

PUBLIC DISCLOSURE

September 17, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Bank and Trust Company
Certificate Number: 4664

217 North Main Street
Eureka, Kansas 67045

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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this category has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Home Bank and Trust Company's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The bank's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size and financial condition, as well as the credit needs of the assessment areas.
- The bank made a majority of its home mortgage and small business loans in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 7, 2012, to the current evaluation dated September 17, 2018. Examiners used Interagency Small Institution Examination Procedures to evaluate Home Bank and Trust Company's CRA performance.

The Interagency Small Institution Examination Procedures consists of a Lending Test that considers an institution's CRA performance according to the following criteria.

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Full-scope examination procedures were used for both of the institution's assessment areas, though the Sedgwick County assessment area received more weight in determining the overall conclusions for this evaluation because the bank originates a much higher volume of loans in Sedgwick County than Greenwood County. Both assessment areas are described in detail under the Description of Assessment Areas. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

The CRA emphasizes small farm, small business, and home mortgage loans, so the scope of the Lending Test generally includes reviewing all three of these lending categories if they are significant product lines for the bank. Examiners determined home mortgage and small business loans are significant product lines for the bank, so both of these lending categories were analyzed. The institution's small farm lending is very limited, so this category was not reviewed.

For the home mortgage loan analysis, the loans originated by the bank and reported on its Home Mortgage Disclosure Act (HMDA) Loan Application Registers for 2016 and 2017 were analyzed. Examiners did not identify any trends between 2016 and 2017 that materially affected the conclusions, so only the 2017 analysis is presented since this is the most recent year that aggregate data (a key standard of comparison for HMDA loans) is available.

For the small business loan analysis, examiners opted to review all small business loans originated by the bank in 2017 in order to ensure that both assessment areas were adequately represented in the analysis. D&B data for 2017 provided a standard of comparison for the small business loan review.

The analyzed loan activity is considered to be representative of the bank's home mortgage and small business lending performance since the previous evaluation. The home mortgage loan category received the most weight in the overall conclusions for this evaluation because the bank

originates more home mortgage loans than small business loans. In addition, the bank's HMDA data does not capture a significant portion of the bank's home mortgage lending activity since some of the bank's home mortgage loans sold on the secondary market are not HMDA reportable.

The following table shows the universe for each loan category reviewed. The tables presented throughout this evaluation show both the number and dollar volume of loans made within each lending category reviewed; however, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses being served.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Business	78	9,428	78	9,428
Home Mortgage 2016	132	16,174	132	16,174
Home Mortgage 2017	192	27,754	192	27,754

Source: Bank data, 2016 & 2017 HMDA data

DESCRIPTION OF INSTITUTION

Background

Home Bank and Trust Company is a full-service institution headquartered in Eureka, Kansas. The bank operates in Sedgwick County, which is located in south-central Kansas, and in Greenwood County, which is located in southeastern Kansas. The institution is wholly owned by Greenwood County Financial Services, Inc., a one-bank holding company. Home Bank and Trust Company received a Satisfactory rating at its prior FDIC CRA evaluation dated August 7, 2012, using Interagency Small Institution Examination Procedures.

Operations

Home Bank and Trust Company has six offices, with the main office and a limited-service facility in Eureka and a branch office in Severy, both of which are in Greenwood County. The other branch offices include two locations in Wichita and one location in Clearwater, both of which are in Sedgwick County. According to the 2015 American Community Survey (ACS) conducted by the United States Census Bureau, the Eureka, Severy, and Clearwater facilities are in middle-income census tracts and the Wichita offices are in upper-income census tracts. The only change in bank offices since the previous examination was the relocation of the Severy branch, which was moved to a newly constructed building about a block from the original location.

The institution focuses primarily on residential loans, and also offers commercial loans, agricultural loans, and consumer loans. Long-term fixed-rate residential loans are available through secondary market loan relationships. Home loan product offerings include conventional

loans and government-guaranteed affordable housing program loans. The bank also offers loans through two Small Business Administration programs. The bank provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, online bill pay, and five bank-owned automated teller machines (ATMs).

