



PUBLIC DISCLOSURE

August 29, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Scott City
Charter #8808

501 Main Street
Scott City, KS 67871

Office of the Comptroller of the Currency

Wichita Office
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

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- First National Bank of Scott City's (FNB) average loan-to-deposit (LTD) ratio is reasonable given its asset size, financial condition, and lending opportunities within the assessment area.
- The institution meets the credit needs of the community as a majority of loan originations were made inside the bank's AA.
- Given the opportunities within the AA, lending to borrowers of different income levels is reasonable.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is reasonable.

As of June 30, 2022, FNB's average quarterly LTD ratio is 64 percent while its competitors average 93 percent. Quarterly LTD ratios for the bank ranged from a low of 56 percent to 77 percent, while competitors ranged from 73 percent to 113 percent. FNB's LTD ratio reflects less than reasonable compared to its competitor's average LTD ratio; however, the two competitors take up the majority of the deposit market share totaling 67 percent as of June 30, 2022.

Lending in Assessment Area

A majority of the bank's loans are inside its assessment area(s) (AAs).

The bank originated and purchased 65 percent of its total loans by number and 47 percent of total loans by dollar amount inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. FNB's record of lending reflects a majority inside by number and majority outside by dollar amount. While a majority of FNB's loans by dollar amount were made outside the AA, these loans were higher dollar loans made to larger farms within our sample. Additionally, loans made outside the AA were made to a neighboring county just outside the AA. This did not adversely impact the bank's rating under the Lending Test.

| 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 | 13 | 65% | 7 | 35% | 20 | \$1,493 | 47% | \$1,655 | 53% | \$3,148 |
| Total | 13 | 65% | 7 | 35% | 20 | \$1,493 | 47% | \$1,655 | 53% | \$3,148 |

Description of Institution

The First National Bank of Scott City (FNB) is a \$163 million institution located in Scott City, Kansas. FNB has one bank location with a drive-up facility, and an automated teller machine adjacent to the bank. FNB is a wholly owned subsidiary of the holding company, First National Bancshares of Scott City, Ltd.

FNB designates Scott County as its AA. The AA comprises one middle-income census tract (9571). The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Please refer to Appendixes A and B for more information.

FNB faces moderate competition in the AA. Based on the Federal Deposit Insurance Corporation's most recent deposit market share report, dated June 30, 2021, FNB ranks second in the deposit market share with 33 percent of the deposits within the AA. Other institutions in the AA are Western State Bank and Security State Bank, with 15 percent and 53 percent of the deposit market share, respectively. Both competing institutions have one office in the AA.

FNB is a full-service banking institution offering a range of agricultural, commercial, real estate, and consumer credit products. As of December 31, 2021, net loans represent 49 percent of FNB's total assets. FNB's loan portfolio comprises 50 percent agricultural loans, 29 percent commercial loans, 10 percent consumer loans, and 11 percent residential real estate. FNB had tier 1 capital of \$17.0 million as of June 30, 2022.

There are no legal, financial, or other matters impeding 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 August 6, 2018. FNB received an overall rating of "Satisfactory" under the Small Bank Performance Standard.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Examiners performed an evaluation of FNB's CRA performance using the Small Bank CRA procedures. The Performance Evaluation (PE) is an assessment of CRA performance from January 1, 2019, through December 31, 2021. FNB's primary loan product is agricultural loans. The evaluation of this lending product included a review of 20 agricultural loans originated by FNB during the evaluation period. Only one analysis for one evaluation period was required to be performed.

Selection of Areas for Full-Scope Review

Scott County is the bank's only AA. We performed a full-scope review of the AA. Refer to Appendix A: Scope of Examination, for more information on the full-scope AA.

Ratings

The bank's overall rating is based solely on the full-scope review of the Scott County 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 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 AA 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 CRA performance rating was not lowered as a result of these findings. We considered the nature, extent, and strength of the evidence of the practices; the extent to which institution had policies and procedures in place to prevent the practices; and the extent to which the institution has taken or has committed to take corrective action, including voluntary corrective action resulting from self-assessment; and other relevant information.

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.

State Rating

State of Kansas

CRA rating for the State of Kansas¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- FNB's average LTD ratio is reasonable.
- FNB originated a majority of loans inside the AA.
- Lending to farms with revenues less than \$1 million is reasonable.

