PUBLIC DISCLOSURE

June 21, 2022

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Kanza Bank
Certificate Number: 13157

151 North Main Street
Kingman, Kansas 67068

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

TABLE OF CONTENTS

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **<u>Satisfactory</u>.**

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 neighborhoods, in a manner consistent with its resources and capabilities.

The bank's performance under all applicable criteria supports the overall rating. The following points summarize this performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

- A majority of the home mortgage, small farm, and small business loans reviewed are located inside the assessment areas.

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms and businesses of different sizes.

- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion was not evaluated.

DESCRIPTION OF INSTITUTION

Kanza Bank is a full-service community bank headquartered in Kingman, Kansas. Kanza Financial Corporation, a one-bank holding company also located in Kingman, wholly owns the bank. Kanza Bank received a Satisfactory rating under the Interagency Small Institution Examination Procedures at the prior FDIC performance evaluation dated July 8, 2019.

The bank continues to operate four full-service offices and one loan production office throughout four contiguous counties in south central Kansas. There have been no branch openings or closings since the previous evaluation.

The bank offers home mortgage, agricultural, commercial, and consumer loans. Agricultural and home mortgage loans, including loans for rental homes, are primary credit products. The bank also has a significant volume of commercial loans. The bank offers traditional conventional loan products as well as loans through government loan programs such as the Small Business Administration (SBA), Veterans Administration, and Federal Housing Administration.

The bank has also been an active originator of loans under the SBA's Paycheck Protection Program (PPP), which was established in 2020 to provide relief to small businesses during the COVID-19

pandemic. The bank has originated over 300 PPP loans totaling $14.8 million since the program's inception.

Kanza Bank provides a variety of deposit services including checking, savings, and money market deposit accounts, as well as certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, and several bank-owned ATMs.

According to the March 31, 2022, Reports of Condition and Income (Call Report), the institution reported total assets of $298 million, total deposits of $261 million, and total loans of $170 million. The following table illustrates the noted loan portfolio.

Loan Portfolio Distribution		
Loan Category	$(000s)	%
Construction, Land Development, and Other Land Loans	3,802	2.2
Secured by Farmland	18,244	10.7
Secured by 1-4 Family Residential Properties	63,008	37.0
Secured by Multi-family (5 or more) Residential Properties	6,342	3.7
Secured by Non-Farm Non-Residential Properties	60,047	35.2
Total Real Estate Loans	**151,443**	**88.9**
Commercial and Industrial Loans	11,372	6.7
Agricultural Production and Other Loans to Farmers	5,635	3.3
Consumer	1,859	1.1
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	59	0.0
Less: Unearned Income	0	0.0
Total Loans	**170,368**	**100.0**
Source: Call Report dated March 31, 2022		

The largest components of the portfolio, as shown above, are commercial loans at 41.9 percent of the portfolio, followed by residential loans at 40.7 percent. Although the commercial loan volume is significant, small business loans comprise less than a majority of this volume. Also, in addition to the loans within the portfolio, the bank also originates a significant volume of residential loans that are subsequently sold into the secondary market, and these loans are not reflected in the Call Report. Bank records indicate the bank has originated and sold over $20 million in these secondary market loans since the previous evaluation. This sold volume coupled with the residential loan volume in the bank's portfolio indicates residential loans are currently the bank's largest product category.

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

DESCRIPTION OF ASSESSMENT AREAS

Kanza Bank continues to have two adjacent assessment areas that consist of the four counties in which the bank has offices. These four counties – Kingman, Reno, Harper, and Sedgwick – are the same counties the bank included in their assessment areas at the previous evaluation. However, due to metropolitan statistical area (MSA) boundary revisions[1] since the previous evaluation, the assessment areas are now delineated differently among the four counties. For the current evaluation, Kingman, Reno, and Harper counties comprise the main assessment area, and Sedgwick County comprises the second assessment area. Kingman, Reno, and Harper counties are all categorized as nonmetropolitan while Sedgwick County is part of the 4-county Wichita, Kansas MSA. For further information on each of these areas, refer to the corresponding sections of this evaluation.

SCOPE OF EVALUATION

General Information
Examiners conducted this CRA evaluation using the Interagency Small Institution Examination Procedures. The evaluation covers the period from the prior evaluation dated July 8, 2019, to the current evaluation dated June 21, 2022. Examiners completed a full-scope review for each of the bank's assessment areas. The main assessment area received greater weight in the overall evaluation because that area accounts for the majority of loan originations and deposit business.

