



PUBLIC DISCLOSURE

August 13, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Frankfort
Charter Number 11916

124 North Kansas
Frankfort, KS 66427

Office of the Comptroller of the Currency

7101 College Blvd, Suite 1600
Overland Park, KS 66210

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.

Table of Contents

OVERALL CRA RATING.....	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	9
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	10
LENDING TEST	10
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....	B-1
APPENDIX C: TABLES OF PERFORMANCE DATA	C-1

Overall CRA Rating: Outstanding

The Lending Test is rated: Outstanding

The major factors supporting this rating are:

- The First National Bank in Frankfort's (FNB) average quarterly loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of FNB's lending activity by number and dollar is inside its assessment area (AA).
- FNB's distribution of loans to borrowers of different income levels and farms with revenues below \$1 million in its AA is excellent.

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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5

million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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) 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

FNB is a \$44 million single-state financial institution headquartered in Frankfort, Kan. FNB is a wholly owned subsidiary of First Frankfort Bancshares, Inc., a single-asset holding company with \$4.4 million in consolidated assets. FNB has not opened or closed any branches since the prior CRA examination.

FNB has one AA that consists of all census tracts located in Marshall County, Kan. All tracts in the AA are middle-income tracts. The AA does not include an MSA or any low- or moderate-income census tracts.

FNB is a full-service financial institution operating one branch in Frankfort, Kan. FNB offers a variety of loan and deposit products including various consumer, residential real estate, agricultural, and commercial loans. As of June 30, 2018, the loan portfolio totaled \$22.7 million or 52 percent of total assets. FNB's loan portfolio consists of the following, by dollar: real estate loans (52 percent), agricultural loans (28 percent), commercial loans (12 percent), and consumer and other loans (8 percent). Tier 1 capital totals \$4.6 million and deposits total \$38.1 million. FNB holds 7.55 percent of the deposit market share, which ranks sixth out of the nine financial institutions in Marshall County. Primary competitors include The Citizens State Bank, The State Bank of Bern, and First Commerce Bank.

FNB's strategy is to continue originating agriculture, residential real estate, consumer, and commercial loans in the bank's AA. There are no legal, financial, or other factors impeding FNB's ability to meet credit needs in the community. FNB received a "Satisfactory" rating at the previous CRA examination dated February 4, 2013.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We analyzed a sample of consumer and agriculture loans for the period from January 1, 2015 through December 31, 2017. FNB's primary lending products for the evaluation period, by number and dollar, are consumer and agriculture loans, respectively. We evaluated samples of consumer and agriculture loans separately for the period from January 1, 2015 through December 31, 2016 (2015-16) and the period January 1, 2017 through December 31, 2017 (2017). The OCC placed greater weight on the performance in 2015-16 since this period represents two full years and a majority of the evaluation period.

Data Integrity

The OCC based this evaluation on accurate data. FNB is not required to collect and maintain data on consumer loans and agriculture loans. Therefore, we used random sampling to obtain data on these loans including income, revenue, and geographic information.

Selection of Areas for Full-Scope Review

The OCC completed a full-scope review of FNB's one AA. Refer to Appendix A for details.

Ratings

FNB's overall rating is based primarily on the full-scope review of FNB's one AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

Conclusions with Respect to Performance Tests

LENDING TEST

FNB’s performance under the Lending Test is rated “Outstanding.” Lending volumes are reasonable given the bank’s size and financial condition. FNB originated or purchased a substantial majority of its loans in its AA. The overall distribution of loans to borrowers of different income levels and farms with revenues less than \$1 million is excellent. An analysis of the distribution of loans in low- and moderate-income CT is not meaningful, as FNB’s AA does not have any of these CTs.

Loan-to-Deposit Ratio

FNB’s average quarterly LTD ratio is reasonable. Since the last CRA evaluation, FNB’s average quarterly LTD ratio is 48.1 percent. The average quarterly LTD ratio for the five similarly situated institutions over the same period is 55.8 percent with a range from a low of 46.3 percent to a high of 66.6 percent. By asset size, FNB ranked sixth out of the nine financial institutions in the AA. FNB’s LTD ratio reflects an increasing trend since 2012.

Lending in Assessment Area

FNB originated a substantial majority of the loans in our samples inside its AA. FNB originated a substantial majority of consumer loans by both number and dollar amount inside the AA at 90.0 percent and 90.2 percent, respectively. FNB originated a substantial majority of agriculture (small farm) loans by number and dollar amount inside its AA at 83.3 percent and 84.6 percent, respectively.

Table D - Lending Inside and Outside of the Assessment Area

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	45	83.3	9	16.7	54	4,720	84.6	858	15.4	5,578
Consumer	54	90.0	6	10.0	60	476	90.2	52	9.8	528
Total	99	86.8	15	13.2	114	5,196	85.1	910	14.9	6,106

Source: 01/01/2015-12/31/2017 Bank Data

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of consumer loans to low- and moderate-income borrowers and loans to farms with revenues less than \$1 million reflects excellent penetration.