Ability and Capacity

Assets totaled approximately \$99 million as of June 30, 2018, and included total loans of \$83 million and total securities of \$5 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of June 30, 2018			
Loan Category		\$(000s)	%
Construction and Land Development		778	0.9
Secured by Farmland		1,017	1.2
Secured by 1-4 Family Residential Properties		35,920	43.2
Secured by Multifamily (5 or more) Residential Properties		2,558	3.1
Secured by Nonfarm Nonresidential Properties		23,523	28.3
Total Real Estate Loans		63,796	76.7
Commercial and Industrial Loans		12,078	14.5
Agricultural Loans		4,202	5.1
Consumer Loans		3,055	3.7
Other Loans		0	0.0
Less: Unearned Income		0	0.0
Total Loans		83,131	100.0
<i>Source: Reports of Condition and Income</i>			

As the preceding table shows, the largest components of the loan portfolio are residential loans (1-4 Family Residential and Multi-family Residential Properties), which comprise 46.3 percent of the portfolio, followed by commercial loans (Nonfarm-Nonresidential Properties and Commercial and Industrial Loans) at 42.8 percent.

In addition to the loans within its own portfolio, the bank originates and sells residential mortgage loans on the secondary market. These loans are not reflected in the above portfolio composition. In 2015, the bank sold \$8.5 million in residential mortgage loans on the secondary market. This activity increased significantly in subsequent years, with \$54.6 million in secondary market loans sold in 2016 and 2017 combined.

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet the credit needs of its 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. Home Bank and Trust Company has designated two assessment areas. One assessment area consists solely of Sedgwick County, where the Clearwater and Wichita offices are located. Sedgwick County is the heart of the five-county Wichita, Kansas Metropolitan Statistical Area (MSA). The other assessment area is comprised of non-metropolitan Greenwood County, where the Eureka and Severy offices are located. The following sections discuss demographic and economic information for the bank's assessment areas.

SEDGWICK COUNTY ASSESSMENT AREA

Economic and Demographic Data

The 2010 United States Census data was updated in 2017 by information gathered in the 2015 ACS. The demographic information derived from the 2015 ACS presented in this section was used to analyze lending activity in 2017. The 2010 Census data is not presented in this evaluation, though it was utilized to analyze 2016 home mortgage loan activity.

There are 124 census tracts in the Sedgwick County assessment area. The census tracts reflect the following income designations.

- 16 low-income tracts
- 35 moderate-income tracts
- 38 middle-income tracts
- 35 upper-income tracts

The assessment area's low- and moderate-income tracts are generally concentrated in or near the core of Wichita, with the middle- and upper-income tracts encompassing the city's outer reaches and suburban areas. The following table illustrates select demographic characteristics of the Sedgwick County assessment area.

Demographic Information of the Sedgwick County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	124	12.9	28.2	30.6	28.2	0.0
Population by Geography	506,529	9.7	24.5	31.8	34.0	0.0
Housing Units by Geography	213,700	10.8	26.4	32.6	30.2	0.0
Owner-Occupied Units by Geography	123,624	6.0	19.3	32.9	41.7	0.0
Occupied Rental Units by Geography	69,337	16.7	35.5	33.9	14.0	0.0
Vacant Units by Geography	20,739	19.9	38.0	25.9	16.3	0.0
Businesses by Geography	26,083	7.2	27.9	31.7	33.2	0.0
Farms by Geography	874	2.6	12.5	27.1	57.8	0.0
Family Distribution by Income Level	124,645	21.7	17.7	20.9	39.8	0.0
Household Distribution by Income Level	192,961	24.3	16.8	18.3	40.6	0.0
Median Family Income – Wichita, Kansas MSA		\$64,897	Median Housing Value			\$123,957
			Median Gross Rent			\$745
			Families Below Poverty Level			11.0%
<i>Source: 2015 ACS and 2017 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 2017 D&B data, there were 26,083 businesses in Sedgwick County. Gross Annual Revenues (GARs) for these businesses are below:

- 78.4 percent reported GARs of \$1 million or less.
- 8.5 percent reported GARs of more than \$1 million.
- 13.1 percent did not report revenue information.

The small business lending analysis under the Borrower Profile factor compares the distribution of businesses by GAR level. Service industries represented the largest portion of non-farm businesses in the assessment area at 47.5 percent; followed by retail trade (15.5 percent); and finance, insurance and real estate (10.4 percent). Finally, the D&B data shows that 66.5 percent of businesses in the AAs have four or fewer employees, and 84.7 percent operate from a single location.

The Federal Financial Institutions Examination Council (FFIEC) updates median family income figures annually. These updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The updated median family income level for the Wichita, Kansas MSA and the corresponding low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2016 (\$65,000)	<\$32,500	\$32,500 to <\$52,000	\$52,000 to <\$78,000	≥\$78,000
2017 (\$66,900)	<\$33,450	\$33,450 to <\$53,520	\$53,520 to <\$80,280	≥\$80,280
<i>Source: FFIEC</i>				

Per the 2015 ACS, there are 213,700 housing units in Sedgwick County. Of these, 57.9 percent are owner-occupied, 32.4 are occupied rental units, and 9.7 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Bank management indicated that economic conditions in Sedgwick County are very favorable, with businesses generally doing well and real estate values increasing. According to the Kansas Department of Labor, unemployment rates in Sedgwick County have declined from 4.5 percent in June 2017 to 4.1 percent as of June 2018. Unemployment rates are slightly higher in Sedgwick County than the statewide rates reported for Kansas (3.9 percent in June 2017 and 3.6 percent in June 2018).

Competition

There are a large number of financial institutions operating in Sedgwick County, and competition for financial services is considered strong. According to the FDIC Deposit Market Share data as of June 30, 2018, there are 39 financial institutions operating 164 branches in Sedgwick County. Of these institutions, Home Bank and Trust Company ranked 25th with a 0.4 percent deposit market share. Non-bank entities, such as credit unions, also provide significant competition in the area.

There is also strong competition for home mortgage loans among the mortgage lenders operating in the assessment area. Aggregate HMDA data for 2017 indicated that 271 mortgage lenders originated 12,061 HMDA reportable loans within Sedgwick County. Home Bank and Trust Company ranked 22nd overall, originating 1.1 percent of the HMDA reportable loans made in the assessment area.

Home Bank and Trust Company is not required to collect or report data on its small business lending, as the bank is below the total asset size for this requirement. Therefore, the analyses of small business loans under the Lending Test do not include comparisons to aggregate data. However, review of aggregate data for small business reporters (generally large institutions) provides a sense of the level of competition for these loan types in the assessment area. Aggregate data for 2016 (the most recent year for which data is available) shows that 71 lenders originated 7,038 small business loans in Sedgwick County. This information indicates that there is strong competition for small business loans.

Community Contact

To help gain insight into the area economy, demographic trends, business environment, and credit needs within the local community, examiners interview a member of the local community. This section includes observations made by representatives of economic development organizations and community-assistance groups that were interviewed prior to this examination.

One contact indicated that the economy within the Wichita, Kansas MSA is trending upward. The contact specifically noted that one aircraft manufacturer has announced plans for adding 1,000 new jobs, which is expected to spur total new employment of over 4,000 jobs when considering related increases in employment among small business suppliers in the area. Another contact stated that businesses in the Wichita area appear to be doing well and the housing market is stable. The contact felt that there should be plenty of demand for both business and home loans in the Wichita area. Both contacts indicated that financial institutions are meeting the credit needs of the community. Though, another contact did express a need for more low-income housing, financial assistance, and economic development resources; particularly in the northern portion of Wichita.

Information from community contacts, bank management, and demographic and economic data are utilized to ascertain the significant credit needs in the assessment area. Examiners determined that small business loans and home mortgage loans were the most significant credit needs in the Sedgwick County assessment area. The demand for small business loans is illustrated by the significant volume of small business loan origination activity reflected in aggregate data, and by comments from bank management and community contacts. The demand for home mortgage loans is supported by demographic data showing a considerable number of occupied housing units, by community contact comments on the housing market, and by aggregate HMDA data that shows a significant volume of home mortgage loan origination activity.

GREENWOOD COUNTY ASSESSMENT AREA

Economic and Demographic Data

Greenwood County is a rural county with low population. There are three census tracts in Greenwood County, and all three are categorized as middle-income according to the 2015 ACS. Since the previous evaluation, all three census tracts have been consistently designated as distressed due to population loss. The following table illustrates select demographic characteristics of the Greenwood County assessment area.

Demographic Information of the Greenwood County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	6,393	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	4,052	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,185	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	639	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,228	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	427	0.0	0.0	100.0	0.0	0.0
Farms by Geography	61	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,788	23.2	20.3	23.3	33.2	0.0
Household Distribution by Income Level	2,824	26.3	19.8	20.3	33.7	0.0
Median Family Income – Non-MSA Kansas		\$56,877	Median Housing Value			\$59,412
			Median Gross Rent			\$536
			Families Below Poverty Level			11.9%
<i>Source: 2015 ACS and 2017 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.</i>						

According to 2017 D&B data, there were 427 businesses in Greenwood County. GARs for these businesses are below.

- 76.6 percent reported GARs of \$1 million or less
- 4.0 percent reported GARs of more than \$1 million
- 19.4 percent did not report revenue information.

The small business lending analysis under the Borrower Profile factor compares the distribution of businesses by GAR level. Service industries represented the largest portion of non-farm businesses in the assessment area at 41.2 percent, followed by retail trade (14.5 percent), and construction (8.7 percent). Finally, the D&B data shows that 75.6 percent of all businesses in Greenwood County have four or fewer employees, and 85.7 percent operate from a single location.

The FFIEC updated median family income figures and the corresponding income categories used to analyze home mortgage loans under the Borrower Profile criterion are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2016 (\$57,300)	<\$28,650	\$28,650 to <\$45,840	\$45,840 to <\$68,760	≥\$68,760
2017 (\$60,300)	<\$30,150	\$30,150 to <\$48,240	\$48,240 to <\$72,360	≥\$72,360

Source: FFIEC

Per the 2015 ACS, there are 4,052 housing units in Greenwood County. Of these, 53.9 percent are owner-occupied, 15.8 are occupied rental units, and 30.3 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Bank management indicated that economic conditions are declining in Greenwood County. The number of farmers is decreasing. Farm operations are largely comprised of grass cattle now, rather than cow-calf operations, and there is very little row farming. Eureka also was hit by tornadoes in 2016 and 2018, which has further negatively impacted the area. According to the Kansas Department of Labor, unemployment rates in Greenwood County have declined from 4.4 percent in June 2017 to 3.6 percent as of June 2018.

Competition

There is considerable competition for financial services in Greenwood County, considering the limited population. According to the FDIC Deposit Market Share data as of June 30, 2018, there are 6 financial institutions operating 9 branches in Greenwood County. Of these institutions, Home Bank and Trust Company ranked 1st with a 31.0 percent deposit market share. Non-bank entities, such as Farm Credit, also compete for loans in the area.

Aside from the subject bank, there are two other banks with an office in Eureka. Aggregate HMDA data for these three institutions showed 46 reportable home mortgage loan originations in total, of which 19 were originated by the subject bank (ranked 2nd). Home Bank and Trust Company is the only bank operating in Severy.

Community Contact

A member of a local organization supporting the community was contacted during this examination. The contact indicated that the economy in Greenwood County is struggling. The primary industries in the area relate to agriculture, government, and the oil and gas industry. The agricultural industry and oil and gas industry are both experiencing downturns, though the oil and gas sector is showing some improvement. The contact said the two tornadoes damaged many homes and businesses in Eureka, which has also negatively impacted the local economy. Finally, local employers are struggling to find employees, as young people growing up in the area tend to migrate to larger cities for jobs.

The contact felt that home loans were the predominant credit need in the area. Business loans are needed to some extent, but demand may be limited as there are not many new businesses opening in the area. The contact was not certain about loan demand in the agricultural sector.

The contact felt that area financial institutions were generally meeting the credit needs of the community, though the individual thought it would be beneficial to the community if the area banks focused more efforts on making home loans. The individual also felt that offering loans through Small Business Administration programs is helpful for small businesses.

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage loans are the predominant credit need in Greenwood County. Small business loans and small farm loans are also needed to some extent. The demand for home loans is supported by comments by bank management and the community contact as well as housing-related demographic data.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Home Bank and Trust Company demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

Home Bank and Trust Company’s performance under this criterion is more than reasonable. In evaluating LTD ratio performance, the average of the bank’s quarterly net LTD ratios since the previous evaluation was calculated and analyzed in relation to the bank’s capacity to lend and the lending opportunities available in the assessment areas. As part of this analysis, the bank’s average net LTD ratio was compared to the ratios of similarly-situated banks. A bank was considered similarly situated based, in part, on its asset size, product mix, area served, geographic location, and branch structure.

Home Bank and Trust Company’s average net LTD ratio of 84.6 percent is higher than the ratios of the similarly-situated banks. The LTD ratio has generally trended upward since the last evaluation because loan growth outpaced deposit growth. Overall, based on the institution’s size, financial condition, and assessment area credit needs, performance under this criterion is more than reasonable. See the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2018 (\$000s)	Average Net LTD Ratio (%)
Home Bank and Trust Company, Eureka, Kansas	98,953	84.6
Conway Bank, Conway Springs, Kansas	106,193	76.9
Carson Bank, Mulvane, Kansas	117,715	60.2
Garden Plain State Bank, Wichita, Kansas	94,041	56.8
<i>Source: Reports of Condition and Income 9/30/2012 through 6/30/2018</i>		

Assessment Area Concentration

By number and dollar volume of loans, the bank made a majority of home mortgage and small business loans within its assessment areas. See the following table.

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	147	76.6	45	23.4	192	21,217	76.4	6,537	23.6	27,754
Small Business	66	84.6	12	15.4	78	6,948	73.7	2,480	26.3	9,428

Source: 2017 HMDA data, Bank records

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. This conclusion is supported by the bank's reasonable performance in the home mortgage lending category (weighted most heavily), and excellent performance in the small business loan category.

Because the Greenwood County assessment area only has middle-income census tracts, the analysis did not include the Greenwood County assessment area as the results would not provide meaningful conclusions. Therefore, only the reviewed loans in the Sedgwick County assessment area were reviewed for this factor. Examiners focused on the percentage of the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Sedgwick County assessment area. As shown in the table below, the bank's level of home mortgage lending in low-income census tracts is slightly lower than the aggregate data. The bank's level of home mortgage lending in moderate-income census tracts is slightly higher than aggregate data. Overall, the bank's level of lending is similar to aggregate data, reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.0	3.6	2	1.6	54	0.3
Moderate	19.3	16.6	23	18.0	1,332	6.7
Middle	32.9	33.6	35	27.3	5,231	26.1
Upper	41.7	46.2	68	53.1	13,403	66.9
Totals	100.0	100.0	128	100.0	20,020	100.0

*Source: 2015 ACS data, 2017 HMDA data
Due to rounding, totals may not equal 100.0.*

Small Business Loans

The geographic distribution of sampled small business loans reflects excellent dispersion throughout the Sedgwick County assessment area. As shown in the table below, the bank's level of small business lending in low-income census tracts exceeds demographics, and the bank's level of small business lending in moderate-income census tracts is well above demographics. The bank's performance is considered excellent.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.2	3	10.3	1,883	34.3
Moderate	27.9	13	44.8	2,193	40.0
Middle	31.7	4	13.8	206	3.8
Upper	33.2	9	31.0	1,207	22.0
Totals	100.0	29	100.0	5,489	100.0

*Source: 2017 D&B data, Bank data
Due to rounding, totals may not equal 100.0.*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment areas. The bank's reasonable performance in both the small business and home mortgage lending categories supports this conclusion.

