



PUBLIC DISCLOSURE

April 25, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Peoples Bank
RSSD# 530655

222 South Main Street
Pratt, Kansas 67124

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

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated: **Satisfactory.**
The Lending Test is rated: **Satisfactory.**
The Community Development Test is rated: **Outstanding.**

The Peoples Bank (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria under the Lending and Community Development Tests:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment areas' (AAs) credit needs.
- A majority of the bank's loans are originated inside the AAs.
- A reasonable distribution of loans occurs throughout the bank's AAs.
- Lending reflects a reasonable distribution among businesses and farms of different sizes.
- Community development (CD) activity reflects excellent responsiveness to CD needs of its AAs.
- Neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Performance was assessed within the bank's two AAs. The South-Central Kansas AA and the North Central Kansas AA were assessed using a full-scope review. Examiners reviewed the following data:

- The 16-quarter average NLTD ratio;
- A statistical sample of 92 small business loans selected from a universe of 192 loans originated from January 1, 2021, to December 31, 2021; and a statistical sample of 143 small farm loans selected from a universe of 488 loans originated over the same time; and
- CD loans, qualified investments, and CD services from October 22, 2018 to December 31, 2021.

In determining the overall institution rating, the bank’s performance in the South-Central Kansas AA received significantly more weight than the North Central Kansas AA based on the distribution of total loans, deposits, and banking offices in each respective AA. For the lending analysis, considerably more weight was placed on agricultural (small farm) lending, while commercial (small business) lending received less weight. Product weighting was largely determined by loan volume and the bank’s business strategy.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Pratt, Kansas. The bank’s characteristics include:

- The bank is a wholly owned subsidiary of The Peoples Bankshares LTD., a financial holding company.
- The bank has total assets of \$484.9MM as of December 31, 2021.
- In addition to its main office in Pratt, the bank operates six additional full-service branches located in Greensburg, Kiowa, Luray, Medicine Lodge, Osborne and Smith Center, Kansas, as well as a loan production office (LPO) in Kingman, Kansas.
- The Luray and Osborne branches were both acquired on February 14, 2020.
- The bank maintains six stand-alone interactive teller machines (ITMs), two stand-alone cash dispensing-only automated teller machines (ATMs), two ATMs at branch locations, and one full-service ATM at the LPO.
- As noted in the Table 1 below, the bank’s primary business focus is agricultural lending, followed by commercial lending.

Table 1

Composition of Loan Portfolio as of December 31, 2021		
Loan Type	\$(000)	%
Construction and Land Development	189	0.1
Farmland	78,445	33.4
1- to 4-Family Residential Real Estate	37,611	16.0
Multifamily Residential Real Estate	1,193	0.5
NonFarm NonResidential Real Estate	16,079	6.8
Agricultural	74,985	31.9
Commercial and Industrial	23,012	9.8
Consumer	2,759	1.2
Other	738	0.3
Gross Loans	235,011	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its October 22, 2018 performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS¹

This performance evaluation first discusses the bank's overall performance, followed by an in-depth evaluation of performance in the South-Central Kansas AA and North Central Kansas AA, which were both subject to full-scope reviews. Lastly, the bank's performance for CD lending, qualified investments and donations, and CD services was reviewed for each AA.

LENDING TEST

The bank's performance under the lending test is Satisfactory based on a reasonable NLTD ratio, a majority of loans originated in the bank's AAs, and a reasonable geographic and borrower distribution of loans. In determining the overall lending test rating, equal weight was given to each of the relevant performance criteria, although minimal weight was placed on the geographic distribution analysis given there are no low- or moderate-income (LMI) census tracts in either of the bank's two AAs. In addition, more consideration was given to the volume of loan originations than the dollar amount, as this better represents the number of individuals or entities served.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending considering performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AAs, and in comparison, to similarly situated Federal Deposit Insurance Corporation (FDIC)-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, market share, and location. While the bank's ratio is above one of the four similarly situated institutions and below three of the other institutions, the bank's branching footprint extends to several sparsely populated communities in the central Kansas area where the bank competes with various community banks, credit unions, and nontraditional lenders. In addition, the bank originates secondary market residential real estate loans that are not reflected in the bank's NLTD ratio calculation. Based on these factors, the bank's NLTD ratio is reasonable.

¹ The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation related to assessment areas.

Table 2

Comparative NLTD Ratios March 31, 2018 – December 31, 2021			
Institution	Location	Asset Size \$(000)	NLTD Ratio (%)
			16 Quarter Average
The Peoples Bank	Pratt, Kansas	484,903	67.8
Similarly Situated Institutions			
First National Bank & Trust	Phillipsburg, Kansas	267,543	76.9
The Citizens State Bank	Moundridge, Kansas	491,952	63.3
Solutions North Bank	Stockton, Kansas	319,969	78.8
Guaranty State Bank & Trust Company	Beloit, Kansas	355,531	90.1

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AAs. The bank originated a majority of loans, by number and dollar, inside its two AAs.

