



PUBLIC DISCLOSURE

July 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Fidelity State Bank and Trust Company
RSSD# 638850

510 North 2nd Avenue
Dodge City, Kansas 67801

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

The Fidelity State Bank and Trust Company (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is less than reasonable, given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among farms of different sizes.
- 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 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. Lending performance was assessed within the bank's only AA. Examiners reviewed the following data:

- The bank's 18-quarter average NLTD ratio.
- A statistical sample of 67 small farm loans from a universe of 99 loans originated between January 1, 2021, and December 31, 2021.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Dodge City, Kansas. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Fidelity Banc Corporation, Dodge City, Kansas.
- The bank has total assets of \$209.0 million as of December 31, 2021.
- The bank operates three locations in Dodge City; its main office and two full-service branches.
- The bank operates one cash-only automated teller machine at the North Dodge City location.
- As shown in the table below, the bank's primary business focus is agricultural lending.

Table 1

Composition of Loan Portfolio as of December 31, 2021		
Loan Type	\$(000)	%
Construction and Land Development	0	0.0
Farmland	10,163	33.9
1- to 4-Family Residential Real Estate	1,736	5.8
Multifamily Residential Real Estate	22	0.1
NonFarm NonResidential Real Estate	2,857	9.5
Agricultural	11,192	37.4
Commercial and Industrial	3,509	11.7
Consumer	468	1.6
Other	7	0.0
Gross Loans	29,954	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 April 16, 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.

DESCRIPTION OF ASSESSMENT AREA

The bank’s Ford County AA consists of Ford County in its entirety. Refer to Appendix A for an AA map and Appendix B for additional demographic data.

- The bank has not made any changes to its AA since the previous evaluation.
- The AA is comprised of one moderate-, five middle-, and one upper-income census tracts. Prior to the 2017 AA census tract income level classification updates, the AA consisted of two moderate- and five middle-income census tracts.
- According to the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank has a market share of 23.1 percent, which ranked 1st out of 10 FDIC-insured depository institutions operating in the AA.
- To further augment the CRA performance evaluation, one previously conducted interview with a member of the community in which the bank operates was referenced during the evaluation. The community member represented a nonprofit economic development organization within the AA.

Table 2

Population Change			
Assessment Area: Ford County			
Area	2010 Population	2015 Population	Percent Change
Ford County	33,848	34,714	2.6
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*

- According to the 2020 U.S. Census Bureau data, the population of Ford County is 34,287, reflecting relative stability.
- The major population center within the AA is Dodge City with 27,788 residents in 2020.

Table 3

Median Family Income Change			
Assessment Area: Ford County			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Ford County	56,855	54,960	(3.3)
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.

- According to the 2015 American Community Survey (ACS), the percentage of low- and moderate-income (LMI) families in the AA is 41.4 percent, which is comparable to the statewide figure of 36.5 percent.
- The percentage of families living below the poverty level in the AA at 14.7 percent is above the statewide figure at 9.1 percent.

Table 4

Housing Cost Burden						
Assessment Area: Ford County						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Ford County	76.7	38.0	31.3	47.7	20.0	12.7
NonMSA Kansas	67.5	29.3	34.1	56.8	24.9	15.6
Kansas	74.7	35.9	38.8	61.9	29.8	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), 2014-2018 Comprehensive Housing Affordability Strategy

- As illustrated in Table 4, the housing cost burden among AA LMI renters is greater than the statewide figure. Conversely, home ownership cost burden reflected greater affordability among LMI homeowners when compared to statewide figures.
- The percentage of owner-occupied units in the AA, at 56.8 percent, is comparable to the statewide figure of 59.7 percent.
- The median housing value of \$99,448 in the AA is below the statewide figure of \$132,000.

Table 5

Unemployment Rates					
Assessment Area: Ford County					
Area	2017	2018	2019	2020	2021
Ford County	2.8	2.5	2.5	3.2	2.1
NonMSA Kansas	3.5	3.1	3.0	4.4	2.7
Kansas	3.6	3.3	3.1	5.7	3.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- A community member indicated that the Ford County unemployment rate did not change significantly during the Coronavirus Disease 2019 pandemic due to the area’s strong agricultural industry.
- Major industries in the AA include agriculture, manufacturing, retail trade, hospitality, and food services.
- The AA’s largest employers include National Beef, Cargill Meat Solutions, Unified School District 443, Walmart Supercenter, and Western Plains Medical Complex.

