



PUBLIC DISCLOSURE

NOVEMBER 13, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BANK OF BLUE VALLEY
RSSD# 1421161**

**11935 RILEY
OVERLAND PARK, KANSAS 66213**

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING:

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

Lending Test

- Bank of Blue Valley's (the bank's) average net loan-to-deposit (NLTD) ratio reflects a reasonable effort to extend credit given the bank's size, business activities, financial condition, and the credit needs of its delineated assessment area (AA).
- A majority of the loans evaluated for the review were originated within the bank's AA.
- The geographic distribution of small business loans reflects a reasonable dispersion throughout the AA, while the distribution of home equity lines of credit (HELOCs) reflects a poor dispersion.
- The distribution of loans to businesses of different revenue sizes within the bank's AA reflects reasonable penetration, while the distribution of HELOCs to borrowers of different income levels reflects poor penetration.

Community Development Test

- The bank's level of qualified community development (CD) loans, investments and donations, and services demonstrates excellent responsiveness to the credit needs of the AA, considering the bank's capacity, the need and availability of CD activities, and the level of competition for such activities in the bank's AA.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions*, which assigns an overall rating based on an assessment of the bank's performance under two equally weighted tests: the lending test and the CD test. The evaluation included a full-scope review of the bank's performance in its designated single AA, referenced as the Kansas City Metropolitan AA.

The lending test considered the bank's NLTD ratio, the level of lending inside its AA, the distribution of loans by income level of geography, and the distribution of loans to borrowers of different income levels and to businesses of different revenue sizes. The bank's responsiveness

to CRA-related complaints, the fifth core lending criterion, was not evaluated as neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) has received any CRA-related complaints since the prior evaluation that commenced the week of October 5, 2015.

Conclusions regarding the lending test were derived from a review of the bank's major product lines consisting of commercial loans and HELOCs. The major product lines were determined through discussions with bank management, a review of the March 31, 2018 Reports of Condition and Income (Call Report), and a review of the number of outstanding loan originations since the previous CRA evaluation. The evaluation was based on a review of all small business loans originated from January 1, 2016 and December 31, 2017, along with a statistical sample of 50 HELOCs selected from a universe of 67 HELOCs originated between July 1, 2017 and December 31, 2017. As defined under the CRA, small business loans include those with loan amounts of \$1 million (MM) or less.

The bank's average NLTD ratio was calculated based on its 11-quarter average since the previous evaluation and was compared to the ratios of four similarly situated financial institutions that operate within the Kansas City Missouri-Kansas Multistate Metropolitan Statistical Area (Kansas City MSA). The geographic distribution analysis assessed the bank's lending in geographies of different income categories in the AA, with particular emphasis on loans originated within low- and moderate-income (LMI) census tracts. Geographies were classified using 2016 and 2017 FFIEC census tract definitions. The borrower distribution analysis assessed the bank's lending to borrowers of different income levels and to businesses of different revenues sizes. Borrower income levels for HELOCs were based on calculations derived from the 2017 FFIEC Estimated Median Family Income (MFI) Reports. Both the number and dollar volume of loans were evaluated for each lending test performance criterion. Additionally, only loans made inside the bank's AA were analyzed with respect to the geographic and borrower distribution analyses. The bank's primary lending focus is commercial lending to small- and medium-sized businesses. Thus, greater emphasis was placed on the bank's small business lending performance under the lending test.

For evaluative purposes, the bank's small business lending was compared to 2016 and 2017 Dun & Bradstreet (D&B) data, as well as the corresponding year's aggregate small business lending data reported by all CRA-reporting financial institutions with loan originations in the bank's AA. While small business lending data is only required to be collected and reported by financial institutions with asset sizes greater than \$1.226 billion as of January 1, 2017, the bank voluntarily collects its small business lending data; and aggregate data was utilized as performance context and to assess the level of credit demand in the AA. The bank's HELOC lending was compared to area demographic data based on the 2011-2015 five-year estimate American Community Survey (2015 ACS) data.

Under the CD test, the analysis considered the number, dollar volume, and nature of qualified CD loans, investments, donations, and services from October 5, 2015 to November 13, 2018. The bank's performance was evaluated in light of its resources, as well as the availability of CD opportunities within its AA.