Table 3

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	#%	\$(000)	%	#	#%	\$(000)	%
Small Business	74	80.4	4,809	60.9	18	19.6	3,084	39.1
Total Small Business related	74	80.4	4,809	60.9	18	19.6	3,084	39.1
Small Farm	122	85.3	17,327	87.7	21	14.7	2,427	12.3
Total Small Farm related	122	85.3	17,327	87.7	21	14.7	2,427	12.3
Total Loans	196	83.4	22,135	80.1	39	16.6	5,511	19.9

Note: Percentages may not total 100.0 percent due to rounding.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AAs by income level of census tracts with consideration given to the dispersion of loans throughout the AAs. The bank’s overall geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the South-Central Kansas AA. However, an analysis of the bank’s geographic distribution of loans in the North Central Kansas AA was not conducted as the AA is composed entirely of middle-income census tracts and would not result in a meaningful analysis. Based on the absence of LMI census tracts in either of the bank’s two AAs, the geographic distribution received considerably less weight when compared to the other rating components.

Lending to Businesses and Farms of Different Sizes

This performance criterion evaluates the bank’s lending to businesses and farms of different revenue sizes. The bank’s lending has a reasonable penetration of lending among businesses and farms of different sizes in the South-Central Kansas AA and the North Central Kansas AA.

COMMUNITY DEVELOPMENT TEST

The CD test evaluates the bank’s responsiveness to CD needs of its AAs through CD loans, qualified investments, and CD services, considering the bank’s capacity and the need and availability of such opportunities in the bank’s AAs. The bank’s overall CD performance is Outstanding. While performance in the South-Central Kansas AA was particularly strong, a portion of the bank’s North Central Kansas AA represents a newer market for the bank based on the acquisition of another financial institution in 2020. Accordingly, CD activities were less prevalent in the North Central Kansas AA based on fewer branches, less market share, and an expansion of the AA, although performance was still considered excellent.

For this evaluation, most of the weight is placed on the significant number of loans originated by the bank to area businesses and farms through the U.S. Small Business Administration’s Paycheck Protection Program (PPP) in response to the Coronavirus Disease 2019 pandemic (pandemic). These loans are considered particularly responsive to the needs of small businesses and small farms and helped revitalize and stabilize distressed and/or underserved areas within the bank’s AAs. Refer to Table 4 below for an itemized summary of the bank’s CD activity within its two AAs.

Table 4

Community Development Activity									
Assessment Area: All AAs									
Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
	#	\$(000)	Investments		Donations		Total Investments		
			#	\$(000)	#	\$(000)	#	\$(000)	
Affordable Housing	0	0	0	0	0	0	0	0	8
Community Services	1	30	3	714	37	17	43	731	55
Economic Development	3	1,450	0	0	1	1	1	1	16
Revitalization and Stabilization	696	33,905	1	25	6	7	7	32	21
Totals	700	36,049	4	739	44	24	51	764	100

In addition to the CD activities reflected in Table 4, the bank is also credited for the following CD services, loan, and donations that took place outside of its AAs but were within the broader statewide/regional area.

- Two community development services were provided to a school with a majority of students on the free and reduced lunch program.
- One Small Business Administration 504 loan promoting economic development in the amount of \$664,175.
- Three community service donations totaling \$792 were made to schools with a majority students on the free and reduced lunch program.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of the CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

**SOUTH CENTRAL KANSAS ASSESSMENT AREA
NONMETROPOLITAN AREA
(Full-Scope Review)**

**DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN SOUTH CENTRAL
KANSAS AA**

The bank's South-Central Kansas AA consists of Barber, Comanche, Edwards, Harper, Kingman, Kiowa, Pratt, and Stafford Counties in their entireties. Refer to Appendix A for an AA map and Appendix B for additional demographic data.

- The bank's AA was revised to include Kingman County, which was formerly part of the Wichita, Kansas Metropolitan Statistical Area and was evaluated as a separate AA at the time of the prior CRA evaluation in 2018. In September 2018, the United States Office of Management and Budget reclassified Kingman County as a rural county. Based on Kingman County's contiguous proximity to the South-Central Kansas AA, it was delineated as an addition to this AA.
- The AA is comprised of 15 middle- and 2 upper-income census tracts; there are no LMI or unknown-income census tracts in this AA. At the time of the last evaluation, Kingman County was comprised of three middle-income tracts, although it currently includes one middle- and two upper-income tracts. Edwards and Kiowa Counties are distressed and underserved areas, while Barber, Comanche, Harper, Pratt, and Stafford Counties are all underserved.
- The bank is headquartered in Pratt, and operates three full-service branches in Greensburg, Kiowa, and Medicine Lodge, and an LPO in Kingman, Kansas.
- The bank maintains cash dispensing-only ATMs at its Greensburg and Kiowa locations and a full-service ATM the Kingman location. The bank also operates a stand-alone cash dispensing-only ATM in Attica, Kansas, and three stand-alone ITMs in Pratt (two locations) and Medicine Lodge. One of the ITM locations in Pratt is also paired with a cash dispensing-only ATM with 24-hour access. The bank's headquarters in Pratt does not have ATM access.
- Since the prior CRA evaluation, the bank closed two locations, including a full-service branch and ATM in Pratt and a branch without an ATM in Sharon, Kansas.
- According to the June 30, 2021 FDIC Deposit Market Share Report, the bank has a 20.9 percent market share, ranking 1st out of 21 FDIC-insured financial institutions operating from 35 offices in the AA.

