



PUBLIC DISCLOSURE

MARCH 18, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**COMMUNITY BANK
RSSD# 2304636**

**5431 SOUTHWEST 29TH STREET
TOPEKA, KANSAS 66614**

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

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

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INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated: **Satisfactory**

Community Bank (the bank) has a satisfactory record of meeting the credit needs of its assessment area (AA) in a manner consistent with its resources and operating philosophy.

The bank's average net loan-to-deposit (NLTD) ratio indicates a reasonable effort to extend credit considering the bank's size and financial condition, the credit needs of its AA, and the ratios of other similarly situated financial institutions. Additionally, a substantial majority of loans are originated inside the bank's AA. The bank's distribution of loans to geographies of different income levels reflects a reasonable penetration. Finally, the bank's overall distribution of loans to borrowers of different income levels and businesses of different revenue sizes reflects a reasonable penetration based on AA demographics and relevant performance context.

SCOPE OF EXAMINATION

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

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

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

The evaluation included a full-scope review of the bank's lending performance in the Shawnee County Metropolitan AA. The bank's major products were reviewed, including residential real estate and commercial loans. Major product lines were determined through discussions with bank management, a review of the September 30, 2018 Reports of Condition and Income (Call Report), and a review of the numbers of loan originations since the previous CRA evaluation conducted on January 12, 2015.

Conclusions were derived from a statistical sample of 59 small business loans selected from a universe of 83 loans originated between January 1, 2017 and December 31, 2017, along with

the universe of 245 Home Mortgage Disclosure Act (HMDA)-reportable loans originated from January 1, 2016 to December 31, 2017 to evaluate the bank's residential real estate lending. As defined under the CRA, small business loans included those with loan amounts of \$1 million (MM) or less. The bank is primarily a commercial lender and its largest loan product by dollar volume is commercial lending. As such, small business loans were given greater weight in the CRA analysis.

The bank's average NLTD ratio was calculated based on a 16-quarter average since the previous evaluation and compared to similarly situated financial institutions that operate within the bank's AA. The geographic distribution analysis was based on the bank's lending amongst the various census tracts of different income levels in the AA, in which geographies were classified based on the 2016 and 2017 FFIEC census tract definitions. The borrower distribution analysis assessed the bank's lending to borrowers of different income levels and to businesses of different revenues sizes. Borrower income levels for the residential real estate loans were calculated based on the 2016 and 2017 FFIEC Estimated Median Family Income (MFI) Reports. Both the number and dollar volume of loans were evaluated for each lending test performance criterion. Additionally, only loans made inside the bank's AA were analyzed with respect to the geographic and borrower distribution analyses.

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

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

To further augment the evaluation, two interviews with members of the communities within the bank's AA were conducted to ascertain the credit needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions. One community member was a representative from an organization that provides accessible affordable housing to residents in the area. The other community member focused on economic growth and development for small businesses.

DESCRIPTION OF INSTITUTION

The bank is a \$92.0MM institution as of September 30, 2018, and is headquartered in the southwest portion of Topeka, Kansas. In addition to the main location, the bank operates a full-service branch located in north Topeka. Both locations include full-service automated teller machines. The bank is wholly owned by Community Financial Corporation, a bank holding company also located in Topeka, Kansas.

As of the June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks 13th out of 22 institutions with 77 offices operating in the bank's AA, with a 1.7 percent deposit market share. The bank's AA is highly competitive with the presence of several national and regional lenders, as well as local banks and credit unions.

The bank reported total loans of \$74.5MM and total deposits of \$80.4MM on its September 30, 2018 Call Report. The bank offers a number of loan and deposit products and services to meet the credit needs of the AA; however, it is primarily a commercial and residential real estate lender. Table 1 illustrates the distribution of the bank's loan portfolio composition by product type as of September 30, 2018.

TABLE 1 COMMUNITY BANK LOAN PORTFOLIO AS OF SEPTEMBER 30, 2018		
Loan Type	Amount \$(000)	Percent of Total
Commercial	45,192	60.7
Residential Real Estate	26,293	35.3
Agricultural	1,484	2.0
Consumer	1,386	1.9
Other	116	0.1
Gross Loans	74,471	100.0

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of the communities it serves. The bank received a satisfactory rating at its previous CRA evaluation conducted by the Reserve Bank on January 12, 2015.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA¹

The bank's delineated AA includes all of Shawnee County located in eastern Kansas. The AA includes the city of Topeka and is part of the Topeka, Kansas Metropolitan Statistical Area (Topeka MSA), which also includes the Counties of Jackson, Jefferson, Osage, and Wabaunsee. The AA delineation has not changed since the previous CRA evaluation. The AA consists of 43 census tracts: 5 low-, 10 moderate-, 17 middle-, and 11 upper-income census tracts. The bank's main office is located in a middle-income census tract, and the branch office located in north Topeka is in a moderate-income census tract. Both of the bank's locations are in close proximity to the low- and moderate-income (LMI) census tracts.

¹ The following demographic data is based on 2010 U.S. Census, 2015 ACS five-year estimate data, and 2017 D&B data. Additional data was also utilized from the Bureau of Labor Statistics, Greater Topeka Chamber of Commerce, and Kansas Labor Information Center.

Population Characteristics

According to the 2015 ACS, the AA had a population of 178,792. The AA population has remained stable, reflecting only a 0.5 percent increase from the 2010 U.S. Census figure of 177,934. A significant majority (approximately 71.3 percent) of the AA's population is located in the city of Topeka, with a population of 127,473. With a median age of 38.1 years, the AA has a slightly older population when compared to the state of Kansas population, at 36.0 years. Persons aged 25 to 64 years old represent the largest portion of the AA's population by age, at 51.4 percent. This figure is slightly higher than the state of Kansas figure of 50.7 percent and matches the MSA figure of 51.4 percent.

Housing Characteristics

The 2015 ACS data reflects that 57.8 percent of housing units in the AA are owner-occupied, which is lower than the state of Kansas and the Topeka MSA figures, at 59.7 percent and 60.7 percent, respectively. Further, 32.1 percent of the AA's housing units are rental units in comparison to 29.8 percent in the state of Kansas and 28.9 percent in the Topeka MSA.

The median housing value for the AA was \$122,155, which is comparable to the Topeka MSA figure of \$120,445, but below the median housing value for the state of Kansas, at \$132,000. The AA's affordability ratio² of 41.2 percent is comparable to the state of Kansas ratio at 39.6 percent.

The median age of housing stock in the AA, at 52 years, is older than housing stock for the state of Kansas and the Topeka MSA, at 43 years and 45 years, respectively. Within the AA, there is also a significant difference in the median age of housing stock by tract income level. The median age of housing stock in LMI tracts in the AA is 61 years, while the median age of housing stock in middle- and upper-income tracts is 50 years and 39 years, respectively. This was confirmed by both of the community contacts, who stated that housing stock in the LMI areas of Topeka is much older and often requires additional investment for needed renovations. The community contacts indicated that the additional funds needed by borrowers for renovations presents affordability challenges in these areas, even though the home values may be lower.

Income Characteristics

The MFI for the AA is \$64,904, which is similar to the MFI for the Topeka MSA, at \$64,984; however, this figure is slightly below the MFI of \$66,389 for the state of Kansas. The AA has a slightly higher percentage of LMI families, at 38.0 percent, when compared to the 36.6 percent of LMI families in the state of Kansas and 37.5 percent of LMI families in the MSA. Additionally, the AA's percentage of families below the poverty level, at 10.5 percent, is higher than the statewide and MSA rates of 9.1 percent and 9.4 percent, respectively. One community contact stated that many of the potential borrowers in the LMI areas have lower paying jobs so qualifying for credit can be a challenge.

² The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio indicated that housing is generally less affordable

Economic and Employment Characteristics

The economy of the AA is largely dependent upon government, education, healthcare, and manufacturing industries. Major employers include: State of Kansas, Topeka Public Schools USD #501, Stormont Vail Healthcare, University of Kansas Health Systems-St. Francis Health, Good Year Tire and Rubber, and Frito-Lay, Inc. As shown in Exhibit 1, the unemployment rates for Shawnee County, the Topeka MSA, and the state of Kansas are comparable. From 2015 to 2017, there has been a similar decline in the unemployment rates across all three geographies. One community contact stated that while Topeka has a low unemployment rate, many individuals are underemployed and often work multiple jobs. Another community contact noted that Topeka is growing in general, but there have been additional challenges to stimulating growth in the LMI areas due to access to funding and affordability. There are often fewer small businesses in these areas because many of the commercial properties are older and may require substantial investments to renovate. Additionally, both community contacts indicated that there are ongoing efforts for increased economic development and a strategic growth plan for Topeka to attract and retain businesses.

