

PUBLIC DISCLOSURE

June 12, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

KS StateBank
Certificate Number: 19899

1010 Westloop Place
Manhattan, Kansas 66502

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION.....	2
DESCRIPTION OF ASSESSMENT AREAS	4
SCOPE OF EVALUATION	4
CONCLUSIONS ON PERFORMANCE CRITERIA	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	13
STATE OF KANSAS.....	13
DESCRIPTION OF INSTITUTION’S OPERATIONS IN KANSAS.....	13
SCOPE OF EVALUATION – KANSAS	13
CONCLUSIONS ON PERFORMANCE CRITERIA IN KANSAS.....	13
MANHATTAN ASSESSMENT AREA – Full-Scope Review.....	16
WICHITA ASSESSMENT AREA – Full-Scope Review	25
STATE OF ARIZONA.....	34
DESCRIPTION OF INSTITUTION’S OPERATIONS IN ARIZONA.....	34
SCOPE OF EVALUATION – ARIZONA.....	36
CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA.....	36
APPENDICES.....	44
LARGE BANK PERFORMANCE CRITERIA.....	44
SCOPE OF EVALUATION.....	46
SUMMARY OF RATINGS FOR RATED AREAS	46
GLOSSARY	47

INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect excellent responsiveness to assessment areas’ credit needs.
- An adequate percentage of loans are made in the institution’s assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among business customers of different sizes and retail customers of different income levels.
- The institution has made an adequate level of community development loans.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated Low Satisfactory.

- The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

- The institution exhibits good responsiveness to credit and community development needs.
- The institution does not use innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals.
- Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and/or individuals.
- The institution provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

KS StateBank is a full-service financial institution headquartered in Manhattan, Kansas. The bank remains wholly owned by Manhattan Banking Corporation, a one-bank holding company, also located in Manhattan. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 15, 2020, based on Interagency Large Institution Examination Procedures.

KS StateBank currently operates six office locations, of which five are in Kansas and one is in Phoenix, Arizona. Three of the Kansas locations, the main office and two limited-service facilities, are in Manhattan. The remaining Kansas branches are full-service, and are located in Junction City and Wichita. Since the previous evaluation, the bank closed one limited-service branch in Manhattan in early 2022. The bank currently operates six ATMs, each co-located with an office facility. Additionally, the bank has a loan production office in Wichita, Kansas.

KS StateBank continues to offer commercial, home mortgage, agricultural, and consumer loans. The primary focus continues to be commercial and home mortgage lending. The bank also actively works with governmental and political subdivision entities to fund purchase arrangements and essential projects. These government financing obligations are offered on a nationwide basis.

The bank offers a variety of commercial loans, both conventional and those guaranteed through traditional Small Business Administration (SBA) programs, and the United States Department of Agriculture's (USDA) Business and Industry Program. The bank was an active originator of loans under the SBA's Paycheck Protection Program (PPP), which was established to provide relief financing to small businesses during the Coronavirus Disease 2019 (COVID-19) pandemic in 2020 and 2021. In total, the bank originated 932 PPP loans totaling \$119.3 million through this program.

For the first half of this evaluation period, the bank continued to operate an established and very active residential loan operation. Digital nationwide channels were used to offer a variety of home mortgage loans, most of which were sold on the secondary market. Through this operation, the bank originated a substantial nationwide volume of both conventional home loans, and loans through various government programs such as those offered by the Veterans Administration (VA), Federal Housing Administration (FHA), and the USDA’s Rural Housing Service (RHS)/Farm Service Agency (FSA). In 2020 and 2021, the bank originated over 7,450 secondary market home mortgage loans totaling \$2.6 billion. In December 2021, the bank sold this consumer home mortgage lending department. Although the bank is not currently offering these types of consumer home mortgage loans, the bank continues to actively originate home mortgage loans for rental homes and other investment purposes.

The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit.

KS StateBank’s total assets and loan portfolio composition remained fairly consistent throughout the review period. As of March 31, 2023, total assets were \$2.4 billion, total loans were \$1.9 billion, total deposits were \$2.1 billion, and total securities were \$418 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of March 31, 2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	130,445	6.7
Secured by Farmland	19,139	1.0
Secured by 1-4 Family Residential Properties	520,412	26.7
Secured by Multi-family (5 or more) Residential Properties	107,754	5.5
Secured by Non-farm Non-Residential Properties	643,397	33.0
Total Real Estate Loans	1,421,147	72.9
Commercial and Industrial Loans	214,983	11.0
Agricultural Production and Other Loans to Farmers	10,162	0.5
Consumer	8,556	0.4
Obligations of States and Political Subdivisions in the United States	167,209	8.6
Other Loans	14,665	0.8
Lease Financing Receivables (net of unearned income)	112,829	5.8
Less: Unearned Income	0	0.0
Total Loans	1,949,551	100.0
<i>Source: Reports of Condition and Income</i>		

Commercial and residential real estate lending remain the largest components of the bank’s total loan portfolio, at 44.0 and 32.2 percent, respectively. Although commercial lending is the largest component, small business loans comprise only a small percentage of this volume. Additionally, with the bank’s December 2021 sale of its consumer home mortgage lending department, most of the home mortgage loans remaining in the bank’s portfolio involve rental homes or homes for other investment purposes.

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet the credit needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank continues to designate three separate assessment areas. Two assessment areas are located in Kansas, which are referred to as the Manhattan Assessment Area and Wichita Assessment Area, and one assessment area is located in Arizona, which is referred to as the Phoenix Assessment Area. The Manhattan Assessment Area includes all of Riley, Geary, and Pottawatomie counties, which are the three counties that comprise the Manhattan, Kansas Metropolitan Statistical Area (MSA). The Wichita Assessment Area consists of Sedgwick County, which is within the Wichita, Kansas MSA. The Phoenix Assessment Area consists of Maricopa County, which is within the Phoenix-Mesa-Chandler, Arizona MSA. Detailed information regarding each assessment area and the two rated areas is provided in the subsequent sections. The following table illustrates a breakdown of loan and deposit business generated by the offices in each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Rated Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
State of Kansas						
Manhattan	767,469	40.0	1,282,404	64.2	4	66.6
Wichita	342,810	17.9	161,567	8.1	1	16.7
Kansas Subtotal	1,110,279	57.9	1,443,971	72.3	5	83.3
State of Arizona						
Phoenix	806,574	42.1	554,581	27.7	1	16.7
Total	1,916,853	100.0	1,998,552	100.00	6	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2022)

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 15, 2020, to the current evaluation dated June 12, 2023. Examiners used Interagency Large Institution Examination Procedures to evaluate KS StateBank’s CRA performance under the Lending Test, Investment Test, and Service Test. These Tests are used to determine both the bank’s overall rating as well as its state ratings for Kansas and Arizona. Examiners performed full-scope reviews to analyze the bank’s performance in all three assessment areas due the bank’s activities in both assessment areas in Kansas, and the examination procedures require that at least one assessment area in each state must receive such a review. However, examiners placed more weight on conclusions within the

state of Kansas, as this state accounts for the majority of lending, deposits, and branches. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's primary product lines include commercial and home mortgage lending. This conclusion considered the bank's business strategy, loan portfolio composition, and the number and dollar volume of loans originated during the evaluation period. Accordingly, examiners selected home mortgage and small business loans to review for certain criteria under the Lending Test. When arriving at overall conclusions, examiners placed somewhat more emphasis on home mortgage lending given the larger number and dollar volume of such loans in comparison to the bank's small business loan activity. Small farm and consumer loans were not reviewed since they do not represent major product lines. Similarly, the bank's notable government financing obligations activity was also not reviewed since it does not provide meaningful support for conclusions.

Examiners reviewed all of the bank's reported small business and Home Mortgage Disclosure Act (HMDA) loan activity for calendar years 2020, 2021, and 2022. The institution originated or purchased 925 small business loans totaling \$127.0 million in 2020, 658 small business loans totaling \$111.1 million in 2021, and 302 small business loans totaling \$78.9 million in 2022. Additionally, the institution originated or purchased 4,762 home mortgage loans totaling \$1.7 billion in 2020, 3,750 home mortgage loans totaling \$1.4 billion in 2021, and 775 home mortgage loans totaling \$267.6 million in 2022. For the Lending Test, examiners reviewed the universe of small business and home mortgage loans for the Assessment Area Concentration. For the Geographic Distribution and Borrower Profile criteria, examiners analyzed only those loans within the assessment areas. For the Borrower Profile criterion, the bank's 2022 home mortgage loans were not analyzed since most of the lending activity after the bank's December 2021 sale of the consumer home mortgage lending department are loans to business entities. This review would not allow for meaningful conclusions in determining the bank's home mortgage lending performance to LMI individuals.

Examiners used prescribed comparative data as the standard of comparison to determine the bank's lending performance. Aggregate data is the primary standard of comparison for both home mortgage and small business loans. Since 2021 is the most recent year of available aggregate data, this evaluation may occasionally only discuss data for 2021 if analyses of other years were not materially different or did not materially affect conclusions. Examiners also considered demographic data for the appropriate year, including census data (from the 2015 American Community Survey (ACS) and the 2020 U.S. Census) for home mortgage loans, and D&B data for small business loans. Although both the number and dollar volume of loans are reviewed, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served.