- To further augment the CRA performance evaluation, an interview with a community member recently conducted as part of the public evaluation of another area financial institution was reviewed to help ascertain the credit needs of area communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. The community member served as the chief financial officer for an area agriculture-related business.

Table 5

Population Change			
Assessment Area: South Central Kansas			
Area	2010 Population	2015 Population	Percent Change
South Central Kansas AA	40,327	40,017	(0.8)
Barber County, KS	4,861	4,770	(1.9)
Comanche County, KS	1,891	2,010	6.3
Edwards County, KS	3,037	2,991	(1.5)
Harper County, KS	6,034	5,861	(2.9)
Kingman County, KS	7,858	7,790	(0.9)
Kiowa County, KS	2,553	2,536	(0.7)
Pratt County, KS	9,656	9,739	0.9
Stafford County, KS	4,437	4,320	(2.6)
NonMSA Kansas	929,981	922,403	(0.8)
Kansas	2,853,118	2,892,987	1.4
<i>Source: 2010 U.S. Census Bureau: Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey</i>			

- According to 2015 Census Bureau data, the county seat town of Pratt, Kansas, where the bank is headquartered, is the largest town in the eight-county AA with a population of 6,887 residents.

Table 6

Median Family Income Change			
Assessment Area: South Central Kansas			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
South Central Kansas AA	55,751	61,132	9.7
Barber County, KS	53,180	62,583	17.7
Comanche County, KS	55,469	59,083	6.5
Edwards County, KS	54,587	57,008	4.4
Harper County, KS	50,457	56,689	12.4
Kingman County, KS	60,058	64,967	8.2
Kiowa County, KS	48,156	60,900	26.5
Pratt County, KS	61,254	62,641	2.3
Stafford County, KS	55,987	60,000	7.2
NonMSA Kansas	57,322	57,229	(0.2)
Kansas	67,977	66,389	(2.3)

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

Note: Median family incomes have been inflation-adjusted and are expressed in 2015 dollars.

- Median family income growth in the AA counties has outpaced both rural areas statewide and the state of Kansas.
- The percentage of AA families living below the poverty level, at 9.0 percent, is comparable to figures reported for statewide rural areas and the state of Kansas at 10.2 percent and 9.1 percent, respectively.

Table 7

Housing Cost Burden						
Assessment Area: South Central Kansas						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
South Central Kansas AA	63.6	15.1	27.0	50.8	19.2	13.6
Barber County, KS	52.7	4.2	22.2	55.8	7.8	12.5
Comanche County, KS	53.3	0.0	12.3	64.4	3.8	11.2
Edwards County, KS	64.4	13.3	22.5	41.5	8.8	10.3
Harper County, KS	60.8	24.0	31.5	57.4	24.1	14.7
Kingman County, KS	74.5	11.4	30.0	31.3	29.2	13.6
Kiowa County, KS	34.5	23.5	17.8	63.6	18.1	16.4
Pratt County, KS	80.0	18.2	30.7	58.2	26.7	16.2
Stafford County, KS	50.0	8.9	27.2	46.5	6.6	10.5
NonMSA Kansas	67.1	26.2	34.1	56.0	23.2	15.7
Kansas	73.0	33.5	38.8	59.9	28.6	16.3

Cost Burden is housing cost that equals 30 percent or more of household income

Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy

- The housing affordability ratio² in the AA at 62.4 percent indicates relative affordability and exceeds the ratios for statewide rural areas and the state of Kansas, at 51.0 percent and 40.0 percent, respectively.

