



## **PUBLIC DISCLOSURE**

June 27, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Syracuse  
Charter Number 8114

11 North Main Street  
Syracuse, KS 67878

Office of the Comptroller of the Currency

Wichita Field Office  
2959 N. 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: This institution is rated Outstanding.**

### **The Lending Test is rated: Outstanding**

- The First National Bank of Syracuse's (FNB) average quarterly loan-to-deposit ratio is more than reasonable. FNB's average quarterly loan-to-deposit ratio is 81 percent compared to 66 percent for similarly situated banks in the assessment area.
- A majority of FNB's primary loan products have been granted in the assessment area. Examiner loan sampling found that 70 percent of the number and 67 percent of the dollar volume of loans were granted in the assessment area.
- FNB achieved reasonable penetration in lending to small farms. Fifty-five percent of the number and 22 percent of the dollar amount of sampled agricultural loans were to farms with revenues less than or equal to \$1 million.
- FNB achieved excellent penetration in lending to small businesses. Eighty-five percent of the number and 90 percent of the dollar amount of sampled commercial loans were granted to businesses with revenues less than or equal to \$1 million.
- FNB achieved excellent dispersion in lending to small farms located in moderate-income tracts. Twenty-five percent of the number of sampled agricultural loans were to farms located in moderate-income tracts. 2016 Business Geodemographic Data revealed that only 13 percent of farms in the Syracuse assessment area are located in a moderate-income tract.
- FNB achieved excellent dispersion in lending to small businesses located in moderate-income tracts. Forty percent of the number of sampled commercial loans were to businesses located in moderate-income tracts. 2016 Business Geodemographic Data revealed that only six percent of businesses in the Syracuse assessment area are located in a moderate-income tract.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

FNB is a \$310 million bank as of March 31, 2017, with the main office headquartered in Syracuse, KS. FNB is a single state institution wholly-owned by Legacy Financial, Inc., a one bank holding company. As of December 31, 2016, Legacy Financial, Inc. had total assets of approximately \$31 million and is located in Johnson, KS.

In addition to the main office, FNB operates four full service branches: one in Johnson, KS approximately 30 miles south; one in Ulysses, KS approximately 50 miles southeast; and two in Garden City, KS approximately 50 miles east. All five branches operate cash-dispensing only ATMs. FNB operates three additional cash-dispensing only ATMs: one at Garden City Community College in Garden City, KS; one at the Tyson Foods Plant in Garden City, KS; and one at the Ampride convenience store in Johnson, KS.

FNB is primarily an agricultural lender, offering a variety of loan products. Net loans represent 79 percent of total assets. As of March 31, 2017, the nearly \$245 million loan portfolio had the following composition: agricultural 55 percent, commercial 30 percent, 1-4 family 11 percent, consumer loans 2 percent, and other loans and leases two percent. FNB's tier 1 leverage capital ratio is 9.46 percent as of March 31, 2017.

The primary lending products by dollar amount granted since the last Community Reinvestment Act (CRA) examination are agricultural loans and commercial loans. The bank is not subject to any pending litigation or other factors impeding the bank's ability to meet the credit needs in its assessment area (AA).

FNB has identified one AA, which consists of Hamilton County, Stanton County, Grant County, and Finney County, KS. FNB expanded its AA to include Grant County in July 2016 through the acquisition of a financial institution in that county. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts.

The Syracuse AA contains one moderate-income census tract, 9586 in Hamilton County. The U.S. Department of Housing and Urban development (HUD) declared Stanton County as an underserved area during the evaluation period. Hamilton County was declared an underserved area during 2017. The 2010 U.S. Census population of the Syracuse AA is 49,530. The 2017 HUD median family income is \$57,300. Of the 16,553 households in the Syracuse AA, 24 percent receive social security and 10 percent are below the poverty level. Nine percent of the population is over age 65, and 27 percent of the population consists of civilians not in the workforce. The median housing value is \$98,138 and 64 percent of the housing units are owner-occupied units. The income distribution for families within the AA is 16 percent low income, 17 percent moderate income, 24 percent middle income and 43 percent upper income. The March 31, 2017 unemployment rates for all four counties in the Syracuse AA are as follows: Finney County 2.7 percent, Grant County 3.0 percent, Hamilton County 2.8 percent, and Stanton County 2.9 percent. These rates are below the Kansas rate of 3.8 percent and the national rate of 4.5 percent.

The AA has a high concentration in agricultural production and agriculture-related businesses. The primary agricultural products are wheat, corn, milo, cattle, and dairy. Dairies, the Tyson Foods Plant, Transportation Partners and Logistics, LLC, and local schools, county offices, and retailers in the AA help to provide employment diversity.

FNB faces strong competition for financial services in the AA from six banks and one farm credit association. The asset sizes for these institutions range from approximately \$77 million to \$25.5 billion. With 20 percent of the deposits in the AA, FNB ranks second in deposit market share. The large financial institution in the AA has access to out-of-area loans and deposits and is headquartered in a larger city. The bank consider it to be a close competitor due to their geographic proximity and similar lines of business.

Examiners contacted one community professional in the AA. The contact identified agricultural loans and commercial loans as two of the community's primary credit needs. The contact stated that area financial institutions are meeting these needs.

We assigned an "Outstanding" rating at the previous March 29, 2011 CRA examination.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period for the Lending Test ranges from 2015 through May 18, 2017. The performance years will be evaluated using data from the 2010 U.S. Census.