Consumer Lending

The distribution of consumer loans to low- and moderate-income borrowers reflects excellent penetration.

Refer to table V in appendix C for facts and data used to evaluate the distribution of consumer loans to low- and moderate-income borrowers in the AA.

Overall, FNB's distribution of consumer loans to low-income borrowers is reasonable. While the percent of the bank's consumer loans to low-income borrowers for 2015-16 was slightly below demographics for low-income households in the AA, FNB's performance for 2017 was stronger than the 2015-16 performance and significantly exceeded the demographic data. FNB faces significant competition for borrowers, as the AA population is approximately ten thousand with nine competing banks. In addition, approximately 11 percent of the AA's households are below the poverty level.

Overall, FNB's distribution of consumer loans to moderate-income borrowers is excellent. The percent of FNB's consumer loans to moderate-income individuals significantly exceeds the percentage of moderate-income households in the AA for both the 2015-16 and 2017 periods.

Small Loans to Farms

The distribution of loans to small farms in the AA is excellent.

Refer to table T in appendix C for facts and data used to evaluate the distribution of loans to small farms in the AA.

FNB's percentage of small loans to farms with revenues of less than \$1 million within the AA for 2015-2016 is 100 percent, exceeding demographic data and reflects excellent penetration. The bank's 2017 distribution small loans to farms is not inconsistent with the performance noted in 2015-2016.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful. There are no low- or moderate-income census tracts in the AA.

Responses to Complaints

FNB did not receive any written complaints relating to its CRA performance during the evaluation period.

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): (01/01/2015 to 12/31/2017)	
Financial Institution		Products Reviewed
First National Bank in Frankfort (FNB) Frankfort, Kan.		Consumer loans; Agriculture Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Marshall County AA (All census tracts located in Marshall County, Kan.)	Full-Scope	See Appendix B for additional information.

Appendix B: Community Profiles for Full-Scope Areas

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	10,005	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	4,882	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,196	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,126	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	560	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	821	0.0	0.0	100.0	0.0	0.0
Farms by Geography	261	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,887	20.06	15.66	23.07	41.22	0.0
Household Distribution by Income Level	4,332	24.11	15.66	18.14	42.09	0.0
Median Family Income Non-MSAs - GA		\$60,300	Median Housing Value			\$86,735
			Median Gross Rent			\$528
			Families Below Poverty Level			8.31%

*Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.*

FNB has designated all of Marshall County, Kan. as its AA. The AA does not include an MSA, and does not reflect illegal discrimination. The AA contains four middle-income tracts, meets regulatory requirements, and does not arbitrarily exclude any low- or moderate-income geography. There are no low- or moderate-income tracts in the AA.

Primary industry categories in the AA include agriculture and related services, railroad, manufacturing, healthcare, local government, and education. The AA's largest employers include Union Pacific, Walmart, Community Memorial Healthcare, and farming. The unemployment rate in Marshall County is 2.7 percent compared to 3.6 percent in the state of Kansas and 4.0 percent nationally.

During the examination, we reviewed one community contact within the AA. The contact identified needs for agricultural loans. The contact stated that local financial institutions are involved in lending and that there is competition for the agricultural loans. The contact stated that their perception of the local financial institutions is favorable and that there is a good level of involvement.

Appendix C: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases; (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30 each year. Tables without data are not included in this PE. Tables are identified by both letters and numbers, which results from how they are generated in supervisory analytical systems.

The following is a listing and brief description of the tables included in each set:

Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. The table also presents aggregate peer data for the years the data is available.

Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MA/assessment area.

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2015-16	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Marshall County 2015-2016	23	1,822	100.0	26	99.2	100.0	11.5	0.3	0.0	0.5	0.0	
Total	23	1,822	100.0	26	99.2	100.0	11.5	0.3	0.0	0.5	0.0	

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2017	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
Marshall County 2017	24	2	100.0	26	99.2	95.5	11.5	0.4	4.6	0.4	0.0	
Total	24	2	100.0	26	99.2	95.5	11.5	0.4	4.6	0.4	0.0	

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower												2015-16	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Marshall County 2015-2016	26	242	100.0	21.1	19.2	18.9	26.9	18.1	23.1	41.9	30.8	0.0	0.0
Total	26	242	100.0	21.1	19.2	18.9	26.9	18.1	23.1	41.9	30.8	0.0	0.0

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data. Due to rounding, totals may not equal 100.0.

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower												2017	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Marshall County 2017	28	2	100.0	24.1	35.7	15.7	14.3	18.1	25.0	42.1	25.0	0.0	0.0
Total	28	2	100.0	24.1	35.71	15.7	14.3	18.1	25.0	42.1	25.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0.