



## **PUBLIC DISCLOSURE**

APRIL 08, 2019

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

**EMERALD BANK  
RSSD# 12656**

**333 NORTH MAIN STREET  
BURDEN, KANSAS 67019**

**Federal Reserve Bank of Kansas City  
1 Memorial Drive  
Kansas City, Missouri 64198**

**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, nor should it 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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## INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated: ***Satisfactory***

Emerald Bank (the bank) has a satisfactory record of meeting the credit needs of its assessment areas (AAs) in a manner consistent with its resources and operating philosophy. The bank's average net loan-to-deposit (NLTD) ratio is reasonable considering the characteristics of the bank, performance of similarly situated institutions, and credit needs of the communities it serves. The bank makes a majority of its loans inside its designated AAs. The bank's geographic distribution of loans within its AAs is reasonable. Finally, the bank's lending to borrowers of different income levels is reasonable.

### SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institutions Examination Council (FFIEC's) *Interagency Examination Procedures for Small Institutions*. The evaluation considered CRA performance context regarding the bank and its AAs, such as asset size, financial condition, economic and demographic characteristics, and competition. Four out of the five criteria used to evaluate a small bank's lending performance under the CRA were relevant to this review, including the following:

- Average NLTD Ratio
- Lending Inside the AAs
- Distribution of Loans by Income Level of Geographies
- Distribution of Loans to Borrowers of Different Income Levels

The fifth criterion, the bank's responsiveness to CRA-related complaints, was not evaluated, as neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) has received any CRA-related complaints since the previous evaluation.

The evaluation included full-scope reviews of the bank's lending performance in the Cowley County AA, consisting of Cowley County in its entirety, and the Sumner County Metropolitan AA, consisting of Sumner County in its entirety. Both AAs received equal weighting in the analysis.

The bank's major products were reviewed, including residential real estate and consumer loans. Major product lines were determined through discussions with bank management, a review of the September 30, 2018 Reports of Condition and Income (Call Report), and a review of the number of outstanding loan originations since the previous CRA evaluation conducted on March 23, 2015.

Conclusions were derived from a sample of 46 motor vehicle secured loans selected from a universe of 60 loans, as well as the universe of 35 residential real estate loans. These loans

were originated between March 23, 2015 and December 31, 2017. These two products had a similar volume of originations and were therefore weighted equally in the evaluation.

The bank's average NLTD ratio was calculated based on a 15-quarter average since the previous evaluation and compared to the ratios of similarly situated financial institutions that operate within the bank's AAs. The geographic distribution analysis was based on the bank's lending amongst the various census tracts of different income levels in the AAs, in which geographies were classified based on the 2015 to 2017 FFIEC census tract definitions. The borrower distribution analysis assessed the bank's lending to borrowers of different income levels. Borrower income levels were compared to the 2015 to 2017 FFIEC's estimated median family income (MFI) reports. Both the number and dollar volume of loans were evaluated for each lending test performance criterion. Additionally, only loans made inside the bank's AAs were analyzed with respect to the geographic and borrower distribution analyses.

For evaluative purposes, the bank's lending was compared with area demographic data including the 2006-2010 and 2011-2015 American Community Survey (2010 ACS, 2015 ACS) five-year estimate data.

While multiple years of motor vehicle secured and residential real estate loans were evaluated, only 2017 performance with regards to the geographic and borrower distribution analyses are presented in the main sections of the report with limited discussion on prior year performance. For reference, the bank's 2015 and 2016 loan data is included in Appendix A.

To further augment the evaluation, an interview with a member of the community within the bank's AAs was conducted to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. The community member represented an economic development organization within the AAs.

## **DESCRIPTION OF INSTITUTION**

The bank is a \$16.8 million (MM) financial institution headquartered in Burden, Kansas. Burden is located in Cowley County and is approximately 60 miles southeast of Wichita, Kansas. The bank has a second branch office in Oxford, Kansas, located in the eastern portion of Sumner County. Each office is a full-service branch with cash-dispensing automated teller machines at each location.

Based on the September 30, 2018 Call Report, the bank reported total loans of \$9.9MM, and total deposits of \$15MM. As illustrated in Table 1, the bank's primary lending focus is residential real estate loans followed by agricultural loans. These loan categories represent the majority of lending; however, the bank seeks to meet the overall credit needs of its AAs by offering a variety of consumer and business lending and deposit products.