Retail banking products, services, and delivery systems, as well as community development lending, qualified investments, and community development services were all considered from the prior evaluation dated June 15, 2020, through the current evaluation dated June 12, 2023. The analysis included reviewing the innovativeness of the service, whether it serves LMI customers in new ways or groups of customers not previously served, and the degree to which they serve LMI

areas or individuals. Examiners also considered the institution's record of opening and closing branch offices, the hours of operation, and the accessibility and use of alternative systems for delivering retail banking services in LMI geographies and to LMI individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

KS StateBank demonstrates high satisfactory performance under the Lending Test. Conclusions regarding the bank's overall lending performance are consistent with the conclusions for both the state of Kansas and the state of Arizona.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. KS StateBank has maintained a strong loan-to-deposit ratio throughout the evaluation period, with an average net loan-to-deposit ratio of 91.5 percent over the 12 quarter-ends since the previous evaluation. KS StateBank has been an active lender by originating or purchasing a significant volume of home mortgage and small business loans in its assessment areas. For the combined assessment areas, 2021 aggregate data shows KS StateBank was in the top 10 percent of all lenders by number of loans originated or purchased, ranking 81st among 1,089 home mortgage lenders, and 27th among 313 small business lenders. A complete discussion of the bank's lending activity can be found in the separate assessment area sections of this evaluation.

Assessment Area Concentration

Overall, an adequate percentage of loans are made in the institution's assessment areas. Since the December 2021 sale of the bank's high-volume nationwide consumer home mortgage lending department, the majority of home mortgage and small business loans, both by number and dollar volume, are now inside the assessment areas. The following table shows these results.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	1,061	22.3	3,701	77.7	4,762	381,169	22.0	1,353,643	78.0	1,734,812
2021	966	25.8	2,784	74.2	3,750	378,051	26.4	1,056,539	73.6	1,434,590
2022	449	57.9	326	42.1	775	184,408	68.9	83,186	31.1	267,594
Subtotal	2,476	26.7	6,811	73.3	9,287	943,628	27.5	2,493,368	72.5	3,436,996
Small Business										
2020	746	80.6	179	19.4	925	95,948	75.5	31,092	24.5	127,040
2021	522	79.3	136	20.7	658	84,154	75.7	26,961	24.3	111,115
2022	225	74.5	77	25.5	302	58,565	74.2	20,364	25.8	78,929
Subtotal	1,493	79.2	392	20.8	1,885	238,667	75.3	78,417	24.7	317,084
Total	3,969	35.5	7,203	64.5	11,172	1,182,295	31.5	2,571,785	68.5	3,754,080
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the institution’s assessment areas. Performance throughout both rated areas is consistent with this conclusion. Emphasis under the Geographic Distribution criterion is placed on the bank’s record of lending in LMI census tracts. A complete discussion of the bank’s geographic distribution lending performance can be found in the separate assessment area sections of this evaluation.

Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. Although performance is poor in the state of Arizona, the bank’s performance in the state of Kansas supports the overall conclusion, which was given the greatest weight when assessing overall performance. For this criterion, examiners focused on loans to LMI borrowers and businesses with gross annual revenues of \$1 million or less. A complete discussion of the bank’s borrower profile lending performance can be found in the separate assessment area sections of this evaluation.

Innovative or Flexible Lending Practices

KS StateBank uses innovative and/or flexible lending practices in order to serve the credit needs of the assessment areas. During the evaluation period, the bank offered flexible programs institution-wide, including government guaranteed loans and sponsored Affordable Housing Program (AHP) loans offered through several government-sponsored agencies. The government guaranteed loans have involved those administered through the SBA, FHA, VA, and USDA’s RHS/FSA loan programs. The AHP loans have involved programs offered through the Federal Home Loan Bank and the Missouri Housing and Development Commission. All of these types of loans require extra

effort by bank personnel compared to conventional loans, and these loans help borrowers who might not otherwise qualify for credit.

Additionally, the bank has been an active originator of loans through SBA programs, including the PPP, which involved flexible underwriting due to unique financial strains on businesses and their employees as a result of the COVID-19 pandemic. There were no innovative lending programs during the review period. The following table contains the bank’s total number and dollar volume of loans originated under each program during the evaluation period. Additional details regarding the bank’s innovative or flexible lending practices are described in the discussion of the bank’s performance in each assessment area.

Innovative or Flexible Lending Programs										
Type of Program	2020		2021		2022		YTD 2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA	2	2,217	8	5,669	3	16,764	4	6,494	17	31,144
SBA PPP	593	85,356	339	33,943	-	-	-	-	932	119,299
FHA	53	11,565	43	10,376	-	-	-	-	96	21,941
VA	1,993	809,484	1,356	576,043	-	-	-	-	3,349	1,385,527
USDA RHS/FSA	11	1,777	11	1,399	-	-	-	-	22	3,176
Totals	2,652	910,399	1,757	627,430	3	16,764	4	6,494	4,416	1,561,087

Source: Bank Records

Community Development Loans

Overall, KS StateBank made an adequate level of community development loans. Performance is adequate in the state of Kansas, which received the most weight. While performance in the state of Arizona is relatively high, it did not elevate the overall rating. Since the previous evaluation, the bank’s level of community development loans declined in the state of Kansas, but notably increased in the state of Arizona. During the review period, the bank originated or purchased a total of 66 community development loans totaling \$94.4 million, the majority of which were in Arizona.

KS StateBank’s overall volume of community development loans equates to 4.9 percent of net loans, and 3.9 percent of total assets as of March 31, 2023. This represents a modest increase in volume since the prior evaluation. The bank’s community development lending activity is within the range of similarly situated institutions, whose ratios of community development loans to total assets ranged from 1.0 percent to 13.6 percent.

The following tables show the breakdown of the bank’s community development loans by assessment area, qualifying category, and year. Although activity in the broader statewide areas of Kansas and Arizona did not directly benefit the assessment areas, they received consideration because the bank has been responsive to the community development needs of its assessment areas. Additional details regarding the bank’s community development lending activities are described in the discussion of the bank’s performance in each assessment area.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Manhattan	3	6,382	1	74	3	1,133	1	3,200	8	10,789
Wichita	10	11,507	-	-	-	-	2	2,780	12	14,287
Phoenix	9	19,686	1	91	3	17,524	15	27,336	28	64,637
Statewide Kansas	-	-	1	935	-	-	7	2,128	8	3,063
Statewide Arizona	-	-	6	1,076	-	-	4	553	10	1,629
Total	22	37,575	9	2,176	6	18,657	29	35,997	66	94,405
<i>Source: Bank Data</i>										

Community Development Lending by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	4	5,662	2	102	-	-	8	2,822	14	8,586
2021	12	17,540	5	1,847	3	10,124	10	14,427	30	43,938
2022	6	14,373	1	169	3	8,533	8	16,220	18	39,295
2023 (YTD)	-	-	1	58	-	-	3	2,528	4	2,586
Total	22	37,575	9	2,176	6	18,657	29	35,997	66	94,405
<i>Source: Bank Data</i>										

INVESTMENT TEST

KS StateBank demonstrates low satisfactory performance under the Investment Test. The bank's performance in the state of Kansas supports this conclusion, which received the most weight. While the level of qualified investments is notably higher in the state of Arizona, it did not elevate the overall rating.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. During the evaluation period, KS StateBank received credit for \$37.3 million in qualified investment and grant activity. This volume is similar to that noted in the previous evaluation.

KS StateBank's qualifying investments represented 8.9 percent of total securities, and 1.5 percent of total assets as of March 31, 2023. The bank's investment activity is within the range of similarly situated institutions, whose ratios of qualified investments to total assets ranged from 0.2 percent to 2.5 percent.

The following tables detail the bank's qualified investments by assessment area, qualifying category, and year. The majority of investment activity is in Arizona. Although investments in the broader statewide areas of Kansas and Arizona did not directly benefit the assessment areas, they

received consideration because the bank has been responsive to the community development needs of its assessment areas. Further details regarding qualified investments are provided in the discussion of the bank’s performance in each assessment area.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Manhattan	-	-	63	114	1	1	10	5,512	74	5,627
Wichita	2	1,625	9	10	1	0	3	5	15	1,640
Phoenix	1	1,435	16	46	-	-	2	17,317	19	18,798
Statewide Kansas	-	-	-	-	-	-	10	1,516	10	1,516
Statewide Arizona	-	-	12	7,393	-	-	4	2,373	16	9,766
Total	3	3,060	100	7,563	2	1	29	26,723	134	37,347

Source: Bank Data

Qualified Investments by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	125	1	774	-	-	3	10,732	5	11,631
2020 (Partial)	-	-	4	2,125	-	-	1	131	5	2,256
2021	-	-	2	518	-	-	9	1,596	11	2,114
2022	-	-	5	3,977	-	-	2	13,632	7	17,609
2023 (YTD)	2	2,935	-	-	-	-	4	623	6	3,558
Subtotal	3	3,060	12	7,394	-	-	19	26,714	34	37,168
Grants & Donations	-	-	88	170	2	1	10	8	100	179
Total	3	3,060	100	7,564	2	1	29	26,722	134	37,347

Source: Bank Data

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and community development needs. This is supported by the bank’s investments in affordable housing initiatives, community services, and revitalization and/or stabilization activities, which are primary needs throughout the assessment areas.

Community Development Initiatives

The institution does not use innovative and/or complex investments to support community development initiatives. The investments purchased during the evaluation period or held from a prior period are routinely provided by private investors, and do not evidence innovation or complexity.

SERVICE TEST

KS StateBank demonstrates high satisfactory performance under the Service Test. Although performance is adequate in the state of Arizona, the bank's performance in the state of Kansas supports the overall conclusion, which was given the greatest weight when assessing overall performance.

Accessibility of Delivery Systems

KS StateBank's delivery systems are reasonably accessible to essentially all portions of its assessment areas. The bank's service delivery systems include six traditional retail banking offices, each with an ATM, as well as alternative delivery methods. At the previous evaluation, the bank's distribution of offices and ATMs was considered highly satisfactory based on a comparison to 2015 ACS data, which showed that roughly a third of the bank's branches and ATMs were in LMI tracts.

Since the previous evaluation, the bank's 1 branch and 5 ATM closures had little or no impact on LMI areas, as the distribution still showed that exactly a third of remaining offices/ATMs (2 of 6 total) were in LMI census tracts based on 2015 ACS data. With the 2020 U.S. Census updates, which applied starting the analysis year of 2022, both of the LMI census tracts in which the bank retained offices were re-categorized from LMI to now middle-income, so the bank no longer has any branches or ATMs in LMI census tracts. Nonetheless, the 2020 U.S. Census data set shows that all six of the bank's current branches and ATMs are in census tracts that border LMI census tracts. Therefore, the bank's physical delivery systems are deemed reasonably accessible, including to LMI individuals and geographies.

In addition to its physical branches and ATMs, the bank offers alternate delivery systems to enhance accessibility to financial services. The bank offers electronic delivery systems that include telephone, mobile, text, and internet banking. Bank customers have 24-hour telephone access, through which customers can verify balances, transfer funds between accounts, make loan payments, and obtain other account information. Mobile banking is available for customers to access account information; transfer funds; and make loan payments, bill payments, and deposits. Additionally, text banking is available for customers to receive text balance alerts. Further, the bank's website includes general information on products and services, allows the user to open an account, and provides customers access to online banking services, including accessing account information, making transfers, and making loan and bill payments. A loan production office is also available in the Wichita Assessment Area. Overall, the delivery systems are reasonably accessible to geographies and individuals of all different income levels in all assessment areas.

Changes in Branch Locations

During the review period, the bank closed only one branch, which was a Manhattan limited-service facility. The closure has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Further details regarding this branch closure is provided in the discussion of the bank's performance in the Manhattan Assessment Area.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and/or individuals. Further, branch hours and services are convenient and reasonable in comparison to other financial institutions operating in the assessment areas. Nearly all offices offer extended hours through drive-up windows or weekend hours on Saturday. KS StateBank offers a wide variety of deposit and loan products, as well as other services, at all full-service office locations. These services meet the needs of the bank’s various market areas.

Community Development Services

KS StateBank provides a relatively high level of community development services. During the evaluation period, the bank received credit for 110 community development services, all of which reflect good responsiveness to the community development needs of the assessment areas. This level of activity represents a modest increase from the previous evaluation and is within the range of similarly situated institutions, whose community development services ranged from 85 to 355 during recent evaluation periods.

The following tables detail the bank’s qualified community development services by assessment area, qualifying category, and year. Further details regarding qualified community development services are provided in the discussion of the bank’s performance in each assessment area.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Manhattan	2	64	16	4	86
Wichita	-	3	8	-	11
Phoenix	3	5	5	-	13
Total	5	72	29	4	110

Source: Bank Data

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	-	21	9	1	31
2021	1	15	6	1	23
2022	2	19	9	2	32
2023 (YTD)	2	17	5	-	24
Total	5	72	29	4	110

Source: Bank Data

In addition to the above noted community development services, the bank offers Automated Clearing House (direct deposit or debit capabilities), and remote deposit services to non-profit organizations free of cost. These free services were provided to several organizations that provide support primarily to LMI individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

STATE OF KANSAS

CRA RATING FOR KANSAS: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN KANSAS

KS StateBank continues to have two assessment areas in the state of Kansas, which includes the Manhattan Assessment Area, and Wichita Assessment Area. Refer to the corresponding sections of this evaluation for further details on these areas.

SCOPE OF EVALUATION – KANSAS

Examiners evaluated the bank's CRA performance for the state of Kansas through reviews of the Manhattan Assessment Area and the Wichita Assessment Area. Although both areas have significant home mortgage and small business lending activity, the evaluation gave greater weight to overall conclusions derived from the Manhattan Assessment Area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN KANSAS

LENDING TEST

KS StateBank demonstrated high satisfactory performance under the Lending Test in the state of Kansas. Performance is consistent for both assessment areas in this state.

Lending Activity

Lending levels reflect excellent responsiveness to the credit needs in the assessment areas. This conclusion is supported by high market shares for both home mortgage and small business lending in both assessment areas, whether by rankings with other reporting lenders or by comparison to the bank's deposit market share in the related assessment areas.

Geographic Distribution

Overall, the geographic distribution of loans reflects good penetration throughout the assessment areas in Kansas. Although the Wichita Assessment Area's performance was excellent, the bank's adequate performance in the Manhattan Assessment Area carried the most weight.

Borrower Profile

Overall, the distribution of borrowers reflects good penetration among businesses of different sizes and retail customers of different income levels in Kansas. The bank's performance in the Manhattan Assessment Area carried the most weight, which was above that of the Wichita Assessment Area.

Innovative or Flexible Lending Practices

KS StateBank uses innovative and/or flexible lending practices to serve the credit needs of the assessment areas. The bank used flexible lending programs offered through government-sponsored agencies such as FHA, VA, and USDA/FSA during the review period in this state. From calendar years 2020 through 2022, the bank made 34 FHA loans totaling \$5.4 million, 142 VA loans totaling \$34.5 million, and 13 USDA/FSA rural development housing loans totaling \$1.7 million in the Kansas assessment areas. For these same two years, the bank also made 523 small business loans through the SBA PPP in the Kansas assessment areas.

Community Development Loans

KS StateBank made an adequate level of community development loans in Kansas. Performance is adequate in the Manhattan Assessment Area, which received the most weight. While performance in the Wichita Assessment Area is relatively high, it did not elevate the overall conclusion. The bank made 20 community development loans totaling \$25.1 million within the two Kansas assessment areas, and 8 community development loans totaling \$3.1 million in the Kansas statewide area. This level of lending shows a notable decrease since the prior evaluation, but nonetheless continues to show good responsiveness to identified community development needs, including affordable housing, economic development, and revitalization and/or stabilization.

INVESTMENT TEST

KS StateBank demonstrated adequate performance under the Investment Test in the state of Kansas. Performance is consistent for both Kansas assessment areas.

Investment and Grant Activity

KS StateBank has an adequate level of qualified community development investments and grants in the state of Kansas. The bank made or maintained 89 qualified investments/grants totaling \$7.3 million in the Kansas assessment areas. This is a modest increase in volume from the previous evaluation. Since the bank has been responsive to the community development investment needs of

its two Kansas assessment areas, examiners considered an additional 10 qualified investments totaling \$1.5 million in the broader statewide area of Kansas.

Responsiveness to Credit and Community Development Needs

KS StateBank exhibits good responsiveness to credit and community development needs in the state of Kansas. Refer to each assessment area for specific examples of the bank's responsiveness to available opportunities in relation to assessment area credit and community development needs.

Community Development Initiatives

KS StateBank does not use innovative and/or complex investments to support community development initiatives.

SERVICE TEST

KS StateBank demonstrated a high satisfactory performance under the Service Test in the state of Kansas. The bank's performance in the Manhattan Assessment Area carried the most weight, which was above that of the Wichita Assessment Area

Accessibility of Delivery Systems

KS StateBank's delivery systems are reasonably accessible to essentially all portions of the assessment areas in Kansas. The bank's branch distribution and alternative delivery systems for Kansas are consistent with those already presented for the institution overall.

Changes in Branch Locations

During the review period, the bank closed only one branch, which was located in the Manhattan Assessment Area. This closure has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI geographies and/or individuals, within the state of Kansas. Performance is consistent with that already presented for the institution overall.

Community Development Services

KS StateBank provides a relatively high level of community development services in the Kansas assessment areas. Although not innovative or complex, the bank received credit for 97 community development services within its Kansas assessment areas. This level of community development services represents a slight increase from the prior evaluation. Refer to the related sections of this evaluation for details on the qualifying purposes and specific examples of activity in each Kansas assessment area.

MANHATTAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MANHATTAN ASSESSMENT AREA

The Manhattan Assessment Area includes all of Riley, Geary, and Pottawatomie counties, which collectively comprise the entire Manhattan, Kansas MSA. This assessment area accounts for approximately 40 percent of the bank’s overall lending activity, and two-thirds of the bank’s deposits and office facilities. The bank expanded this assessment area since the previous evaluation to include whole counties rather than portions of counties. The bank’s headquarters as well as three additional branches are located in this assessment area. The following section details economic and demographic data based on 2020 U.S. Census data and 2022 D&B data.

Economic and Demographic Data

The recent update from the 2015 ACS data to the 2020 U.S. Census data resulted in some changes to the number and related income designations of various census tracts, but no major shifts or overall trends were noted. The Manhattan Assessment Area currently consists of 33 census tracts, of which 3 are low-income, 6 are moderate-income, 13 are middle-income, 9 are upper-income, and 2 do not have income designations. The following table illustrates select demographic characteristics of this assessment area.