The AA was evaluated based on its primary lending product(s). The primary lending products by number and dollar amount granted since the last CRA examination are agricultural and commercial loans. We selected a sample of 20 loans from each primary product.

### **Selection of Areas for Full-Scope Review**

FNB has one AA. Therefore, the Syracuse AA received a full-scope review. Refer to the table in Appendix A for more information.

### **Ratings**

FNB's CRA rating is based on the bank's performance in the Syracuse AA.

## **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 assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

FNB's performance under the lending test is rated "Outstanding".

#### Loan-to-Deposit Ratio

FNB's average quarterly loan-to-deposit ratio of 81 percent is more than reasonable. The loan-to-deposit ratio is calculated on a bank-wide basis. The bank considers six banks in the AA as primary competitors. The average loan-to-deposit ratios for the peer banks totaled 66 percent and ranged from 46 percent to 78 percent.

#### Lending in Assessment Area

FNB's lending within its AA is satisfactory as the bank extends a majority of its primary loan products in the designated AA. The proportion of lending inside versus outside the bank's AA is calculated on a bank-wide basis. FNB made 70 percent of the number and 67 percent of the dollar amount of loans in its AA. The examiner loan sample consisted of 20 loans of each primary product originated during 2015, 2016, and year-to-date 2017.

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

The level of lending to farms and businesses of different sizes is good. Examiners selected a sample of 20 agricultural loans and 20 commercial loans. These products represent the majority of loans originated from January 1, 2015 through March 18, 2017.

FNB achieved reasonable penetration for loans to small farms. The sample indicates 55 percent of the number and 22 percent of the dollar amount of agricultural loans were granted to farms with revenues less than or equal to \$1 million. The agricultural demographic data shows that 93 percent of farms in the AA have revenues less than or equal to \$1 million.

Borrower Distribution of Loans to Farms in Syracuse AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	93%	5%	2%	100%
% of Bank Loans in AA by #	55%	40%	5%	100%
% of Bank Loans in AA by \$	22%	78%	0%	100%

Source: Farm loan data sampled from 2015-2017 and 2016 Business Geodemographic Data.

FNB achieved excellent penetration for loans to small businesses. The sample indicates 85 percent of the number and 90 percent of the dollar amount of commercial loans were

granted to businesses with revenues less than or equal to \$1 million. Business demographic data shows that 73 percent of commercial businesses in the AA have revenues less than or equal to \$1 million, with 20 percent of businesses having an unknown revenue.

<b>Borrower Distribution of Loans to Businesses in Syracuse AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73%	7%	20%	100%
% of Bank Loans in AA by #	85%	10%	5%	100%
% of Bank Loans in AA by \$	90%	10%	0%	100%

Source: Business loan data sampled from 2015-2017 and 2016 Business Geodemographic Data.

### **Geographic Distribution of Loans**

FNB’s distribution of credit to borrowers located in moderate-income tracts reflects excellent dispersion.

An analysis of the geographic distribution of agricultural loans within the AA indicates that the bank had excellent dispersion to borrowers located in moderate-income tracts during the evaluation period. There are no low-income tracts in the AA.

The geographic distribution of agricultural loans to borrowers located in moderate- and middle-income tracts exceeded the demographics.

<b>Geographic Distribution of Agricultural Loans in Syracuse AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	0%	0%	13%	25%	62%	70%	25%	5%

Source: Farm loan data sampled from 2015-2017 and 2016 Business Geodemographic Data.

An analysis of the geographic distribution of commercial loans within the AA indicates that the bank had excellent dispersion to borrowers located in moderate-income tracts. There are no low-income tracts in the AA.

The geographic distribution of commercial loans to borrowers located in moderate-income tracts significantly exceeded the demographics. Alternatively, the geographic distribution of commercial loans to borrowers located in middle-income tracts was below the demographics.

Geographic Distribution of Commercial Loans in Syracuse AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	0%	0%	6%	40%	78%	60%	16%	0%

Source: Business loan data sampled from 2015-2017 and 2016 Business Geodemographic Data.

### Responses to Complaints

FNB has not received any CRA-related complaints or comments since the previous CRA examination.

# 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/15 to 03/31/17)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
First National Bank of Syracuse Syracuse, Kansas		Agricultural and Commercial Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Kansas Syracuse AA	Full-Scope	Hamilton Co.: CT 9586 Stanton Co.: CT 9641 Grant Co.: CTs 9636, 9637 Finney Co.: CTs 9601, 9602, 9603, 9604.01, 9604.03, 9604.04, 9605.01, 9605.3, 9605.05, 9605.07, 9605.08, 9606

## Appendix B: Community Profiles for Full-Scope Areas

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### Syracuse AA

Demographic Information for Full-Scope Area:						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0.00	6.25	68.75	25.00	0.00
Population by Geography	49,530	0.00	5.43	76.62	17.95	0.00
Owner-Occupied Housing by Geography	11,968	0.00	6.98	76.71	16.31	0.00
Businesses by Geography	2,686	0.00	6.29	77.66	16.05	0.00
Farms by Geography	479	0.00	13.36	61.80	24.84	0.00
Family Distribution by Income Level	12,352	16.52	16.72	24.13	42.62	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,106	0.00	10.62	76.96	12.42	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$52,419 = \$57,300 = 10%	Median Housing Value Unemployment Rate (2010 US Census)				\$98,138 1.96%

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