Description of Institution's Operations in Kansas

FNB has one AA consisting of Scott County, Kansas, which is a non-MSA AA located in southwest Kansas. The AA meets regulatory requirements, as it consists of one whole geography and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. The AA comprises one middle-income census tract (9571).

According to the most recent FDIC Deposit Market Share report, dated June 30, 2021, the Scott County AA has \$125 million in deposits, reflecting an overall market share of 33 percent. The Deposit Market Share Report shows FNB ranking second out of the three institutions in FNB's market area. All of FNB's deposit market share is located within the AA. Major competitors include Security State Bank and Western State Bank. Both competing banks have one office located inside the AA.

During the evaluation period, the bank's AA did not have any low- or moderate-income tracts. The AA is comprised entirely of a middle-income census tract.

Examiners contacted one community contact during the evaluation to assess the credit needs and opportunities of the AA. The community contact's organization is a non-profit that is highly involved in the community in preserving the local wealth in and around Scott County. The contact indicated local banks are typically heavily involved within the community. The institutions within Scott County are primarily involved in agricultural lending. The County is sustained by farming, agriculture, and feedlots. Therefore, overall banking and credit needs are focused on this type of lending. The contact explained the area has jobs that are currently not being filled and local business are struggling to fill openings.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

Scott County AA

| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
|--|-------|---------------|------------------------------|------------------|-----------------|---------------|
| Geographies (Census Tracts) | 1 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Population by Geography | 4,928 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Housing Units by Geography | 2,373 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Owner-Occupied Units by Geography | 1,583 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Occupied Rental Units by Geography | 613 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Vacant Units by Geography | 177 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Businesses by Geography | 474 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Farms by Geography | 140 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Family Distribution by Income Level | 1,379 | 6.9 | 26.3 | 19.7 | 47.1 | 0.0 |
| Household Distribution by Income Level | 2,196 | 12.2 | 15.4 | 23.3 | 49.1 | 0.0 |
| Median Family Income Non-MSAs - KS | | \$57,229 | Median Housing Value | | | \$126,000 |
| | | | Median Gross Rent | | | \$792 |
| | | | Families Below Poverty Level | | | 4.6% |
| <i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

Scope of Evaluation in Kansas

The Scott County AA in Kansas will receive a full-scope review. A limited scope review is not applicable as the bank has only one AA.

LENDING TEST

The bank's performance under the Lending Test in Kansas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Scott County AA is reasonable.

Distribution of Loans by Income Level of the Geography

We did not complete an analysis of the geographic distribution of loans. The AA does not contain any low- or moderate-income tracts. Therefore, analysis of geographic distribution of loans originated in the assessment area would not be meaningful.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Small Loans to Farms

Refer to Table T in the state of Kansas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

Responses to Complaints

FNB did not receive any written complaints related 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 MSAs and non-MSAs 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: | 01/01/2019 to 12/31/2021 | |
| Bank Products Reviewed: | Small farm loans | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| N/A | N/A | N/A |
| List of Assessment Areas and Type of Examination | | |
| Rating and Assessment Areas | Type of Exam | Other Information |
| Scott County | Full Scope | N/A |

Appendix B: Summary of MMSA and State Ratings

| RATINGS: FIRST NATIONAL BANK OF SCOTT CITY | |
|--|---------------------|
| Overall Bank: | Lending Test Rating |
| First National Bank of Scott City | Satisfactory |
| | |
| MMSA or State: | |
| Kansas | Satisfactory |

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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: 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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, 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 are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

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

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - 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 families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. 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 in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** 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 MMSA/assessment area.

| Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues | | | | | | | | | | | 2019-2021 | |
|--|-----------------------------|----------------|-------------------|-----------------------|--------------------------------------|---------------------|------------------|-------------------------------------|---------------------|--|---------------------|--|
| 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 | |
| Scott County | 20 | \$1,895 | 100% | 48 | 92.9 | 85% | 27.1 | 5.0 | 5% | 2.1 | 10% | |
| Total | 20 | \$1,895 | 100% | 48 | 92.9 | 85% | 27.1 | 5.0 | 5% | 2.1 | 10% | |
| <i>Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | | | | | | | |