate loans is excellent. The bank extended 75% of the loans to borrowers in the moderate-income tracts. This compares favorably to the demographic showing that 21% of the owner-occupied houses are in the moderate-income tracts. The geographic distribution of commercial loans in the bank's assessment area is excellent. The bank extended 65% of the number of commercial loans to businesses located in the moderate-income tracts. This compares favorably to the demographics showing that 15% percent of the assessment area businesses are located in the moderate-income tracts.

SCOPE OF EXAMINATION

We performed a full-scope evaluation of The Hoisington National Bank's assessment area using small bank Community Reinvestment Act procedures.

DESCRIPTION OF INSTITUTION

The Hoisington National Bank (HNB) is a \$20.6 million bank headquartered in Hoisington, Kansas. The bank does not have any branches. The bank 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 loans. Net loans represent 42% of the bank's total assets. As of June 30, 2007, the bank's \$8.8 million loan portfolio has the following composition: real estate loans 66%, agricultural 18%, commercial 7%, and individual/other 9%. The bank has not changed any existing loan products since the previous Community Reinvestment Act (CRA) examination, but will start offering Home Equity Lines of Credit. Examiners determined the primary loan products, based on the number and dollar volume granted during the previous two calendar years and year-to-date 2007, are residential real estate loans and commercial loans, respectively.

HNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. We assigned a "Satisfactory" rating at the April 17, 2003, CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The Hoisington National Bank's assessment area (AA) consists of all of Barton County, Kansas. The county is not in a Metropolitan Statistical Area (MSA). The AA contains six middle and two moderate-income census tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 28,205. The Kansas state-wide non-MSA median income for 2006 is \$47,900. The income distribution for families in the AA is 20% low-income, 21% moderate-income, 26% middle-income, and 33% upper-income. Of the 11,391 households in the AA, 32% receive social security, 12% have income below poverty level, and 3% receive public assistance. Twenty-six percent (26%) of the population is not in the work force and 18% is over the age of 65.

The median housing value is \$53,360 and 64% of the housing units are owner-occupied. The local economy is stagnant. Most people in the community live in Hoisington but work and shop in Great Bend. The community lacks retail commerce, but has a school system, hospital, and recreation center. The population in Hoisington is declining and aging. The Kansas unemployment rate of 4.3% for August 2007 is less than the nationwide rate of 4.6%.

The level of competition in the bank's AA is driven by a number of other banks and several financial institutions with offices in the AA. With 2% of the area's deposits, the bank ranks ninth in deposit market share.

Examiners contacted one community professional. The contact indicated HNB is actively involved in the community. The contact identified residential real estate and business loans as two of the area's primary credit needs, and indicated that area banks are meeting those needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

HNB's level of lending is reasonable. The bank's quarterly average loan-to-deposit ratio (LTD) since the last CRA exam is 47%. The average quarterly LTD ratio for four similarly situated banks in the AA is 66%. The average quarterly LTD ratio for the peer banks range from 34% to 85%.

While HNB's quarterly average LTD ratio is below that of peer banks, it is still considered reasonable. The average LTD ratio for HNB has improved from 36% at the previous CRA examination. 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 ratio for the Great Bend banks is 72% compared to the quarterly average for Hoisington banks of 41%. First Bank of Kansas, also located in Hoisington, has a quarterly average LTD ratio of 34% compared to HNB's 47%.

Lending in Assessment Area

The bank's lending in the AA is excellent as it extends all its primary loan products to borrowers located in the AA. Specifically, we found that HNB made 100% of the number and 100% of the dollar amount of loans in the AA. The sample included 40 loans originated, purchased, or committed during 2005, 2006, and year-to-date 2007. The loan sample included 20 loans of each of the two primary products.

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

Lending levels to borrowers of different incomes and businesses of different sizes are good. To assess the bank's performance, examiners selected a sample of 20 residential real estate loans and 20 commercial loans. These products represent the majority of the loans originated from January 1, 2005 to year-to-date 2007.

HNB's level of residential real estate lending to borrowers of different incomes is reasonable. Lending to low-income borrowers is excellent as 45% of the loans in the sample were granted to low-income borrowers. This is well above demographics that show 20% of the AA is low-income families. The lending volume to moderate-income borrowers is slightly below area demographics. The AA demographics reveal that 21% of the families are moderate-income and only 15% of the loans in the sample were to moderate-income borrowers. The majority of moderate-income borrowers in the area are located in Great Bend and use Great Bend banks.

Borrower Distribution of Residential Real Estate Loans in Hoisington Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family Residential RE	20%	45%	21%	15%	26%	10%	33%	30%

Source: Loan sample and 2000 U.S. Census data

The volume of lending to businesses of different sizes in the AA is excellent. The commercial loan sample shows 100% of the number and 100% of the dollar amount of loans were granted to businesses with revenues less than \$1 million. HNB's performance exceeds the business demographic data that shows 57% of the commercial businesses have annual gross revenues of \$1 million or less, with 39% of the businesses having unavailable or unknown revenues.

Borrower Distribution of Loans to Businesses in Hoisington Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	57%	4%	39%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample and 2007 Business Geodemographic data

Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the bank indicates the bank has excellent penetration to borrowers and businesses in moderate-income tracts. The bank's AA does not contain any low-income tracts.

The geographic distribution of 1-4 family residential real estate loans is excellent. The bank extended 75% of its loans to borrowers in the moderate-income tracts. This compares favorably to the demographic showing that 21% of the owner-occupied houses are in the moderate-income tracts.

Geographic Distribution of Residential Real Estate loans in Hoisington Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
1 – 4 Family Residential RE	N/A	N/A	21%	75%	79%	25%	N/A	N/A

Source: Loan sample and 2000 U.S. Census data

The geographic distribution of commercial loans in HNB's AA is excellent. The bank extended 65% of the number of commercial loans to businesses located in the moderate-income tracts. This compares favorably to the demographics showing that 15% percent of the AA businesses are located in the moderate-income tracts.

Geographic Distribution of Loans to Businesses in Hoisington Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	N/A	N/A	15%	65%	85%	35%	N/A	N/A

Source: Loan sample and 2006 Business Geodemographic Data

Responses to Complaints

The Hoisington National Bank has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.