Table 8

Unemployment Rates					
Assessment Area: South Central Kansas					
Area	2016	2017	2018	2019	2020
South Central Kansas AA	3.7	3.3	2.7	2.7	3.9
Barber County, KS	3.7	2.8	2.5	2.5	3.4
Comanche County, KS	3.1	2.9	2.4	2.6	3.5
Edwards County, KS	3.0	3.1	2.3	2.5	3.0
Harper County, KS	3.6	3.7	2.8	2.5	4.4
Kingman County, KS	4.4	3.7	3.2	3.2	5.2
Kiowa County, KS	2.7	2.5	2.4	2.3	3.3
Pratt County, KS	4.1	3.2	2.7	2.5	3.6
Stafford County, KS	3.7	3.3	2.6	2.7	3.7
NonMSA Kansas	4.0	3.5	3.1	3.1	4.6
Kansas	4.0	3.6	3.3	3.2	5.9

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The 2020 unemployment rate increase that was primarily attributed to the pandemic was less pronounced in the AA, when compared to statewide rural areas and the state of Kansas.
- The area economy is primarily driven by agricultural operations and smaller business entities. Pratt serves as an area hub for medical services, retail shopping, and entertainment. Some of Pratt’s largest employers include Pratt Regional Medical Center, Walmart Supercenter, Kanza Cooperative, Dillons Grocery Store, and USD 382 Pratt Southwest.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH CENTRAL KANSAS AA

The bank’s performance under the lending test in the South-Central Kansas AA is reasonable. Based on the absence of LMI tracts in this AA, more weight was applied to the distribution of lending by revenue size of small businesses and small farms in determining the lending test rating. In addition, the use of a proxy for business and farm revenue was required for the evaluation of lending by revenue size, as the bank does not collect revenue information for borrowers with longstanding customer relationships that have demonstrated a satisfactory repayment history, specifically when the loan request is for an amount less than \$100,000.

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.

Geographic Distribution of Loans

The bank’s geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA.

Small Business Lending

The geographic distribution of small business lending is reasonable. The bank’s lending in the AA’s middle- and upper-income tracts was comparable to the respective demographic figures, which represent the percentage of area businesses located in each census tract category. Loan dispersion in the AA was also evaluated, and lending gaps were noted in portions of the AA, although they did not impact the overall conclusion. Further review indicated no bank lending in Harper County, no small business lending in Comanche County, and no small farm lending in Edwards County, although these three counties are not in close proximity to any of the bank’s branch locations.

Table 9

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: South Central Kansas					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	54	94.7	4,015	96.7	91.5
Upper	3	5.3	139	3.3	8.5
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	57	100.0	4,153	100.0	100.0

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Small Farm Lending

The geographic distribution of small farm lending is reasonable. The bank’s lending performance in the AA’s middle-income census tracts is comparable to the respective demographic figure, and above the demographic figure for upper-income census tracts. The demographic figure represents the percentage of area farms located in each census tract category. Similar to small business lending, gaps were noted in the dispersion of small farm loans in the AA based on the distance of several AA counties from the bank’s branches, although the analysis was not impacted.

Table 10

Distribution of 2021 Small Farm Lending By Income Level of Geography					
Assessment Area: South Central Kansas					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	49	71.0	7,649	75.0	83.1
Upper	20	29.0	2,547	25.0	16.9
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	69	100.0	10,196	100.0	100.0

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Lending to Businesses and Farms of Different Sizes

The bank’s lending has a reasonable distribution among businesses and farms of different sizes.

Small Business Lending

The borrower distribution of small business lending is reasonable. Lending to businesses with revenues of \$1 million dollars or less is below the demographic figure. However, Table 11 indicates that 23 of the 57 small business loans had unknown revenues. Further review of loans with unknown revenues revealed origination amounts ranging from \$3,050 to \$100,115, with an average loan amount of \$28,304. Moreover, 16 of the 23 loans (69.6 percent) were in amounts of less than \$25,000. These are loan amounts typically requested by smaller business entities.

Table 11

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: South Central Kansas					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	23	40.4	1,664	40.1	86.6
Over \$1 Million	11	19.3	1,837	44.2	9.3
Revenue Unknown	23	40.4	651	15.7	4.1
Total	57	100.0	4,153	100.0	100.0
By Loan Size					
\$100,000 or Less	44	77.2	1,197	28.8	
\$100,001 - \$250,000	9	15.8	1,262	30.4	
\$250,001 - \$1 Million	4	7.0	1,694	40.8	
Total	57	100.0	4,153	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	16	69.6	443	26.6	
\$100,001 - \$250,000	6	26.1	893	53.7	
\$250,001 - \$1 Million	1	4.3	328	19.7	
Total	23	100.0	1,664	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Small Farm Lending

The borrower distribution of small farm lending is reasonable. Lending to farms with revenues of \$1 million or less is below to the demographic figure. Similar to small business lending, a review of the eight small farm loans with unreported revenues was conducted, and the loan amounts ranged from \$5,050 to \$55,000, with an average loan amount of \$22,662. Again, loan amounts of this size are generally those requested by smaller agricultural operations.

