



PUBLIC DISCLOSURE

SEPTEMBER 18, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**AMERICAN STATE BANK & TRUST COMPANY
RSSD# 2957014**

**1321 MAIN STREET
GREAT BEND, KANSAS 67530**

**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.

TABLE OF CONTENTS

Institution's CRA Rating	2	
Institution		
Scope of Examination.....	2	
Description of Institution	4	
Description of the Bank's AAs	5	
Conclusions With Respect to Performance Criteria.....	5	
Great Bend Non-MSA Statewide AA (Full Review)		
Description of the Bank's Operations in the Great Bend Non-MSA AA	8	
Description of the Great Bend Non-MSA AA.....	8	
Conclusions With Respect to Performance Criteria in the Great Bend Non-MSA AA	11	
Garden City Non-MSA Statewide AA (Limited Review)		16
Description of the Bank's Operations in the Garden City Non-MSA AA	16	
Conclusions With Respect to Performance Criteria in the Garden City Non-MSA AA	16	
North Central Kansas Non-MSA Statewide AA (Limited Review)		17
Description of the Bank's Operations in the North Central Kansas Non-MSA AA ..	17	
Conclusions With Respect to Performance Criteria in the North Central Kansas Non-MSA AA	17	
Appendices		
CRA Appendix A: Lending Analysis Tables	18	

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This Institution is rated: **Satisfactory**

The Lending Test is rated: **Satisfactory**

The Community Development Test is rated: **Satisfactory**

American State Bank & Trust Company (the bank) has a satisfactory record of helping to meet the credit needs of its delineated assessment areas (AAs), including to farms and businesses of different revenue sizes, in a manner consistent with its resources, operating philosophy, and community credit needs.

Major factors supporting the institution's rating include:

Lending Test

- The bank's average net loan-to-deposit (NLTD) ratio increased since the prior examination and continues to reflect a reasonable effort to extend credit given the bank's size, financial condition, and the credit needs of the delineated AAs.
- A majority of the bank's loans were originated within its delineated AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's AAs.
- The distribution of loans to farms and businesses of different revenue sizes was reasonable.

Community Development Test

- The bank demonstrated adequate responsiveness to the community development (CD) needs of its AAs through qualified loans, investments, and services, considering the need and availability of such opportunities and the level of competition for such activities in the delineated AAs.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the lending and CD tests as defined under the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions*. The evaluation included a full-scope review of the bank's performance within the Great Bend nonmetropolitan statewide area (non-MSA) AA, also known as the Great Bend AA. In addition, limited-scope reviews were performed for the bank's other two Kansas non-MSA AAs: the Garden City AA and the North Central Kansas AA.

The lending test considered the bank's NLTD ratio, lending inside its AAs, distribution of loans by geographic income level, and lending to farms and businesses of different revenue sizes. The bank's responsiveness to CRA complaints, the fifth core lending test criterion used to assess lending performance, was not evaluated as the bank had not received any CRA-related complaints since the prior examination.

Conclusions regarding the lending test were based on two of the bank's major product lines: agricultural and commercial loans. The lending test evaluation included statistical samples of 107 small farm loans and 71 small business loans originated between January 1, 2016 and December 31, 2016. These samples were selected from a universe of 226 loans and 109 loans, respectively. As defined under the CRA, small farm loans include those with loan amounts of \$500,000 or less, while small business loans include those with loan amounts of \$1 million (MM) or less.

The CD test considered the number and amount of the bank's qualified CD loans, investments, donations, and services as well as the responsiveness of the bank's activities in meeting the needs of its AAs. Conclusions regarding this test were based on a review of the bank's activities from January 1, 2015 (the date the bank became an intermediate small bank) through September 18, 2017.

Only loans made inside the bank's AAs were analyzed with respect to geographic and borrower distribution. The Great Bend AA geographic distribution analysis was based on the bank's loan penetration within the AA's moderate-, middle-, and upper-income geographies as the AA does not include any low-income geographies. Geographic income classifications are based on the U.S. Census 2006-2010 American Community Survey (2010 ACS) data as well as the 2013 Office of Management and Budget Metropolitan Statistical Area designations. The borrower distribution analysis was based on the bank's loan penetration to farms and businesses of different revenue sizes, particularly those with gross annual revenues of \$1MM or less. For evaluative purposes, the bank's lending performance was compared with area demographic data, including 2016 Dun & Bradstreet (D&B) farm and business data.