The reviewed loans to borrowers in both assessment areas were used for this analysis. For this rating criterion, examiners compared the bank's lending patterns to demographics and aggregate data, when available. Examiners focused on the percentage by number of home mortgage loans extended to low- and moderate-income borrowers and the percentage by number of small businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is considered reasonable overall. The Sedgwick County and Greenwood County assessment areas were analyzed separately for this criterion. The findings for both counties supported the rating, though the Sedgwick County findings received more weight in determining the conclusions.

Sedgwick County Assessment Area

The bank's level of home mortgage lending to low-income borrowers (10.9 percent) in Sedgwick County is slightly above aggregate data (7.8 percent). The bank's level of lending to moderate-income borrowers (11.7 percent) is somewhat below, but fairly similar to the aggregate data (17.6 percent). Since both comparisons are similar, the bank's performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.7	7.8	14	10.9	1,153	5.8
Moderate	17.7	17.6	15	11.7	1,157	5.8
Middle	20.9	20.9	23	18.0	2,826	14.1
Upper	39.8	31.9	58	45.3	13,459	67.2
Not Available	0.0	21.8	18	14.1	1,425	7.1
Totals	100.0	100.0	128	100.0	20,020	100.0

*Source: 2015 ACS, 2017 HMDA data
Due to rounding, totals may not equal 100.0.*

Greenwood County Assessment Area

As the following table shows, none of the reviewed loans were made to low-income borrowers in Greenwood County. In comparison, 9.9 percent of aggregate loans were to low income borrowers. The lack of loans to low-income borrowers in this assessment area reflects weak performance, while the level of lending to moderate-income borrowers is reasonable. The bank's performance is still considered reasonable overall given the small number of loans originated in Greenwood County.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.2	9.9	0	0.0	0	0.0
Moderate	20.3	9.9	2	10.5	46	3.8
Middle	23.3	26.7	6	31.6	307	25.6
Upper	33.2	40.6	11	57.9	844	70.5
Not Available	0.0	12.9	0	0.0	0	0.0
Totals	100.0	100.0	19	100.0	1,197	100.0

*Source: 2015 ACS, 2017 HMDA data
Due to rounding, totals may not equal 100.0.*

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The reasonable performance in the Sedgwick County assessment area (weighted higher) and the excellent performance in the Greenwood County assessment area support this conclusion.

Sedgwick County Assessment Area

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less in Sedgwick County. As shown below, 79.3 percent of the reviewed loans were extended to businesses with GARs of \$1 million or less, which is similar to the D&B data. This level of lending reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	78.4	23	79.3	4,383	79.9
>1,000,000	8.5	6	20.7	1,106	20.1
Revenue Not Available	13.1	0	0.0	0	0.0
Total	100.0	29	100.0	5,489	100.0

Source: 2017 D&B data, Bank data

Greenwood County Assessment Area

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less in Greenwood County. As shown below, 97.3 percent of the reviewed loans were extended to businesses with GARs of \$1 million or less, which greatly exceeds D&B data. This level of lending reflects excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	76.6	36	97.3	1,274	87.3
>1,000,000	4.0	1	2.7	185	12.7
Revenue Not Available	19.4	0	0.0	0	0.0
Total	100.0	37	100.0	1,459	100.0
<i>Source: 2017 D&B data, Bank data</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

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.

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.

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).

Family Income: Includes the income of all members of a family that are age 15 and older.

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 Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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.

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: 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.

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 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.

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.