According to the June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranked 14<sup>th</sup> out of 14 FDIC-insured institutions operating in the AAs with

1.4 percent of the deposit market share. The top two leaders in the market consist of two banks, collectively holding 45.3 percent of the deposit market share inside the AAs. The bank operates in a competitive environment, which may influence opportunities to extend credit.

<b>TABLE 1 EMERALD BANK'S LOAN PORTFOLIO AS OF SEPTEMBER 30, 2018</b>		
<b>Loan Type</b>	<b>Amount \$(000)</b>	<b>Percent of Total</b>
Residential Real Estate	5,765	58.2
Agricultural	1,671	16.9
Consumer	1,522	15.3
Commercial	948	9.6
Other	0	0.0
<b>Gross Loans</b>	<b>9,906</b>	<b>100.0</b>

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of the communities it serves. The bank received a Satisfactory rating at its previous CRA evaluation conducted by the Reserve Bank on March 23, 2015.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREAS**

The bank has delineated two separate AAs. The bank's Cowley County AA consists of Cowley County in its entirety and includes the main branch in Burden, Kansas. The Cowley County AA is predominately rural and moderately populated. The bank's second AA is the Sumner County Metropolitan AA which is comprised of Sumner County in its entirety. Sumner County is one of the five counties that make up the Wichita, Kansas Metropolitan Statistical Area (MSA). Although Sumner County is part of an MSA, it is modestly populated and rural in nature. The bank's second branch is located in this AA, in Oxford, Kansas.

**OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Net Loan-to-Deposit Ratio**

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AAs. The bank's NLTD ratio was averaged over a 15-quarter period since the previous CRA evaluation and compared to the NLTD ratios of three similarly situated financial institutions operating in the AAs based on asset size and loan portfolio composition.

The bank's NLTD ratio reflects a reasonable effort to extend credit based on its size, financial condition, and credit needs of the AAs. The bank's NLTD ratio averaged 69.4 percent over the

most recent 15-quarter period ending September 30, 2018. Similarly situated comparison banks had average NLTD ratios ranging from 52.6 percent to 85.5 percent.

**Assessment Area Concentration**

This performance criterion evaluates the percentage of lending extended inside and outside the AAs. Table 2 illustrates that the majority of the bank’s motor vehicle secured and residential real estate loans were originated to borrowers by both number and dollar volume within its delineated AAs. Lending performance indicates a reasonable effort by the bank to serve the credit needs of the communities in which it operates.

TABLE 2 LENDING INSIDE AND OUTSIDE THE BANK’S AA								
Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Motor Vehicle Secured Loans	39	462	84.8	79.9	7	116	15.2	20.1
Residential Real Estate Loans	32	2,170	91.4	95.4	3	104	8.6	4.6

The remaining performance criteria consider only those loans originated inside the AAs.

**Geographic and Borrower Distribution**

The geographic performance criterion evaluates the bank’s distribution of loans within its AAs by income level of census tracts, with emphasis placed on lending in low- and moderate-income (LMI) geographies. The bank’s motor vehicle secured loans were compared to the percentage of households located in each census tract income category, while the bank’s residential real estate loans were compared to the percentage of owner-occupied units located in each census tract income category.

The bank’s overall geographic distribution reflects a reasonable distribution throughout the AAs, given the economic and demographic factors of the AAs and the bank’s strategic focus.

The borrower performance criterion evaluates the bank’s distribution of lending to borrowers of different income levels, with emphasis placed on lending to LMI individuals. The bank’s motor vehicle secured lending was compared to the percentage of households by borrower income, while residential real estate lending was compared to the percentage of families within the AA by income level. The bank’s overall distribution of loans to borrowers of different income levels is reasonable.

A detailed analysis of the geographic and borrower distribution of loans is provided in the full review analysis of the Cowley County AA and Sumner County Metropolitan AA. No geographic distribution was conducted in the Sumner County Metropolitan AA, as it consists only of middle-income census tracts and therefore, an analysis would not be meaningful.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or illegal credit practices inconsistent with helping to meet community credit needs was identified.

**COWLEY COUNTY ASSESSMENT AREA  
(Full Review)**

**DESCRIPTION OF THE BANK'S OPERATIONS IN THE COWLEY COUNTY ASSESSMENT AREA<sup>1</sup>**

The Cowley County AA is located in south-central Kansas, bordered on the south by the Oklahoma state line. The AA consists of Cowley County in its entirety and is unchanged from the prior CRA evaluation. The AA includes the bank's main branch location in Burden, Kansas, which is located in a middle-income census tract. According to the June 30, 2018 FDIC Market Share Report, the bank ranked sixth out of seven FDIC-insured institutions operating in the AA with 1.6 percent of the AA's deposit market share.

