PUBLIC DISCLOSURE

DECEMBER 03, 2018

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

CORNERSTONE BANK
RSSD# 3027763

9120 WEST 135TH STREET
OVERLAND PARK, KANSAS 66221

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

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

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INSTITUTION'S CRA RATING

This institution is rated: *Satisfactory*

Cornerstone Bank (the bank) has a satisfactory record of meeting the credit needs of its assessment area (AA) in a manner consistent with its resources and operating philosophy. The bank's average net loan-to-deposit (NLTD) ratio is reasonable considering the characteristics of the bank, performance of similarly-situated institutions, and credit needs of the communities it serves. Furthermore, a majority of the bank's loans are originated within its delineated AA. The bank's distribution of loans by income level of geographies reflects a reasonable dispersion, given the credit needs of the AA and business conditions. Additionally, the distribution of loans to businesses of different revenue sizes is reasonable, while distribution to borrowers of different income levels is poor.

SCOPE OF EXAMINATION

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

- NLTD Ratio
- Lending Inside the AA
- Distribution of Loans by Income Level of Geographies
- Distribution of Loans to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

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

The evaluation included a full-scope review of the bank's lending performance in the Kansas City Metropolitan AA. The bank's major products were reviewed, including residential real estate and commercial loans. 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 numbers of loan originations since the November 3, 2014 CRA evaluation.

Conclusions were derived from the universe of 71 Home Mortgage Disclosure Act (HMDA) loans reported between January 1, 2016 and December 31, 2017. Additionally, a statistically-derived sample of 64 small business loans selected from a universe of 93 loans was reviewed; originated between January 1, 2017 and December 31, 2017. As defined under the CRA, small business

loans included those with loan amounts of $1 million (MM) or less. Commercial lending performance was given greater weight in the evaluation as it is the bank's largest loan product and is a strategic focus of the bank.

The bank's average NLTD ratio was calculated based on a 15-quarter average since the previous evaluation and compared to similarly-situated financial institutions that operate within the bank's AA. The geographic distribution analysis was based on the bank's lending amongst the various census tracts of different income levels in the AA, in which geographies were classified based on the 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 the HMDA-related loan products were calculated based on the 2016 and 2017 FFIEC Estimated Median Family Income (MFI) figures. 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.

For evaluative purposes, the bank's lending was compared with area demographic data including the 2006-2010 and 2011-2015 American Community Survey (2010 ACS, 2015 ACS) five-year estimate data and 2017 Dun & Bradstreet (D&B) data. The bank's HMDA lending was also compared to 2016 and 2017 aggregate data reported by all HMDA reporters operating in the bank's AA.

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

To further augment the evaluation, two interviews with members of the communities within the bank's AA were relied upon to ascertain the area credit needs, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. These interviews were conducted previously as part of performance evaluations for other financial institutions and included a representative from an organization that provides affordable housing to low-income residents as well as a representative from a small business development organization.

DESCRIPTION OF INSTITUTION

The bank is a $199.8MM financial institution, headquartered in Overland Park, Kansas, and is wholly owned by Cornerstone Bancshares, Inc., also headquartered in Overland Park. The bank operates one location that includes a drive-up facility and a cash-only automated teller machine.

Based on the March 31, 2018 Call Report, the bank reported total loans of $159.1MM and total deposits of $158.8MM. According to the June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank had a deposit market share of 0.3 percent and ranked 29th out of 81 FDIC-insured institutions with 455 offices operating within its AA.

TABLE 1
CORNERSTONE BANK LOAN PORTFOLIO
AS OF MARCH 31, 2018

Loan Type	Amount $(000)	Percent of Total
Commercial	117,460	73.9
Residential Real Estate	40,032	25.2
Consumer	877	0.5
Other	760	0.4
Agricultural	0	0.0
Gross Loans	**159,129**	**100.0**

There are currently 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 its previous CRA evaluation conducted by this Reserve Bank on November 3, 2014.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA[1]

The Kansas City Metropolitan AA includes 3 of the 14 counties that comprise the Kansas City Missouri-Kansas Metropolitan Statistical Area (Kansas City MSA) and encompasses all of Johnson and Wyandotte Counties in Kansas and Jackson County in Missouri. The bank's AA delineation has not changed since the previous evaluation.