Two interviews were conducted with members of the community to ascertain the specific credit needs of the AAs, local economic conditions, the responsiveness of area banks to those credit needs, and the availability of CD opportunities. Community members interviewed included an official from a business development organization and a representative from a local economic development authority. In addition, two community contacts conducted by the Federal Reserve Bank of Kansas City within the past 12 months were considered for supplemental context. The prior community contacts included a representative of another economic development organization and a real estate professional.

DESCRIPTION OF INSTITUTION

American State Bancshares, Inc., Great Bend, Kansas, owns 100 percent of the bank as well as American Community Mortgage, LLC, in Wichita, Kansas; ASB Holdings, LLC, and American State Bank Statutory Trust I in Great Bend, Kansas; and, Rose Hill Bank in Rose Hill, Kansas. The bank is headquartered in Great Bend, Kansas, the county seat of Barton County, which is located approximately 115 miles northwest of Wichita, Kansas. The bank operates a total of ten branch locations, including five locations in the Great Bend AA. The main bank and a branch are in Great Bend, with other branch locations in Larned, St. John, and Macksville. The bank operates two branches in the Garden City AA, one in Garden City located approximately 125 miles to the west of Great Bend and one in Holcomb, Kansas, located about 7 miles west of Garden City. The Holcomb Branch is new to the bank with the acquisition of First National Bank of Holcomb on July 18, 2014. In addition, the North Central Kansas AA is new since the prior examination as the bank merged with its former affiliate, Peoples Exchange Bank, in July 2016. This new AA is home to three branches, one each in the Kansas cities of Belleville, Clyde, and Concordia. All locations offer cash-only automated teller machine (ATM) and drive-through services, except the main location. The main location does not offer drive-through service.

The bank reported total assets of \$376.8MM as of March 31, 2017, with gross loans representing \$236.2MM or 62.7 percent. As illustrated in Table 1, agricultural and commercial loans comprise a substantial majority of the bank's loan portfolio by dollar volume, at 90.7 percent. According to the Federal Deposit Insurance Company (FDIC) Market Share Report as of June 30, 2016, the bank had approximately \$252.1MM in deposits and a market share of 6.4 percent, ranking 3rd of 49 FDIC-insured institutions operating 99 offices in the bank's AAs. At that time, Peoples Exchange Bank had not yet merged with the bank and had \$41.4MM in deposits.

Loan Type	Amount \$(000)	Percent of Total
Agricultural	121,930	51.6
Commercial	92,272	39.1
Residential Real Estate	9,891	4.2
Other	7,637	3.2
Consumer	4,443	1.9
Gross Loans	236,173	100.0

There are no legal or financial factors impeding the institution's ability to meet the credit needs of its AAs based on its asset size, product offerings, and financial condition. The bank's CRA performance was last evaluated by the Federal Reserve Bank of Kansas City on June 10, 2013, at which time it received an overall Satisfactory rating under the FFIEC's *Interagency Examination Procedures for Small Institutions*.

DESCRIPTION OF THE BANK'S AAs

The bank has ten intrastate locations in western, central, and north central Kansas. Based on the bank's locations, management has delineated three AAs, one of which has been added since the prior examination. The Great Bend and Garden City AAs have not changed since the prior examination; however, the July 2016 merger of the bank and its former affiliate, Peoples Exchange Bank, resulted in the bank delineating the new North Central Kansas AA.

The Great Bend AA includes the following counties in their entirety: Barton, Edwards, Pawnee, Pratt, Rice, and Stafford. The counties of Stafford and Pratt have been designated as underserved nonmetropolitan middle-income tracts as defined by the CRA, while Edwards County has been designated as both distressed and underserved. The bank operates five of its ten locations in this AA. Approximately 62.3 percent of the bank's total deposits are located in this AA, including the deposits from the bank's former affiliate, Peoples Exchange Bank.

Two branches are located in the Garden City AA, which includes the counties of Finney, Gray, Haskell, Lane, and Scott in their entirety. The counties of Gray and Haskell have been designated as underserved, while Lane County has been designated as both distressed and underserved. Approximately 23.6 percent of the bank's total deposits are from this AA.