The AA is comprised of 11 census tracts; 2 moderate-, 8 middle-, and 1 upper-income census tracts and remains unchanged since previous CRA evaluation. The moderate-income census tracts are located south of Arkansas City, with one of the census tracts encompassing Kaw Wildlife Area. These two census tracts are located 35 miles from the bank's main branch and 23 miles from the branch location in Oxford.

**DESCRIPTION OF THE COWLEY COUNTY ASSESSMENT AREA**

*Population Characteristics*

The population of the AA is 36,079 and has been stagnant over the five-year period from 2010 to 2015. Main population centers in the AA include Arkansas City and Winfield, with populations of 12,067 and 12,127, respectively. These towns are surrounded by small, rural communities, including Burden that has a population of 532. Burden is located 33 miles and 19 miles from Arkansas City and Winfield, respectively. According to the U.S. Census Bureau, the median age of Cowley County residents is 38.5 years, which is higher than the state median age of 36.2 years.

*Housing Characteristics*

There are 15,995 housing units in the AA, including approximately 9,245 owner-occupied units, which represents 57.8 percent of the total housing stock. Approximately 27.8 percent of the housing stock is comprised of rental units, and 14.4 percent are vacant units. The percentage of total housing units to the percentage of owner-occupied units, rental units, and vacant units is comparable to the rural and statewide percentages. The AA median housing value is \$83,201 which is lower than the median housing value in statewide rural areas, at \$89,253. Both of these are lower than the statewide median housing value of \$132,000. Additionally, the median age

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<sup>1</sup> The following demographic data is based on 2010 U.S. Census and 2011-2015 ACS five-year estimate data. Additional demographic data was also utilized based on information obtained from the official Cowley County website and the Kansas Department of Labor.



of housing stock in the AA is 61 years, which is older than the statewide rural figure, at 53 years, and the statewide figure, at 43 years.

#### *Income Characteristics*

The MFI in the Cowley County AA is \$54,934, which is lower than the statewide rural figure, at \$56,877, and the statewide overall figure, at \$66,389. The median household income for the AA is \$43,967, which is slightly below the nearby Wichita MSA at \$45,404. The median household income figure in the AA compares less favorably to the overall state of Kansas figure of \$52,205. The AA has approximately 16.6 percent of households living below poverty, which is higher than the state of Kansas, at 12.9 percent. Approximately 21.0 percent of families are considered low-income and 19.1 percent are considered moderate-income. Approximately 12.0 percent of families live below the poverty level, which is slightly higher than the rural figure, at 10.3 percent, and the statewide figure, at 9.1 percent.

#### *Economic and Employment Characteristics*

The local economy is heavily dependent on manufacturing and farming. According to Cowley County employment statistics, major employers in the AA include local governments, Columbia Elevator, Creekstone Farms Premium Beef, GE Aviation, and Galaxy Technologies, among others. There are also several institutions of higher education located in the AA, including Southwestern College and Cowley College. Due to the AA's proximity to Wichita, Kansas, many area residents commute for employment opportunities.

According to the Kansas Department of Labor, the unemployment rate in the AA was 3.5 percent, a rate comparable to the statewide unemployment rate of 3.4 percent.

Additional demographic data is displayed in Table 3 below.

**TABLE 3  
COWLEY COUNTY AA 2017 DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,913	21.0
Moderate	2	18.2	906	9.9	150	16.6	1,744	19.1
Middle	8	72.7	7,403	81.1	874	11.8	1,983	21.7
Upper	1	9.1	822	9.0	71	8.6	3,491	38.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>11</b>	<b>100.0</b>	<b>9,131</b>	<b>100.0</b>	<b>1,095</b>	<b>12.0</b>	<b>9,131</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,768	728	7.9	41.2	665	37.6	375	21.2
Middle	13,002	7,604	82.2	58.5	3,670	28.2	1,728	13.3
Upper	1,225	913	9.9	74.5	108	8.8	204	16.7
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>15,995</b>	<b>9,245</b>	<b>100.0</b>	<b>57.8</b>	<b>4,443</b>	<b>27.8</b>	<b>2,307</b>	<b>14.4</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	159	15.3	136	14.7	21	21.4	2	12.5
Middle	790	76.1	711	76.9	67	68.4	12	75.0
Upper	89	8.6	77	8.3	10	10.2	2	12.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1,038</b>	<b>100.0</b>	<b>924</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.0</b>		<b>9.4</b>		<b>1.5</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	101	85.6	101	86.3	0	0.0	0	0.0
Upper	17	14.4	16	13.7	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>118</b>	<b>100.0</b>	<b>117</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.2</b>		<b>0.8</b>		<b>0.0</b>

Based on 2017 FFIEC census tract definitions, 2015 ACS five-year estimate data, and 2017 Dun & Bradstreet data.  
(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Distribution by Income Level of Geographies**

This performance criterion evaluates the bank’s distribution of lending within its AAs by income levels of census tracts. The bank’s distribution of loans among geographies of various income levels demonstrated a reasonable dispersion throughout the AA.

