

AGREEMENT BY AND BETWEEN
The First National Bank of Hope
Hope, Kansas,
and
The Office of the Comptroller of the Currency

AA-WE-2019-32

The First National Bank of Hope, Hope, Kansas (“Bank”), and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practice(s), including those relating to credit underwriting and administration and violations of law, rule, or regulation, including those relating to filing inaccurate call reports and declaring excess dividends without OCC approval.

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors (“Board”), hereby agree that the Bank shall operate at all times in compliance with the following:

ARTICLE I

JURISDICTION

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. *See* 12 U.S.C. § 1 *et seq.*

(3) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within ten (10) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Assistant Deputy Comptroller within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least monthly and maintain minutes of its meetings.

(2) By August 15, 2019, and thereafter within forty-five (45) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

- (a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;
- (b) the specific corrective actions undertaken to comply with each Article of this Agreement; and
- (c) the results and status of the corrective actions.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of the first Board meeting following the Board's receipt of such report.

ARTICLE III

LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. This program shall include provisions for the following:

- (a) ensuring that the Chief Credit Officer has the knowledge, skills, ability, and authority necessary to ensure appropriate oversight of the Bank's loan portfolio and reach and maintain compliance with the articles of this Agreement;
- (b) retaining an independent consultant to aid the Chief Credit Officer in correcting the deficiencies in the Bank's lending practices;
- (c) requiring the Chief Credit Officer to develop a plan to improve and formalize oversight of the loan portfolio. This plan must include the following:
 - (i) an evaluation of the number and expertise of current staff and whether additional staff is necessary to achieve compliance with this Agreement;
 - (ii) an assessment of the actions needed to reach and maintain compliance with this Agreement;
 - (iii) documentation on how the Chief Credit Officer will remediate the deficiencies detailed in the Bank's most recent Report of Examination;
 - (iv) documentation on changes required in the Bank's review processes

- and management information systems necessary to improve the Bank's loan portfolio management; and
- (v) a requirement for the Board to approve the plan developed by the Chief Credit Officer;
- (d) developing a revised Bank loan policy which shall be consistent with the plan developed by the Chief Credit Officer pursuant to subparagraph (1)(c) of this Article and shall include procedures to ensure:
- (i) loans conform with loan approval requirements;
 - (ii) any extensions of credit (new, maturity extension, renewal, or participation purchased) are made in compliance with Article VI, Paragraph (2) of this Agreement;
 - (iii) adequate credit information is requested and obtained from borrowers and guarantors, including, but not limited to, annual statements, including audited statements when available, interim financial statements, personal financial statements, and tax returns with supporting schedules;
 - (iv) borrowers provide periodic financial data;
 - (v) the Bank maintains standards of independence for the appraisal and evaluation function as part of an effective collateral valuation program that is independent of the loan approval process (if staff limitations prevent full segregation of these functions, then the Board and management must make sure that the individual accepting and reviewing the appraisal abstains from and has no

power to approve loans); and

- (vi) management is held accountable for appropriate documentation of loan presentations.

(2) Upon completion, a copy of the program required by paragraph (1) of this Article shall be forwarded to the Assistant Deputy Comptroller for a written determination of no supervisory objection.

(3) The name, qualifications, and the proposed scope and terms of employment of the individual proposed as the Independent Consultant pursuant to subparagraph (1)(b) of this Article must be submitted to the Assistant Deputy Comptroller for a written determination of no supervisory objection.

(4) Within ninety (90) days of this Agreement, the Board shall ensure that Bank personnel performing credit analyses are adequately trained in cash flow analysis and policy changes and that processes are in place to ensure that additional training is provided as needed.

