



PUBLIC DISCLOSURE

June 26, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Cimarron
Charter Number 13329

Bank Address
121 North Main
Cimarron, KS 67835

Office of the Comptroller of the Currency

2959 North Rock Road, Suite 510
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, and should not 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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory

- The First National Bank in Cimarron's average quarterly loan-to-deposit (LTD) ratio is reasonable. The average LTD ratio since the last CRA examination is 49.07 percent. The average LTD ratio of competitors is 63.46 percent and ranges from 40.14 percent to 89.03 percent.
- Lending in the assessment area (AA) is satisfactory. A majority of First National Bank in Cimarron's primary loan products were granted in the assessment area. The sample indicated 73 percent of the number and 77 percent of the dollar volume were made in the assessment area.
- Lending to farms and businesses of different sizes is satisfactory. The distribution of loans to farms in the AA reflected 65 percent of the number and 50 percent of the dollar amount of farm loans were made to small farms. The distribution of loans to businesses of different sizes reflected 50 percent of the number and 26 percent of the dollar amount of business loans were made to small businesses.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The First National Bank in Cimarron (FNB) is an \$88 million bank headquartered in Cimarron, KS. FNB has two locations consisting of the main office in Cimarron and a branch in Ingalls, Kansas. The main office in Cimarron has a drive-up facility. FNB has a drive-up ATM located two blocks from the main branch in Cimarron and another cash-dispensing ATM located outside the Ingalls branch. The bank has not opened any new branches or closed any existing branches since the previous Community Reinvestment Act (CRA) examination.

FNB is a wholly-owned subsidiary of First National Agency, a one-bank holding company located in Cimarron. The holding company had a total consolidated assets of \$95 million as of March 31, 2017. The bank's corporate structure has not changed since the previous CRA examination. The bank had Tier One Capital of \$7.1 million as of March 31, 2017.

FNB is a full service institution offering a variety of loan and deposit products. Net loans represent 48 percent of the bank's total assets. As of March 31, 2017, the bank's \$43 million loan portfolio consisted of 38 percent real estate loans; 33 percent agriculture loans; 24 percent commercial loans; and five percent individual loans. Management indicated the bank's primary lending products during the evaluation period were agricultural loans and commercial loans. Twenty loans of each primary product were used to evaluate the lending test.

FNB's assessment area (AA) consists of Gray County, Kansas. Gray County is located in southwest Kansas and is not in a Metropolitan Statistical Area (MSA). The AA contains two middle-income census tracts, 9626 and 9627. The AA does not contain any low- or moderate-income tracts. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts. Gray County was declared an underserved area in 2015, 2016, and 2017.

The 2010 U.S. Census data shows the AA population of 6,006 persons, 1,581 families, and 2,051 households. The AA's 2017 Weighted Average of Median Family Income is \$60,011. Eleven percent of families are low-income; 19 percent moderate-income; 23 percent middle-income; and 47 percent upper-income. Twenty-nine percent of civilians are not in the work force with 12 percent of the population over age 65. Eight percent of households have incomes below the poverty level and two percent of households receive public assistance.

Housing units in the AA consist of 83 percent one-to-four family units; 15 percent mobile homes or trailers; and two percent multifamily units. Sixty-six percent of the housing units are owner occupied. The weighted Average of Median Housing Value from the 2010 U.S. Census data is \$100,139.

The unemployment rate for the AA was 2.3 percent as of May 2017. The national and state unemployment rates were 4.4 percent and 3.7 percent, respectively. Gray County has historically been below state and national unemployment figures. Agriculture is the primary employment driver for the AA with an estimated 1894 employees in 2016 according to the Kansas Department of Agriculture's Estimated Economic Impact of Agriculture, Food, and Food Processing Sectors Report. Within agriculture, the beef cattle ranching and farming sector is the largest employer with 769 employees followed by support activities for agriculture at 283 employees, wholesale trade at 162 employees, truck transportation at 84 employees,

grain farming at 51 employees, and the remaining 12 sectors contributing 545 employees in 2016. Besides farming, other primary employers in the AA include energy companies, school districts, and the county.

FNB faces moderate competition from two other banks located in the AA. FNB and its primary competitor inside the AA share a similar size of the deposit market share. According to the FDIC Market Share Report as of June 30, 2016, total deposits inside the AA for FNB and its primary competitor are 48 percent and 47 percent, respectively. Total deposits for competitor banks range from \$60 million to \$535 million.

Examiners communicated with one local government official in the AA during the examination. The contact stated the local economy was good and there were opportunities for bank involvement within the AA due to growth in the surrounding area. The contact said the local financial institutions were involved and meeting the needs of the community.

No legal, financial, or other matters impede FNB's ability to meet the credit needs of the AA. The Office of the Comptroller of the Currency last evaluated FNB's CRA performance on February 9, 2012. FNB received an overall rating of "Satisfactory" under the Small Bank Performance Standards.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Examiners performed an evaluation of FNB's CRA performance using the Small Bank CRA procedures to assess management's ability to meet the community's credit needs within the bank's AA. The Performance Evaluation (PE) is an assessment of CRA performance from January 1, 2015, through May 30, 2017. Our loan sample included 20 agriculture loan and 20 commercial loan originations since agricultural and commercial loans were the bank's primary products.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The Lending Test is rated Satisfactory.