Table 6

Small Farm Loan Trends					
Assessment Area: Ford County					
Area	2016	2017	2018	2019	2020
Ford County	44	71	53	57	63
NonMSA Kansas	3,536	5,136	4,756	4,712	4,354
Kansas	4,475	6,318	5,847	5,835	5,421

Source: FFIEC CRA Aggregate Data

- According to the 2017 Census of Agriculture, the number of farms in Ford County has decreased 23.0 percent since 2012, potentially indicating a corresponding decrease in demand for farm-related credit.
- A community member indicated that several financial institutions, including The Fidelity State Bank and Trust Company, have been strong contributors in providing agricultural, business, and home mortgage lending in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s overall lending test performance is Satisfactory. The evaluation placed greater weight on the bank’s lending performance specific to the AA concentration, geographic distribution, and borrower distribution criteria; with less weight given to the NLTD ratio.

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, the demographic and economic factors present in the AA, and, in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on their asset size, product offerings, market share, and location in surrounding rural communities.

The bank’s NLTD ratio is less than reasonable. The bank’s NLTD ratio was averaged over an 18-quarter period since the previous CRA performance evaluation and compared to the NLTD ratios of five similarly situated financial institutions. As of December 31, 2021, the bank’s NLTD ratio averaged 21.7 percent, which was significantly lower than all five similarly situated banks whose ratios ranged from 44.4 percent to 69.6 percent over the same time frame. The bank’s NLTD ratio is considered less than reasonable, given the bank’s size, financial condition, and performance of other financial institutions in the area.

Table 7

Comparative NLTD Ratios September 30, 2017 – December 31, 2021			
Institution	Location	Asset Size \$(000)	NLTD Ratio (%)
			18 Quarter Average
The Fidelity State Bank and Trust Company	Dodge City, Kansas	209,005	21.7
Similarly Situated Institutions			
The Farmers State Bank of Bucklin, Kansas	Bucklin, Kansas	62,370	50.7
The First State Bank	Ness City, Kansas	83,684	44.4
Stockgrowers State Bank	Ashland, Kansas	170,951	69.6
The First State Bank of Ransom	Ransom, Kansas	49,156	46.3
Ford County State Bank	Spearville, Kansas	52,745	60.9

Assessment Area Concentration

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

Table 8

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%
Small Farm	57	85.1	4,753	79.3	10	14.9	1,240	20.7
Total Loans	57	85.1	4,753	79.3	10	14.9	1,240	20.7

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 AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank’s geographic distribution of loans reflects a reasonable distribution among the different census tracts and dispersion throughout the AA.

Small Farm Lending

The geographic distribution of small farm lending is reasonable. The bank’s lending performance in the AA’s one moderate-income census tract is comparable to the demographic figure. In addition, an evaluation of the bank’s dispersion of small farm lending revealed no gaps in lending.

Table 9

Distribution of 2021 Small Farm Lending By Income Level of Geography					
Assessment Area: Ford County					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	1	1.8	30	0.6	1.5
Middle	47	82.5	3,146	66.2	64.6
Upper	9	15.8	1,576	33.2	33.8
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	57	100.0	4,753	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 Farms of Different Sizes

This performance criterion evaluates the bank’s lending to farms of different revenue sizes. The bank’s lending has a reasonable distribution among farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank’s lending to farms with revenues of \$1 million or less is comparable to the demographic figure. In addition, approximately 84.2 percent of small farm loans were originated in loan amounts of \$100,000 or less, which is generally representative of loan amounts requested by, and which support, smaller farms.