The North Central Kansas AA includes the counties of Cloud, Republic, and Washington in their entirety. The counties of Republic and Washington have been designated as both distressed and underserved. The bank has three branches in this AA, with approximately 14.1 percent of the bank's total deposits located in this AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The analysis of the bank's CRA performance considered its financial capacity, market demographic factors, and competitive environment. The overall rating and conclusions are based on its performance in each AA, with greater weight placed on the Great Bend AA where the majority of agricultural and commercial loans were originated. The performance evaluation first discusses the bank's overall lending performance in the three AAs, followed by an in-depth review of lending performance in the Great Bend AA, which was subject to a full-scope review. Limited-scope reviews of the bank's performance in the Garden City AA and North Central Kansas AA follow the review of the Great Bend AA portion of the evaluation. The bank's performance regarding CD loans, investments, donations, and services was evaluated for all three AAs.

LENDING TEST

The bank's overall record of meeting the credit needs of its AAs through its lending activities is Satisfactory. The bank's NLTD ratio reflects a reasonable effort to extend credit, with a majority of the bank's loans originated within its AAs. The distribution of lending based on the income

level of census tracts as well as the distribution of lending to farms and businesses of different revenue sizes are also reasonable.

Net Loan-to-Deposit Ratio

The bank's NLTD ratio reflects a reasonable effort to extend credit based on its size, financial condition, as well as the demographic and economic factors present in the bank's AAs. The bank's NLTD ratio averaged 70.2 percent over the previous 16-quarters ending March 31, 2017. Its average NLTD ratio exceeded three similarly situated banks in its AAs that had average NLTD ratios of 52.9 percent, 65.3 percent, and 66.1 percent. The bank trailed three other similarly situated institutions in its AAs, with average NLTD ratios of 70.5 percent, 73.1 percent, and 108.0 percent. In addition to the bank comparing favorably with similarly situated banks in its AAs, the bank's average NLTD ratio is higher than the 16-quarter average ratio of 60.9 percent as of March 31, 2013, the time period used at the prior examination. These factors support the bank's reasonable efforts to lend within its AAs.

Assessment Area Concentration

As shown in Table 2, the bank originated a majority of its total small business and small farm loans by number and dollar volume inside of its delineated AAs. By dollar volume, the bank's small business lending inside its AAs was slightly below 50.0 percent. This is attributable to a small volume of loans, 5 of the 21 small business loans, or 23.8 percent, originated outside of the bank's AAs. These loans accounted for \$4.8MM, or 63.8 percent, of the \$7.5MM total loan dollars originated outside the bank's AAs.

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Small Business	50	7,261	70.4	49.3	21	7,473	29.6	50.7
Small Farm	88	15,231	82.2	83.8	19	2,954	17.8	16.2
TOTAL LOANS	138	22,492	77.5	68.3	40	10,427	22.5	31.7

Only loans within the bank's AAs are considered for the remaining loan distribution tests discussed within this performance evaluation.

Geographic and Borrower Distribution

Based on AA demographic factors, the bank's dispersion of loans to farms and businesses of different revenue sizes is reasonable. The geographic distribution of lending in the bank's AAs also reflects a reasonable dispersion. A detailed analysis of the loan distribution is provided in the full-scope analysis that follows.

COMMUNITY DEVELOPMENT TEST

The bank's CD performance demonstrates adequate responsiveness to the CD needs of its AAs through qualified loans, investments, and services, given the bank's financial capacity, the availability of CD opportunities, and the level of competition for qualified activities by other financial institutions. To qualify for CRA credit, the activity must relate to affordable housing, assist in CD services targeted to low- and moderate-income (LMI) individuals, enhance economic development of LMI geographies by financing small businesses and small farms, or revitalize or stabilize LMI areas or designated distressed and/or underserved nonmetropolitan middle-income tracts. Table 3 shows the number and dollar volume of the bank's CD activities from the time it became an intermediate small bank on January 1, 2015 through September 18, 2017.

TABLE 3 COMMUNITY DEVELOPMENT ACTIVITIES ALL AAs									
Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	2	124	0	0	0	0	0	0	2
Community Services	1	0	4	2,056	4	1	8	2,058	8
Economic Development	1	2,440	0	0	1	<1	1	<1	2
Revitalization and Stabilization	0	0	0	0	0	0	0	0	0
Totals	4	2,564	4	2,056	5	2	9	2,058	12

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 discrimination was identified. Furthermore, the bank has not engaged in any other illegal credit practices inconsistent with helping to meet community credit needs.