Table 12

Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: South Central Kansas					
	Bank Loans				Total Farms
	#	#%	\$(000)	\$%	%
By Revenue					
\$1 Million or Less	48	69.6	5,639	55.3	98.0
Over \$1 Million	13	18.8	4,376	42.9	2.0
Revenue Unknown	8	11.6	181	1.8	0.0
Total	69	100.0	10,196	100.0	100.0
By Loan Size					
\$100,000 or Less	40	58.0	1,798	17.6	
\$100,001 - \$250,000	16	23.2	3,024	29.7	
\$250,001 - \$500,000	13	18.8	5,375	52.7	
Total	69	100.0	10,196	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	31	64.6	1,571	27.9	
\$100,001 - \$250,000	13	27.1	2,443	43.3	
\$250,001 - \$500,000	4	8.3	1,625	28.8	
Total	48	100.0	5,639	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

COMMUNITY DEVELOPMENT TEST

The bank’s CD performance demonstrated excellent responsiveness in the South-Central Kansas AA. For this evaluation, a substantial portion of the bank’s CD activity was related to PPP loan originations, which comprised 441 of the 454 CD loans originated by the bank. These loans helped with revitalization and stabilization efforts in the AA.

Table 13

Community Development Activity Assessment Area: South Central Kansas									
Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	0	0	0	0	0	0	0	0	4
Community Services	1	30	3	714	36	16	40	731	46
Economic Development	3	1,450	0	0	0	0	0	0	8
Revitalization and Stabilization	450	25,496	0	0	4	7	4	7	6
Totals	454	26,976	3	714	40	23	44	738	64

**NORTH CENTRAL KANSAS ASSESSMENT AREA
NONMETROPOLITAN AREA
(Full-Scope Review)**

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE NORTH CENTRAL KANSAS AA

The bank's North Central Kansas AA consists of Smith and Osborne Counties in their entireties and one of two census tracts (9739.00) in Russell County. Refer to Appendix A for an AA map and Appendix B for additional demographic data.

- Since the last evaluation, the bank expanded this AA to include one of two census tracts in Russell County after the acquisition of a community bank in Osborne, Kansas.
- The AA is comprised of four middle-income census tracts, with Smith and Osborne Counties designated as distressed and underserved areas. There are no LMI or unknown-income census tracts in this AA.
- The bank maintains three full-service branches in Luray, Osborne, and Smith Center and three standalone ITMs in Lebanon, Osborne, and Smith Center.
- The bank closed one branch in Lebanon on August 27, 2019.
- According to the June 30th, 2021 FDIC Deposit Market Share Report, the bank had a 20.5 percent market share, ranking 2nd out of 11 FDIC-insured financial institutions operating in the AA.
- To further augment the CRA performance evaluation, an interview with a community member was conducted to help ascertain the credit needs of area communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. The community member served as a director of an economic development organization in the AA.

Table 14

Population Change			
Assessment Area: North Central Kansas			
Area	2010 Population	2015 Population	Percent Change
North Central Kansas AA	14,681	14,510	(1.2)
Osborne County, KS	3,858	3,782	(2.0)
Russell County, KS	6,970	6,988	0.3
Smith County, KS	3,853	3,740	(2.9)
NonMSA Kansas	929,981	922,403	(0.8)
Kansas	2,853,118	2,892,987	1.4

*Source: 2010 U.S. Census Bureau: Decennial Census
2011-2015 U.S. Census Bureau: American Community Survey*

All data presented is at the county level, and some values may be different than expected for a partial county AA.

- Like other rural counties in the state of Kansas, the three AA counties have experienced population decline or very limited growth in recent years.

Table 15

Median Family Income Change			
Assessment Area: North Central Kansas			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
North Central Kansas AA	51,257	56,195	9.6
Osborne County, KS	51,453	54,628	6.2
Russell County, KS	49,787	55,197	10.9
Smith County, KS	51,942	55,188	6.2
NonMSA Kansas	57,322	57,229	(0.2)
Kansas	67,977	66,389	(2.3)

*Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey*

Note: Median family incomes have been inflation-adjusted and are expressed in 2015 dollars.

- The portion of LMI families to total families in the AA, at 38.6 percent, was similar to figures for statewide rural areas and the state of Kansas, at 37.9 percent and 36.5 percent, respectively.
- The percentage of AA families living below the poverty level, at 8.6 percent, is comparable to figures for statewide rural areas and the state of Kansas, at 10.2 percent and 9.1 percent, respectively.

Table 16

Housing Cost Burden						
Assessment Area: North Central Kansas						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
North Central Kansas AA	50.6	15.3	27.0	48.2	18.5	14.4
Osborne County, KS	50.9	3.6	19.4	40.4	28.6	16.3
Russell County, KS	50.0	21.3	32.5	54.2	16.0	13.2
Smith County, KS	51.8	13.3	25.6	50.0	16.7	14.7
NonMSA Kansas	67.1	26.2	34.1	56.0	23.2	15.7
Kansas	73.0	33.5	38.8	59.9	28.6	16.3

Cost Burden is housing cost that equals 30 percent or more of household income

Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy

- The AA had 5,962 housing units, including 60.1 percent in owner-occupied structures, 17.5 percent in rental units, and 22.4 percent in vacant units.
- A community member discussed a lack of available housing in the area, especially affordable housing for LMI individuals and families.

Table 17

Unemployment Rates					
Assessment Area: North Central Kansas					
Area	2016	2017	2018	2019	2020
North Central Kansas AA	3.7	3.0	2.7	2.5	3.4
Osborne County, KS	3.4	2.7	2.5	2.0	2.9
Russell County, KS	4.2	3.3	2.9	2.9	4.2
Smith County, KS	3.2	2.8	2.4	2.5	2.7
NonMSA Kansas	4.0	3.5	3.1	3.1	4.6
Kansas	4.0	3.6	3.3	3.2	5.9

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- According to a community member, the primary employers in the area include local schools, hospitals, and Applequist Manufacturing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTH CENTRAL KANSAS AA

The bank’s overall performance under the lending test in the North Central Kansas AA is reasonable. Based on the absence of LMI tracts in this AA, more weight was applied to the distribution of lending by revenue size of small businesses and small farms in determining the lending test rating. In addition, the use of a proxy for business and farm revenue was required for the evaluation of lending by revenue size, as the bank does not collect revenue information for borrowers with longstanding customer relationships that have demonstrated a satisfactory repayment history, specifically when the loan request is for an amount less than \$100,000.

Geographic Distribution of Loans

An analysis of the bank’s geographic distribution of loans was not conducted as the AA is composed entirely of middle-income census tracts and would not result in a meaningful analysis.

Lending to Businesses and Farms of Different Sizes

The bank’s lending has a reasonable distribution among businesses and farms of different sizes.

Small Business Lending

The borrower distribution of small business lending is reasonable. The bank’s lending to businesses with revenues of \$1MM or less is below the demographic figure, which represents the percentage of small business in the AA. However, Table 18 indicates that seven of the small business loans have unknown revenues. Further review of the loans

with unknown revenues reveals originations amounts ranging from \$4,000 to \$100,000, and six of the seven loans are in amounts of \$35,000 or less. These are amounts typically requested by smaller business entities; further, Table 18 indicates that 88.2 percent of the bank's 17 small business loans are in amounts of \$100,000 or less.

Table 18

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: North Central Kansas					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	7	41.2	431	65.7	87.1
Over \$1 Million	3	17.6	16	2.4	7.6
Revenue Unknown	7	41.2	208	31.7	5.3
Total	17	100.0	656	100.0	100.0
By Loan Size					
\$100,000 or Less	15	88.2	358	54.6	
\$100,001 - \$250,000	2	11.8	298	45.4	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	17	100.0	656	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	5	71.4	133	30.9	
\$100,001 - \$250,000	2	28.6	298	69.1	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	7	100.0	431	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank's lending to farms with revenues of \$1MM or less is comparable to the demographic figure, which represents the percentage of small farms in the AA. As noted in Table 19, five of the small farm loans have unknown revenues. Further review of these loans reveals loan amounts ranging from \$12,000 to \$430,000, and three of the five loans are in amounts of less than \$20,000. These are amounts typically requested by smaller business entities; furthermore, Table 19 indicates 56.6 percent of the bank's 53 small farm loans are in amounts of \$100,000 or less.

Table 19

Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: North Central Kansas					
	Bank Loans				Total Farms
	#	#%	\$(000)	\$%	%
By Revenue					
\$1 Million or Less	38	71.7	4,789	67.2	99.6
Over \$1 Million	10	18.9	1,735	24.3	0.4
Revenue Unknown	5	9.4	607	8.5	0.0
Total	53	100.0	7,131	100.0	100.0
By Loan Size					
\$100,000 or Less	30	56.6	1,673	23.5	
\$100,001 - \$250,000	15	28.3	2,319	32.5	
\$250,001 - \$500,000	8	15.1	3,138	44.0	
Total	53	100.0	7,131	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	22	57.9	1,293	27.0	
\$100,001 - \$250,000	12	31.6	1,874	39.1	
\$250,001 - \$500,000	4	10.5	1,622	33.9	
Total	38	100.0	4,789	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