(5) Within ninety (90) days of this Agreement, and at the end of each quarter thereafter, management will provide the Board with written reports sufficient to enable the Board to provide adequate oversight of the Bank's loan portfolio, including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of loans and leases risk rated special mention, substandard, doubtful, or loss;
- (b) the identification and amount of delinquent loans and leases;
- (c) policy, financial, credit, and collateral exceptions;
- (d) the identification and status of credit-related violations of law, rule or regulation;

- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this paragraph; and
- (f) an analysis of concentrations of credit, significant economic factors directly impacting concentrations of credit, such as commodity prices, input costs, and land values, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

ARTICLE IV

PROBLEM LOAN MANAGEMENT

(1) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those classified assets identified in the most recent examination of the Bank, in any subsequent examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within ninety (90) days of this Agreement, management shall prepare and submit to the Board for approval, a written program designed to reduce the Bank's classified and special mention assets (the "Classified Assets Program") to a safe and sound level over the next twelve (12) months. The Classified Assets Program shall include or address the following matters:

- (a) aggregate reporting of classified asset levels by risk rating to the Board or a designated committee thereof every month; and
- (b) specific plans for the reduction of classified assets by asset type with target reductions by month; and

(3) Within ninety (90) days of this Agreement, the Board shall develop written procedures for the quarterly submission and review of reports of all classified and special mention credit relationships totaling one hundred thousand dollars (\$100,000) or above, that

require, at a minimum, analysis and documentation of the following:

- (a) current information and analysis of expected sources of repayment and collateral;
- (b) trigger dates for positive borrower actions or for loan officers to reassess the strategy and enact collection plans;
- (c) the root causes of the credit weakness;
- (d) an analysis of current and satisfactory credit information;
- (e) a determination of whether the loan is impaired and the amount of the impairment, consistent with generally accepted accounting principles (“GAAP”) as detailed in Article VII;
- (f) specific action plans and trigger dates for risk rating changes and documentation of the analysis and reasoning to support the current risk rating; and
- (g) a review, at least quarterly, by the Board and management to:
 - (i) measure progress and reevaluate the suitability of the action plans; and
 - (ii) document the effectiveness of the responsible officer’s efforts to eliminate the weakness in each classified credit relationship.

(4) A copy of each report prepared pursuant to Paragraph (3) of this Article, along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit, shall be submitted to the Assistant Deputy Comptroller within forty-five (45) days of each quarter end.

(5) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including renewals, extensions, or capitalization of accrued interest, but excluding advances on previously approved lines of credit, to a borrower whose loans or other extensions of credit are considered classified or special mention assets in the most recent examination of the Bank, in any subsequent examination of the Bank, in any internal or external loan review, in any list provided to management by the National Bank Examiners during any examination, or any list compiled by Bank management and whose aggregate loans or other extensions exceed twenty-five thousand dollars (\$25,000) unless each of the following conditions is met:

- (a) the Board finds that the extension of additional credit is necessary to promote the best interests of the Bank;
- (b) a majority of the full Board approves the credit extension in writing;
- (c) the Board records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (d) the Board's formal plan to collect or strengthen the classified asset will not be compromised.

ARTICLE V

CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within ninety (90) days of this Agreement, the Board shall develop a program to ensure that the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records and to ensure that the Bank does not improperly recognize income. This program shall include, at a minimum, provisions to:

- (a) adopt a risk rating system that accurately identifies and stratifies risk.
Refer to the “Rating Credit Risk” booklet of the Comptroller’s Handbook for guidance;
- (b) ensure that the Bank’s loans and other assets are appropriately and timely risk rated and charged off by management using a safe and sound loan grading system that is based upon current facts and existing repayment terms. Refer to the “Rating Credit Risk” booklet of the Comptroller’s Handbook for guidance;
- (c) establish standards for accurate classification of retail credits. Refer to OCC Bulletin 2000-20, “Uniform Retail Credit Classification and Account Management Policy” (June 20, 2000), for guidance;
- (d) adopt written policies and procedures governing the identification and accounting of nonaccrual loans and Troubled Debt Restructurings. These policies and procedures shall:
 - (i) be consistent with the accounting requirements contained in the Instructions for Preparation of Consolidated Reports of Condition and Income;
 - (ii) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured;
 - (iii) require the quarterly presentation to the Board of all loans meeting any of the nonaccrual and Troubled Debt Restructuring criteria; and

- (iv) incorporate procedures for periodically testing the Bank's identification of and accounting for nonaccrual loans and Troubled Debt Restructurings;
- (e) ensure the lending staff receives training from a qualified third-party or the independent consultant on risk rating definitions, the importance of accurate and timely risk ratings, nonaccrual recognition, retail credit classifications, and Troubled Debt Restructurings;
- (f) ensure the lending staff are held accountable for failing to appropriately and timely risk rate, place loans on nonaccrual, and/or identify Troubled Debt Restructurings, including but not limited to, consideration of such failure in periodic performance reviews and compensation; and
- (g) require that appropriate analysis and documentation is maintained in the credit files to support the current risk rating and accrual determination for each credit relationship.

(2) After the Board has developed the program required by this Article, the Board shall immediately implement, and shall thereafter ensure adherence to its terms.

ARTICLE VI

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Effective as of the date of this Agreement, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties. The Board shall ensure that there is a program in place that includes:

- (a) a requirement to provide training from a qualified third-party or the

independent consultant for loan officers to ensure they understand policy requirements and prudent underwriting standards;

- (b) the establishment of a tracking system to ensure that the appropriate documentation is obtained for financial and collateral requirements for each loan;
- (c) policies and procedures designed to aggregate, track and eliminate exceptions to the Bank's loan policy, underwriting guidelines, and supervisory loan to value limits, for all loans to include, at a minimum:
 - (i) monthly Board monitoring of policy exception reports that track aggregate number and dollar amount of loans with material exceptions by type of loan and loan officer; and
 - (ii) procedures to hold employees and officers accountable for non-compliance with the Bank's loan policy and other underwriting requirements; and
- (d) procedures to ensure that loans are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability, to include periodic (at least annually) cash flow analysis of income-producing collateral.

(2) Effective as of the date of this Agreement, the Bank may not grant, extend, renew, modify or restructure any loan or other extension of credit that is equal to or exceeding fifty thousand dollars (\$50,000), involving a classified or special mention credit relationship or a new credit relationship, without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the primary source of repayment in writing and lien status;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining current and satisfactory credit information, including information necessary to perform cash flow analysis;
- (e) performing analysis of credit information to include an appropriate cash flow analysis of all expected repayment sources;
- (f) documenting the analysis of such credit information;
- (g) determining and documenting whether the loan complies with the Bank's loan policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (h) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (i) providing an accurate risk assessment grade for all loan types;
- (j) documenting, with adequate supporting material, the value of collateral and collateral type for each loan and properly perfecting the Bank's lien on it where applicable;
- (k) ensuring that the extension of credit does not contain inappropriate capitalization of interest or amortizations; and
- (l) obtaining the written approval of the Bank's Board if required by Bank policy.

(3) The Board shall take the necessary steps to ensure that current and satisfactory credit and proper collateral information is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing credit or collateral information described in the most recent examination of the Bank, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

ARTICLE VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days of this Agreement, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with the Federal Accounting Standards Board’s (“FASB”) GAAP. Refer to the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), for guidance. The ALLL policies and procedures shall at a minimum include procedures for the following:

- (a) determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including FASB’s Accounting Standards Codification (“ASC”) 310-10, Receivables - Overall - Subsequent Measurement – Impairment);
- (b) segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP (including FASB’s ASC 450-20, Loss Contingencies);
- (c) ensuring that the estimation of credit losses considers the relevant

qualitative and environmental factors, with particular focus on the following:

- (i) trends in the Bank's internal risk ratings as well as in delinquent and nonaccrual loans;
 - (ii) results of the Bank's external loan review;
 - (iii) concentrations of credit in the Bank;
 - (iv) present and prospective economic conditions; and
 - (v) applicable experience of the Bank's lending staff;
- (d) providing training for all staff preparing the ALLL;
- (e) consideration of FASB's Accounting Standards Update No. 2016-13, Topic 325, Financial Instruments – Credit Losses. Refer to OCC Bulletin 2019-17, "Current Expected Credit Losses" (April 3, 2019), for guidance;
- (f) reviewing, on at least a quarterly basis, the adequacy of the ALLL. The Board shall maintain written documentation indicating the factors considered and conclusions reached in its determination of the adequacy of the ALLL; and
- (g) summarizing and documenting, for the Board's prior review and approval, the amount to be reported in the Bank's Call Report for the ALLL.