Activities Reviewed
Examiners reviewed home mortgage, small farm, and small business loans for this evaluation. Examiners selected these products based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Since examiners determined that home mortgage loans and small farm loans are the bank's primary product lines, these loan categories received the most weight in determining overall conclusions. Additionally, due to limited lending levels with different loan types in different assessment areas, while all three loan categories were reviewed, not all could be fully analyzed in each assessment area. Specifically, home mortgage loans were not analyzed in the main assessment area and small farm loans were not analyzed in the Sedgwick County assessment area because there were too few of these noted loans for meaningful conclusions in the specific assessment area.

For the home mortgage loans, examiners reviewed all loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. This consisted of 67 loans totaling $26.6 million in 2019; 125 loans totaling $24.8 million in 2020; and 154 loans totaling $32.2 million in 2021. While all three years were analyzed, only the results for 2019 and 2020 are presented for the Geographic Distribution and Borrower Profile analyses because aggregate data (the primary comparator for determining performance) is only available for these years.

For the small farm and small business loans, examiners reviewed activity for 2021 since bank

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[1] Effective in 2019, the Office of Management and Budget adjusted the boundaries of the Wichita, Kansas MSA to exclude Kingman County. Kingman County is now categorized as nonmetropolitan.

management indicated the bank's lending patterns that year would be reasonably representative of the bank's overall lending patterns since the previous evaluation. (Management acknowledged that the bank's small business and farm lending activity was particularly high for 2020 and 2021 due to all the PPP loans it originated in response to the pandemic, but that the location and revenue profile of its borrowers during these years remained generally typical and similar to other years.) The 2021 bank records showed 126 small farm loans totaling $11.7 million and 67 small business loans totaling $13.2 million.

Examiners reviewed all of the above noted loans for the Assessment Area Concentration analysis, and then focused on only those loans within the applicable assessment area (in-area loans) for the Geographic Distribution and Borrower Profile analyses. In the main assessment area, examiners reviewed all in-area small business and small farm loans for the Geographic Distribution analysis. For the Borrower Profile analyses, examiners reviewed all in-area small business loans, and selected a random sample of 52 in-area loans totaling $4.5 million for the small farm loan category. In the Sedgewick County assessment area, examiners reviewed all in-area home mortgage loans and small business loans for both the Geographic Distribution and Borrower Profile analyses.

For the Geographic Distribution and the Borrower Profile analyses, examiners used prescribed comparative data as the standard for comparison for determining performance. Aggregate data for the relevant year provided the primary standard of comparison for the bank's home mortgage lending performance, and 2021 D&B data provided the standard of comparison for the bank's small farm and small business lending performance. Additionally, although both the number and dollar volume of loans are analyzed, examiners emphasize performance by number of loans because it is a better indicator of the number of individuals and farms/businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Kanza Bank demonstrates satisfactory performance under the Lending Test. Performance in all evaluated criteria supports this conclusion. Information on the bank's overall performance is detailed in this section; refer to subsequent corresponding sections of this evaluation for detailed information by assessment area.

Loan-to-Deposit Ratio
The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's performance was evaluated based on the average of the 11 quarterly loan-to-deposit ratios since the previous evaluation. The bank's resulting average loan-to-deposit ratio of 72.8 percent compares reasonably to similarly situated banks. Examiners selected the similarly situated banks based on their asset size, geographic location, and product mix. See the following table for details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/22 ($000s)	Average Net Loan-to-Deposit Ratio (%)
Kanza Bank, Kingman, Kansas	**297,582**	**72.8%**
Citizens Bank of Kansas, Kingman, Kansas	498,274	57.6%
The Valley State Bank, Belle Plaine, Kansas	186,697	72.7%
Vintage Bank Kansas, Leon, Kansas	203,704	72.1%
Source: Reports of Condition and Income 9/30/19 through 3/31/22		

Assessment Area Concentration

A majority of the home mortgage, small farm, and small business loans reviewed, by number and dollar volume, are located within the assessment areas. The following table details this analysis.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans $(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	$	%	$	%	$(000s)
Home Mortgage										
2019	56	83.6	11	16.4	67	15,563	58.5	11,034	41.5	26,597
2020	106	84.8	19	15.2	125	20,327	81.9	4,481	18.1	24,808
2021	133	86.4	21	13.6	154	23,694	73.7	8,460	26.3	32,154
Subtotal	**295**	**85.3**	**51**	**14.7**	**346**	**59,583**	**71.3**	**23,975**	**28.7**	**83,559**
Small Business	60	89.6	7	10.4	67	11,462	87.2	1,688	12.8	13,150
Small Farm	120	95.2	6	4.8	126	10,641	91.2	1,031	8.8	11,672
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Although performance is not consistent for both assessment areas, the heavier weight given to the main assessment area influenced overall conclusions. For these analyses, examiners focused on performance in lending to low- and moderate-income (LMI) geographies, as applicable.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms and businesses of different sizes. Performance is consistent for both assessment areas. For these analyses, examiners focused on performance in lending to LMI individuals and to farms and businesses with gross annual revenues of $1 million or less.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation. Accordingly, this criterion was not applicable in the evaluation.

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.

MAIN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MAIN ASSESSMENT AREA

The main assessment area includes all of Kingman, Reno, and Harper counties and accounts for the majority of the bank's facilities, loan originations, and deposit volume. This assessment area includes the bank's main office in Kingman County, a full-service branch office in Harper County, and a loan production office with a co-located deposit-taking ATM in Reno County.

This assessment area consists largely of rural countryside and farmland. The majority of the population is concentrated at the far edge of the assessment area in the city of Hutchinson, where the bank maintains only limited facilities (the loan production office and deposit-taking ATM.) The following shows demographic and economic information from the 2015 American Community Survey (ACS) Census and 2021 D&B data for this assessment area.

Economic and Demographic Data
This assessment area consists almost entirely of middle- and upper-income census tracts. The upper-income tracts cover nearly all of Kingman County as well as most of the northern and eastern vicinities of the Hutchinson area. The middle-income tracts cover all of Harper County, the majority of Reno County, and a small region encompassing the city of Kingman. There are no low-income tracts, and the only moderate-income tracts are four very small tracts covering some of the south and central portions of Hutchinson. The following table shows select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Main Assessment Area (Kingman-Reno-Harper)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	0.0	17.4	60.9	21.7	0.0
Population by Geography	77,709	0.0	22.8	51.5	25.7	0.0
Housing Units by Geography	35,233	0.0	21.6	54.1	24.3	0.0
Owner-Occupied Units by Geography	20,914	0.0	18.1	51.8	30.0	0.0
Occupied Rental Units by Geography	9,622	0.0	29.7	53.6	16.7	0.0
Vacant Units by Geography	4,697	0.0	20.1	65.5	14.4	0.0
Businesses by Geography	5,020	0.0	14.7	61.7	23.6	0.0
Farms by Geography	614	0.0	3.1	67.8	29.2	0.0
Family Distribution by Income Level	19,917	17.7	20.1	22.7	39.4	0.0
Median Family Income Non-MSAs - KS		$57,229	Median Housing Value			$91,313
			Median Gross Rent			$655
			Families Below Poverty Level			8.6%
Source: 2015 ACS and 2021 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.						

D&B data for 2021 indicates the primary industries in the assessment area include the services industries, which comprise 33.2 percent of all area businesses (non-farm and farm), followed by retail trade at 12.4 percent. This data also indicates that a notable number of area businesses are relatively small, with 87.5 percent having nine or fewer employees, 80.5 percent generating $1 million or less in annual revenues, and 85.4 percent operating from a single location.

Competition
Competition for financial services in the assessment area is notable for a nonmetropolitan area. According to FDIC Deposit Market Share data as of June 30, 2021, there are 16 banks operating 36 offices in the assessment area. Kanza Bank's market share of these deposits is 9.8 percent. (Since Kanza Bank does not have any branches in Reno County, the noted market share does not include Reno County deposits.)

Community Contact(s)
Examiners may 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 not only helps in identifying credit and community development needs and opportunities, but also assists in determining whether local financial institutions are responsive to those needs.

A recently conducted contact for this area indicated that despite the economic hardships of the pandemic, many area residents and businesses are managing to carry on fairly normally. Primary

credit needs continue to include loans of all types – commercial, agricultural, home mortgage, and consumer loans. The contact indicated that area financial institutions generally do what they can to be active in their communities and responsive to area credit needs.

Credit Needs

Examiners identify the credit needs of an assessment area based on information from the community contact, bank management, and demographic and economic data. Based primarily on discussions with the above community contact and the noted demographic data, examiners determined home mortgage, small farm, and small business loans are all primary credit needs of this assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MAIN ASSESSMENT AREA

LENDING TEST

Kanza Bank demonstrates reasonable performance in this assessment area. Performance under both the Geographic Distribution and Borrower Profile criteria supports this conclusion. Only small farm and small business loans were reviewed for this assessment area, as home mortgage loan activity was too limited for any meaningful conclusions.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Performance for both the small farm and small business loan categories supports this conclusion. For this criterion, examiners focused on the percentage, by number, of loans in the assessment area's moderate-income census tracts.

Small Farm Loans

The geographic distribution of small farm loans is reasonable. Since the substantial majority of assessment area farms are in the middle- and upper-income tracts, the bank's lack of lending in the moderate-income tracts is reasonable. Details are shown in the following table.

Geographic Distribution of Small Farm Loans Assessment Area: Main Assessment Area (Kingman-Reno-Harper)					
Tract Income Level	% of Farms	#	%	$(000s)	%
Moderate	3.1	0	0.0	0	0.0
Middle	67.8	39	35.8	4,562	46.8
Upper	29.2	70	64.2	5,185	53.2
Totals	**100.0**	**109**	**100.0**	**9,747**	**100.0**
Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Small Business Loans

The geographic distribution of small business loans is reasonable. Although this analysis shows no lending activity in the moderate-income tracts, 40 of the 41 reviewed loans are in the counties in which the bank has full-service offices (Kingman and Harper), and there are no moderate-income tracts in these counties. As previously indicated, all of the moderate-income tracts are located at the far edge of the assessment area in the Hutchinson vicinity, where bank competition is significant and Kanza Bank's facilities and activity are limited. Overall, the bank's lack of lending in the moderate-income tracts is considered reasonable. Details are shown in the following table.

Geographic Distribution of Small Business Loans					
Assessment Area: Main Assessment Area (Kingman-Reno-Harper)					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Moderate	14.7	0	0.0	0	0.0
Middle	61.7	35	85.4	7,059	95.6
Upper	23.6	6	14.6	324	4.4
Totals	100.0	41	100.0	7,383	100.0
Source: 2021 D&B Data; Bank Data					
Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Performance for both the small farm and small business loan categories supports this conclusion. For this criterion, examiners focused on the percentage, by number, of loans to smaller operators (those with gross annual revenues of $1 million or less.)

Small Farm Loans

The borrower distribution for small farm loans is reasonable since the bank's level of lending to farms with gross annual revenues of $1 million or less is proportionate to the percent of assessment area farms in this revenue category. The following table shows details supporting this analysis.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Main Assessment Area (Kingman-Reno-Harper)					
Gross Revenue Level	% of Farms	#	%	$(000s)	%
<=$1,000,000	99.0	49	94.2	3,807	84.5
>$1,000,000	0.5	1	1.9	95	2.1
Revenue Not Available	0.5	2	3.8	602	13.4
Total	100.0	52	100.0	4,504	100.0
Source: 2021 D&B Data, Bank Data.					
Due to rounding, totals may not equal 100.0%					

Small Business Loans

The borrower distribution of small business loans is reasonable since the bank's level of lending to businesses with gross annual revenues of $1 million or less is fairly proportionate to corresponding demographics. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Main Assessment Area (Kingman-Reno-Harper)					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	78.2	29	70.7	2,757	37.3
>$1,000,000	6.3	12	29.3	4,626	62.7
Revenue Not Available	15.5	0	0.0	0	0.0
Total	**100.0**	**41**	**100.0**	**7,383**	**100.0**
Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%					

SEDGWICK COUNTY ASSESSMENT AREA – Full-Scope Review

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN
SEDGWICK COUNTY ASSESSMENT AREA**

This assessment area includes all of Sedgwick County, which is the heart of the 4-county Wichita, Kansas MSA. The Sedgwick County assessment area accounts for approximately a third of the bank's loan originations and a quarter of the deposit volume. Kanza Bank has two full-service branches in this assessment area, both in Wichita. The following shows demographic and economic information from the 2015 ACS Census and 2021 D&B data for this assessment area.

