



PUBLIC DISCLOSURE

August 28th, 2023

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.

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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:

- The bank's Loan-to-Deposit (LTD) is reasonable.
- A substantial majority of loans by both number and dollar are made in the assessment area (AA).
- The distribution of loans to farms with revenues of less than \$1 million is reasonable.
- The distribution of loans to borrowers of different incomes is reasonable.
- Loan to consumer borrowers with moderate-income is more than reasonable.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's LTD ratio is reasonable.

The First National Bank in Frankfort's (FNB) quarterly average LTD ratio is reasonable at 51.8 percent, with a high of 59.5 percent and a low of 42.4 percent. FNB's quarterly average LTD was calculated using data from Call Reports submitted between March 31, 2019, and December 31, 2021. During the evaluation period, deposits increased due to government stimulus resulting in overall lower loan demand. FNB's quarterly average LTD ratio is reasonable comparable to five peer banks' quarterly average LTD ratio over the same period at 60.0 percent. The highest quarterly average LTD ratio at a comparable peer bank was 78.4 percent, and the lowest was 46.0 percent. The average asset size of comparable peer institutions is \$66.4 million with the highest asset size of \$110.1 million and lowest asset size of \$36.6 million. As of December 31, 2021, FNB's assets totaled \$59.8 million.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA.

The bank originated and purchased 81.6 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

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	43	78.2	12	21.8	55	5,843	93.4	415	6.6	6,259
Consumer	50	84.8	9	15.2	59	563	54.9	463	45.1	1,026
Total	93	81.6	21	18.4	114	6,406	87.9	878	12.1	7,285

Description of Institution

First National Bank in Frankfort (FNB) is single branch, Subchapter S, financial institution in Frankfort, Kansas. The holding company, First Frankfort Bancshares, Inc., is a one bank holding company and owns 100 percent of the bank. FNB has not opened or closed any branches or made any significant changes to its corporate structure, including merger or acquisition activities, since the last CRA examination. FNB has one non-deposit ATM located on the premise of the single branch.

FNB is a single state financial institution with one AA consisting of all four census tracts in Marshall County, Kansas. All census tracts in the AA are middle-income tracts. The AA does not include an MSA or any low- or moderate-income census tracts. The bank is not required to file Home Mortgage Disclosure information.

As of December 31, 2021, FNB's assets totaled \$59.8 million. Net loans and leases total \$22.6 million or 37.8 percent of total assets. The loan portfolio composition by dollar amount is 12.1 percent residential real estate, 41.4 percent agriculture, 35.3 percent commercial, and 11.2 percent consumer. The primary products based on loan originations during the review period are agricultural loans by dollar and consumer loans by number.

According to the June 30, 2021, FDIC Deposit Market Share Report, FNB holds 7.6 percent of the deposit market share in its AA, ranking fourth of the eight institutions in the AA. Primary competitors include The Citizens State Bank, United Bank & Trust, First Commerce Bank, and the State Bank of Bern. Deposit products offered by FNB include checking, savings, money market deposit accounts, CDs, IRA CDs, and commercial deposit accounts.

There are no legal, financial, or other factors impeding FNB's ability to meet the credit needs of its AA. FNB was rated "Outstanding" at its last small bank CRA evaluation, dated June 30th, 2018.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The Office of the Comptroller of the Currency (OCC) used small bank examination procedures to evaluate FNB's record of meeting the credit needs of its community through its lending activities. The primary lending products for the evaluation period by number and dollar amount were consumer and agriculture loans, respectively. Examiners analyzed a sample of 59 consumer and 55 agriculture loans for the period from January 1st, 2019, to December 31st, 2021.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details

regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

The bank's overall rating is based solely on ratings in the state of Kansas.

The bank is located only in Kansas, with one AA in the state, Marshall County.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national banks 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 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:

- Level of loans to agriculture operations with revenues less than \$1 million is reasonable.
- Overall lending to borrowers of different incomes is reasonable.
- Level of consumer loans to moderate-income borrowers is excellent.

Description of Institution's Operations in Kansas

Marshall County Full-Scope Assessment Area

FNB is a single state financial institution with one AA consisting of all four census tracts in Marshall County, Kansas. All census tracts in AA are middle-income tracts. The AA does not include an MSA or any low- or moderate-income census tracts. The bank is not required to file Home Mortgage Disclosure information.