For evaluative purposes, the bank’s residential real estate lending was compared to the percent of owner-occupied units in each census tract income category, while the bank’s motor-vehicle secured lending was compared to the percent of households in each census tract income category. The tables do not reflect any loan penetration in the two moderate-income census tracts in this AA for either loan product reviewed; however, the distance from the census tracts to the bank’s office(s), strong competition in the area, and the location of the Kaw Wildlife Area in one of the census tracts provides context for the bank’s lack of lending in these tracts.

Residential Real Estate Loans

The geographic distribution of residential real estate lending is reasonable. The bank did not originate any loans in moderate-income census tracts and was therefore lower than the percentage of owner-occupied units (demographic figure). Lending in the middle-income census tract was comparable by number volume, at 80.0 percent and slightly below by dollar, at 72.1 percent compared to the demographic figure of 82.2 percent. Lending in upper-income census tracts exceeded the demographic figure of 9.9 percent by both number and dollar. Consideration was given to the bank’s size, location of the moderate-income tracts, amount of competition, and the volume of loans originated.

The bank’s 2015 and 2016 real estate lending was comparable to 2017 performance.

**TABLE 4  
DISTRIBUTION OF 2017 RESIDENTIAL REAL ESTATE LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
COWLEY COUNTY AA**

Census Tract Income Level	Residential Real Estate Loans				% of Owner- Occupied Units <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	7.9
Middle	8	449	80.0	72.1	82.2
Upper	2	174	20.0	27.9	9.9

<sup>1</sup> The percentage of owner-occupied housing by tract is based on 2017 FFIEC census tract definitions and 2015 ACS five-year estimate data.  
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Secured Loans

The geographic distribution of motor vehicle secured lending is reasonable. The bank did not originate any loans to the moderate-income census tracts, which was below the demographic figure by both number and dollar volume. The bank’s lending in middle-income census tracts exceeded the demographic figure. The bank’s lending to upper-income census tracts was also below the demographic figure as the bank did not originate any loans in these tracts. Consideration was given to the bank’s size, location of the moderate-income tracts, amount of competition, and the volume of loans originated.

Conclusions regarding the bank’s 2015 and 2016 lending were comparable to 2017 performance.

**TABLE 5  
DISTRIBUTION OF 2017 MOTOR VEHICLE SECURED LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
COWLEY COUNTY AA**

Census Tract Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	10.2
Middle	14	119	100.0	100.0	82.4
Upper	0	0	0.0	0.0	7.5

<sup>1</sup> The percentage of households by tract is based on 2017 FFIEC census tract definitions and 2015 ACS five-year estimate data. (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**Distribution by Borrower Income**

This performance criterion evaluates the bank’s lending to borrowers of different income levels with emphasis placed on lending to LMI individuals. The bank’s overall distribution of lending represents a reasonable penetration among individuals of different income levels.

For evaluative purposes, the bank’s residential real estate lending was compared to the percentage of families within the AA by income level. The bank’s motor vehicle secured lending was compared to the percentage of households within the AA by income level.

Residential Real Estate Loans

The borrower distribution of residential real estate loans is reasonable. The bank did not originate any loans to low-income borrowers, which was below the percentage of low-income families (demographic figure) of 21.0 percent. The bank’s lending to moderate-income borrowers is comparable to the demographic figure by both number and dollar volume. The bank’s lending to middle-income borrowers exceeded the demographic figure and was comparable to the demographic figures for the upper-income census tracts.

Consideration was given to the bank’s size and capacity to penetrate the entire AA effectively as the number of total loans originated in the AA was low. According to the “Affordable Housing Online” database for Cowley County, Kansas, the AA contains a high volume of low-income housing which provides a significant amount of affordable and subsidized housing for low-income families thereby decreasing some of the demand for home financing. In addition, aggregate HMDA lending levels are significantly lower than the demographic figure as well and more comparable to the bank’s lending volumes. Lending to moderate-income borrowers, at 20.0 percent by number and 18.6 percent by dollar, was comparable to the percentage of families in the AA, at 19.1 percent. The bank’s lending to middle-income borrowers exceeded the demographic figure, while lending to upper-income borrowers was comparable to the demographic figures.

Lending in 2015 and 2016 to LMI borrowers was equivalent to the relative demographic percentages of families in the AA for those years.

**TABLE 6  
DISTRIBUTION OF 2017 RESIDENTIAL REAL ESTATE LOANS  
BY BORROWER INCOME LEVELS  
COWLEY COUNTY AA**

Borrower Income Level	Residential Real Estate Loans				% of Families <sup>1</sup>
	#	\$(000)	#%	\$%	
<b>Low</b>	0	0	0.0	0.0	21.0
<b>Moderate</b>	2	116	20.0	18.6	19.1
<b>Middle</b>	4	257	40.0	41.3	21.7
<b>Upper</b>	4	250	40.0	40.1	38.2
<b>Unknown<sup>2</sup></b>	0	0	0.0	0.0	0.0

<sup>1</sup> The percentage of families by income levels is based on 2015 ACS five-year estimate data.  
<sup>2</sup> Includes borrowers where the income level is unknown.  
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Secured Loans

The borrower distribution of motor vehicle secured lending is reasonable. Lending to low-income borrowers, at 28.6 percent by number and 17.5 percent by dollar, exceeded the percentage of low-income households (demographic figure) in the AA, at 23.5 percent. Lending to moderate-income borrowers, at 14.3 percent by number and 17.5 percent by dollar, was comparable to the demographic figure, at 16.9 percent. The bank’s lending to middle- and upper-income borrowers was below the demographic figure.

Lending in 2015 and 2016 was comparable to the bank’s 2017 lending performance.

**TABLE 7  
DISTRIBUTION OF 2017 MOTOR VEHICLE SECURED LOANS  
BY BORROWER INCOME LEVELS  
COWLEY COUNTY AA**

Borrower Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
<b>Low</b>	4	21	28.6	17.5	23.5
<b>Moderate</b>	2	21	14.3	17.5	16.9
<b>Middle</b>	1	18	7.1	15.0	19.2
<b>Upper</b>	5	51	35.7	42.5	40.4
<b>Unknown<sup>2</sup></b>	2	9	14.3	7.5	0.0

<sup>1</sup> The percentage of households by income levels is based on 2015 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**SUMNER COUNTY METROPOLITAN ASSESSMENT AREA**  
(Full Review)

**DESCRIPTION OF THE BANK'S OPERATIONS IN THE SUMNER COUNTY METROPOLITAN AA<sup>2</sup>**

The Sumner County Metropolitan AA is located in south-central Kansas, bordered on the south by the Oklahoma state line. The AA is comprised of Sumner County in its entirety and is part of the five-county Wichita, Kansas MSA. The bank's branch in this AA is located on the far eastern side of the county in the town of Oxford. According to the June 30, 2018 FDIC Deposit Market Share Report, the bank is ranked tenth out of ten FDIC-insured institutions operating in the AA with 1.0 percent of the AA's deposit market share.

The AA is comprised of six middle-income census tracts. Since the last examination, the bank expanded the delineation of the AA to include the entire county. The bank previously only designated one census tract as its AA.

**DESCRIPTION OF THE SUMNER COUNTY METROPOLITAN AA**

*Population Characteristics*

The population of the AA is 23,638. The overall population of the AA has declined slightly in the five-year period from 2010 to 2015. Main population centers include the towns of Wellington and Oxford. There are 11 incorporated towns and cities in the AA. These towns are surrounded by small, rural communities. The population of Oxford, where the bank's branch is located, is 1,012.

*Housing Characteristics*

The number of housing units in the area is 10,855, with owner-occupied units representing 65.0 percent, rental units representing 18.7 percent, and vacant units representing 16.5 percent of total housing stock. The percentage of owner-occupied units is comparable to the Wichita MSA and state of Kansas figures, while the Wichita MSA and state of Kansas have higher percentages of rental units, at 30.7 percent and 29.8 percent, respectively. Additionally, the percentage of vacant units in the Wichita MSA and state of Kansas are also lower than in the AA, at 9.8 percent and 10.5 percent, respectively. The median housing value in the AA is \$83,925, which is well below the Wichita MSA figure, at \$124,445, and the state of Kansas figure, at \$132,000. A community contact noted that the local housing market is relatively stable and not particularly old; however, the AA median housing stock age is 61, compared with the Wichita MSA figure, at 42 years, and state of Kansas figure, at 43 years. This contact reported some

<sup>2</sup> The following demographic data is based on 2010 U.S. Census and 2011-2015 ACS five-year estimate data. Additional demographic data was also utilized based on information obtained from the official Cowley County website and the Kansas Department of Labor.

new housing development in Sumner County, although the area has not attracted many new residents in recent years.