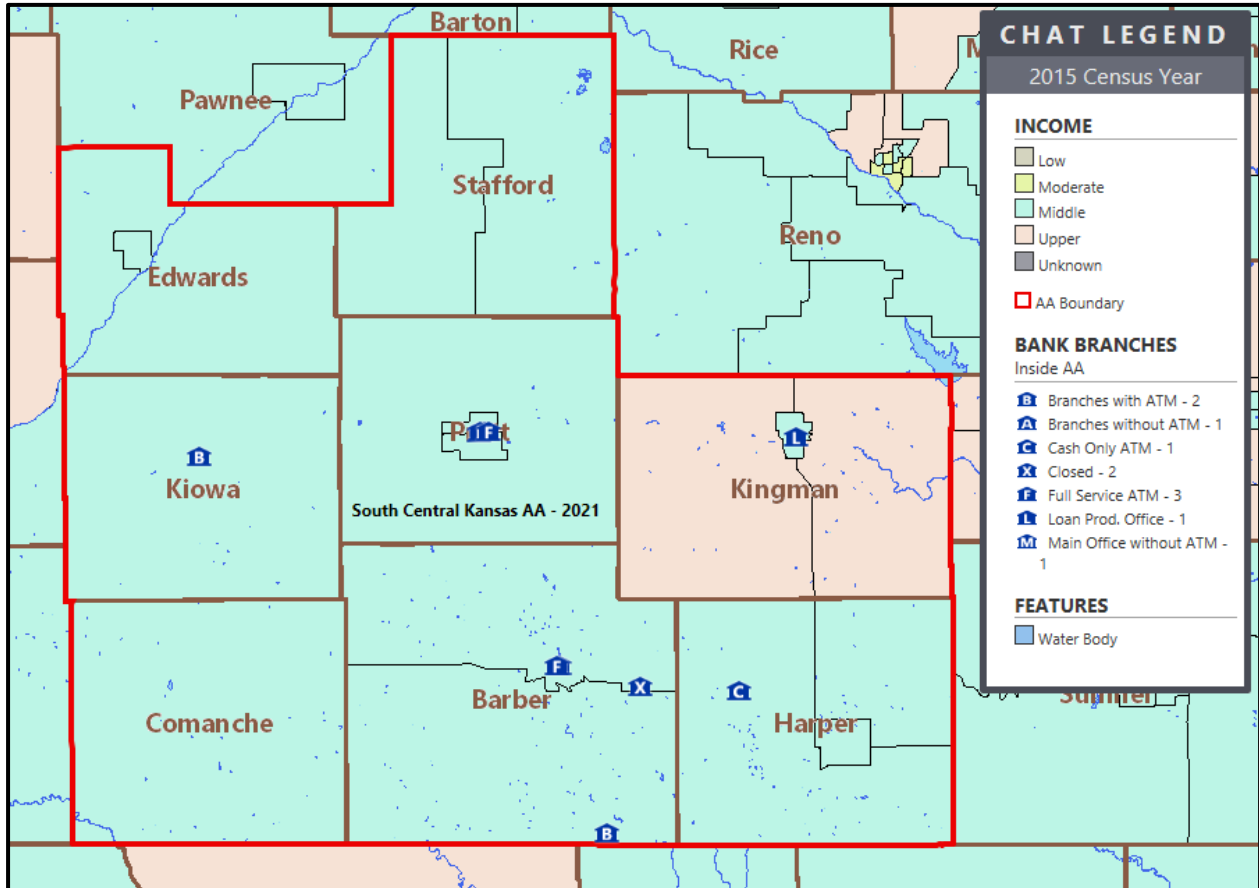
COMMUNITY DEVELOPMENT TEST

The bank’s CD performance demonstrates excellent responsiveness. For this evaluation, the 244 of the bank’s 246 CD loans were PPP originations that served to revitalize and stabilize the AA. Additionally, a majority of the CD loans and the bank’s other CD activity occurred in Smith and Osborne County, which are both designated as distressed and underserved areas.

