



PUBLIC DISCLOSURE

February 7, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Louisburg
Charter Number 11798
1201 West Amity
Louisburg, KS 66053

Office of the Comptroller of the Currency
7101 College Boulevard, 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.

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Overall CRA Rating

The lending test is rated satisfactory.

- The quarterly average loan-to-deposit ratio since the previous examination is reasonable compared to similarly situated banks in the assessment area (AA).
- A majority of loans originated during this evaluation period were within The First National Bank of Louisburg's (FNB) AA.
- Borrower distribution reflects excellent penetration among borrowers of different incomes within the AA.
- There were no complaints regarding FNB's CRA activities.

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/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of MAs. CTs 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. CTs 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 AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(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 CT 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 MSA 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/AA.

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 MSA 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 MSA 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 MA. 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 MA, the institution will receive a rating for the multi-state MA.

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 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.

Description of Institution

FNB is a \$110.6 million single-state institution headquartered in Louisburg, Kansas. There is no holding company. FNB operates in east-central Kansas, with three branches and three ATM locations. FNB has opened one branch since the last CRA examination in Prairie Village, Kansas.

FNB is a full-service financial institution and offers a variety of loan and deposit products. As of December 31, 2017, FNB's total loans represent \$50.9 million, or approximately 46 percent of total assets. As of December 31, 2017, the loan portfolio consists of the following by dollar volume: 1-4 family residential real estate (RRE) (62.4 percent), agriculture/farmland (8.7 percent), commercial/commercial real estate (24.1 percent), and consumer (4.8 percent). FNB's tier 1 capital totals \$15.9 million.

FNB has one AA. This AA is located in the Kansas City MSA and consists of 33 CTs located in Miami County and Johnson County, Kansas and in Jackson and Cass Counties, Missouri. FNB operates three branches and three ATMs in the AA in Louisburg, Stillwell, and Prairie Village, Kansas. There are no low- or moderate-income tracts in the AA. FNB is ranked 45th out of 88 institutions for deposit market share in its AA, at 0.20 percent. Four close competitors have market shares of between .08 percent and .56 percent: The State Bank of Spring Hill, Bank of Prairie Village, Stanley Bank, and First Option Bank.

No legal, financial, or other matters impede FNB's ability to meet the credit needs of its AAs. The Office of the Comptroller of the Currency (OCC) last evaluated FNB's CRA performance on June 27, 2011. FNB received an overall rating of outstanding under the small bank performance standards.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We used small bank procedures to evaluate FNB's record of meeting the credit needs of its community through its lending activities. We reviewed loans originated by FNB from January 1, 2015 through December 31, 2016 and compared them to census demographics. The primary loan product in the MSA is RRE loans with over 70 percent of the dollar volume lent. Consumer loans constituted 42 percent of the loans by number; however, consumer lending is not a focus or part of the bank's strategy and are a small portion of the bank's dollar amount of loans. We reviewed a sample of 40 RRE loans. The principal lending for FNB in the evaluation period by dollar include agriculture loans of 7.16 percent, RRE of 70.11 percent, commercial of 13.38 percent, and loans to individuals of 9.35 percent.

Data Integrity

The evaluation was based on accurate data. We utilized random sampling to obtain data on RRE loans. Data integrity was performed on FNB's 2015 and 2016 HMDA LAR submissions with no significant findings.

Selection of Areas for Full-Scope Review

FNB has one AA, the Kansas City MSA, which received a full-scope review.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews.

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 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 Consumer Financial Protection Bureau, 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

The bank’s performance under the lending test is rated satisfactory.

Lending to borrowers of different incomes is excellent. The loan-to-deposit (LTD) ratio is reasonable and management originated the majority of loans within FNB’s AA.

Loan-to-Deposit Ratio

FNB’s quarterly LTD ratio is reasonable given the bank’s size, financial condition, and market competition. We calculated the quarterly LTD ratio on a bank-wide basis, which averaged 50.7 percent since the last CRA examination. This compares to a quarterly net LTD ratio for similarly situated banks of 58.7 percent. FNB ranks second in asset size among a total of five similarly situated banks servings in its AA. The other four banks had quarterly average net LTD ratios ranging from 33.4 percent to 82.4 percent.