Demographic Information of the Assessment Area						
Manhattan Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	9.1	18.2	39.4	27.3	6.1
Population by Geography	134,046	6.8	22.7	36.7	31.6	2.2
Housing Units by Geography	56,330	6.5	19.8	39.5	33.2	1.0
Owner-Occupied Units by Geography	23,860	2.9	12.4	39.1	45.5	0.2
Occupied Rental Units by Geography	24,767	8.4	27.6	39.3	22.7	1.9
Vacant Units by Geography	7,703	11.7	17.4	41.6	28.6	0.7
Businesses by Geography	8,029	7.4	11.2	42.2	38.5	0.6
Farms by Geography	512	2.7	11.7	49.6	35.9	0.0
Family Distribution by Income Level	29,779	21.4	17.1	21.4	40.2	0.0
Household Distribution by Income Level	48,627	22.7	16.7	19.6	40.9	0.0
Median Family Income MSA - 31740 Manhattan, KS MSA		\$70,357	Median Housing Value			\$171,390
			Median Gross Rent			\$939
			Families Below Poverty Level			11.0%

*Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2022 D&B data, service industries represent the largest portion of businesses in the assessment area at 39.2 percent, followed by non-classifiable establishments (14.2 percent), and retail trade (12.7 percent). In addition, 63.7 percent of area businesses have four or fewer employees, and 85.1 percent operate from a single location.

Examiners used 2020 and 2023 Federal Financial Institutions Examination Council (FFIEC)-updated median family income figures for the Manhattan, Kansas MSA to analyze home mortgage loans under the Borrower Profile criterion, and to review for certain qualifying community development activities. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Manhattan, KS MSA Median Family Income (31740)				
2020 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2021 (\$69,500)	<\$34,750	\$34,750 to <\$55,600	\$55,600 to <\$83,400	≥\$83,400
2022 (\$80,000)	<\$40,000	\$40,000 to <\$64,000	\$64,000 to <\$96,000	≥\$96,000
2023 (\$80,000)	<\$40,000	\$40,000 to <\$64,000	\$64,000 to <\$96,000	≥\$96,000
<i>Source: FFIEC</i>				

Competition

There is a moderate level of competition for financial services in the Manhattan Assessment Area. According to June 30, 2022 FDIC Deposit Market Share data, 21 financial institutions operate 54 branches within the assessment area. Of these institutions, KS StateBank ranked first in deposit market share with 32.4 percent of the assessment area’s deposits.

To illustrate the level of competition and demand for home mortgage and small business loans, 2021 HMDA and CRA aggregate lending data shows numerous lenders originating or purchasing a significant number of loans in the assessment area. Specifically, 243 lenders reported 5,751 residential mortgage loans in the assessment area. KS StateBank ranked first out of this group, with a market share of 5.3 percent. Additionally, 59 lenders reported 1,500 small business loans in the assessment area, and KS StateBank ranked second out of this group, with a market share of 15.5 percent.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, examiners determined that small business and home mortgage loans represent primary credit needs in the assessment area. Opportunities exist for originating such loans, as indicated by the percentages of small businesses and housing units in the assessment area. In addition, community development needs include affordable housing, economic development, community services, and revitalization and/or stabilization.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MANHATTAN ASSESSMENT AREA

LENDING TEST

KS StateBank demonstrated high satisfactory performance under the Lending Test in this assessment area. The bank's Lending Activity and Borrower Profile performance supports this conclusion.

Lending Activity

KS StateBank's lending activity in the Manhattan Assessment Area reflects excellent responsiveness to assessment area credit needs. According to 2021 aggregate data, the most recent year available, the bank has continued to hold top market shares for the number of reported loans in this assessment area, ranking 1st for home mortgage loans (with a market share of 5.3 percent), and 2nd for small business loans (with a market share of 15.5 percent).

Of the bank's 2021 reported loans within all of its assessment areas, 49.4 percent of small business loans, and 31.6 percent of home mortgage loans, by number volume, were in this assessment area. This lending activity consisted of 258 small business loans totaling \$21.3 million, and 305 home mortgage loans totaling \$63.6 million. The 2022 lending activity reflects similar patterns for small business lending, but shows a significant decline in home mortgage lending due to the bank's December 2021 sale of the consumer home mortgage lending department.

Geographic Distribution

KS StateBank's geographic distribution of loans reflects adequate penetration throughout the assessment area. Although the small business performance is good, the bank's adequate home mortgage lending performance primarily supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. The bank's performance in 2020 and 2021, when there were no low-income tracts, is reasonably proportionate to demographic and aggregate data. Performance in 2022 shows a notable improvement, as the bank's lending significantly exceeds demographic data in moderate-income tracts, and modestly exceeds demographic data in the newly categorized low-income census tracts. The following table shows the distribution results.

Geographic Distribution of Small Business Loans						
Manhattan Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	7.4	--	10	10.5	716	4.5
Moderate						
2020	25.2	24.6	85	22.6	7,616	21.2
2021	24.2	21.5	46	17.8	3,353	15.7
2022	11.2	--	21	22.1	4,188	26.5
Middle						
2020	40.6	37.9	147	39.1	11,695	32.6
2021	40.0	40.6	106	41.1	8,903	41.7
2022	42.2	--	31	32.6	3,221	20.4
Upper						
2020	33.5	37.3	143	38.0	16,418	45.8
2021	35.3	37.6	106	41.1	9,079	42.6
2022	38.5	--	33	34.7	7,668	48.6
Not Available						
2020	0.7	0.2	1	0.3	136	0.4
2021	0.6	0.3	0	0.0	0	0.0
2022	0.6	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	376	100.0	35,865	100.0
2021	100.0	100.0	258	100.0	21,335	100.0
2022	100.0	--	95	100.0	15,793	100.0

*Source: D&B Data, Bank Data, and CRA Aggregate Data for all stated years; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The bank's lending performance in moderate-income tracts is reasonably proportionate to aggregate data in both 2020 and 2021.

In 2022, the home mortgage lending involved only rental or other investment homes; therefore, examiners additionally compared the bank's lending performance to corresponding rental unit demographics. The bank's lending performance modestly exceeded those demographics in the low-income tracts (11.4 percent compared to 8.5 percent), and notably lagged those demographics in the moderate-income tracts (13.6 percent compared to 27.6 percent.) Considering the overall results,

the geographic distribution of home mortgage loans reflects adequate penetration in LMI tracts. The following table reflects the distribution results.

Geographic Distribution of Home Mortgage Loans						
Manhattan Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	2.9	--	10	11.4	849	4.9
Moderate						
2020	14.8	12.5	40	12.7	5,202	5.8
2021	14.8	13.7	33	10.8	3,627	5.7
2022	12.4	--	12	13.6	2,563	14.7
Middle						
2020	45.4	37.3	105	33.3	19,904	22.3
2021	45.4	38.0	114	37.4	24,194	38.0
2022	39.1	--	33	37.5	2,618	15.0
Upper						
2020	39.5	49.8	168	53.3	63,255	70.9
2021	39.5	47.9	154	50.5	31,883	50.1
2022	45.5	--	32	36.4	11,375	65.2
Not Available						
2020	0.3	0.4	2	0.6	878	1.0
2021	0.3	0.5	4	1.3	3,882	6.1
2022	0.2	--	1	1.1	30	0.2
Totals						
2020	100.0	100.0	315	100.0	89,239	100.0
2021	100.0	100.0	305	100.0	63,586	100.0
2022	100.0	--	88	100.0	17,435	100.0

Source: 2015 ACS and 2020 U.S. Census Data, Bank Data, and HMDA Aggregate Data for all stated years; "--" data not available.
Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. The bank's home mortgage lending performance is the driver for this conclusion.

Small Business Loans

The distribution of small business loans reflects adequate penetration to businesses with revenues of \$1 million or less. The bank's lending performance significantly trails both aggregate and demographic data in 2020 and 2021. However, the bank's lending included PPP loans, which did not require the collection of revenue information. When examiners removed the PPP loans to provide a more meaningful comparison, the bank's lending patterns were comparable to aggregate data. This adjusted analysis shows that the bank's penetration to businesses with revenues of \$1 million or less was 67.2 percent in 2020, and 53.3 percent in 2021, both of which are similar to the bank's 2022 lending levels. The following table shows the distribution results.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Manhattan Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	77.3	48.3	84	22.3	8,630	24.1
2021	80.1	43.5	49	19.0	6,943	32.5
2022	80.4	--	48	50.5	5,809	36.8
>\$1,000,000						
2020	5.6	--	40	10.6	7,938	22.1
2021	4.8	--	37	14.3	8,037	37.7
2022	4.6	--	36	37.9	9,466	59.9
Revenue Not Available						
2020	17.1	--	252	67.0	19,297	53.8
2021	15.1	--	172	66.7	6,355	29.8
2022	14.9	--	11	11.6	518	3.3
Totals						
2020	100.0	100.0	376	100.0	35,865	100.0
2021	100.0	100.0	258	100.0	21,335	100.0
2022	100.0	--	95	100.0	15,793	100.0
<i>Source: D&B Data, Bank Data, and CRA Aggregate Data for all stated years; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration to LMI borrowers. In 2020 and 2021, the bank's lending levels are almost exactly proportionate to aggregate data in both the LMI categories, with a slightly higher penetration to moderate-income borrowers in 2021. The following table shows the distribution results.

Distribution of Home Mortgage Loans by Borrower Income Level						
Manhattan Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.5	2.7	8	2.5	714	0.8
2021	19.5	3.5	10	3.3	1,301	2.0
Moderate						
2020	21.6	12.5	39	12.4	5,022	5.6
2021	21.6	13.8	46	15.1	6,671	10.5
Middle						
2020	20.9	18.1	70	22.2	10,982	12.3
2021	20.9	20.6	70	23.0	11,670	18.4
Upper						
2020	38.0	36.8	142	45.1	32,566	36.5
2021	38.0	32.2	131	43.0	30,106	47.3
Not Available						
2020	0.0	29.9	56	17.8	39,956	44.8
2021	0.0	29.8	48	15.7	13,838	21.8
Totals						
2020	100.0	100.0	315	100.0	89,239	100.0
2021	100.0	100.0	305	100.0	63,586	100.0

*Source: 2015 ACS Data, Bank Data, 2020 & 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

Innovative or Flexible Lending Practices

KS StateBank uses innovative and/or flexible lending practices in order to serve the assessment area's credit needs. The bank used flexible lending programs offered through government-sponsored agencies such as FHA, VA, and USDA/FSA during the review period in this assessment area. From calendar years 2020 through 2022, the bank made 23 FHA loans totaling \$3.9 million, 104 VA loans totaling \$25.6 million, and 12 USDA/FSA rural development housing loans totaling \$1.7 million in the Manhattan Assessment Area. Additionally, during 2020 and 2021, the bank made 417 small business loans totaling \$25.4 million through the SBA's PPP within this assessment area.

Community Development Loans

KS StateBank made an adequate level of community development loans in the Manhattan Assessment Area, considering the bank's resources and business strategies, area competition, and available opportunities. The bank originated or renewed eight such loans totaling \$10.8 million during the evaluation period that benefited this assessment area. This volume reflects a notable decrease since the prior evaluation, reaching only about a third of the previous volume. Nonetheless, the current level of activity is considered adequate and responsive to assessment area

needs. The loans primarily promoted affordable housing, and revitalization and/or stabilization. The following are notable examples of community development loans provided in the Manhattan Assessment Area.

- The bank provided \$3.2 million in financing for the expansion of a business in a moderate-income census tract. This project had a stabilizing effect, as it helped attract and/or retain businesses or residents in this LMI area.
- The bank provided a \$1.1 million PPP loan to a small business to help meet payroll and maintain operations during the COVID-19 pandemic. This small business provides over 100 jobs, most of which are to LMI individuals.

INVESTMENT TEST

KS StateBank demonstrated adequate performance under the Investment Test in the Manhattan Assessment Area. Performance under Investment and Grant Activity primarily supports this conclusion.

Investment and Grant Activity

KS StateBank has an adequate level of qualified community development investments and grants in the Manhattan Assessment Area. The noted investment activity primarily supports revitalization and/or stabilization, and community services targeted to LMI individuals. During the evaluation period, the bank received credit for three revitalization investments totaling \$5.5 million, and 71 donations totaling \$118,000. Most of the donations were to organizations that provide community services targeted to LMI individuals and families. This volume of activity is \$1 million higher than the prior evaluation. The following are notable examples of qualifying investment activity in this assessment area.

- The bank provided over \$160,000 in financing through general obligation notes to help fund road improvements in a moderate-income census tract.
- The bank had a substantial prior period investment to build and operate housing units in an area in need of revitalization/stabilization. The investment had a current book value of \$5.2 million as of the date of this evaluation.

Responsiveness to Credit and Community Development Needs

KS StateBank exhibits good responsiveness to credit and community development needs in the Manhattan Assessment Area. This is reflected through the bank's investments that support revitalization and/or stabilization and community services targeted to LMI individuals and families.

Community Development Initiatives

KS StateBank does not use innovative and/or complex investments to support community development initiatives.

SERVICE TEST

KS StateBank demonstrated high satisfactory performance under the Service Test in the Manhattan Assessment Area. Performance under Community Development Services primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of this assessment area. The branch distribution and alternative delivery systems for this assessment area are consistent with those already presented for the bank's overall performance.

Changes in Branch Locations

During the review period, the bank closed a limited-service facility in Manhattan, Kansas. The branch closure was in a census tract categorized as middle-income based on 2015 ACS data, and the census tract has since been updated as moderate-income based on 2020 U.S. Census data. As previously mentioned, this closure has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies and/or individuals. Performance is consistent with the bank's overall performance as previously described.

Community Development Services

KS StateBank is a leader in providing community development services in the Manhattan Assessment Area. During the evaluation period, the bank received credit for 86 qualifying services, which is a slight increase from the 73 services noted at the previous evaluation. A majority of the current activity is related to community services targeted to LMI individuals, and demonstrates a consistent impact over multiple years during the evaluation period. Although not particularly innovative or complex, the community service efforts demonstrate the bank's responsiveness to assessment area needs. Examples of community development services provided by bank personnel in this assessment area are detailed below.

- A bank representative is an executive board member for an area organization that works to provide and improve affordable housing specifically for LMI individuals and families.
- A bank officer serves on the board of an area organization that provides various support programs and services for the local homeless population.
- A bank employee served on the board of a local economic development organization serving a predominantly LMI area, and used their financial expertise in arranging funding for initiatives to attract businesses to the area and facilitate permanent job creation.

WICHITA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WICHITA ASSESSMENT AREA

The Wichita Assessment Area consists of all of Sedgwick County, which is the heart of the 4-county Wichita, Kansas MSA. This assessment area contains one branch and one loan production office. This area accounts for 17.9 percent of the bank’s overall lending activity, and 8.1 percent of overall bank deposits. Additionally, since the bank’s December 2021 sale of the consumer mortgage loan department, the Wichita Assessment Area shows two to three times as many of the bank’s reported home mortgage loans compared to the other two assessment areas. There have been no changes to this assessment area since the previous evaluation other than the demographic updates detailed below.

Economic and Demographic Data

The recent update from the 2015 ACS data to the 2020 U.S. Census data resulted in some changes to the number and related income designations of various census tracts, but no major shifts or overall trends were noted. The Wichita Assessment Area currently consists of 135 census tracts, of which 8 are low-income, 42 are moderate-income, 49 are middle-income, 34 are upper-income, and 2 do not have income designations. The following table illustrates select demographic characteristics of this assessment area.

Demographic Information of the Assessment Area						
Wichita Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	135	5.9	31.1	36.3	25.2	1.5
Population by Geography	523,824	3.8	27.7	36.2	31.6	0.7
Housing Units by Geography	220,638	4.7	30.9	36.0	27.3	1.1
Owner-Occupied Units by Geography	124,213	2.1	21.6	40.2	36.0	0.2
Occupied Rental Units by Geography	75,107	7.5	42.4	31.9	15.9	2.3
Vacant Units by Geography	21,318	10.0	44.4	26.0	17.1	2.4
Businesses by Geography	36,719	2.6	22.6	32.7	39.0	3.1
Farms by Geography	1,174	0.9	15.8	35.4	46.6	1.2
Family Distribution by Income Level	126,223	20.3	18.6	21.0	40.1	0.0
Household Distribution by Income Level	199,320	23.6	17.6	17.7	41.1	0.0
Median Family Income MSA - 48620 Wichita, KS MSA		\$74,120	Median Housing Value			\$142,797
			Median Gross Rent			\$838
			Families Below Poverty Level			9.2%

*Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2022 D&B data, service industries represent the largest portion of businesses in the assessment area at 38.3 percent, followed by non-classifiable establishments (16.5 percent), and retail trade (12.4 percent). In addition, 62.8 percent of area businesses have four or fewer employees, and 88.1 percent operate from a single location.

Examiners used 2020-2023 FFIEC-updated median family income figures for the Wichita, Kansas MSA to analyze home mortgage loans under the Borrower Profile criterion, and to review for certain qualifying community development activities. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Wichita, KS MSA Median Family Income (48620)				
2020 (\$71,800)	<\$35,900	\$35,900 to <\$57,440	\$57,440 to <\$86,160	≥\$86,160
2021 (\$73,200)	<\$36,600	\$36,600 to <\$58,560	\$58,560 to <\$87,840	≥\$87,840
2022 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
2023 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
<i>Source FFIEC</i>				

Competition

There is a high level of competition for financial services in the Wichita Assessment Area. According to June 30, 2022 FDIC Deposit Market Share data, 37 financial institutions operate 157 branches within the assessment area. Of these institutions, KS StateBank ranked 14th in deposit market share, with 0.9 percent of the assessment area’s deposits.

To illustrate the level of competition and demand for home mortgage and small business loans, 2021 HMDA and CRA aggregate data shows many lenders originating or purchasing numerous loans in the assessment area. Specifically, 344 lenders reported 23,898 home mortgage loans in the assessment area. KS StateBank ranked 32nd out of this group, with a market share of 0.9 percent. Additionally, 109 lenders reported 9,705 small business loans in the assessment area, and KS StateBank ranked 22nd out of this group, with a market share of 0.8 percent.

Community Contact

Examiners contact community members or other third parties in the assessment area to help gain insight into the area’s economy, demographic trends, and business environment. This information may help in identifying credit and community development needs, and also assists in determining whether local financial institutions are responsive to those needs.

A contact actively serving businesses in the area indicated that despite ongoing inflation and labor market challenges, the economy remains stable, with most area businesses successfully adjusting their operations to maintain ongoing profitability. The primary credit needs of the area continue to include business, home mortgage, and other consumer-related loans. The contact indicated that competition for banking services in the area is strong, and that with so many financial institutions actively serving the community, the credit needs of the area are being adequately served. Nonetheless, the contact indicated that there is always an ongoing need for quality financial

education curriculum of all types. In addition to personal and homeowner financing education, this would also include small business curriculum on how to launch a start-up, how to sustain operations during challenges, and how to successfully expand operations when the time is right.

Credit and Community Development Needs and Opportunities

Examiners utilized information detailed in this section to determine the primary credit and community development needs of the assessment area. Considering demographic and economic data, examiners determined that home mortgage and small business loans represent the primary credit needs in this assessment area, with opportunities for such loans indicated by aggregate data and demographics on the number of housing units and small businesses. Additionally, demographics reveal that the community development needs include affordable housing and other community services for LMI individuals, revitalization and stabilization of LMI geographies, and economic development for small businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE WICHITA ASSESSMENT AREA

LENDING TEST

KS StateBank demonstrates high satisfactory performance in this assessment area. This conclusion is supported by the bank's performance in Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Loans.

Lending Activity

KS StateBank's lending activity in the Wichita Assessment Area reflects excellent responsiveness to assessment area credit needs. The bank continues to hold solid market shares for the number of reported loans in this assessment area. According to 2021 aggregate data, the bank ranked 32nd out of 344 lenders for home mortgage loans, and 22nd out of 109 lenders for small business loans.

Of the bank's 2021 reported loans within all of its assessment areas, by number volume, 15.9 percent of small business loans, and 23.0 percent of home mortgage loans were in this assessment area. This lending activity consisted of 83 small business loans totaling \$13.8 million, and 222 home mortgage loans totaling \$55.6 million. Lending activity for 2022 reflects similar patterns for small business lending, and an increase in home mortgage lending. The 2022 home mortgage data, which consists entirely of rental and/or other investment homes, shows that 55.9 percent of the bank's total reported home mortgage loans, by number volume, are within the Wichita Assessment Area.

Geographic Distribution

KS StateBank's overall geographic distribution of loans reflects excellent penetration throughout the Wichita Assessment Area. The bank's home mortgage lending performance primarily supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. The bank's lending levels consistently exceed both aggregate and demographic

data in the low-income tracts, and are reasonably proportionate to aggregate data in the moderate-income tracts. Overall, small business lending reflects good performance given the bank's notable consistent penetration in the low-income tracts.

Geographic Distribution of Small Business Loans						
Wichita Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	6.1	6.4	18	11.8	3,072	15.7
2021	5.9	6.0	6	7.2	931	6.7
2022	2.6	--	3	5.6	1,610	14.2
Moderate						
2020	28.4	28.0	39	25.5	7,292	37.3
2021	26.9	26.9	22	26.5	6,530	47.3
2022	22.6	--	8	14.8	2,173	19.2
Middle						
2020	27.1	25.2	40	26.1	4,682	23.9
2021	26.2	25.4	18	21.7	2,521	18.3
2022	32.7	--	25	46.3	4,289	38.0
Upper						
2020	38.4	40.5	56	36.6	4,522	23.1
2021	41.0	41.6	37	44.6	3,826	27.7
2022	39.0	--	17	31.5	2,796	24.7
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	3.1	--	1	1.9	433	3.8
Totals						
2020	100.0	100.0	153	100.0	19,568	100.0
2021	100.0	100.0	83	100.0	13,808	100.0
2022	100.0	--	54	100.0	11,301	100.0

*Source: D&B Data, Bank Data, and CRA Aggregate Data for all stated years; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. The bank's lending performance in LMI tracts notably exceeds both aggregate and demographic data in both 2020 and 2021.

In 2022, after the bank’s December 2021 sale of the consumer home mortgage department, all of the home mortgage lending involves rental and/or investment homes. Therefore, examiners compared the bank’s 2022 performance to corresponding rental property demographics. This comparison showed that the bank’s lending patterns are reasonably proportionate to rental property demographics. Specifically, the bank’s performance lags demographic data in the low-income tracts (4.0 percent compared to 7.5 percent), and slightly exceeds demographic data in the moderate-income tracts (45.8 percent compared to 42.4 percent.) Considering the bank’s overall home mortgage lending, the geographic distribution performance is excellent.

Geographic Distribution of Home Mortgage Loans						
Wichita Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	5.8	2.3	16	6.2	6,109	9.3
2021	5.8	3.1	20	9.0	2,177	3.9
2022	2.1	--	10	4.0	1,189	2.4
Moderate						
2020	19.6	13.7	61	23.5	12,414	18.9
2021	19.6	14.5	79	35.6	22,683	40.8
2022	21.6	--	115	45.8	19,300	39.1
Middle						
2020	29.0	25.8	85	32.7	22,843	34.9
2021	29.0	28.2	58	26.1	12,580	22.6
2022	40.2	--	96	38.2	21,550	43.6
Upper						
2020	45.6	58.2	98	37.7	24,167	36.9
2021	45.6	54.2	65	29.3	18,153	32.7
2022	36.0	--	29	11.6	7,339	14.9
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.2	--	1	0.4	40	0.1
Totals						
2020	100.0	100.0	260	100.0	65,533	100.0
2021	100.0	100.0	222	100.0	55,593	100.0
2022	100.0	--	251	100.0	49,418	100.0
<i>Source: 2015 ACS and 2020 U.S. Census Data, Bank Data, and HMDA Aggregate Data for all stated years; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. The bank's small business and home mortgage performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects overall adequate penetration to businesses with revenues of \$1 million or less. The following table shows the bank's lending performance notably trails both aggregate and demographic data in 2020 and 2021. However, the bank's lending included PPP loans, which did not require the collection of revenue information. Removing the PPP loans reveals the bank's lending performance is comparable to demographic data. This adjusted analysis shows that the bank's penetration to businesses with revenues of \$1 million or less was 72.7 percent in 2020, and 45.3 percent in 2021. Although the bank's 2022 performance still shows the same notable lag compared to demographic data, bank management indicated that one or two of the larger borrowers received multiple loans that year. Therefore, adjusting the analysis for the number of borrowers rather than simply the number of loans would show a more proportionate comparison to corresponding demographic data. Considering these factors, the bank's performance is adequate.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Wichita Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	79.9	40.1	56	36.6	9,049	46.2
2021	83.3	51.3	24	28.9	3,361	24.3
2022	83.4	--	18	33.3	3,363	29.8
>\$1,000,000						
2020	7.3	--	21	13.7	2,699	13.8
2021	5.8	--	26	31.3	6,307	45.7
2022	5.6	--	32	59.3	7,454	66.0
Revenue Not Available						
2020	12.8	--	76	49.7	7,820	40.0
2021	11.0	--	33	39.8	4,140	30.0
2022	11.1	--	4	7.4	484	4.3
Totals						
2020	100.0	100.0	153	100.0	19,568	100.0
2021	100.0	100.0	83	100.0	13,808	100.0
2022	100.0	--	54	100.0	11,301	100.0
<i>Source: D&B Data, Bank Data, and CRA Aggregate Data for all stated years; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration to LMI borrowers. The following table shows the majority of the bank’s home mortgage activity is in the “Not Available” income category. This is because much of the bank’s home mortgage loan activity in this assessment area consists of investment property loans to borrowers that are business entities rather than individuals. Therefore, examiners conducted some additional analysis to account for the higher level of loans without applicable income to gain further insight.

For the adjusted analysis, examiners eliminated a proportionate number of the bank’s loans in the “Not Available” income category to align the bank’s activity in this category with aggregate levels, and to allow for a more meaningful comparison on the remaining income categories. This adjusted analysis for 2021 changed the bank’s penetration from 2.7 to 6.2 percent in the low-income category, and from 6.3 to 14.6 percent in the moderate-income category. A similar adjustment for 2020 data yielded similar results, but resulted in a stronger penetration in the moderate-income category. Since the noted adjustments decreased all of the originally noted lags in performance, the bank’s overall lending performance is adequate.

Distribution of Home Mortgage Loans by Borrower Income Level						
Wichita Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	21.7	5.9	7	2.7	728	1.1
2021	21.7	6.9	6	2.7	540	1.0
Moderate						
2020	17.7	17.2	49	18.8	6,981	10.7
2021	17.7	16.8	14	6.3	1,811	3.3
Middle						
2020	20.9	19.7	36	13.8	6,419	9.8
2021	20.9	19.5	9	4.1	1,498	2.7
Upper						
2020	39.8	34.1	51	19.6	8,157	12.4
2021	39.8	29.9	41	18.5	8,455	15.2
Not Available						
2020	0.0	23.1	117	45.0	43,248	66.0
2021	0.0	26.8	152	68.5	43,289	77.9
Totals						
2020	100.0	100.0	260	100.0	65,533	100.0
2021	100.0	100.0	222	100.0	55,593	100.0

*Source: 2015 ACS, Bank Data, 2020 & 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%*

Innovative or Flexible Lending Practices

KS StateBank uses innovative and/or flexible lending practices in order to serve the assessment area's credit needs. The bank used flexible lending programs offered through government-sponsored agencies such as FHA, VA, and USDA/FSA during the review period in this assessment area. From calendar years 2020 through 2022, the bank made 11 FHA loans totaling \$1.5 million, 38 VA loans totaling \$8.9 million, and 1 USDA/FSA rural development housing loan totaling \$98,000 in the Wichita Assessment Area. Additionally, during 2020 and 2021, the bank made 106 small business loans totaling \$11.8 million through the SBA's PPP within this assessment area.

Community Development Loans

KS StateBank made a relatively high level of community development loans in the Wichita Assessment Area, considering the bank's resources and business strategies, area competition, and available opportunities. The bank originated or renewed 12 loans totaling \$14.3 million during the evaluation period that benefited this assessment area. Although this reflects a decline in volume from the previous evaluation, the bank's current community development lending reflects good responsiveness to the area's community development needs. The noted loans primarily promoted affordable housing, and revitalization and stabilization efforts. The following are examples of the community development loans provided in the Wichita Assessment Area.

- In 2021, the bank provided \$4.3 million in financing to an apartment complex that uses low-income housing tax credits to provide over 100 affordable housing units to qualifying LMI individuals and families.
- The bank provided \$1.3 million in financing to purchase, improve, and create an anchor business in an industrial building in a low-income census tract. This project supports revitalization of the area through the noted improvements and eventual job creation for LMI residents.

INVESTMENT TEST

KS StateBank demonstrates adequate performance under the Investment Test in the Wichita Assessment Area. Performance under Investment and Grant Activity, and Responsiveness to Credit and Community Development Needs primarily supports this conclusion.

Investment and Grant Activity

KS StateBank has an adequate level of qualified community development investments and grants in the Wichita Assessment Area. During the evaluation period, the bank had \$1.6 million in qualifying activity in the assessment area. This is a notable increase in volume from the prior evaluation. Current qualifying activity included 2 investment securities and 13 donations, most of which were to qualifying organizations providing community services targeted to LMI individuals and families. The following securities comprise the substantial majority of the noted volume.

- The bank invested \$1.5 million in a multifamily property that uses low-income housing tax credits to provide over 200 affordable housing units to LMI individuals and families.
- The bank had a prior period investment in a mortgage-backed security that supported

affordable housing, as the security is securitized entirely by home mortgage loans to LMI individuals and families.

Responsiveness to Credit and Community Development Needs

KS StateBank exhibits good responsiveness to credit and community economic development needs in the Wichita Assessment Area. This is reflected through the bank's investments that support affordable housing and other services targeted to LMI individuals and families.

Community Development Initiatives

KS StateBank does not use innovative and/or complex investments to support community development initiatives.

SERVICE TEST

KS StateBank demonstrated low satisfactory performance under the Service Test in the Wichita Assessment Area. Performance under Community Development Services and Accessibility of Delivery Systems primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of this assessment area. Branch distribution and alternative delivery methods are consistent with those already discussed in the bank's overall performance.

Changes in Branch Locations

During the evaluation period, no changes were made with regard to opening and/or closing branches in this assessment area.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies and/or individuals. Performance is consistent with that already presented for the overall institution.

Community Development Services

KS StateBank provides an adequate level of community development services in the Wichita Assessment Area, with 11 qualifying services. This level of activity is similar to the services noted at the prior evaluation. The current qualifying services demonstrate a consistent impact over multiple years during the evaluation period, and support both economic development and community services to LMI individuals. The following are notable examples.

- A bank representative serves as a director for an organization that provides community services targeted to at-risk youth who are from low-income families and in need of rehabilitative social services, including housing and remedial education.
- A bank representative serves as a member of the loan board of directors for an organization that provides SBA 504 loans. The bank representative uses financial expertise to underwrite and approve these loans, which support small business economic development.

STATE OF ARIZONA

CRA RATING FOR ARIZONA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

KS StateBank's Phoenix Assessment Area consists of all of Maricopa County, which is part of the Phoenix-Mesa-Chandler, Arizona MSA. The Phoenix Assessment Area includes one branch, and accounts for 42.1 percent of the bank's overall lending activity, and 27.7 percent of overall deposits. There have been no changes to this assessment area since the previous evaluation other than the demographic updates detailed below.

Economic and Demographic Data

The recent update from the 2015 ACS data to the 2020 U.S. Census data resulted in some changes to the number and related income designations of various census tracts, but no major shifts or overall trends were noted. The Phoenix Assessment Area currently consists of 1,009 census tracts, of which 64 are low-income, 259 are moderate-income, 314 are middle-income, 348 are upper-income, and 24 do not have an income designation. The following table illustrates select demographic characteristics of this assessment area.

Demographic Information of the Assessment Area						
Phoenix Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,009	6.3	25.7	31.1	34.5	2.4
Population by Geography	4,420,568	5.8	25.6	32.6	35.4	0.6
Housing Units by Geography	1,765,880	5.4	26.5	33.5	34.3	0.4
Owner-Occupied Units by Geography	1,008,487	2.6	20.6	34.7	41.9	0.1
Occupied Rental Units by Geography	588,297	10.0	35.6	31.6	22.1	0.7
Vacant Units by Geography	169,096	5.6	29.3	32.5	32.0	0.6
Businesses by Geography	936,819	4.0	18.3	28.2	48.9	0.6
Farms by Geography	14,841	4.4	20.3	29.9	44.7	0.7
Family Distribution by Income Level	1,047,899	20.4	17.9	20.0	41.7	0.0
Household Distribution by Income Level	1,596,784	22.3	16.9	18.5	42.3	0.0
Median Family Income MSA - 38060 Phoenix-Mesa-Chandler, AZ MSA		\$78,930	Median Housing Value			\$292,183
			Median Gross Rent			\$1,221
			Families Below Poverty Level			9.1%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2022 D&B data, non-classifiable establishments represent the largest portion of businesses in the assessment area at 34.1 percent; followed by service industries (32.4 percent); and finance, insurance, and real estate (12.6 percent). In addition, 57.9 percent of area businesses have four or fewer employees, and 96.4 percent operate from a single location.

Examiners used 2020-2023 FFIEC-updated median family income figures for the Phoenix-Mesa-Chandler, Arizona MSA to analyze home mortgage loans under the Borrower Profile criterion, and to review for certain qualifying community development activities. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Phoenix-Mesa-Chandler, AZ MSA Median Family Income (38060)				
2020 (\$77,800)	<\$38,900	\$38,900 to <\$62,240	\$62,240 to <\$93,360	≥\$93,360
2021 (\$79,000)	<\$39,500	\$39,500 to <\$63,200	\$63,200 to <\$94,800	≥\$94,800
2022 (\$88,800)	<\$44,400	\$44,400 to <\$71,040	\$71,040 to <\$106,560	≥\$106,560
2023 (\$88,800)	<\$44,400	\$44,400 to <\$71,040	\$71,040 to <\$106,560	≥\$106,560
<i>Source FFIEC</i>				

Competition

There is an exceptionally high level of competition for financial services in the Phoenix Assessment Area. According to June 30, 2022 FDIC Deposit Market Share data, 61 financial institutions operate 674 branches within the assessment area. Of these institutions, KS StateBank ranked 25th in deposit market share, with 0.3 percent of the assessment area's deposits.

To illustrate the level of competition and demand for home mortgage and small business loans, the 2021 HMDA and CRA aggregate data shows several lenders originating or purchasing numerous loans in the assessment area. Specifically, 994 lenders reported 383,319 home mortgage loans in the assessment area. KS StateBank ranked 139th out of this group, with a market share of 0.1 percent. Additionally, 303 lenders reported 134,418 small business loans in the assessment area. KS StateBank ranked 52nd out of this group, with a market share of 0.1 percent.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, examiners determined that small business and home mortgage loans represent primary credit needs in the assessment area. Opportunities exist for originating such loans, as indicated by the percentages of small businesses and families in the assessment area. In addition, community development needs include affordable housing, economic development, community services, and revitalization and/or stabilization.

SCOPE OF EVALUATION – ARIZONA

Examiners evaluated the bank's CRA performance for the State of Arizona through a full-scope review of the Phoenix Assessment Area. Although lending in this assessment area represents close to half of the bank's overall lending, this assessment area received slightly less weight relative to the State of Kansas. Refer to the Scope section for the overall institution for additional details.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA

LENDING TEST

KS StateBank demonstrates high satisfactory performance under the Lending Test in the Phoenix Assessment Area. The bank's Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Loans performance supports this conclusion.

Lending Activity

KS StateBank's lending activity in the Phoenix Assessment Area reflects excellent responsiveness to assessment area credit needs. The 2021 and 2022 data shows that this assessment area consistently has the highest dollar volume of the bank's reported small business and home mortgage loans, with at least twice that of any other assessment area for any given product or year, and ranks within the top 10 percent of all reporting lenders according to 2021 aggregate data. The bank also continues to hold reasonable market shares for the number of reported loans in this assessment area, ranking 139th out of 994 lenders for home mortgage loans, and 52nd out of 303 lenders for small business loans.

Of the total number of all the bank's 2021 reported loans within all of its assessment areas, 34.7 percent of small business loans, and 45.4 percent of home mortgage loans, by number volume, were in this assessment area. This lending activity consisted of 181 small business loans totaling \$49.0 million, and 439 home mortgage loans totaling \$258.9 million. The 2022 lending activity reflects similar patterns for small business lending, but shows a notable drop in home mortgage lending due to the bank's December 2021 sale of its consumer home mortgage loan department. However, even with the drop in activity, the dollar volume of home mortgage loans in the Phoenix Assessment Area was still 63.7 percent of the bank's total for all assessment areas in 2022. Overall, the level of lending activity is considered excellent, particularly given the exceptionally high level of banking competition in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the Phoenix Assessment Area. The bank's home mortgage lending performance primarily supports this conclusion.

Small Business Loans

As shown in the following table, the geographic distribution of small business loans reflects excellent penetration throughout the assessment area. The bank's lending performance in LMI tracts significantly exceeds demographic and aggregate data for all years reviewed.

Geographic Distribution of Small Business Loans						
Phoenix Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	7.2	6.8	40	18.4	9,904	24.4
2021	7.0	6.6	33	18.2	10,580	21.6
2022	4.0	--	5	6.6	2,833	9.0
Moderate						
2020	15.0	16.6	60	27.6	13,416	33.1
2021	15.2	16.2	44	24.3	11,205	22.9
2022	18.3	--	30	39.5	13,216	42.0
Middle						
2020	29.9	26.6	52	24.0	7,516	18.6
2021	29.5	27.7	46	25.4	11,101	22.7
2022	28.2	--	18	23.7	5,868	18.6
Upper						
2020	47.3	49.3	65	30.0	9,679	23.9
2021	47.8	48.9	57	31.5	15,965	32.6
2022	48.9	--	22	28.9	8,954	28.5
Not Available						
2020	0.6	0.7	0	0.0	0	0.0
2021	0.5	0.7	1	0.6	160	0.3
2022	0.6	--	1	1.3	600	1.9
Totals						
2020	100.0	100.0	217	100.0	40,515	100.0
2021	100.0	100.0	181	100.0	49,011	100.0
2022	100.0	--	76	100.0	31,471	100.0
Source: D&B Data, Bank Data, and CRA Aggregate Data for all stated years; "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. For both 2020 and 2021, the bank's lending significantly exceeds aggregate data in the low-income tracts, and modestly trails aggregate data in the moderate-income tracts. In 2022, since the bank's loans consist solely of rental or investment homes after the sale of the consumer home mortgage department, examiners compared the bank's performance to corresponding rental property demographics. This comparison showed that the bank's lending patterns slightly exceed these demographics in LMI areas, with 12.7 percent penetration compared to 10.0 percent

demographics in low-income tracts, and 36.4 percent penetration compared to 35.6 percent demographics in the moderate-income tracts. The following table shows the distribution results.

Geographic Distribution of Home Mortgage Loans						
Phoenix Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	4.6	2.9	32	6.6	28,933	12.8
2021	4.6	3.6	55	12.5	45,068	17.4
2022	2.6	--	14	12.7	21,450	18.2
Moderate						
2020	18.8	13.0	45	9.3	23,401	10.3
2021	18.8	14.4	51	11.6	56,522	21.8
2022	20.6	--	40	36.4	46,879	39.9
Middle						
2020	34.7	34.1	103	21.2	44,249	19.5
2021	34.7	34.9	89	20.3	34,869	13.5
2022	34.7	--	23	20.9	17,005	14.5
Upper						
2020	41.9	49.4	306	63.0	129,814	57.3
2021	41.9	46.6	243	55.4	120,613	46.6
2022	41.9	--	33	30.0	32,221	27.4
Not Available						
2020	0.0	0.7	0	0.0	0	0.0
2021	0.0	0.5	1	0.2	1,800	0.7
2022	0.1	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	486	100.0	226,397	100.0
2021	100.0	100.0	439	100.0	258,872	100.0
2022	100.0	--	110	100.0	117,555	100.0

Source: 2015 ACS and 2020 U.S. Census Data, Bank Data, and HMDA Aggregate Data for all stated years; "--" data not available. Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects poor penetration among retail customers of different income levels and business customers of different sizes. The bank's small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects poor penetration to businesses with revenues of \$1 million or less. As was also noted at the previous evaluation, the bank’s lending performance to small businesses continues to significantly trail the corresponding aggregate and demographic data for all years reviewed. This distribution is shown in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Phoenix Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	93.1	40.1	23	10.6	5,449	13.4
2021	92.1	48.0	34	18.8	14,121	28.8
2022	93.0	--	23	30.3	10,261	32.6
>\$1,000,000						
2020	2.3	--	50	23.0	16,231	40.1
2021	1.8	--	71	39.2	24,738	50.5
2022	1.5	--	53	69.7	21,210	67.4
Revenue Not Available						
2020	4.7	--	144	66.4	18,835	46.5
2021	6.1	--	76	42.0	10,152	20.7
2022	5.5	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	217	100.0	40,515	100.0
2021	100.0	100.0	181	100.0	49,011	100.0
2022	100.0	--	76	100.0	31,471	100.0

*Source: D&B Data, Bank Data, and CRA Aggregate Data for all stated years; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The distribution of home mortgage loans reflects a poor penetration to LMI borrowers. As was also noted at the previous evaluation, the bank’s lending penetration to LMI borrowers continues to significantly trail both aggregate and demographic data. This distribution is shown in the following table.

Distribution of Home Mortgage Loans by Borrower Income Level						
Phoenix Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	21.8	4.5	9	1.9	1,327	0.6
2021	21.8	5.2	4	0.9	1,056	0.4
Moderate						
2020	16.9	16.1	45	9.3	9,472	4.2
2021	16.9	16.0	31	7.1	6,925	2.7
Middle						
2020	19.2	20.3	71	14.6	19,686	8.7
2021	19.2	20.1	56	12.8	19,080	7.4
Upper						
2020	42.2	40.7	249	51.2	96,662	42.7
2021	42.2	40.2	217	49.4	93,985	36.3
Not Available						
2020	0.0	18.4	112	23.0	99,251	43.8
2021	0.0	18.5	131	29.8	137,826	53.2
Totals						
2020	100.0	100.0	486	100.0	226,397	100.0
2021	100.0	100.0	439	100.0	258,872	100.0
<i>Source: 2015 ACS, Bank Data, 2020 & 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

Innovative or Flexible Lending Practices

KS StateBank uses innovative and/or flexible lending practices in order to serve the assessment area's credit needs. During the review period, the bank used flexible lending programs offered through government-sponsored agencies such as FHA and VA in this assessment area. From calendar years 2020 through 2022, the bank made 4 FHA loans totaling \$1.1 million, and 94 VA loans totaling \$43.0 million in the Phoenix Assessment Area. The bank also made several loans through SBA loan programs, including the PPP, which provided greater flexibility to businesses struggling due to the COVID-19 pandemic. During 2020 and 2021, the bank made 214 PPP loans totaling \$27.3 million within this assessment area.

Community Development Loans

KS StateBank made a relatively high level of community development loans in the Phoenix Assessment Area, considering the bank's resources and business strategies, area competition, and available opportunities. The bank originated or renewed 28 loans totaling \$64.6 million during the evaluation period that benefited this assessment area. These loans primarily promoted affordable housing, economic development, and revitalization and/or stabilization. Since the bank has been responsive to the community development lending needs within its assessment area, examiners also

considered an additional 10 community development loans totaling \$1.6 million in the broader statewide area. The following are examples of the community development loans provided within the Phoenix Assessment Area.

- The bank provided \$2.5 million in factory equipment financing for a company that is located in a moderate-income census tract and provides jobs primarily for LMI individuals.
- The bank provided \$1.7 million in financing for the purchase of a strip mall building located in a low-income census tract. This financing had a stabilizing effect for the LMI area, as it helped to retain and attract new businesses.

INVESTMENT TEST

KS StateBank demonstrated high satisfactory performance under the Investment Test in the Phoenix Assessment Area. Performance under Investment and Grant Activity and Responsiveness to Credit and Community Development Needs primarily supports this conclusion.

Investment and Grant Activity

KS StateBank has a significant level of qualified community development investments in the Phoenix Assessment Area. The bank's qualifying investment activity in this assessment area consists of 3 securities totaling \$18.7 million, and 16 donations totaling \$46,000 to organizations serving primarily LMI individuals and families. These activities promoted community development through revitalization and/or stabilization, affordable housing, and community services. In addition to meeting the community development needs within this assessment area, the bank made 16 additional investments totaling \$9.8 million in Arizona's broader statewide area. The following are examples of qualified community development investments in the Phoenix Assessment Area.

- Through both a prior period bond and an additional bond in 2022, the bank had qualifying investments totaling \$17.3 million in a project that supported revitalization and/or stabilization by providing essential infrastructure in a LMI geography.
- The bank purchased a \$1.4 million mortgage-backed security that supports affordable housing, as the security is securitized entirely by home mortgage loans to LMI borrowers within the assessment area.

Responsiveness to Credit and Community Development Needs

KS StateBank exhibits good responsiveness to credit and community development needs in the Phoenix Assessment Area. This is reflected through the bank's investments that support revitalization and/or stabilization, affordable housing, and community services.

Community Development Initiatives

KS StateBank does not use innovative and/or complex investments to support community development initiatives.

SERVICE TEST

KS StateBank demonstrates low satisfactory performance under the Service Test in the Phoenix Assessment Area. Performance under Community Development Services and Accessibility of Delivery Systems primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of this assessment area. Branch distribution and alternative delivery methods are consistent with those already discussed for the institution's overall performance.

Changes in Branch Locations

During the evaluation period, no changes were made with regard to opening and/or closing branches in this assessment area.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies and/or individuals. Performance is consistent with that already presented for the bank overall.

Community Development Services

KS StateBank provides an adequate level of community development services in the Phoenix Assessment Area, with 13 qualifying services. These services demonstrate a consistent impact over multiple years during the evaluation period, and reflect good responsiveness to the assessment area's community development needs, including economic development, community services, and affordable housing. The following are notable examples.

- A bank representative serves on the loan committee for a small business finance organization that provides SBA 504 loans, which supports economic development for small businesses.
- A bank representative serves as an advisor to the board of an area organization whose sole function is to help provide and improve affordable housing to LMI individuals and families.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Time Period Reviewed:	June 15, 2020 to June 12, 2023
Product / Time Period Reviewed:	
Community Development Loans, Investments, and Services / June 15, 2020, to June 12, 2023	
Home Mortgage Loans / January 1, 2020, to December 31, 2022	
Small Business Loans / January 1, 2020, to December 31, 2022	
Small Farm Loans – Not Reviewed	

List of Assessment Areas and Type of Evaluation			
Assessment Area	Type of Evaluation	Branches Visited	Assessment Area Delineation Since Previous Evaluation
Manhattan	Full-scope	Main Office	Expanded to include whole (rather than partial) counties
Wichita	Full-scope	None	None
Phoenix	Full-scope	None	None

There are no lending affiliates; therefore, examiners did not review affiliate lending.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Kansas	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Arizona	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory

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.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan

funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.