GREAT BEND NONMETROPOLITAN STATEWIDE ASSESSMENT AREA
(Full Review)

DESCRIPTION OF THE BANK'S OPERATIONS IN THE GREAT BEND NON-MSA AA

The Great Bend AA includes the bank's headquarters and one additional branch office in the city of Great Bend as well as one branch location each in the cities of Larned, Macksville, and St. John. The bank's headquarters has an ATM; however, it does not have a drive-through facility. All other branches have both. According to the FDIC Market Share Report as of June 30, 2016, the bank had a 9.6 percent market share in the Great Bend AA, ranking 3rd of 22 FDIC-insured institutions with 48 total banking offices. The bank faces competition for banking services within the AA from Farm Credit and other local community banks in its agricultural markets, while competition for consumer deposits and loans comes primarily from local community banks and credit unions. The bank's competitors in the Great Bend AA include Farmers Bank & Trust, The People's Bank, Community Bank of the Midwest, and First Kansas Bank.

DESCRIPTION OF THE GREAT BEND NON-MSA AA¹

The bank has delineated its Great Bend AA as the entirety of the following counties: Barton, Edwards, Pawnee, Pratt, Rice, and Stafford. Great Bend is the most populous city and county seat of Barton County. The AA contains 2 moderate-, 17 middle-, and 1 upper-income tracts based on 2010 ACS data, which is unchanged from the previous evaluation. Two of the branches in the Great Bend AA are located in Barton County, two are located in Stafford County, and one is located in Pawnee County.

Population Trends and Characteristics

The 2010 AA population equaled 61,860, decreasing 3.5 percent from the 2000 figure of 64,084. Barton County decreased by 1.9 percent, followed by Pawnee County at 3.6 percent, Rice County at 6.3 percent, Stafford County at 7.4 percent, and Edwards County, with the largest drop, at 11.9 percent. Pratt County is the only county in the AA that did not experience population decrease, remaining stable with a 0.1 percent increase. As of 2010 Census data, neither the concentration of families nor age distribution in the AA differed significantly from the state of Kansas or statewide rural figures.

Economic and Employment Characteristics

The AA is primarily rural, with an economy historically driven by farming and the oil/gas industry. Wheat and corn farming have been dominant in the agriculture sector, followed by

¹ Sources of economic and demographic data include the U.S. Census Bureau QuickFacts, FFIEC Census Data, 2000 U.S. Census data, 2010 ACS, Bureau of Labor Statistics, 2012 Census of Agriculture, and Great Bend Chamber of Commerce and Economic Development.

sorghum crops. Livestock farming in the AA is primarily comprised of cattle and calves although pig farming is also prominent in certain AA counties. The recent decline in crop farming and the oil/gas industry has been a major contributor to the population declines described above.

Major employers in the AA include school districts, hospitals, and government organizations as oil/gas companies have seen reductions in workforce. For example, the top ten largest employers in the city of Great Bend are School District 428 with over 600 employees, Barton Community College with over 500 employees, Great Bend Regional Hospital with 300 to 500 employees, and Barton County government with 150 to 225 employees. Others in the top ten include Sunflower Electric Power Cooperative with over 500 employees, Wal-Mart Supercenter with 300 to 500 employees, CUNA Mutual Retirement Solutions with over 250 employees, Superior Essex (wire manufacturing) with over 250 employees, and Fuller Industries (formerly Fuller Brush, manufacturer of customized brushes) with 150 to 225 employees.

As of January 2017, the AA unemployment rate ranged from a high of 5.1 percent in Barton County, followed by 4.7 percent in Stafford County, 4.2 percent in Rice County, 3.9 percent in Edwards County, 3.8 percent in Pratt County, to a low of 3.7 percent in Pawnee County. Barton County and Stafford County were well-above the 4.1 percent rate for the state of Kansas, while the figures for the other four AA counties were very similar.

Housing Characteristics

Based on 2016 FFIEC Census data, the median housing value of the AA is \$66,951, which is well-below the \$122,600 value for the state of Kansas and the \$81,447 value in statewide rural areas. The percentages of owner-occupied, rental, and vacant units in the AA are all similar to those in statewide rural areas and only slightly less similar to the state of Kansas. The median age of housing stock is 57 years in the AA, ranging from a low of 53 years in Barton County to a high of 71 years in Stafford County. This range is well-above median housing ages of 38 years for the state of Kansas and 46 years for statewide rural areas. The AA affordability ratio² of 63.2 percent is significantly higher than the Kansas and statewide rural ratios of 40.3 percent and 51.0 percent, respectively, which means AA houses are more affordable. A community contact indicated that housing inventory and development in the AA are both almost nonexistent.