To further augment the evaluation, two interviews with community members within the bank's AA were utilized to ascertain AA credit needs, the responsiveness of local banks to those credit needs, the availability of CD opportunities, and local economic conditions. One of the community contact interviews was with a representative of an area economic development organization and was recently conducted as part of the CRA evaluation of another financial institution in the bank's AA. The second contact is affiliated with a home remodeling company and was interviewed in conjunction with this evaluation.

DESCRIPTION OF INSTITUTION

The bank is a full-service, intrastate financial institution and wholly-owned subsidiary of Blue Valley Ban Corp. Both the holding company and the bank are headquartered in Overland Park, Kansas. The bank operates four full-service locations, including its main office, and also operates one limited-service drive-through location in Johnson County, Kansas. Each location operates a full-service automated teller machine.

Based on the March 31, 2018 Call Report, the bank reported total assets of \$708.1MM, gross loans of \$539.1MM, and total deposits of \$601.2MM. Based on the June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Market Share Report, the bank held 1.2 percent of total deposits within its AA, ranking 17th of 81 FDIC-insured financial institutions operating within the AA.

Table 1 illustrates the bank's loan portfolio composition by loan type and dollar volume. Commercial loans are the predominate business line for the bank, as reflected in the portfolio composition, followed by residential real estate lending. While residential real estate lending ranks second by dollar volume, the bank has significantly decreased its mortgage lending since the previous evaluation, and this business line is no longer a strategic focus.

TABLE 1 BANK OF BLUE VALLEY LOAN PORTFOLIO AS OF MARCH 31, 2018		
Loan Type	Amount \$(000)	Percent of Total
Commercial	430,504	79.9
Residential Real Estate	55,819	10.4
Other	36,638	6.8
Consumer	13,388	2.5
Agricultural	2,730	0.5
Gross Loans	539,079	100.0

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at the previous CRA evaluation conducted by the Reserve Bank on October 5, 2015.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA¹

The bank's AA is comprised of three contiguous counties in the Kansas City MSA, including Johnson and Wyandotte Counties in Kansas and Jackson County in Missouri. Jackson and Wyandotte Counties are located in the urban core of Kansas City, Missouri, and Kansas City, Kansas, and contain the overwhelming majority of the AA's LMI census tracts. Johnson County, Kansas, is more affluent and contains approximately half of the businesses in the AA.

Overall, the AA contains 78 low-, 87 moderate-, 107 middle-, and 109 upper-income census tracts. An additional 18 census tracts in the AA have unknown income classifications. Johnson County, where all the bank's offices are located, consists of 2 low-, 12 moderate-, 42 middle-, 71 upper-, and 3 unknown-income census tracts. Of the bank's five offices, two are located in moderate-income census tracts; two are located in upper-income census tracts; and one is located in an unknown-income census tract.

Economic and Employment Characteristics

The largest industrial sectors in the Kansas City MSA are professional and business services, at 18.2 percent; education and health services, at 14.0 percent; government, at 13.7 percent; and retail trade, at 10.3 percent. Five of the top six employers in the AA are in the healthcare industry and include Cerner (12,890 employees), HCA Midwest Health System (9,924), the University of Kansas Hospital (9,469), Saint Luke's Health System (8,123), and Children's Mercy Hospital and Clinics (6,969).

Growth in high-tech industries is expected to exceed growth in other industries in the Kansas City MSA in coming years. The Kansas City MSA is considered a Midwest technology hub with the eighth highest concentration of high-tech industry labor among all metropolitan areas in the United States. Traditionally, Sprint has contributed to the high-tech workforce, but the company downsized its workforce by 500 jobs in 2018. In addition, Cerner, the area's largest employer, is constructing a new campus and plans to add 16,000 jobs over the next ten years, thereby doubling the size of its workforce. Conversely, the local manufacturing industry has recently experienced job losses, most notably from the closure of a Harley-Davidson plant that employed 800 workers. Other regional manufacturing and financial services companies are expected to encounter obstacles, including job losses, as interest rates rise, resulting in lower demand for their products and services.

¹ The following demographic data is based on the 2010 U.S. Census decennial, 2011-2015 ACS five-year estimate data, and 2016-2017 D&B data. Additional demographic data was also utilized based on the Bureau of Labor Statistics and Précis® Metro (Moody's Analytics).

Bureau of Labor Statistics unemployment figures from 2015 through 2017 for the three counties that comprise the AA are similar to those of the broader Kansas City MSA, the states of Missouri and Kansas, and the nation. As depicted in Exhibit 1, unemployment rates in 2017 display significant improvement from those in 2015, suggesting improved economic conditions overall. In general, Johnson County had a considerably lower unemployment level than the other two AA counties and the Kansas City MSA as a whole.

EXHIBIT 1 ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)			
Area	2015	2016	2017
Jackson County, MO	5.9	5.1	4.4
Johnson County, KS	3.4	3.3	3.0
Wyandotte County, KS	6.0	5.6	5.2
Kansas City MSA	4.8	4.3	3.8
State of Missouri	5.0	4.6	3.8
State of Kansas	4.2	4.0	3.6
United States	5.3	4.9	4.4

Population Trends and Characteristics

Based on 2010 Census data, the Kansas City Metropolitan AA population was 1,408,525. While the bank’s AA consists of 3 of the 14 counties within the Kansas City MSA, it contains 68.5 percent of the total Kansas City MSA population of 2,055,675.

The percentage of AA households that are families and the percentage of AA working age adults, children, and seniors mirror the Kansas City MSA and statewide figures. The AA contains neither large populations of institutionalized persons nor persons living in group quarters. Overall, the demographics do not indicate any significant impact on either lending opportunities or credit demand within the Kansas City Metropolitan AA.

Income Characteristics

The MFI in the Kansas City Metropolitan AA at \$72,207, was comparable to the Kansas City MSA MFI of \$72,623 and varied drastically among the three AA counties. The MFI in Johnson County was significantly higher (\$94,850) than the MFIs for Jackson County (\$61,076) and Wyandotte County (\$47,117).

Approximately 39.5 percent of AA families were classified as LMI, which is similar to the respective figure for the Kansas City MSA, at 38.9 percent. However, the percentage of LMI families varied considerably between the three AA counties. In Johnson County, 25.6 percent of families were classified as LMI, compared to 47.5 percent in Jackson County, and 60.3 percent in Wyandotte County.

The portion of AA families living below poverty, at 10.0 percent, was consistent with the Kansas City MSA figure of 9.1 percent. Again, the percentage of families living below poverty level varied substantially among the three AA counties. In Johnson County, 4.0 percent of families were below the poverty level, compared to 13.5 percent in Jackson County and 19.1 percent in Wyandotte County.

Housing Characteristics

The concentration of owner-occupied housing units within the AA, at 57.2 percent, was similar to the Missouri and Kansas statewide figures of 58.3 percent and 59.7 percent, respectively, as well as the Kansas City MSA figure of 59.6 percent. The owner occupancy rate in Johnson County was higher, at 66.1 percent, than those in Jackson and Wyandotte Counties, at 51.8 percent and 51.5 percent, respectively. As mentioned previously, Jackson and Wyandotte Counties contain a significant portion of the AA's LMI census tracts and LMI families.

The median housing value varied widely by county and mirrored the trends of other AA demographic data. Johnson County had the highest median housing value at \$215,600, while Jackson and Wyandotte Counties had values of \$125,500 and \$89,200, respectively. The housing affordability ratio² in Johnson County, Kansas was the lowest among the AA counties at 35.3 percent, indicating that housing is generally less affordable. The housing affordability ratios were more favorable in Jackson and Wyandotte Counties, at 37.4 percent and 45.0 percent, respectively.

The median age of housing stock in Johnson County, at 31 years, was significantly lower than the median age in Jackson and Wyandotte Counties, at 48 years and 55 years, respectively. Overall, Jackson and Wyandotte Counties had lower levels of owner-occupied housing units, lower median housing values, and higher concentrations of LMI families, which may limit the ability of area financial institutions to originate significant volumes of home mortgage loans, including HELOCs, in these two counties.

Community Contacts

As previously noted, two interviews with community members within the bank's AA were utilized to ascertain perspectives regarding AA credit needs, the responsiveness of local banks to those credit needs, the availability of CD opportunities, and local economic conditions.

The contact involved in economic development stated that the AA has experienced an economic boom, and recent conditions have become more favorable over the past two decades. Employment opportunities are available across a wide range of businesses and industrial sectors. The contact also stated that businesses are able to easily acquire capital and that many individuals have relocated from the nation's coastlines as the Kansas City area is significantly more affordable.

The second contact employed by the home remodeling company stated that the average cost of either a kitchen or bathroom remodel is between \$20,000 and \$30,000, with many projects totaling well over this range. The contact also stated that many clients are able to partially cover the cost of their home improvement projects, and approximately 75.0 percent of the company's customers seek outside financing. The contact also noted that lower cost remodeling bids generally start at \$12,000, which is still deemed unaffordable to many prospective customers.

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 2 includes demographic information related to the AA census tract distribution, area poverty rates, housing characteristics, and the concentration of area businesses.

TABLE 2 KANSAS CITY METROPOLITAN AA 2017 DEMOGRAPHICS									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low	78	19.5	38,810	11.1	13,572	35.0	77,980	22.3	
Moderate	87	21.8	71,404	20.4	11,567	16.2	60,169	17.2	
Middle	107	26.8	109,092	31.2	6,777	6.2	68,275	19.5	
Upper	109	27.3	129,417	37.0	2,704	2.1	143,287	41.0	
Unknown	18	4.5	988	0.3	451	45.6	0	0.0	
Total AA	399	100.0	349,711	100.0	35,071	10.0	349,711	100.0	
	Housing Units by Tract	Housing Type by Tract							
		Owner-occupied			Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit	
Low	91,021	28,654	8.2	31.5	42,815	47.0	19,552	21.5	
Moderate	139,555	64,021	18.3	45.9	59,026	42.3	16,508	11.8	
Middle	190,775	113,955	32.6	59.7	63,038	33.0	13,782	7.2	
Upper	186,774	142,583	40.7	76.3	36,355	19.5	7,836	4.2	
Unknown	4,019	863	0.2	0.2	1,780	44.3	1,376	34.2	
Total AA	612,144	350,076	100.0	57.2	203,014	33.2	59,054	9.6	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
				Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#	%
Low	4,987	8.7	4,100	8.2	857	12.6	30	9.6	
Moderate	10,015	17.5	8,869	17.7	1,102	16.2	44	14.1	
Middle	17,617	30.7	15,502	30.9	2,022	29.8	93	29.8	
Upper	23,418	40.8	21,047	41.9	2,235	32.9	136	43.6	
Unknown	1,315	2.3	729	1.5	577	8.5	9	2.9	
Total AA	57,352	100.0	50,247	100.0	6,793	100.0	312	100.0	
	Percentage of Total Businesses:			87.6	11.8		0.5		
Based on 2017 FFIEC census tract definitions, 2015 ACS data, and 2017 D&B data. (NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)									

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall record of meeting the credit needs of its AA is rated Satisfactory. The bank's NLTD ratio reflects a reasonable effort to extend credit, and a majority of the bank's loans were originated within its AA. The geographic distribution of lending by income level of census tracts is reasonable for small business lending and poor for HELOCs. In addition, the distribution of lending to businesses of different revenue sizes is reasonable, while the distribution of HELOC lending to borrowers of different income levels is poor. While poor performance was noted for the bank's HELOC product under the geographic and borrower distribution analyses, this did not impact the overall conclusions, given the bank's commercial lending focus and overall low volume of HELOCs, as well as relevant performance context and demographic considerations.

While conclusions with respect to small business lending performance were evaluated for two years, only 2017 lending tables related to geographic and borrower distribution analyses are included in the body of this public evaluation. The bank's lending distribution performance for 2016 was factored into the overall ratings, but will not be discussed in detail except in instances where performance between the two evaluation years varied substantially. Tables detailing the bank's 2016 small business lending data can be found in Appendix A.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AA.