The AA consists of 399 census tracts: 78 low-, 87 moderate-, 107 middle-, 109 upper-, and 18 unknown-income tracts. The bank's AA contains 82.9 percent of the low- and moderate-income (LMI) census tracts within the Kansas City MSA. The majority of the AA's LMI tracts are located in the urban communities within Wyandotte and Jackson Counties, while Johnson County primarily contains middle- and upper-income tracts, which is where the bank's sole office is located.

Population Characteristics

According to the 2015 ACS data, the AA's population is 1,408,525 or 68.5 percent of the total Kansas City MSA's population. Most of the population lives in Jackson County, Missouri, which had 680,905 residents or 48.3 percent of the total AA population. Johnson County, Kansas, follows with 566,814 residents or 40.2 percent of the total AA population. The population within the AA has remained relatively stable.

Housing Characteristics

Overall, the AA's housing characteristics are similar to those of the states of KS and MO, with the majority of housing classified as owner-occupied; followed by rental and vacant properties. However, more specifically, Jackson County has the highest representation of owner-occupied

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[1] The following demographic data is based on 2017 U.S. Census, 2011-2015 ACS five-year estimate data, and 2017 D&B data. Additional demographic data was also utilized based on the Bureau of Labor Statistics.

units, Wyandotte County has the highest representation of rental units, and Johnson County has the lowest vacancy rate. Additionally, while the AA's median housing value is significantly above that of the states of KS and MO, this is driven by the relatively high median housing value in Johnson County. Similar attributes for the cost of rents are present. Finally, the overall affordability for housing in the AA is the highest in Wyandotte County; however the average age of housing is significantly older than that of the other counties in the AA and in the states of Kansas and Missouri. The following information covers these aspects more specifically.

The AA contains a total of 612,144 housing units of which approximately 57.2 percent are owner-occupied, which is consistent with the states of Kansas and Missouri, at 59.7 percent and 58.3 percent, respectively. Of the total AA owner-occupied units, approximately 51.3 percent are located in Jackson County, with 37.7 percent in Johnson County, and 11.0 percent in Wyandotte County. The percent of rental units in the AA, at 33.2 percent, is consistent with the states of Kansas and Missouri at 29.8 percent and 28.4 percent, respectively. Wyandotte County contains a higher volume of rental units at 36.2 percent than the other two AA counties. The AA's vacancy rate, at 9.7 percent, is below Jackson and Wyandotte Counties, at 12.6 percent and 12.3 percent, respectively. These two counties' vacancy rates are relatively consistent with the states of Kansas and Missouri, at 10.5 percent and 13.4 percent, respectively. Johnson County has a very low vacancy rate at 4.9 percent.

The AA's median housing value of $161,013 is above the states of Kansas and Missouri, at $132,000 and $138,400, respectively. The median housing value of Johnson County is well above the AA at $215,600, while Jackson and Wyandotte Counties remain below the overall AA, at $89,200 and $125,500, respectively. Similarly, the AA's median gross rent at $850 is above the states of Kansas at $757 and Missouri at $746. Of note, Johnson County's median gross rent is well above the AA at $947.

Additionally, the affordability ratio[2] for the AA is 34.8 percent, which is below the ratio for the state of Kansas, at 39.6 percent, while consistent with the state of Missouri (34.8 percent). However, there are notable deviations in Wyandotte County with an affordability ratio of 45.0 percent, indicating this area is significantly more affordable. Moreover, 18.2 percent of housing units in the AA were built prior to 1950, which was below the average for the state of Kansas, at 23.2 percent, but consistent with the state of Missouri, at 19.3 percent. Wyandotte and Jackson Counties carry higher overall percentages of units built prior to 1950, at 29.3 percent and 24.6 percent, respectively. The median age of housing stock in the AA, at 48 years, is older than the states of Kansas and Missouri, at 43 years and 40 years, respectively. Moreover, Wyandotte County contains much older housing stock, at 55 years. A community contact stated borrowers across the MSA are purchasing older homes, renovating the properties, and then offering them as rental properties.

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[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.

Income Characteristics

Overall, the AA is more affluent than the states of Kansas and Missouri, however, this is primarily driven by characteristics of Johnson County. The AA is comprised of 22.3 percent low-income, 17.2 percent moderate-income, 19.5 percent middle-income, and 41.0 percent upper-income families. The MFI in the AA is $72,207, above the MFI of $66,389 for the state of Kansas and $60,809 for the state of Missouri. Of note, Johnson County has a significantly higher MFI at $94,850. Overall, the poverty rate in the AA at 10.0 percent of families is very similar to the states of Kansas and Missouri; however, the percentage of families living below the poverty level in Jackson and Wyandotte Counties is relatively high at 13.5 percent and 19.1 percent, respectively.

Economic and Employment Characteristics

Overall, the bank's AA is stable, characterized by a well-developed transportation infrastructure, and diverse industry sectors that include government, health services, telecommunications, technology, manufacturing, and distribution. Major employers in the AA include the Federal Government, Cerner Corporation, HCA Midwest Health System, The University of Kansas Hospital, and Children's Mercy Hospitals & Clinics. A community representative commented that the recent opening of several Amazon fulfillment centers in and around the MSA have created new jobs. Additionally, the representative stated Downtown Kansas City, Missouri and Johnson County, Kansas have become popular for area small business development. These communities benefit from supportive economic systems with governmental, private sector, and financial institutions working together to meet the needs of entrepreneurs. Johnson County is one of the fastest growing areas in the MSA, providing an environment with high levels of capital and potential business opportunities.

According to the Bureau of Labor Statistics, the counties in the AA experienced declining unemployment rates over the last three years, as displayed in Exhibit 1. Within the AA, Johnson County had the lowest unemployment rate, at 3.0 percent, in 2017, while Wyandotte and Jackson Counties had much higher rates of 5.2 percent and 4.4 percent, respectively.

EXHIBIT 1 ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)			
Area	**2015**	**2016**	**2017**
Johnson County, KS	3.4	3.3	3.0
Wyandotte County, KS	6.0	5.6	5.2
Jackson County, MO	5.9	5.1	4.4
Kansas	3.7	3.9	3.3
Missouri	4.2	4.6	3.3
Source: Bureau of Labor Statistics			

Additional demographic data is displayed in Table 2.

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

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	17	3.2	16	3.2	1	5.9	0	0.0
Moderate	53	10.1	52	10.3	1	5.9	0	0.0
Middle	190	36.3	186	36.7	4	23.5	0	0.0
Upper	261	49.8	252	49.7	9	52.9	0	0.0
Unknown	3	0.6	1	0.2	2	11.8	0	0.0
Total AA	524	100.0	507	100.0	17	100.0	0	0.0
Percentage of Total Farms:				96.8		3.2		0.0

Based on 2017 FFIEC census tract definitions, 2015 ACS five-year estimate 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 CRITERIA

Net Loan-to-Deposit Ratio

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

The bank's NLTD ratio reflects a reasonable effort to extend credit based on its size, financial condition, and the credit needs of the AA. The bank's NLTD ratio averaged 93.6 percent over the most recent 15-quarters ending March 31, 2018. The bank's NLTD fell below two similarly-situated financial institutions, with ratios ranging from 107.2 percent to 116.0 percent, but above the remaining four, with ratios ranging from 80.2 percent to 93.3 percent.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. The evaluation analyzes both the number and dollar volume of originations. As noted in Table 3, the bank originated a majority of its HMDA and small business loans inside the AA by both the number and dollar volume of loans.

	TABLE 3							
LENDING INSIDE AND OUTSIDE THE BANK'S AA								
Bank Loans	Inside				Outside			
	#	$(000)	#%	$%	#	$(000)	#%	$%
Home Purchase	28	7,205	77.8	69.9	8	3,106	22.2	30.1
Home Refinance	26	6,711	86.7	84.3	4	1,248	13.3	15.7
Home Improvement	3	571	100.0	100.0	0	0	0.0	0.0
Multifamily	2	850	100.0	100.0	0	0	0.0	0.0
Total HMDA Loans	**59**	**15,337**	**83.1**	**77.9**	**12**	**4,354**	**16.9**	**22.1**
Small Business Loans	**51**	**14,810**	**79.7**	**83.1**	**13**	**3,018**	**20.3**	**16.9**

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

Distribution by Income Level of Geographies

Overall, the bank's distribution of loans among geographies of various income levels demonstrated a reasonable dispersion throughout the AA for both loan products reviewed. In reaching this conclusion, consideration was given to the fact that the bank operates only a single location in Johnson County, which is a considerable distance from the majority of LMI geographies in Wyandotte and Jackson Counties.

For evaluative purposes, the bank's HMDA lending was compared to the percent of owner-occupied units in each census tract income category, while the bank's small business lending was compared to the percent of businesses operating in each census tract income category. In addition, the bank's HMDA lending was compared to aggregate data reported by all HMDA reporters operating in the bank's AA. Due to the bank's overall low volume of HMDA-related loans, these products were evaluated collectively rather than by individual product to provide for a more meaningful analysis. For additional context, the bank's small business lending was also compared to the performance of lenders (aggregate reporters) who report their small business lending under the CRA reporting requirements. Aggregate lending for both HMDA and small business lending is provided as performance context and is considered to be representative of overall demand for loans by product.

Total HMDA Loans

The geographic distribution of total HMDA lending is reasonable. As depicted in Table 4, the bank originated 17.9 percent by number (21.1 percent by dollar) of its loans in low-income geographies; outperforming aggregate reporters, at 3.6 percent by number (2.4 percent by dollar), and significantly above the demographic figure of 8.2 percent. The bank's HMDA lending to borrowers in moderate-income geographies, at 14.3 percent by number (6.0 percent by dollar), was consistent with aggregate reporters, at 15.5 percent by number (9.2 percent by dollar), although below the demographic figure of 18.3 percent. Conversely, the bank's HMDA lending in middle- and upper-income geographies was below aggregate reporters and the demographic figures.

In comparison, the bank's 2016 geographic distribution of HMDA lending was less favorable. Although lending in low-income geographies was comparable to aggregate reporters, it was below the demographic figure. Additionally, 2016 lending in moderate-income geographies was below both aggregate reporters and demographic figures in these areas. However, the addition of only one more loan in each of the low- and moderate-income geographies would have resulted in lending figures, by number, close to the demographic for low-income geographies and the aggregate for moderate-income geographies.

Census Tract Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Owner-Occupied Units[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans							
Low	5	1,568	17.9	21.1	3.6	2.4	8.2
Moderate	4	442	14.3	6.0	15.5	9.2	18.3
Middle	4	1,182	14.3	15.9	35.0	29.4	32.6
Upper	15	4,222	53.6	56.9	45.6	58.4	40.7
Unknown[3]	0	0	0.0	0.0	0.2	0.6	0.2
Home Purchase Loans							
Low	1	343	6.7	7.6	3.5	1.7	8.2
Moderate	0	0	0.0	0.0	16.1	9.1	18.3
Middle	2	411	13.3	9.1	35.1	29.5	32.6
Upper	12	3,776	80.0	83.4	45.0	59.4	40.7
Unknown[3]	0	0	0.0	0.0	0.2	0.3	0.2
Home Refinance Loans							
Low	3	781	27.3	37.2	3.3	1.8	8.2
Moderate	4	442	36.4	21.0	14.4	8.5	18.3
Middle	1	431	9.1	20.5	34.9	29.0	32.6
Upper	3	446	27.3	21.2	47.1	60.4	40.7
Unknown[3]	0	0	0.0	0.0	0.2	0.3	0.2
Home Improvement Loans							
Low	1	444	100.0	100.0	4.2	1.7	8.2
Moderate	0	0	0.0	0.0	13.1	6.5	18.3
Middle	0	0	0.0	0.0	34.5	26.8	32.6
Upper	0	0	0.0	0.0	47.9	64.5	40.7
Unknown[3]	0	0	0.0	0.0	0.3	0.4	0.2
Multifamily Loans							% of Multifamily Units[2]
Low	0	0	0.0	0.0	18.5	9.1	17.9
Moderate	0	0	0.0	0.0	27.8	12.8	23.5
Middle	1	340	100.0	100.0	31.0	30.2	33.7
Upper	0	0	0.0	0.0	18.5	44.4	23.1
Unknown[3]	0	0	0.0	0.0	4.2	3.5	2.0

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

[1] Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.
[2] The percentage of owner-occupied housing and multifamily units by tract are based on 2017 FFIEC census tract definitions and 2015 ACS five-year estimate data.
[3] 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 geographic distribution of small business lending is reasonable. Table 5 illustrates the bank originated 9.8 percent by number (8.2 percent by dollar) of its small business loans in low-income geographies, which compared favorably to the percent of businesses operating in these tracts,

at 8.7 percent. The bank's small business lending in moderate-income geographies, at 11.8 percent by number (13.9 percent by dollar), was below the percentage of businesses in these areas at 17.5 percent. The bank's lending in middle-income geographies was consistent with the demographic figures in these areas, while lending in upper-income geographies was above the demographic figure. The bank's lending was similar to the performance of aggregate CRA reporters in the AA that showed lending in low-income geographies at 9.1 percent by number (11.5 percent by dollar), and 15.8 percent by number (14.5 percent by dollar) in moderate-income geographies.

TABLE 5 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	5	1,213	9.8	8.2	8.7
Moderate	6	2,055	11.8	13.9	17.5
Middle	15	3,856	29.4	26.0	30.7
Upper	24	7,645	47.1	51.6	40.8
Unknown[2]	1	42	2.0	0.3	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.)

Distribution by Borrower Income Level and Revenue Size of Businesses

The bank's distribution of lending represents a reasonable dispersion to businesses of different revenue sizes and a poor dispersion among individuals of different income levels.

For evaluative purposes, the bank's HMDA lending was compared to the percentage of families within the AA by income level, while the bank's small business lending was compared to the percentage of businesses within the AA by revenue size. In addition, the bank's HMDA lending was compared to 2017 aggregate data reported by all HMDA reporters operating in the bank's AA. It should be noted that approximately half of the bank's HMDA loans did not have income reported due to their commercial purpose (investment properties), and therefore, were not included in the borrower income analysis.

Total HMDA Loans

The borrower distribution of total HMDA lending is poor. As noted in Table 7, the bank had no lending to LMI borrowers, which was below both the aggregate and the demographic figures. The bank's lending to middle-income borrowers was also below aggregate reporters and the demographic figure. The bank's lending to upper-income borrowers outperformed aggregate reporters and compared favorably to the demographic figures. The bank's performance in 2016 was similar and reflected no loan originations to LMI or middle-income borrowers.

As the table further indicates and was mentioned above, the bank originated 46.0 percent of HMDA loans to borrowers with unknown income levels. These loans are generally representative of those used in association with rental properties. This circumstance is consistent with the large composition of commercial loans in the bank's portfolio, as well as the bank's strategic focus on commercial lending. In comparison to aggregate lending data, the bank had a much higher volume of HMDA loans with unknown income reported (46.4 percent compared to 18.5 percent). A closer review of the geographic distribution of HMDA originations revealed that many of the non-owner-occupied loans were originated in LMI tracts, which aligns with the rental housing needs of residents in those areas and could also correlate with meeting the housing needs of LMI borrowers. However, additional opportunities exist for the bank to enhance its responsiveness to LMI borrowers.

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	7.1	3.2	22.3
Moderate	0	0	0.0	0.0	17.0	10.9	17.2
Middle	1	250	3.6	3.4	20.4	16.5	19.5
Upper	14	3,839	50.0	51.8	36.9	44.8	41.0
Unknown	13	3,325	46.4	44.8	18.5	24.6	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	7.2	3.6	22.3
Moderate	0	0	0.0	0.0	18.3	12.9	17.2
Middle	1	250	6.7	5.5	20.2	18.3	19.5
Upper	9	3,105	60.0	68.5	36.8	49.7	41.0
Unknown	5	1,175	33.3	25.9	17.4	15.6	0.0
Home Refinance Loans							
Low	0	0	0.0	0.0	7.1	3.5	22.3
Moderate	0	0	0.0	0.0	14.8	10.2	17.2
Middle	0	0	0.0	0.0	20.7	18.1	19.5
Upper	5	734	45.5	35.0	36.1	47.8	41.0
Unknown	6	1,366	54.5	65.0	21.3	20.5	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	7.0	3.1	22.3
Moderate	0	0	0.0	0.0	15.1	10.6	17.2
Middle	0	0	0.0	0.0	23.2	18.7	19.5
Upper	0	0	0.0	0.0	45.4	59.1	41.0
Unknown	1	444	100.0	100.0	9.2	8.5	0.0
Multifamily Loans							
Low	0	0	0.0	0.0	0.0	0.0	22.3
Moderate	0	0	0.0	0.0	0.0	0.0	17.2
Middle	0	0	0.0	0.0	0.0	0.0	19.5
Upper	0	0	0.0	0.0	0.0	0.0	41.0
Unknown	1	340	100.0	100.0	100.0	100.0	0.0

[1] Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.
[2] The percentage of families and households are based on 2015 ACS five-year estimate data.
   (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The bank's distribution of small business lending to businesses with different revenue sizes is reasonable. The bank's distribution of loans to businesses with revenues of $1MM or less was 41.2 percent by number (38.5 percent by dollar), which is below the demographic figure of 87.6 percent. However, the bank was slightly below CRA aggregate reporters by number at 46.1 percent, but above by dollar at 31.4 percent. Additionally, approximately 64.7 percent of

sampled 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; as such, smaller loan amounts are used as a proxy to estimate the support of small entities.

TABLE 7 DISTRIBUTION OF 2017 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	21	5,695	41.2	38.5	87.6
Over $1MM	26	6,920	51.0	46.7	11.8
Not Known	4	2,196	7.8	14.8	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.)