Table 4 shows area income, housing, and business characteristics by family and tract income categories.

² The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

**TABLE 4
2016 GREAT BEND AA 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	2,839	17.0
Moderate	2	10.0	1,175	7.0	184	15.7	3,458	20.7
Middle	17	85.0	14,406	86.2	1,135	7.9	3,965	23.7
Upper	1	5.0	1,138	6.8	67	5.9	6,457	38.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	20	100.0	16,719	100.0	1,386	8.3	16,719	100.0
	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	2,194	1,244	6.7	56.7	674	30.7	276	12.6
Middle	24,955	16,355	87.6	65.5	5,321	21.3	3,279	13.1
Upper	1,764	1,071	5.7	60.7	566	32.1	127	7.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	28,913	18,670	100.0	64.6	6,561	22.7	3,682	12.7
	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	164	5.8	145	5.9	13	4.7	6	6.0
Middle	2,484	88.3	2,146	88.0	244	88.7	94	94.0
Upper	165	5.9	147	6.0	18	6.5	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,813	100.0	2,438	100.0	275	100.0	100	100.0
Percentage of Total Businesses:			86.7		9.8		3.6	
	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	16	2.3	16	2.3	0	0.0	0	0.0
Middle	680	96.2	665	96.1	14	100.0	1	100.0
Upper	11	1.6	11	1.6	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	707	100.0	692	100.0	14	100.0	1	100.0
Percentage of Total Farms:			97.9		2.0		0.1	

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

Interview with Community Member

One interview was conducted with a member of the community to ascertain the specific credit

needs of the AA, the responsiveness of area banks to those credit needs, the availability of CD opportunities, and local economic conditions. The community member interviewed, an official from a business development organization, stated that all but three or four counties in the 25-county region have declining populations. This is due, in part, to downturns in the oil/gas and wheat farming industries, causing workers to leave these counties in search of work. In addition, an extreme housing shortage makes it difficult for local economic development agencies to recruit new businesses to the area. Small businesses in the community are doing well, but these businesses have little impact on the overall economy due to the limited number of workers employed by these businesses. The interviewee stated that a major credit need in the community is financing for existing businesses, especially micro loans. Lastly, the official indicated that banks regularly participate in the community and had no awareness of instances of unfair treatment with regard to a prohibited basis group.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE GREAT BEND NON-MSA AA

LENDING TEST

Within the Great Bend AA, the bank's distribution of small farm and small business loans to geographies of different income levels and businesses and farms of different revenue sizes is reasonable.

Distribution by Income Level of Geographies

The bank's overall geographic distribution of its small farm and small business lending both reflect reasonable penetration throughout the AA. Table 5 displays the bank's geographic distribution of its small farm and small business loans throughout the various census tract income levels. There are no low-income census tracts in this AA.

For evaluative purposes, the bank's small farm and small business lending was compared to the percent of total farms and businesses operating in the respective census tracts of the AA.

**TABLE 5
DISTRIBUTION OF 2016 SMALL BUSINESS AND SMALL FARM LOANS
BY INCOME LEVEL OF GEOGRAPHY
GREAT BEND AA**

Census Tract Income Level	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	2	569	10.5	11.0	5.8
Middle	15	4,153	78.9	80.1	88.3
Upper	2	460	10.5	8.9	5.9
Unknown	0	0	0.0	0.0	0.0
Census Tract Income Level	Small Farm Loans ¹				% of Farms ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	2.3
Middle	43	7,583	100.0	100.0	96.2
Upper	0	0	0.0	0.0	1.6
Unknown	0	0	0.0	0.0	0.0

¹ CRA defines these loans as business loans in the amount of \$1MM or less and farm loans in the amount of \$500 thousand or less.
² Based on 2016 FFIEC census tract designations and 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The bank's geographic distribution of its small business lending in the Great Bend AA is reasonable. The bank's lending in the two moderate-income tracts, at 10.5 percent by number of loans and 11.0 percent by dollar, exceeded the 5.8 percent of businesses in those tracts. This is similar to the bank's lending performance in the sole upper-income tract. While a large majority of loans were originated in the 17 middle-income tracts, lending by number and dollar volume slightly trailed the percent of businesses in those tracts.