Competition within the AA is significant. There are a total of eight financial institutions in the AA. According to the June 30, 2021, FDIC Deposit Market Share Report, FNB holds 7.6 percent of the deposit market share in its AA, ranking fourth of the eight institutions in the AA. Major competitors include The Citizens State Bank, United Bank & Trust, First Commerce Bank, and the State Bank of Bern.

Census data reports Marshall County has a population of 10,038 as of April 2020. The AA median household income is \$46,961 as of 2021. As of December 31, 2021, the unemployment rate of Marshall County was 1.3 percent, compared to 2.6 percent unemployment in the State of Kansas, and 3.9 percent unemployment nationally.

The primary businesses in Marshall County include manufacturing and agriculture. Large employers in the AA include Landoll, Tension Envelope, and Valley Vet Supply.

Examiners reviewed one community contact in the AA during the scope of the examination. The contact is the Economic Director of an organization focusing on local economic development of industry and housing in Marshall County. The contact stated financial institutions demonstrate efforts to cater to local small businesses and small farm owners. The contact stated area banks meet the credit needs of the community. The contact noted a shortage of employees due to a lack of affordable housing impacting businesses in the area.

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.

Table A – Demographic Information of the Assessment Area						
Metropolitan Statistical Area: Marshall County AA						
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	964	0.0	0.0	100.0	0.0	0.0
Farms by Geography	258	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,887	20.1	15.7	23.1	41.2	0.0
Household Distribution by Income Level	4,322	24.1	15.7	18.1	42.1	0.0
Median Family Income Non-MSAs – KS		\$57,229	Median Housing Value			\$86,735
Household Median Income: \$46,961			Median Gross Rent			\$528
Households Below Poverty Level: 11.3%			Families Below Poverty Level			8.3%
<i>Source: 2015 ACS Census 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 OCC used the small bank examination procedures to evaluate FNB's record of meeting the credit needs of its community through its lending activities. FNB has one non-MSA AA, Marshall County, comprised of four middle-income census tracts. Conclusions were based off the institution's primary products of agriculture loans by dollar amount and consumer loans by volume. Examiners analyzed a sample of 59 consumer and 55 agriculture loans for the period from January 1st, 2019, to December 31st, 2021.

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 Marshall County is reasonable.

Distribution of Loans by Income Level of the Geography

The AA area consists of four middle-income census tracts. There are no low- or moderate- income census track; therefore, no meaningful analysis could be performed.

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.

The overall distribution of loans to agriculture operations with gross revenues under \$1 million is reasonable at 79.1 percent when compared to demographics of 99.2 percent. This distribution significantly exceeds the aggregate lending of peer institutions at 20.0 percent.

Consumer Loans

Refer to Table V in the state of Kansas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

Overall consumer lending to borrowers of different incomes is reasonable.

Lending to moderate-income borrowers is excellent at 24.0 percent compared to demographics of 15.7 percent of moderate-income households. Lending to low-income borrowers is poor at 14.0 compared to demographics of 24.1 percent of low-income households. FNB saw decreased loan demand from low-income borrowers during the evaluation period due to COVID-related stimulus programs providing excess deposits and funding for potential borrowers. While consumers loans under \$5,000 represents 35.6 percent of the total consumer loan sample, the volume of denials is low, further indicating lower overall loan demand from low-income borrowers.

Responses to Complaints

FNB had no complaints 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:	Consumer and Agriculture 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
Kansas	Small Bank	

Appendix B: Summary of State Ratings

RATINGS	First National Bank in Frankfort
Overall Bank:	Lending Test Rating
First National Bank in Frankfort	Satisfactory
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 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 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

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2019-21	
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 AA	43	5,843	78.2	55	99.2	79.1	20.0	0.4	0	0.4	20.9	
Total	43	5,843	78.2	55	99.2	79.1	20.0	0.4	0	0.4	20.9	

*Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2021 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													2019-21	
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 AA	50	563	84.8	24.1	14.0	15.7	24.0	18.1	20.0	42.1	34.0	0.0	8.0	
Total	50	563	84.8	24.1	14.0	15.7	24.0	18.1	20.0	42.1	34.0	0.0	8.0	

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0%*

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.