#### *Income Characteristics*

The MFI in the Sumner County Metropolitan AA is \$63,762, which is similar to the Wichita MSA figure, at \$64,897, and slightly below the state of Kansas figure at \$66,389. The median household income in the AA is \$50,145, which is comparable to the Wichita MSA figure of \$51,424, and the state of Kansas figure of \$52,205. The AA has approximately 13.4 percent of households living below poverty which is comparable to the Wichita MSA, at 13.7 percent, and the state of Kansas, at 12.9 percent. The percentage of LMI families in the AA represents 17.7 percent and 19.3 percent, respectively. Middle- and upper-income families account for 24.0 percent and 39.0 percent of the population. Approximately 9.2 percent of the families in the AA live below the poverty level, which is comparable to the Wichita MSA figure of 10.3 percent and the state of Kansas figure of 9.1 percent.

#### *Economic and Employment Characteristics*

The local economy is dependent on agriculture, manufacturing, and healthcare. Sumner County is considered the “wheat capital of the world,” reflecting the economy’s dependence on farming and agriculture. Notable employers in the manufacturing sector include Kiser Manufacturing, American Metal Fabrication, Kansas Plastics, and Wickman Chemical. Many AA residents also commute to nearby Wichita for employment opportunities, particularly in manufacturing, and a community contact noted that many towns in the county are considered “bedroom communities” for Wichita.

According to the Kansas Department of Labor, the unemployment rate in the AA was 3.9 percent which is slightly higher than the statewide rate of 3.5 percent. The Wichita MSA has an unemployment rate of 3.9 percent.

Additional demographic information can be found in Table 8.



**TABLE 8  
SUMNER COUNTY METROPOLITAN AA 2017 DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,086	17.7
Moderate	0	0.0	0	0.0	0	0.0	1,188	19.3
Middle	6	100.0	6,143	100.0	566	9.2	1,472	24.0
Upper	0	0.0	0	0.0	0	0.0	2,397	39.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>6</b>	<b>100.0</b>	<b>6,143</b>	<b>100.0</b>	<b>566</b>	<b>9.2</b>	<b>6,143</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	10,855	7,057	100.0	65.0	2,034	18.7	1,764	16.3
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>10,855</b>	<b>7,057</b>	<b>100.0</b>	<b>65.0</b>	<b>2,034</b>	<b>18.7</b>	<b>1,764</b>	<b>16.3</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	848	100.0	750	100.0	78	100.0	20	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>848</b>	<b>100.0</b>	<b>750</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>88.4</b>		<b>9.2</b>		<b>2.4</b>	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	178	100.0	178	100.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>178</b>	<b>100.0</b>	<b>178</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>			<b>100.0</b>		<b>0.0</b>		<b>0.0</b>	

Based on 2017 FFIEC census tract definitions, 2015 ACS five-year estimate data, and 2017 Dun & Bradstreet data. (NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Distribution by Borrower Income:**

This performance criterion evaluates the bank’s lending to borrowers of different income levels with emphasis placed on lending to LMI individuals. The bank’s overall distribution of lending represents a reasonable penetration among individuals of different income levels.

For evaluative purposes, the bank’s residential real estate lending was compared to the percent of families within the AA by income level. The bank’s motor vehicle secured lending was compared to the percent of households within the AA by income level.

Residential Real Estate Loans

The borrower distribution of residential real estate lending is reasonable. The bank’s lending to low-income borrowers, at 25.0 percent by number, exceeded the percentage of low-income families (demographic figure) in the AA, at 17.7 percent. However, the bank’s lending by dollar volume to low-income families at only 3.3 percent trailed the demographic figure. The bank did not have any lending to moderate- and middle-income families, which was below the demographic figures. The bank’s lending to upper-income borrowers significantly exceeded the demographic figure by both number and dollar volume. Although the bank operates in an area within the Wichita MSA, the bank lacks the capacity to extend its lending more significantly into the MSA, given its asset size and performance context.

Lending in 2015 and 2016 to low-income borrowers was below performance in 2017; however, lending to moderate-income borrowers exceeded 2017 performance.