Loan-to-Deposit Ratio

FNB's Loan to Deposit (LTD), while lower than peer, is reasonable. The quarterly average LTD since the last CRA examination was 49.07 percent. The bank's LTD ratio ranged from 40% to 62%. The average quarterly LTD ratio over the same period for the competitor banks was 63% with ratios ranging from 40.14 percent to 89.03 percent. FNB's LTD ranked third highest among the four comparative banks. The bank with the highest average LTD ratio has locations outside the AA in other MSAs which significantly expands their lending opportunities. The bank's low LTD ratio was primarily caused by an increase in deposits. Increases in commodity prices prior to 2014 caused agricultural borrowers to pay down loans and also increase their deposits. An increase in oil leases on land in the AA also caused an increase in deposits and reduced loan demand. The average LTD ratio for the bank from March 2015 to March 2017 was 53.2 percent, showing an increase in lending over the last couple of years compared to the entire five-year evaluation period.

Lending in Assessment Area

FNB originated the majority of its primary loan products to borrowers within the AA. Examiners selected a sample of 20 agricultural loans and 20 commercial loans to assess management's lending performance in the bank's AA. Based on our sample, FNB originated 73 percent by number and 77 percent by dollar amount within the AA.

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

FNB's lending to farms and businesses of different sizes is satisfactory and reflects reasonable penetration. To assess the bank's performance, examiners selected a sample of 20 agricultural loans and 20 commercial loans originated in the AA during the evaluation period. These two loan types represent the bank's primary loan products.

FNB's distribution of loans to farms of different sizes reflects reasonable penetration. The agricultural sample reflects that 65 percent by number and 50 percent by dollar amount of loans were made to farms with revenues less than \$1 million. This represents performance that is lower than the demographic. Approximately 93 percent of farms in the AA have gross revenues of less than or equal to \$1 million. The bank's lower percentage is a result of six loans or 30 percent of the sample not having income information available. Income information was not available due to the low dollar amount of the loans and borrowers being long-term customers. Ninety-five percent of the loans sampled had origination amounts \$250 thousand or less and 80 percent were under \$100 thousand. One large loan skewed the sample, as this loan represented five percent of our sample by number while representing 39 percent by volume.

Distribution of Loans to Farms in the AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	93%	5%	2%	100%
% of Bank Loans in AA by #	65%	5%	30%	100%
% of Bank Loans in AA by \$	50%	39%	11%	100%

Source: Loan Sample, Dun and Bradstreet data as of June 2016

The distribution of loans to businesses of different sizes reflects reasonable penetration. The loan sample indicates that FNB originated approximately 50 percent by number and 26 percent by dollar volume of loans to businesses with gross revenues of less than or equal to \$1 million. This represents performance that is lower than the demographic. Approximately 74 percent of businesses in the AA have gross revenues of less than or equal to \$1 million. The bank's lower percentage is a result of nine loans in the sample having no income information available. Income information was not available due to the low dollar amount of the loans and borrowers being long-term customers. Ninety-five percent of the sampled loans were \$250 thousand or less and 90 percent were under \$100 thousand. One large loan skewed the sample, as this loan represented five percent of our sample by number while representing 66 percent by volume.

Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74%	7%	19%	100%
% of Bank Loans in AA by #	50%	5%	45%	100%
% of Bank Loans in AA by \$	26%	66%	8%	100%

Source: Loan sample; Dun and Bradstreet data as of June 2016

Geographic Distribution of Loans

Examiners did not complete an analysis of the geographic distribution of loans since there are no low- or moderate-income geographies in FNB's AA.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence

of discriminatory or other illegal credit practices in any geography by the bank of FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 01/1/15 to 05/30/17	
Financial Institution	Products Reviewed	
First National Bank in Cimarron Cimarron, KS	Agricultural Loans Commercial Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>None</i>		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Kansas Gray County	Full-Scope	Census Tracts 9626 and 9627

Appendix B: Community Profiles for Full-Scope Areas

Gray County Assessment Area

Demographic Information for Full-Scope Area: Gray County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2	0.00	0.00	100.00	0.00	0.00
Population by Geography	6,006	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	1,546	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	386	0.00	0.00	100.00	0.00	0.00
Farms by Geography	152	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	1,581	11.20	19.10	22.64	47.06	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	479	0.00	0.00	100.00	0.00	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$52,419 = \$57,300 = 8%	Median Housing Value Unemployment Rate				= \$100,139 = 1.62%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2017 FFIEC updated MFI.

The Gray County AA contains two census tracts in Gray County, KS. The delineation of the AA does not reflect any illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. The AA contains two middle-income census tracts. As of June 30, 2017, FNB operates two branches and two ATMs within the AA. FNB ranks first out of three in the FDIC Market Deposit Market Share Report as of June 30, 2016 with 48 percent of the market share. FNB's primary products for the assessment period were agricultural loans and commercial loans. Examiners completed a community contact with an individual from Cimarron that stated the economy was good and the primary credit needs were commercial loans and home equity.