



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Home National Bank of Arkansas City
Charter Number #4487**

**126 South Summit
Arkansas City, Kansas 67005**

**Office of the Comptroller of the Currency
Wichita Duty Station
3450 N. Rock Road, Suite 505
Wichita, Kansas 67226**

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 Home National Bank of Arkansas City** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 27, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The bank has a satisfactory level of lending. The bank's lending to businesses of different sizes and borrowers of different incomes is good. The bank makes a majority of its loans within its assessment area.

The following table indicates the performance level of *The Home National Bank of Arkansas City* with respect to each of the five performance criteria.

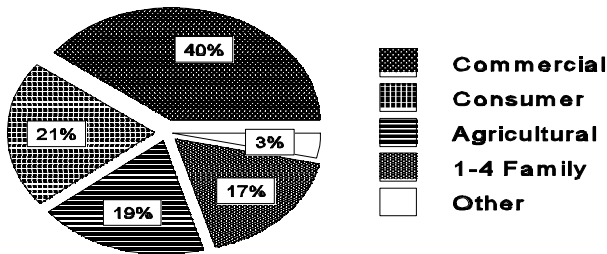
SMALL INSTITUTION ASSESSMENT CRITERIA	THE HOME NATIONAL BANK OF ARKANSAS CITY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	An analysis of the geographic distribution of loans would not be meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Home National Bank of Arkansas City (HNB) is a \$167 million bank located in Arkansas City, Kansas. The bank is a wholly owned subsidiary of HNB Corporation a multi-bank holding company that owns two other banks and two finance companies. The bank has two branch locations and four automated teller machines located within Arkansas City. The bank's primary competition is provided by the state bank in Arkansas City.

Loan Portfolio Composition

As of December 31, 1996



HNB is a full service bank offering a variety of loan products. The bank's primary product is commercial lending. As of December 31, 1996, 40% of the bank's lending was for commercial purposes. Consumer loans account for 21% of the bank's portfolio. Agricultural loans or farmland make up 19%, one-to-four family real estate loans make up 17%, and other loans make up the remaining 3% of the bank's \$82 million loan portfolio.

The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area. The bank plans to open a branch location in Garden City, Kansas, in March of 1997. The bank has not closed any offices since the previous examination.

The bank was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination, April 21, 1995.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Cowley County, Kansas. The county consists of eight middle-income and three upper-income block numbering areas. Of all households in the assessment area, 21% are low-income, 15% are moderate-income, 18% are middle-income, and 46% are upper-income. The median family income for the assessment area is \$31,417 compared to the Kansas statewide non-metropolitan median family income of \$34,300 for 1996. Thirty-eight percent of the county's households receive social security or public assistance.

Cowley County is located in southwest Kansas and has a population of 37,000.

Arkansas City is located less than 60 miles southeast of Wichita and is the largest city in the county, with a population of 13,000. Cowley County's economic base is diverse and includes a variety of industries. Both community contacts indicated the local banks were meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis

The bank's lending level is satisfactory and reflects a reasonable response to community credit needs. The bank's seven quarter average loan-to-deposit ratio since the April 21, 1995, CRA exam is 52%. The average loan-to-deposit ratios for other banks in the trade area is 61%, and ranged from 21% to 88% over the same seven quarter time period.

Comparison of Credit Extended Inside and Outside the Assessment Area

The bank extends a majority of loans within its assessment area. A review of the bank's November 1996 zip code report, excluding credit cards, disclosed the bank loaned 60% of the dollar volume and 62% of the number of loans to customers residing within the bank's assessment area. After meeting local loan demand, the bank purchased several credit card pools. Including credit cards, 55% of the dollar volume and 36% of the number of loans are made to customers residing in the bank's assessment area.

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

Lending levels to businesses of different sizes and to borrowers of different incomes is good. The bank considers a business small if it has less than 20 employees, or gross revenues of less than one million. Examiners selected a sample of commercial loans made during the month of January 1997. Fifteen of the eighteen loans we sampled were to small businesses. The sampled borrowers had gross annual revenues ranging from \$15,000 to \$4.8 million, with the following distribution:

Gross Annual Revenue Distribution Business and Agriculture Lending	
\$0 to \$100,000	6
\$100,001 to \$250,000	4
\$250,001 to \$500,000	3
\$500,001 to \$1,000,000	2
\$1,000,001 and less than 5,000,000	3

From a visual inspection of loans made to individuals during the month of January 1997, we discovered the bank lends to individuals for various consumer purposes, without regard to minimum loan amounts. A sample of fifteen individual loans disclosed borrowers with gross annual revenues ranging from \$9,000 to \$74,000.

Distribution of Credit Within the Assessment Area

An analysis of the distribution of credit within the assessment area would not be meaningful as the assessment area consists of only middle- and upper-income tracts.

Compliance with Anti-Discrimination Laws and Regulations

We did not identify any substantive violations of the fair lending laws and regulations. Our review did not indicate any evidence of apparent disparate treatment or other illegal credit practices.