Economic and Demographic Data

This assessment area includes 124 census tracts, of which 15 are low income, 36 are moderate income, 34 are middle income, and 39 are upper income. The low- and moderate-income (LMI) tracts are all concentrated in and near central Wichita. Both bank offices in this assessment area are located in upper-income tracts toward the outer edges of Wichita. The following table illustrates select demographic characteristics of the Sedgwick County assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Sedgwick County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	124	12.1	29.0	27.4	31.5	0.0
Population by Geography	506,529	9.3	24.9	28.5	37.2	0.0
Housing Units by Geography	213,700	10.4	26.8	29.4	33.4	0.0
Owner-Occupied Units by Geography	123,624	5.8	19.6	29.0	45.6	0.0
Occupied Rental Units by Geography	69,337	16.1	36.1	31.6	16.2	0.0
Vacant Units by Geography	20,739	18.7	39.2	24.0	18.1	0.0
Businesses by Geography	36,443	5.9	26.9	26.2	41.0	0.0
Farms by Geography	1,139	4.0	14.7	21.4	59.9	0.0
Family Distribution by Income Level	124,645	21.7	17.7	20.9	39.8	0.0
Median Family Income MSA - 48620 Wichita, KS MSA	$64,331	Median Housing Value				$123,957
		Median Gross Rent				$745
		Families Below Poverty Level				11.0%
Source: 2015 ACS and 2021 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.						

The Federal Financial Institutions Examination Council (FFIEC) updates median family income figures annually. The median family income figures for the Wichita, Kansas MSA were used to analyze home mortgage borrower profile performance for this assessment area. These figures along

with the corresponding low-, moderate-, middle-, and upper-income thresholds are presented in the following table.

Median Family Income Ranges – Wichita, KS MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 ($69,500)	<$34,750	$34,750 to <$55,600	$55,600 to <$83,400	≥$83,400
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
Source: FFIEC				

D&B data for 2021 indicates the primary industries in the assessment area include the services industries, which comprise 38.5 percent of all area businesses (non-farm and farm), followed by Non-Classifiable Establishments at 16.7 percent and Retail Trade at 12.5 percent. This data also indicates that a notable number of area businesses are relatively small, with 87.6 percent having nine or fewer employees, 83.7 percent generating $1 million or less in annual revenues, and 88.2 percent operating from a single location.

Competition
Competition for financial services in the assessment area is very strong. According to FDIC Deposit Market Share data as of June 30, 2021, there are 37 banks operating 156 offices in Sedgwick County. Kanza Bank holds 0.3 percent of the market deposits. The 2020 HMDA aggregate data on home mortgage loans also shows notable competition, with 357 HMDA lenders reporting 32,985 home mortgage loans in the assessment area. Based on number of loans from these 357 lenders, Kanza Bank's market share was 0.3 percent.

Credit Needs
Considering demographic and economic data, examiners determined that home mortgage loans and small business loans represent the primary credit needs in this assessment area. This conclusion is supported by HMDA aggregate data and area demographics on the number of housing units and small businesses in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN
SEDGWICK COUNTY ASSESSMENT AREA

LENDING TEST

Geographic Distribution performance in this assessment area is excellent and Borrower Profile performance is reasonable. Only home mortgage and small business loans were reviewed for this assessment area, as small farm loan activity was too limited for any meaningful conclusions. Home mortgage loans received the most weight in overall conclusions for this assessment area, not only because of previously stated reasons (refer to Scope of Evaluation), but also because of the somewhat limited number of small business loans in this assessment area.

<u>Geographic Distribution</u>
The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Performance in home mortgage lending supports this conclusion. For this criterion, examiners focused on the percentage, by number, of loans in LMI census tracts.

Home Mortgage Loans
The geographic distribution of home mortgage loans is excellent. Both years presented in the following table show that the bank's lending performance is in line with aggregate data in the low-income category and, moreover, significantly exceeds aggregate data in the moderate-income category. This activity in the moderate-income category is notable and reflective of excellent performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Sedgwick County						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2019	5.8	3.2	1	2.6	509	3.7
2020	5.8	2.3	3	3.2	192	1.0
Moderate						
2019	19.6	15.6	15	38.5	6,851	50.1
2020	19.6	13.7	28	29.8	6,311	32.3
Middle						
2019	29.0	27.8	20	51.3	5,459	39.9
2020	29.0	25.8	34	36.2	4,501	23.0
Upper						
2019	45.6	53.3	3	7.7	862	6.3
2020	45.6	58.2	29	30.9	8,527	43.7
Totals						
2019	100.0	100.0	39	100.0	13,681	100.0
2020	100.0	100.0	94	100.0	19,532	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Small Business Loans
Despite a somewhat limited number of total loans available for analysis, examiners determined that the geographic distribution of the bank's small business loans in this assessment area is reasonable.