The bank's NLTD ratio reflects a reasonable effort to extend credit inside the AA. As of March 31, 2018, the bank's NLTD ratio of 90.1 percent exceeded three of four similarly-situated lenders within the AA, with NLTD ratios ranging from 47.7 percent to 94.6 percent over the same time period.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA and considers both the number and dollar volume of originations.

As noted in Table 3, the bank originated a majority of its small business loans and HELOCs, by both number and dollar volume, within its delineated AA. Only loans originated within the bank's AA will be considered for the remaining lending test components.

**TABLE 3
LENDING INSIDE AND OUTSIDE THE BANK'S AA**

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Small Business Loans	426	101,653	84.9	80.6	76	24,451	15.1	19.4
Home Equity Lines of Credit	47	4,499	94.0	89.8	3	510	6.0	10.2

Distribution by Income Level of Geographies

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts. The bank's small business loans were compared to the percentage of businesses operating within the AA by census tract income level, while the bank's HELOCs were compared to the percentage of owner-occupied housing units within the AA by census tract income level.

The overall geographic distribution reflects reasonable penetration, although the bank's HELOC lending in geographies of different income levels is poor. While lower levels of lending were noted in the AA's LMI tracts for both products, the majority of LMI tracts within the AA are located in Wyandotte County in Kansas and Jackson County in Missouri, where the bank does not operate any locations.

**TABLE 4
DISTRIBUTION OF 2017 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
KANSAS CITY METROPOLITAN AA**

Census Tract Income Level	Small Business Loans				% of Businesses ¹
	#	\$(000)	#%	\$%	
Low	11	3,828	5.1	7.5	8.7
Moderate	29	5,454	13.5	10.6	17.5
Middle	46	10,905	21.4	21.3	30.7
Upper	111	25,492	51.6	49.7	40.8
Unknown ²	18	5,606	8.4	10.9	2.3

¹ The percentage of businesses by tract is based on 2017 FFIEC census tract definitions and 2017 D&B data.

² Includes census tracts where the income level is unknown.

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

Small Business Loans

The bank's geographic distribution of small business lending reflects a reasonable penetration. The bank's lending in low-income census tracts, at 5.1 percent by number and 7.5 percent by dollar, is slightly below the aggregate lending figures of 9.1 percent by number and 11.5 percent by dollar. This performance is also below the demographic figure of 8.7 percent of businesses in low-income census tracts. Lending in the moderate-income census tracts, at 13.5 percent by number and 10.6 percent by dollar, is more comparable to the aggregate lending figures of 15.8 percent by number and 14.5 percent by dollar, but below the demographic figure of 17.5 percent.

The bank’s lending in the AA’s middle-income census tracts at 21.4 percent by number, is below aggregate lending data and the demographic figure. Lending in upper-income census tracts at 51.6 percent by number, is above the respective comparative figures noted in Table 4. Some of the variances in the bank’s performance are attributable to the distance between the bank’s branches and the majority of AA LMI census tracts.

Lending in 2016 reflected similar performance to 2017. Please refer to Appendix A for 2016 small business lending tables.

**TABLE 5
DISTRIBUTION OF 2017 HOME EQUITY LINES OF CREDIT
BY INCOME LEVEL OF GEOGRAPHY
KANSAS CITY METROPOLITAN AA**

Census Tract Income Level	Home Equity Lines of Credit				% of Owner- Occupied Units ¹
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	8.2
Moderate	2	70	4.3	1.6	18.3
Middle	5	273	10.6	6.1	32.6
Upper	40	4,156	85.1	92.4	40.7
Unknown²	0	0	0.0	0.0	0.2

¹ The percentage of owner-occupied housing units and households by tract are based on 2015 ACS data and 2017 FFIEC census tract definitions.
² Includes census tracts where the income level is unknown.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Home Equity Lines of Credit

The geographic distribution of HELOCs reflects poor dispersion in the AA. The bank did not originate any loans in the AA’s low-income census tracts, although 8.2 percent of owner-occupied units are located in those census tracts. Lending in the moderate-income census tracts, at 4.3 percent by number and 1.6 percent by dollar, is well below the demographic figure of 18.3 percent. Lending in the middle-income census tracts, at 10.6 percent by number and 6.1 percent by dollar, is also well below the demographic figure of 32.6 percent. Lending in upper-income census tracts at 85.1 percent by number and 92.4 percent by dollar, is significantly above the demographic figure of 40.7 percent.