(2) The Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any difference between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance shall be remedied through appropriate account adjustments in

the quarter it is discovered, prior to the filing of the Bank's Call Reports. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL.

(3) Upon adoption, the Board shall submit a copy of the policies and procedures required by this Article to the Assistant Deputy Comptroller for a written determination of no supervisory objection.

(4) Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure adherence to the policies and procedures.

ARTICLE VII

EXTERNAL LOAN REVIEW

(1) Within sixty (60) days of this Agreement, the Board shall employ a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio. The scope of the external loan review shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system that accurately identifies and stratifies risk. Refer to the "Rating Credit Risk" booklet of the Comptroller's Handbook for guidance. The report shall annually review fifty (50) percent of the Bank's commercial and agricultural loans and shall include a review of retail loans. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) loans not in conformance with the Bank's lending policies;
- (d) credit underwriting and documentation exceptions;

- (e) credit analysis and documentation of such;
- (f) accuracy of internal risk ratings;
- (g) overall credit administration practices, including extension and renewal practices and Troubled Debt Restructurings;
- (h) the Bank's ALLL methodology; and
- (i) the completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the loan review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) Within thirty (30) days of receipt, the Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action, is taken upon the findings noted in the reports. This review shall include a formal process that tracks the correction of any deficiencies noted in the report, identifies a party responsible for correcting the deficiencies, and a deadline for correcting the deficiencies.

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

(5) The Bank shall not terminate the consultant's asset quality review services during the term of this Agreement without a written determination of no supervisory objection from the Assistant Deputy Comptroller.

ARTICLE IX

GENERAL BOARD RESPONSIBILITIES

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement and shall verify that the Bank adheres to the corrective actions and that they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

- (a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;
- (b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;
- (c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;
- (d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;
- (e) require appropriate, adequate, and timely reporting to the Board by Bank

management of corrective actions directed by the Board to be taken under the terms of this Agreement; and

- (f) address any noncompliance with corrective actions in a timely and appropriate manner.

ARTICLE X

CLOSING

(1) This Agreement is intended to be, and shall be construed to be, a “written agreement” within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC’s exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller’s duly authorized representative. Except as otherwise expressly provided herein, all references to “days” in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time. The provisions of this Agreement shall remain effective and

enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, or within any plan or program submitted pursuant to this Agreement, the Board or a Board-designee shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the relevant provision(s) of the Agreement or plan or program submitted pursuant to this Agreement, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(3) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(4) Each citation, guidance, or issuance referenced in this Agreement includes any subsequent citation, guidance, or issuance that replaces, supersedes, amends, or revises the referenced cited citation, guidance, or issuance.

(5) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(6) All reports, plans, or programs submitted to the OCC or Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Assistant Deputy Comptroller
Office of the Comptroller of the Currency
Wichita Field Office
2959 N. Rock Road, Suite 510
Wichita, Kansas 67226

(7) The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/ Digitally signed, Date: 2019.07.17

W. Keith Osborne
Assistant Deputy Comptroller
Wichita Field Office

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/ 7/17/2019

Daniel Cook Date

/s/ 7/17/2019

Dan K. Coup Date

/s/ 7/17/2019

Leon J. Coup Date

/s/ 7/17/2019

Gary Coup Date

/s/ 7/17/2019

Danny R. Emig Date

/s/ 7/17/2019

Mark L. Riedy Date