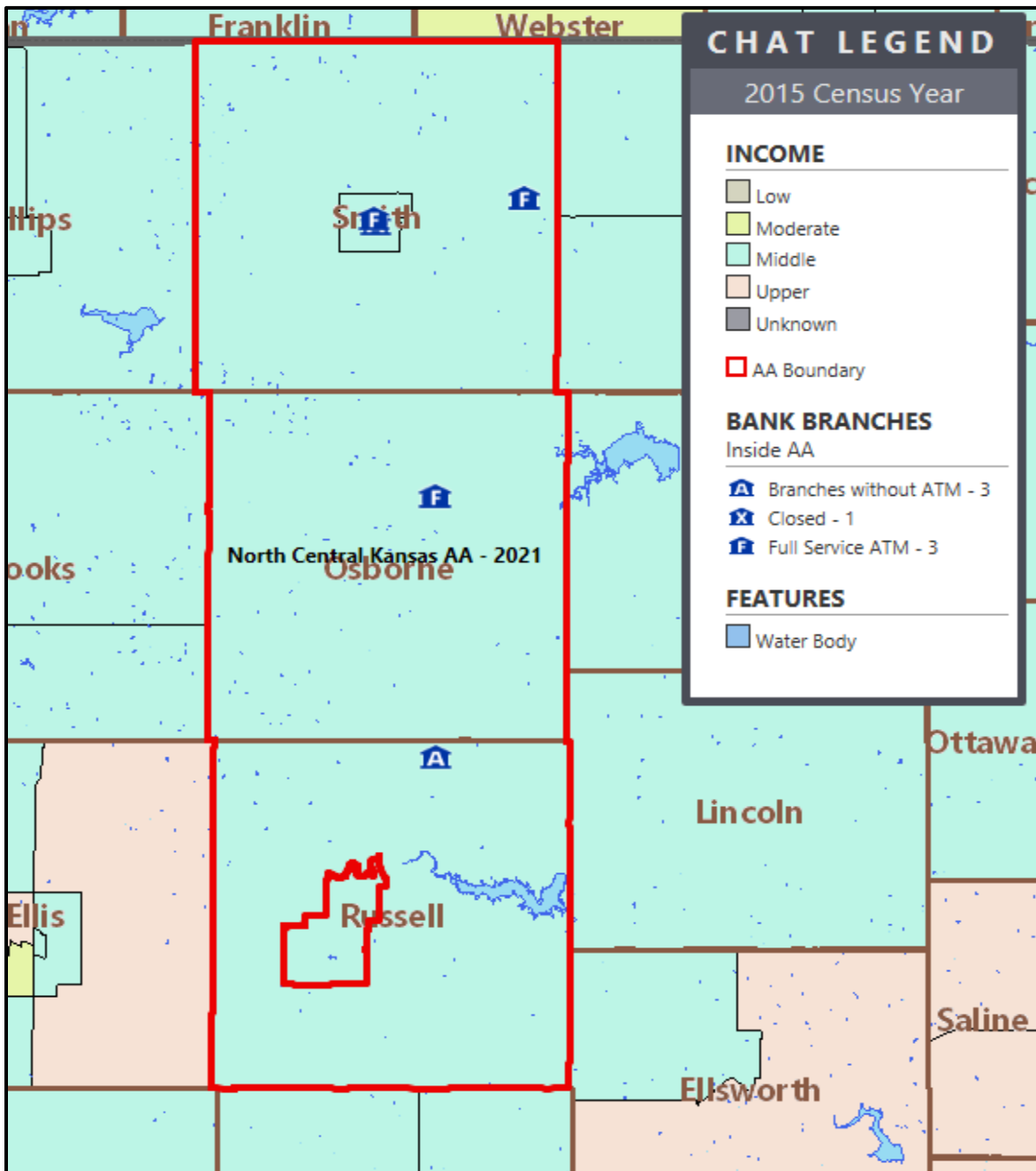
Table 20

Community Development Activity Assessment Area: North Central Kansas									
Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	0	0	0	0	0	0	0	0	4
Community Services	0	0	0	0	1	1	3	1	9
Economic Development	0	0	0	0	1	1	1	1	8
Revitalization and Stabilization	246	8,409	1	25	2	1	3	26	15
Totals	246	8,409	1	25	4	3	7	28	36

APPENDIX A – MAP OF THE ASSESSMENT AREA
South Central Kansas AA



North Central Kansas AA



APPENDIX B – DEMOGRAPHIC INFORMATION

Table B-1

2021 South Central Kansas 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	1,868	17.5
Moderate	0	0.0	0	0.0	0	0.0	1,811	16.9
Middle	15	88.2	9,568	89.4	885	9.2	2,385	22.3
Upper	2	11.8	1,136	10.6	73	6.4	4,640	43.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	17	100.0	10,704	100.0	958	8.9	10,704	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle	18,398	10,687	89.4	58.1	3,952	21.5	3,759	20.4
Upper	1,991	1,268	10.6	63.7	333	16.7	390	19.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	20,389	11,955	100.0	58.6	4,285	21.0	4,149	20.3
	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	1,751	91.5	1,512	91.2	168	94.4	71	89.9
Upper	163	8.5	145	8.8	10	5.6	8	10.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,914	100.0	1,657	100.0	178	100.0	79	100.0
Percentage of Total Businesses:				86.6	9.3			
	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	446	83.1	437	83.1	9	81.8	0	0.0
Upper	91	16.9	89	16.9	2	18.2	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	537	100.0	526	100.0	11	100.0	0	0.0
Percentage of Total Farms:				98.0	2.0			

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Table B-2

2021 North Central Kansas 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	546	19.1
Moderate	0	0.0	0	0.0	0	0.0	556	19.5
Middle	4	100.0	2,858	100.0	246	8.6	637	22.3
Upper	0	0.0	0	0.0	0	0.0	1,119	39.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4	100.0	2,858	100.0	246	8.6	2,858	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle	5,962	3,581	100.0	60.1	1,046	17.5	1,335	22.4
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
Total AA	5,962	3,581	100.0	60.1	1,046	17.5	1,335	22.4
	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	618	100.0	538	100.0	47	100.0	33	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
Total AA	618	100.0	538	100.0	47	100.0	33	100.0
Percentage of Total Businesses:				87.1		7.6		5.3
	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	240	100.0	239	100.0	1	100.0	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
Total AA	240	100.0	239	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.6		0.4		0.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

APPENDIX C – GLOSSARY

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 metropolitan area/assessment area.

Census tract: 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 statistical 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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

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

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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

Limited-scope review: Performance is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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.

Nonmetropolitan area (NonMSA): Any area that is not located within an MSA.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. 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.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.