Small Farm Loans

While no loans were originated in the AA's moderate- or upper-income tracts, the bank's geographic distribution of its small farm lending in the Great Bend AA is reasonable based on the limited opportunity to lend in these areas. Only 2.3 percent and 1.6 percent of farms are located in these census tracts, respectively. All of the bank's small farm lending was originated in middle-income tracts, which was slightly above the 96.2 percent of farms located in middle-income tracts.

Distribution by Revenue Size of the Businesses and Farms

The bank's overall distribution of loans by revenue size of farms and businesses is reasonable. Table 6 displays the bank's distribution of farm and business lending. For evaluative purposes, the bank's small farm and small business lending was compared to the percent of businesses and farms operating in the AA by revenue size.

**TABLE 6
 DISTRIBUTION OF 2016 SMALL BUSINESS AND
 SMALL FARM LOANS BY REVENUE SIZE
 GREAT BEND AA**

Business Revenue By Size	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$%	
\$1MM or less	9	1,948	47.4	37.6	86.7
Over \$1MM	10	3,234	52.6	62.4	9.8
Not Known	0	0	0.0	0.0	3.6
Farm Revenue By Size	Small Farm Loans ¹				% of Farms ²
	#	\$(000)	#%	\$%	
\$1MM or less	30	5,188	69.8	68.4	97.9
Over \$1MM	13	2,394	30.2	31.6	2.0
Not Known	0	0	0.0	0.0	0.1

¹ The CRA defines small business loans as loans in the amount of \$1MM or less and small farm loans in the amount of \$500 thousand or less.

² Based on 2016 D&B data.

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

Small Business Loans

The distribution of loans to businesses with gross annual revenues of \$1MM or less is reasonable. Approximately 47.4 percent by number and 37.6 percent by dollar of loans were made to small businesses or those with revenues of \$1MM or less. This performance was significantly lower than the 86.7 percent of small businesses in the AA. Comparatively, lending to businesses with gross annual revenues over \$1MM was above the demographic figure.

For additional performance context, 2015 and 2014 aggregate lending data (lenders in the AA required to report data under the CRA) for small business loans was referenced, as 2016 aggregate lending data was not publically available at the time of the evaluation. Aggregate lenders originated 35.4 percent and 33.3 percent of loans to small businesses in 2014 by number and dollar volume of loans, respectively. Similarly, in 2015, aggregate lenders originated 34.9 percent and 28.8 percent of loans to small businesses by number and dollar volume of loans, respectively. The lower aggregate lending data indicates a lower demand for small business loans in the market. As the bank's lending performance was comparable to the aggregate lending data from the previous two years, performance is considered reasonable. In addition, of the bank's loans originated to small businesses, 57.9 percent were in loan amounts of \$250,000 or less, which serves as a proxy for small business lending. Typically, smaller businesses do not have the need or the capacity to borrow large amounts; therefore, smaller loan amounts are used to estimate the support of small business lending.

Small Farm Loans

The distribution of loans to farms with gross annual revenues of \$1MM or less is reasonable. Approximately 69.8 percent by number and 68.4 percent by dollar of loans were made to small farms or those with revenues of \$1MM or less. These performance levels were significantly

lower than the 97.9 percent of small farms in the AA. Comparatively, lending to farms with gross annual revenues over \$1MM was above the demographic figure.

For additional performance context, an analysis of 2015 and 2014 aggregate lending data for small farm loans was conducted, as 2016 aggregate lending data was not publically available at the time of the evaluation. Aggregate lenders originated 16.5 percent and 42.7 percent of loans to small farms in 2014 by number and dollar volume of loans, respectively. Similarly, in 2015, aggregate lenders originated 38.1 percent and 58.4 percent of loans to small farms by number and dollar volume of loans, respectively. The lower aggregate lending data indicates a lower credit demand for small farm loans in the market. As the bank's lending performance exceeded the aggregate lending data from the previous two years, performance is considered reasonable. In addition, of the bank's loans originated to small farms in 2016, 69.8 percent were in loan amounts of \$250,000 or less, which serves as a proxy for small farm lending. Typically, smaller farms do not have the need or the capacity to borrow large amounts; therefore, smaller loan amounts are used to estimate the support of small farm lending.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in the Great Bend AA demonstrates adequate responsiveness to CD needs considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

Within the AA, the bank had three qualifying CD loans approximating \$2.6MM: two loans supporting affordable housing and one loan promoting economic development. The bank did not have any CD investments in the Great Bend AA, and it was determined that there are limited opportunities for such investments in the Garden City AA. However, the bank made four donations to community service organizations totaling \$1,700. Lastly, bank staff participated in eight CD services, five for the CD purpose of providing community services, two for economic development, and one for affordable housing.