While HELOC lending performance is considered poor, this did not impact overall conclusions based on relevant performance context and demographic data. As indicated previously, the majority of LMI census tracts are located in Wyandotte and Jackson Counties, where none of the bank’s branches are located. In addition, of the housing units in Jackson and Wyandotte Counties’ low-income tracts, approximately 69.6 percent and 64.1 percent, respectively, are either rental or vacant. In Jackson and Wyandotte Counties’ moderate-income tracts, approximately 54.2 percent and 45.7 percent, respectively, of housing units are either rental or vacant. The high volume of non-owner-occupied housing units may hinder financial institutions’

opportunities to originate residential real estate credit, including HELOCs, in the AA's LMI geographies.

Distribution by Borrower Income Level and Revenue Size of Businesses

This performance criterion evaluates the bank's lending to businesses of different revenue sizes, with emphasis placed on lending to entities with gross annual revenues of \$1MM or less, and to borrowers of different income levels, with emphasis placed on lending to LMI individuals. The bank's small business lending was compared to the percentage of businesses operating in the AA by revenue size, while the bank's HELOC lending was compared to the percentage of AA families by MFI level.

The overall distribution reflects reasonable penetration, although the bank's HELOC lending to borrowers of different income levels is poor.

TABLE 6 DISTRIBUTION OF 2017 SMALL BUSINESS LOANS BY REVENUE SIZE OF BUSINESSES KANSAS CITY METROPOLITAN AA					
Business Revenue	Small Business Loans				% of Businesses by Revenue¹
	#	\$(000)	#%	\$%	
\$1MM or less	89	14,770	41.4	28.8	87.6
Over \$1MM	126	36,515	58.6	71.2	11.8
Unknown	0	0	0.0	0.0	0.5

¹ The percentage of businesses by revenue size is based on 2017 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The distribution of small business loans to businesses of different revenue sizes is reasonable. The bank originated 41.4 percent of its small business loans by number and 28.8 percent by dollar to businesses with gross annual revenues of \$1MM or less in 2017. While this level of lending is well below the demographic figure of 87.6 percent, which represents potential lending opportunities, the bank's performance is more comparable to the aggregate lending figures of 46.1 percent by number and 31.4 percent by dollar, which is also considered an indicator of potential loan demand. In addition, the bank has a relationship with one large business and has originated multiple loans to this customer, thereby skewing the borrower distribution numbers toward businesses with revenues greater than \$1MM. The bank's lending to small businesses in 2016 was comparable to 2017 performance. Please refer to Appendix A for 2016 small business lending tables.

While small business lending was below the demographic figure, approximately 68.4 percent of the bank's small business loans were originated in loan amounts of \$250,000 or less, indicating the bank's willingness to meet the credit needs of small businesses. Typically, smaller

businesses do not have the need or the capacity to borrow large amounts of credit. As such, smaller loan amounts are used as a proxy to estimate the support of small businesses.

**TABLE 7
DISTRIBUTION OF 2017 HOME EQUITY LINES OF CREDIT
BY BORROWER INCOME LEVELS
KANSAS CITY METROPOLITAN AA**

Borrower Income Level	Home Equity Lines of Credit				% of Families ¹
	#	\$(000)	#%	\$%	
Low	2	65	4.3	1.4	22.3
Moderate	1	38	2.1	0.8	17.2
Middle	9	404	19.1	9.0	19.5
Upper	35	3,992	74.5	88.7	41.0

¹ Family and household demographic figures based on 2015 ACS data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Home Equity Lines of Credit

The distribution of HELOCs to borrowers of different income levels reflects poor penetration based on the low level of lending to LMI borrowers relative to the demographic figures. The bank’s HELOC lending to low-income borrowers, at 4.3 percent by number and 1.4 percent by dollar, is well below the percentage of low-income families in the AA, at 22.3 percent. Similarly, the bank’s lending to moderate-income borrowers at 2.1 percent by number and 0.8 percent by dollar, is well below the demographic figure of 17.2 percent.