**TABLE 9  
DISTRIBUTION OF 2017 RESIDENTIAL REAL ESTATE LOANS  
BY BORROWER INCOME LEVELS  
SUMNER COUNTY METROPOLITAN AA**

Borrower Income Level	Residential Real Estate Loans				% of Families <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	1	18	25.0	3.3	17.7
Moderate	0	0	0.0	0.0	19.3
Middle	0	0	0.0	0.0	24.0
Upper	3	520	75.0	96.7	39.0
Unknown <sup>2</sup>	0	0	0.0	0.0	0.0

<sup>1</sup> The percentage of families by income levels is based on 2015 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Secured Loans

The borrower distribution of motor vehicle secured lending is reasonable. The bank’s lending to low-income borrowers, at 50.0 percent by number and 37.3 percent by dollar, exceeded the

percentage of low-income households (demographic figure) of 25.1 percent. The bank’s lending to moderate-income borrowers, at 16.7 percent by number and 19.6 percent by dollar, was comparable to the demographic figure in the AA. The bank’s lending to middle- and upper income borrowers in the AA by number and dollar volume was below the demographic figure.

The bank’s lending in 2015 and 2016 was consistent with 2017 performance.

**TABLE 10  
DISTRIBUTION OF 2017 MOTOR VEHICLE SECURED LOANS  
BY BORROWER INCOME LEVELS  
SUMNER COUNTY METROPOLITAN AA**

Borrower Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
<b>Low</b>	3	19	50.0	37.3	25.1
<b>Moderate</b>	1	10	16.7	19.6	16.9
<b>Middle</b>	1	8	16.7	15.7	18.6
<b>Upper</b>	0	0	0.0	0.0	39.4
<b>Unknown<sup>2</sup></b>	1	14	16.7	27.5	0.0

<sup>1</sup> The percentage of households by income levels is based on 2015 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

APPENDIX A

Cowley County Assessment Area 2015 – 2016 Lending Tables

**TABLE A-1  
DISTRIBUTION OF 2015 – 2016 RESIDENTIAL REAL ESTATE LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
COWLEY COUNTY AA**

Census Tract Income Level	Residential Real Estate Loans				% of Owner- Occupied Units <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	19.4
Middle	7	450	77.8	82.3	58.7
Upper	2	97	22.2	17.7	21.9

<sup>1</sup> The percentage of owner-occupied housing by census tract is based on 2016 FFIEC census tract definitions and 2010 ACS five-year estimate data.  
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-2  
DISTRIBUTION OF 2015 - 2016 MOTOR VEHICLE SECURED LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
COWLEY COUNTY AA**

Census Tract Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	23.1
Middle	7	102	100.0	100.0	59.7
Upper	0	0	0.0	0.0	17.2

<sup>1</sup> The percentage of households by census tract is based on 2016 FFIEC census tract definitions and 2010 ACS five-year estimate data.  
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-3  
DISTRIBUTION OF 2015 – 2016 RESIDENTIAL REAL ESTATE LOANS  
BY BORROWER INCOME LEVELS  
COWLEY COUNTY AA**

Borrower Income Level	Residential Real Estate Loans				% of Families <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	2	42	22.2	7.7	19.3
Moderate	2	94	22.2	17.2	19.4
Middle	3	162	33.3	29.6	21.1
Upper	2	249	22.2	45.5	40.2
Unknown <sup>2</sup>	0	0	0.0	0.0	0.0

<sup>1</sup> The percentage of families by income levels is based on 2010 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-4  
DISTRIBUTION OF 2015 – 2016 MOTOR VEHICLE SECURED LOANS  
BY BORROWER INCOME LEVELS  
COWLEY COUNTY AA**

Borrower Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	2	14	28.6	13.7	23.5
Moderate	1	18	14.3	17.6	16.9
Middle	3	57	42.9	55.9	19.4
Upper	1	13	14.3	12.7	40.2
Unknown <sup>2</sup>	0	0	0.0	0.0	0.0

<sup>1</sup> The percentage of households by income levels is based on 2010 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Sumner County Metropolitan Assessment Area 2015 – 2016 Lending Tables

**TABLE A-5  
DISTRIBUTION OF 2015 – 2016 RESIDENTIAL REAL ESTATE LOANS  
BY BORROWER INCOME LEVELS  
SUMNER COUNTY METROPOLITAN AA**

Borrower Income Level	Residential Real Estate Loans				% of Families <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	17.9
Moderate	3	151	33.3	32.7	18.1
Middle	4	115	44.4	24.9	23.6
Upper	2	196	22.2	42.4	40.4
Unknown <sup>2</sup>	0	0	0.0	0.0	0.0