The following examples are representative of the bank's support of area CD needs:

- The bank originated an economic development loan of approximately \$2.4MM to a newly formed entity to purchase a local business that had been in the Great Bend area for many years. The existing business was at risk of closing, and a new group of investors bought the assets to keep the business viable and retain a large number of jobs in the area.
- Two donations were made to a charitable organization that serves LMI individuals and families. Moreover, two donations were made to local schools with a majority of students receiving free or reduced-cost lunches.

- A number of bank officers and staff provided financial expertise as board members, financial educators, fund allocation committee members, or treasurers of organizations that primarily serve LMI individuals and families.

**TABLE 7
COMMUNITY DEVELOPMENT ACTIVITIES
GREAT BEND AA**

Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	2	124	0	0	0	0	0	0	1
Community Services	0	0	0	0	4	2	4	2	5
Economic Development	1	2,440	0	0	0	0	0	0	2
Revitalization and Stabilization	0	0	0	0	0	0	0	0	0
Totals	3	2,564	0	0	4	2	0	0	8

**GARDEN CITY NONMETROPOLITAN STATEWIDE ASSESSMENT AREA
(Limited Review)**

DESCRIPTION OF THE BANK'S OPERATIONS IN THE GARDEN CITY NON-MSA AA

The Garden City AA includes the counties of Finney, Gray, Haskell, Lane, and Scott in their entirety, all located in southwest Kansas. The bank has two branch locations in this AA, one in Garden City and one in Holcomb. Each branch has a cash-dispensing ATM and drive-through facility. Based on the June 30, 2016 FDIC Market Share Report, the bank had a 5.0 percent market share, ranking 9th of 16 depository institutions in the area with a total of 26 branch offices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE GARDEN CITY NON-MSA AA

LENDING TEST

The overall conclusions for the Garden City AA were consistent with the institution's performance in the Great Bend AA as determined through the full-scope review. Under the lending test, the bank's performance with respect to the geographic distribution and lending by revenue sizes of farms and businesses was consistent with the performance noted in the full-scope AA for both loan products. The bank's overall volume of sampled loans in the AA was small, resulting in only 12 small farm loans and 12 small business loans originated in 2016.

COMMUNITY DEVELOPMENT TEST

The level of CD activities in this AA was below the performance in the Great Bend AA; however, it does not change the overall rating for the institution. The bank's CD activities included four investments comprised of general obligation bonds for improvements to a local school district totaling approximately \$2.1MM. Also, the bank provided three CD services: two for the purpose of affordable housing and one for community services purposes. The bank did not have any CD loans or donations in this AA.

**NORTH CENTRAL KANSAS NONMETROPOLITAN STATEWIDE ASSESSMENT AREA
(Limited Review)**

DESCRIPTION OF THE BANK'S OPERATIONS IN THE NORTH CENTRAL KANSAS NON-MSA AA

The North Central Kansas AA is new since the previous evaluation as a result of the bank's July 2016 merger with its former affiliate, Peoples Exchange Bank. This AA includes the entire counties of Cloud, Republic, and Washington. The bank has three branch locations in this AA: one each in the cities of Belleville, Clyde, and Concordia. Each branch has a cash-dispensing ATM and a drive-through facility. The former affiliate had a 6.4 percent market share, ranking 8th of 15 depository institutions in the area based on the June 30, 2016 FDIC Market Share Report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE NORTH CENTRAL KANSAS NON-MSA AA

LENDING TEST

Overall conclusions for the North Central Kansas AA were consistent with the institution's performance in the Great Bend AA as determined through the full-scope review. Under the lending test, the bank's performance with respect to geographic distribution and lending by revenue sizes of farms and businesses was consistent with the performance noted in the full-scope AA for both loan products. The bank's overall volume of sampled loans in the AA was greater than that of the Garden City AA, but less than the volume in the Great Bend AA. There were 19 small farm loans and 33 small business loans originated in 2016.