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

COMMUNITY REINVESTMENT ACT

APPENDIX A

TABLE A-1 DISTRIBUTION OF 2016 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY KANSAS CITY METROPOLITAN AA							
Census Tract Income Level	**Bank Loans**				**Aggregate HMDA Data[1]**		**% of Owner-Occupied Units[2]**
	#	**$(000)**	**#%**	**$%**	**#%**	**$%**	
Total Home Mortgage Loans							
Low	1	140	3.2	1.8	2.4	3.2	7.3
Moderate	2	833	6.5	10.5	12.4	7.6	19.5
Middle	10	1,627	32.3	20.5	33.1	25.5	32.7
Upper	18	5,323	58.1	67.2	52.1	63.6	40.6
Unknown[3]	0	0	0.0	0.0	0.0	0.0	0.0
Home Purchase Loans							
Low	1	140	7.7	5.2	2.5	1.5	7.3
Moderate	0	0	0.0	0.0	14.0	7.9	19.5
Middle	5	468	38.5	17.5	35.3	27.5	32.7
Upper	7	2,067	53.8	77.3	48.2	63.0	40.6
Unknown[3]	0	0	0.0	0.0	0.0	0.0	0.0
Home Refinance Loans							
Low	0	0	0.0	0.0	1.9	1.1	7.3
Moderate	1	323	6.7	7.0	10.4	5.6	19.5
Middle	4	1,103	26.7	23.9	30.6	23.7	32.7
Upper	10	3,185	66.7	69.1	57.1	69.6	40.6
Unknown[3]	0	0	0.0	0.0	0.0	0.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	3.3	1.1	7.3
Moderate	0	0	0.0	0.0	10.6	4.5	19.5
Middle	1	56	50.0	44.1	29.1	18.5	32.7
Upper	1	71	50.0	55.9	56.9	75.8	40.6
Unknown[3]	0	0	0.0	0.0	0.0	0.1	0.0
Multifamily Loans							**% of Multifamily Units[2]**
Low	0	0	0.0	0.0	32.4	35.6	18.5
Moderate	1	510	100.0	100.0	31.9	20.3	29.7
Middle	0	0	0.0	0.0	23.2	23.0	28.0
Upper	0	0	0.0	0.0	12.4	21.1	23.7
Unknown[3]	0	0	0.0	0.0	0.0	0.0	0.0

[1] Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.
[2] The percentage of owner-occupied housing and multifamily units by tract are based on 2016 FFIEC Census tract definitions and 2010 ACS five-year estimate data.
[3] 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 HMDA LOANS
BY BORROWER INCOME LEVELS
KANSAS CITY METROPOLITAN AA

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	6.3	2.9	21.4
Moderate	0	0	0.0	0.0	15.0	9.5	16.9
Middle	0	0	0.0	0.0	20.0	16.2	20.5
Upper	14	4,159	45.2	52.5	39.1	48.6	41.2
Unknown	17	3,764	54.8	47.5	19.6	22.8	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	7.6	3.7	21.4
Moderate	0	0	0.0	0.0	17.9	12.3	16.9
Middle	0	0	0.0	0.0	21.0	18.8	20.5
Upper	5	1,674	38.5	62.6	36.5	50.0	41.2
Unknown	8	1,001	61.5	37.4	17.0	15.2	0.0
Home Refinance Loans							
Low	0	0	0.0	0.0	4.8	2.2	21.4
Moderate	0	0	0.0	0.0	11.5	7.2	16.9
Middle	0	0	0.0	0.0	18.6	14.8	20.5
Upper	8	2,429	53.3	52.7	41.5	52.2	41.2
Unknown	7	2,182	46.7	47.3	23.6	23.7	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	5.7	2.0	21.4
Moderate	0	0	0.0	0.0	12.7	6.8	16.9
Middle	0	0	0.0	0.0	21.7	16.7	20.5
Upper	1	56	50.0	44.1	52.1	67.9	41.2
Unknown	1	71	50.0	55.9	7.8	6.6	0.0
Multifamily Loans							
Low	0	0	0.0	0.0	0.0	0.0	21.4
Moderate	0	0	0.0	0.0	0.0	0.0	16.9
Middle	0	0	0.0	0.0	0.0	0.0	20.5
Upper	0	0	0.0	0.0	0.0	0.0	41.2
Unknown	1	510	100.0	100.0	100.0	100.0	0.0

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA LAR filers.
[2] The percentage of families is based on 2010 ACS five-year estimates.
   (NOTE: Multifamily loans are not considered in the Borrower Analysis because individual incomes are not reported for such loans. Total percentages may vary due to automated rounding differences.)