<sup>1</sup> The percentage of families by income levels is based on 2010 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-6  
DISTRIBUTION OF 2015 – 2016 MOTOR VEHICLE SECURED LOANS  
BY BORROWER INCOME LEVELS  
SUMNER COUNTY METROPOLITAN AA**

Borrower Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	6	49	50.0	25.7	25.7
Moderate	2	41	16.7	21.5	14.0
Middle	1	32	8.3	16.8	18.4
Upper	3	69	25.0	36.1	41.9
Unknown <sup>2</sup>	0	0	0.0	0.0	0.0

<sup>1</sup> The percentage of households by income levels is based on 2010 ACS five-year estimate data.

<sup>2</sup> Includes borrowers where the income level is unknown.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

2015 AND 2016 DEMOGRAPHIC INFORMATION TABLES

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	1,724	19.3	
Moderate	3	27.3	1,817	20.3	216	11.9	1,736	19.4	
Middle	6	54.5	5,229	58.4	621	11.9	1,892	21.1	
Upper	2	18.2	1,909	21.3	65	3.4	3,603	40.2	
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total AA</b>	<b>11</b>	<b>100.0</b>	<b>8,955</b>	<b>100.0</b>	<b>902</b>	<b>10.1</b>	<b>8,955</b>	<b>100.0</b>	
	Housing Units by Tract	<b>Housing Type by Tract</b>							
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>		
		#	% by tract	% by unit	#	% by unit	#	% by unit	
Low	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate	3,874	1,904	19.4	49.1	1,233	31.8	737	19.0	
Middle	9,557	5,760	58.7	60.3	2,354	24.6	1,443	15.1	
Upper	2,624	2,145	21.9	81.7	187	7.1	292	11.1	
Unknown	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total AA</b>	<b>16,055</b>	<b>9,809</b>	<b>100.0</b>	<b>61.1</b>	<b>3,774</b>	<b>23.5</b>	<b>2,472</b>	<b>15.4</b>	
	Total Businesses by Tract	<b>Businesses by Tract &amp; Revenue Size</b>							
				<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate	320	26.8	291	27.2	25	26.0	4	15.4	
Middle	677	56.7	603	56.3	57	59.4	17	65.4	
Upper	196	16.4	177	16.5	14	14.6	5	19.2	
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total AA</b>	<b>1,193</b>	<b>100.0</b>	<b>1,071</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	
<b>Percentage of Total Businesses:</b>			<b>89.8</b>		<b>8.0</b>		<b>2.2</b>		
	Total Farms by Tract	<b>Farms by Tract &amp; Revenue Size</b>							
				<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate	4	2.7	4	2.7	0	0.0	0	0.0	
Middle	111	75.0	111	75.5	0	0.0	0	0.0	
Upper	33	22.3	32	21.8	1	100.0	0	0.0	
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total AA</b>	<b>148</b>	<b>100.0</b>	<b>147</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	
<b>Percentage of Total Farms:</b>			<b>99.3</b>		<b>0.7</b>		<b>0.0</b>		

Based on 2016 FFIEC census tract definitions, 2010 ACS five-year estimate data, and 2016 Dun & Bradstreet data.  
(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-8  
SUMNER COUNTY METROPOLITAN AA 2015 – 2016 DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,120	17.9
Moderate	0	0.0	0	0.0	0	0.0	1,132	18.1
Middle	6	100.0	6,244	100.0	472	7.6	1,472	23.6
Upper	0	0.0	0	0.0	0	0.0	2,520	40.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>6</b>	<b>100.0</b>	<b>6,244</b>	<b>100.0</b>	<b>472</b>	<b>7.6</b>	<b>6,244</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	10,921	7,179	100.0	65.7	2,101	19.2	1,641	15.0
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>10,921</b>	<b>7,179</b>	<b>100.0</b>	<b>65.7</b>	<b>2,101</b>	<b>19.2</b>	<b>1,641</b>	<b>15.0</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	943	100.0	839	100.0	83	100.0	21	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>943</b>	<b>100.0</b>	<b>839</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.0</b>		<b>8.8</b>		<b>2.2</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	202	100.0	202	100.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>202</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>100.0</b>		<b>0.0</b>		<b>0.0</b>

Based on 2016 FFIEC census tract definitions, 2010 ACS five-year estimate data, and 2016 Dun & Bradstreet data. (NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)



APPENDIX B: MAP OF THE ASSESSMENT AREAS