Lending in Assessment Area

FNB made a majority of its loans by number and by dollar inside of its AA. The proportion of lending inside versus outside the bank’s AA is calculated on a bank-wide basis. Analysis is limited to bank originations and purchases and does not include any affiliate data. The percentage is based on the 1-4 Family RRE loans made with 57.5 percent of its loans within its AA by number and 58.51 percent by dollar.

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

The distribution of 1-4 Family RRE loans to low- and moderate-income borrowers demonstrates excellent penetration. The percentage of bank loans to these borrowers exceeds demographics for both low- and moderate-income borrowers. Refer to Table 2 for detail.

Table 2 - Borrower Distribution of Residential Real Estate Loans in KC MO-KS MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
RRE Loans	9.45	13.04	11.14	21.74	18.50	4.35	60.92	60.87

Source: Loan sample; U.S. Census data.

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 has not received any complaints during the evaluation period relating to its CRA performance.

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): 1/01/2015-12/31/2016	
Financial Institution		Products Reviewed
The First National Bank of Louisburg (FNB) Louisburg, KS		1-4 Family Residential Real Estate
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.	None.	None.
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Kansas City MSA (KC MO-KS MSA)	Full-Scope	See Appendix B below.

Appendix B: Community Profiles for Full-Scope Areas

KC MO-KS MSA

Demographic Information for Full-Scope Area: KC MO-KS MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	33	0.00	0.00	33.33	66.67	0.00
Population by Geography	136,441	0.00	0.00	29.75	70.25	0.00
Owner-Occupied Housing by Geography	46,316	0.00	0.00	29.26	70.74	0.00
Businesses by Geography	11,441	0.00	0.00	28.04	71.96	0.00
Farms by Geography	456	0.00	0.00	40.79	59.21	0.00
Family Distribution by Income Level	38,397	0.00	0.00	29.74	70.26	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,903	0.00	0.00	49.12	50.88	0.00
Median Family Income.....\$104,206			Median Housing Value.....\$246,710			
HUD Adjusted Median Family Income for 2016..... \$72,500			Unemployment Rate.....3.08%			
Households Below the Poverty Level.....4.27%						

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 HUD updated MFI.

The KC MO-KS MSA AA consists of 33 census tracts in the MSA. There are no low- or moderate-income tracts within FNB's AA. FNB operates its main office and two additional branch locations in this AA with the Louisburg main office in Miami County, Kansas and the Stillwell and Prairie Village branches located in Johnson County, Kansas. The AA is located in an MSA and consists of 11 middle-income designated tracts and 22 upper-income tracts. The tracts in the bank's AA were determined by where the bank makes loans, as well as, from depositors with the bank originating loans in CTs in Missouri in Jackson and Cass counties that immediately border the Kansas-Missouri state-line. An analysis of the bank's loan originations showed the bank originating RRE loans in those immediately adjacent tracts along the Missouri side of the border within the MSA. An analysis was conducted of all surrounding tracts and none were low- or moderate-income tracts and none were excluded. Demographic data shows the 2016 FFIEC updated MFI is \$72,500. The AA has 4.27 percent of households below the poverty level.

Primary businesses within the AA are retail, technology, health care, insurance, banking/finance, education, and engineering. Major employers Sprint Corporation, Black & Veatch, OptumRX, US Bank, Quintiles, hospitals/medical services, and local school districts. The local and area economies are positive. The December 2017 unemployment rate in the Kansas City MSA was 3.3 percent, compared to the state of Kansas unemployment rate of 3.4 percent, and the national unemployment rate of 4.1 percent.

Based on loan originations during the evaluation period, the primary products for the AA are 1-4 family RRE loans. Competition within the AA is varied and strong with 88 other institutions in the market area that includes competition with very large national banks, regional banks, savings institutions, credit unions, state banks, and others. FNB ranks 45th out of the 88 institutions in deposit market share at 0.20 percent. The primary competitors in the AA are community banks including the Bank of Prairie Village, Stanley Bank, First Option Bank, and The State Bank of Spring Hill.

During the examination, we reviewed two community contacts within the AA. The contacts were with the City of Spring Hill, KS and a listening session with the OCC for community groups in the Kansas City MSA. The contact from Spring Hill, KS identified needs for apartments and business development. The contact felt the credit needs of the community are being met and had no complaints regarding local financial institutions. The Kansas City listening session hosted by the OCC included local community groups. Needs identified include transportation, jobs, child care, increased infrastructure such as high-speed rail, job training, affordable housing, and small business loans.