Table 10

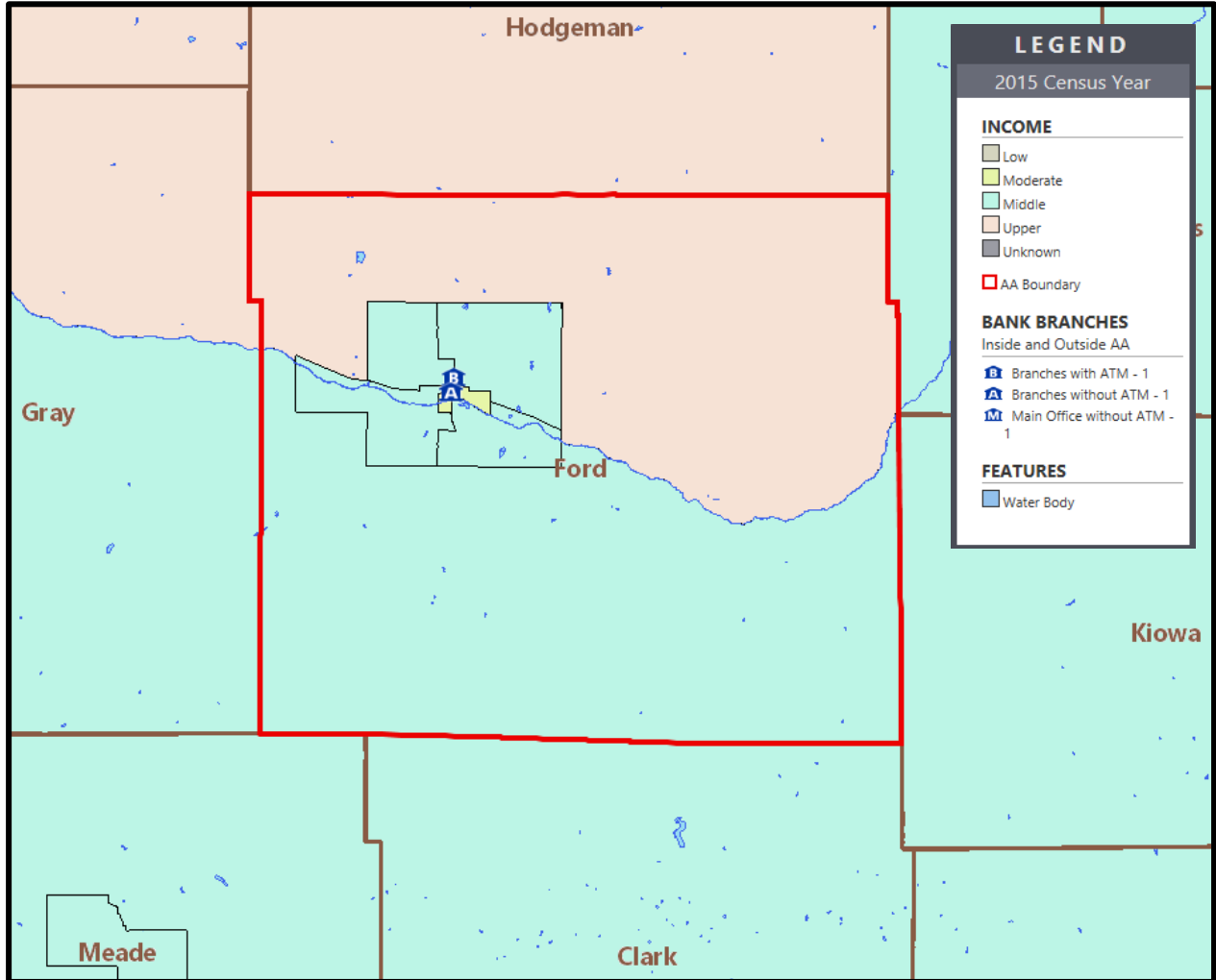
Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Ford County					
	Bank Loans				Total Farms
	#	#%	\$(000)	%	%
By Revenue					
\$1 Million or Less	46	80.7	3,069	64.6	94.6
Over \$1 Million	11	19.3	1,684	35.4	5.4
Revenue Unknown	0	0.0	0	0.0	0.0
Total	57	100.0	4,753	100.0	100.0
By Loan Size					
\$100,000 or Less	48	84.2	2,262	47.6	
\$100,001 - \$250,000	4	7.0	675	14.2	
\$250,001 - \$500,000	5	8.8	1,816	38.2	
Total	57	100.0	4,753	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	42	91.3	2,019	65.8	
\$100,001 - \$250,000	2	4.3	400	13.0	
\$250,001 - \$500,000	2	4.3	650	21.2	
Total	46	100.0	3,069	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>					

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.

APPENDIX A – MAP OF THE ASSESSMENT AREA

Ford County AA



APPENDIX B – DEMOGRAPHIC INFORMATION

Table B1

2021 Ford County 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	2,075	25.1
Moderate	1	14.3	1,078	13.0	204	18.9	1,345	16.3
Middle	5	71.4	6,620	80.1	974	14.7	1,589	19.2
Upper	1	14.3	564	6.8	39	6.9	3,253	39.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	7	100.0	8,262	100.0	1,217	14.7	8,262	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	1,531	639	9.3	41.7	754	49.2	138	9.0
Middle	9,693	5,591	81.5	57.7	3,434	35.4	668	6.9
Upper	857	629	9.2	73.4	158	18.4	70	8.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	12,081	6,859	100.0	56.8	4,346	36.0	876	7.3
	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	227	22.9	198	22.9	26	22.4	3	25.0
Middle	701	70.7	609	70.5	84	72.4	8	66.7
Upper	64	6.5	57	6.6	6	5.2	1	8.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	992	100.0	864	100.0	116	100.0	12	100.0
Percentage of Total Businesses:				87.1		11.7		1.2
	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	2	1.5	1	0.8	1	14.3	0	0.0
Middle	84	64.6	80	65.0	4	57.1	0	0.0
Upper	44	33.8	42	34.1	2	28.6	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	130	100.0	123	100.0	7	100.0	0	0.0
Percentage of Total Farms:				94.6		5.4		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.