COMMUNITY DEVELOPMENT TEST

The level of CD activities in this AA was below the performance in the Great Bend AA; however, it does not change the overall rating for the institution. The bank's CD activities included a \$40,000 line of credit to a health organization whose patients are mostly Medicaid eligible. The bank also made a \$500 donation to an economic development organization that primarily serves small businesses. Finally, a bank teller provided a CD service by using her financial expertise as a board member for a health services company that serves mostly Medicaid-eligible patients. The bank did not have any CD investments in this AA.

APPENDIX A

LENDING ANALYSIS TABLES

A. 2016 – Garden City AA (Limited Review)

TABLE A-1 DISTRIBUTION OF 2016 SMALL BUSINESS AND SMALL FARM LOANS BY INCOME LEVEL OF GEOGRAPHY GARDEN CITY AA					
Census Tract Income Level	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	11	1,121	91.7	99.6	76.2
Upper	1	5	8.3	0.4	23.8
Unknown	0	0	0.0	0.0	0.0
Census Tract Income Level	Small Farm Loans ¹				% of Farms ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	10	2,590	83.3	81.2	71.8
Upper	2	600	16.7	18.8	28.2
Unknown	0	0	0.0	0.0	0.0

¹ CRA defines these loans as business loans in the amount of \$1MM or less and farm loans in the amount of \$500 thousand or less.
² Based on 2016 FFIEC census tract designations and 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

TABLE A-2 DISTRIBUTION OF 2016 SMALL BUSINESS AND SMALL FARM LOANS BY REVENUE SIZE GARDEN CITY AA					
Business Revenue By Size	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$%	
\$1MM or less	5	197	41.7	17.5	88.1
Over \$1MM	7	930	58.3	82.5	10.1
Not Known	0	0	0.0	0.0	1.8
Farm Revenue By Size	Small Farm Loans ¹				% of Farms ²
	#	\$(000)	#%	\$%	
\$1MM or less	11	2,790	91.7	87.5	94.6
Over \$1MM	1	400	8.3	12.5	5.4
Not Known	0	0	0.0	0.0	0.0

¹ The CRA defines small business loans as loans in the amount of \$1MM or less and small farm loans in the amount of \$500 thousand or less.
² Based on 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

B. 2016 – North Central Kansas AA (Limited Review)

**TABLE B-1
DISTRIBUTION OF 2016 SMALL BUSINESS AND SMALL FARM LOANS
BY INCOME LEVEL OF GEOGRAPHY
NORTH CENTRAL KANSAS AA**

Census Tract Income Level	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	3	80	15.8	8.4	19.5
Middle	16	872	84.2	91.6	80.5
Upper	0	0	0.0	0.0	0.0
Unknown	0	0	0.0	0.0	0.0
Census Tract Income Level	Small Farm Loans ¹				% of Farms ²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	2.1
Middle	33	4,458	100.0	100.0	97.9
Upper	0	0	0.0	0.0	0.0
Unknown	0	0	0.0	0.0	0.0

¹ CRA defines these loans as business loans in the amount of \$1MM or less and farm loans in the amount of \$500 thousand or less.

² Based on 2016 FFIEC census tract designations and 2016 D&B data.

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

**TABLE B-2
DISTRIBUTION OF 2016 SMALL BUSINESS AND SMALL FARM LOANS
BY REVENUE SIZE
NORTH CENTRAL KANSAS AA**

Business Revenue By Size	Small Business Loans ¹				% of Businesses ²
	#	\$(000)	#%	\$%	
\$1MM or less	17	762	89.5	80.0	87.7
Over \$1MM	2	190	10.5	20.0	8.2
Not Known	0	0	0.0	0.0	4.0
Farm Revenue By Size	Small Farm Loans ¹				% of Farms ²
	#	\$(000)	#%	\$%	
\$1MM or less	33	4,458	100.0	100.0	98.4
Over \$1MM	0	0	0.0	0.0	1.6
Not Known	0	0	0.0	0.0	0.0

¹ The CRA defines small business loans as loans in the amount of \$1MM or less and small farm loans in the amount of \$500 thousand or less.

² Based on 2016 D&B data.

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