Comparatively, the bank originated 19.1 percent of loans by number, and 9.0 percent by dollar, to middle-income borrowers, which is consistent with the demographic figure of 19.5 percent, while lending to upper-income borrowers, at 74.5 percent by number and 88.7 percent by dollar, is significantly higher than the demographic figure of 41.0 percent. As indicated previously, a community member indicated that the majority of people obtain HELOCs to assist in home remodeling or home improvement; however, the costs of remodeling projects can be significant, which may preclude lower income individuals from obtaining credit.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD test is rated Outstanding. The bank’s CD performance demonstrates excellent responsiveness to the CD needs of the Kansas City Metropolitan AA, based on a review of qualified loans, investments and donations, and services. The bank’s level of CD activity was evaluated in light of its capacity, AA needs, available opportunities within the AA as well as competition for qualified activities from other local financial institutions. Table 8 illustrates the total qualified CD activities conducted by the bank within the AA during the period between October 5, 2015 and November 13, 2018. The bank’s level of activities is considered significant in comparison to the levels of qualified CD activities at other banks of similar asset sizes.

To qualify for CRA CD credit, the activity must serve a CD purpose specifically related to one or more of the following areas: affordable housing for LMI individuals; CD services targeted to LMI individuals; economic development by financing small businesses or small farms while assisting in the creation or retention of jobs for LMI individuals or in LMI geographies; or, revitalization or stabilization of LMI areas, designated disaster areas or distressed or underserved nonmetropolitan middle-income tracts.

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

- One loan in the amount of \$9.0MM was originated to help renovate a small hotel and provide jobs to lower-income individuals, while another loan totaling \$1.1MM was originated to purchase an apartment complex located in a moderate-income census tract.
- The bank purchased a \$600,000 investment that was earmarked for affordable housing for LMI families seeking home loans.
- Donations totaling \$85,500 were directed to an organization that provides medical, behavioral, educational, and social services to children in poverty; over half of the children the organization serves receive public assistance.
- The bank participated in a large number of CD services with organizations providing community services to LMI individuals by serving on the board of directors, offering financial education and financial literacy programs in schools in which over 50.0 percent of students qualify for free and reduced lunches, and by teaching financial seminars or workshops at a local small business development center.
- Additionally, the bank participates in a micro loan program with a local organization that aims to remove participants' dependency on payday lending. As part of the program, participants have their loan terms adjusted and receive financial coaching and education. These loans are not included in Table 8, and include 14 originations totaling \$13,967.

**TABLE 8
COMMUNITY DEVELOPMENT ACTIVITIES
KANSAS CITY AA**

Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	4	1,627	1	600	7	7	8	607	0
Community Services	0	0	0	0	56	169	56	169	114
Economic Development	19	57,678	3	826	0	0	3	826	5
Revitalization and Stabilization	0	0	0	0	1	1	1	1	0
Totals	23	59,305	4	1,426	64	177	68	1,603	119

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

COMMUNITY REINVESTMENT ACT

APPENDIX A

**TABLE A-1
DISTRIBUTION OF 2016 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
KANSAS CITY METROPOLITAN AA**

Census Tract Income Level	Small Business Loans				% of Businesses ¹
	#	\$(000)	#%	\$%	
Low	8	2,405	3.8	4.8	8.5
Moderate	28	5,292	13.3	10.5	18.3
Middle	39	9,208	18.5	18.3	28.0
Upper	116	24,808	55.0	49.3	43.2
Unknown ²	20	8,655	9.5	17.2	2.0

¹ The percentage of businesses by tract is based on 2017 FFIEC census tract definitions and 2016 D&B data.

² Includes census tracts where the income level is unknown.

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

**TABLE A-2
DISTRIBUTION OF 2016 SMALL BUSINESS LOANS
BY REVENUE SIZE OF BUSINESSES
KANSAS CITY METROPOLITAN AA**

Business Revenue	Small Business Loans				% of Businesses by Revenue ¹
	#	\$(000)	#%	\$%	
\$1MM or less	93	15,054	44.1	29.9	88.5
Over \$1MM	117	35,214	55.5	69.9	10.9
Unknown	1	100	0.5	0.2	0.6

¹ The percentage of businesses by revenue size is based on 2016 D&B data.

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