Based solely on number of loans (as shown in the following table), the bank's level of lending is proportionate to demographics in the low-income tracts and lags demographics in the moderate-income tracts. A deeper dive into this analysis to count each borrower only once (to eliminate the skewing effect of multiple loans to the same borrower) revealed that of the total borrowers, 7.1 percent are in low-income tracts and 14.3 percent are in moderate-income tracts. These adjusted percentages in comparison to area demographics further support reasonable overall performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Sedgwick County					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Low	5.9	1	5.3	1,000	24.5
Moderate	26.9	2	10.5	113	2.8
Middle	26.2	10	52.6	2,573	63.1
Upper	41.0	6	31.6	393	9.6
Totals	100.0	19	100.0	4,079	100.0
Source: 2021 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. Reasonable performance for both reviewed loan categories supports this conclusion.

Home Mortgage Loans

The borrower distribution of home mortgage loans in this assessment area is reasonable. For this analysis, examiners did not weigh 2020 performance since the bank's home mortgage lending patterns that year were atypical for borrower profiles due to the substantive home refinancing boom that year. Additionally, since Kanza Bank is so active in providing rental home loans to borrowers that are business entities rather than individuals, examiners had to conduct some additional analysis adjustments to account for the bank's higher level of loans without available income. The following table shows the original unadjusted data.

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Sedgwick County						
Low						
2019	21.7	7.2	2	5.1	109	0.8
2020	21.7	5.9	0	0.0	0	0.0
Moderate						
2019	17.7	18.3	2	5.1	70	0.5
2020	17.7	17.2	0	0.0	0	0.0
Middle						
2019	20.9	21.3	1	2.6	20	0.1
2020	20.9	19.7	8	8.5	1,145	5.9
Upper						
2019	39.8	33.6	9	23.1	1,948	14.2
2020	39.8	34.1	28	29.8	8,208	42.0
Not Available						
2019	0.0	19.7	25	64.1	11,534	84.3
2020	0.0	23.1	58	61.7	10,179	52.1
Totals						
2019	**100.0**	**100.0**	**39**	**100.0**	**13,681**	**100.0**
2020	**100.0**	**100.0**	**94**	**100.0**	**19,532**	**100.0**

Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%

As the above table shows, the majority of Kanza Bank's home mortgage activity is in the "Not Available" income category due to the above mentioned rental activity. Since such a substantial difference between bank and aggregate levels in this category precludes any other percentage comparisons for determining performance, examiners conducted an adjusted analysis to gain further insight.

For the adjusted analysis (conducted for 2019 activity), 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 allow for a more meaningful comparison on the remaining income categories. This adjusted analysis changed the bank's penetration in both the low- and moderate-income categories from 5.1 percent to 11.1 percent. Since these adjusted percentages are reasonably comparable to the aggregate percentages shown for each category, examiners deemed overall performance reasonable.

Small Business Loans

Despite the somewhat limited number of total loans available for analysis, examiners determined that the borrower profile distribution of small business loans in this assessment area is reasonable.

Based solely on number of loans (as shown in the following table), the bank's level of lending to businesses with gross annual revenues of $1 million or less lags the demographic indicator for the number of businesses in this revenue category. A deeper dive into this analysis to count each borrower only once (to eliminate the skewing effect of multiple loans to the same borrower) notably reduces the lag. This adjusted analysis revealed that 71.4 percent of the borrowers are businesses with gross annual revenues of $1 million or less, which is considered reasonably comparable to the 83.3 percent of assessment area businesses in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Sedgwick					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	83.3	11	57.9	1,392	34.1
>$1,000,000	5.8	8	42.1	2,687	65.9
Revenue Not Available	11.0	0	0.0	0	0.0
Total	100.0	19	100.0	4,079	100.0
Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%					

APPENDICES

SMALL 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) by considering the following criteria:

1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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 institution 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).

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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 (e.g, 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.

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.

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.