EXHIBIT 1 ANNUAL UNEMPLOYMENT RATES (Source: BLS; Not Seasonally Adjusted)			
Area	2015	2016	2017
Shawnee County	4.2	4.0	3.7
Topeka MSA	4.2	4.0	3.6
State of Kansas	4.2	4.0	3.7

Additional demographic data is displayed in Table 2 below.

TABLE 2 SHAWNEE COUNTY METROPOLITAN AA 2017 DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	5	11.6	2,843	6.4	1,082	38.1	9,270	20.8
Moderate	10	23.3	7,609	17.0	1,658	21.8	7,684	17.2
Middle	17	39.5	17,221	38.6	1,626	9.4	9,724	21.8
Upper	11	25.6	16,981	38.0	322	1.9	17,976	40.3
Total AA	43	100.0	44,654	100.0	4,688	10.5	44,654	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	7,169	2,100	4.6	29.3	3,619	50.5	1,450	20.2
Moderate	16,341	7,040	15.3	43.1	6,793	41.6	2,508	15.3
Middle	32,638	17,947	39.1	55.0	11,695	35.8	2,996	9.2
Upper	23,277	18,786	41.0	80.7	3,388	14.6	1,103	4.7
Total AA	79,425	45,873	100.0	57.8	25,495	32.1	8,057	10.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	925	15.9	702	14.0	169	23.9	54	67.5
Moderate	1,098	18.9	925	18.5	171	24.2	2	2.5
Middle	2,240	38.6	1,956	39.0	277	39.1	7	8.8
Upper	1,538	26.5	1,430	28.5	91	12.9	17	21.3
Total AA	5,801	100.0	5,013	100.0	708	100.0	80	100.0
Percentage of Total Businesses:			86.4		12.2		1.4	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	2	1.7	2	1.7	0	0.0	0	0.0
Moderate	7	6.0	7	6.0	0	0.0	0	0.0
Middle	19	16.2	19	16.2	0	0.0	0	0.0
Upper	89	76.1	89	76.1	0	0.0	0	0.0
Total AA	117	100.0	117	100.0	0	0.0	0	0.0
Percentage of Total Farms:			100.0		0.0		0.0	
Based on 2017 FFIEC census tract definitions, 2015 ACS five-year estimate data, and 2017 D&B data. (NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)								

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

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

The bank's NLTD ratio was averaged over a 16-quarter period since the previous CRA evaluation and compared to the NLTD ratios of five similarly situated financial institutions operating in the AA based on asset size and loan portfolio composition.

The bank's NLTD ratio reflects a reasonable effort to extend credit based on its size, financial condition, competition, and credit needs of the AA. The bank's average NLTD ratio of 85.7 percent compared favorably to the average NLTD ratios of the five similarly situated banks, whose average NLTD ratios ranged from 69.1 percent to 95.9 percent over the same time period.

Assessment Area Concentration

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

As illustrated in Table 3, 88.2 percent of HMDA loans and 93.2 percent of small business loans were originated in the AA. This reflects that a substantial majority of the bank's total lending was within its AA.

TABLE 3 LENDING INSIDE AND OUTSIDE THE BANK'S AA								
Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Home Purchase	151	19,849	86.8	85.8	23	3,282	13.2	14.2
Home Refinance	54	8,158	93.1	90.3	4	872	6.9	9.7
Home Improvement	8	492	80.0	96.5	2	18	20.0	3.5
Multifamily	3	785	100.0	100.0	0	0	0.0	0.0
Total HMDA Loans	216	29,284	88.2	87.5	29	4,172	11.8	12.5
Small Business Loans	55	5,951	93.2	91.2	4	576	6.8	8.8

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

Distribution by Income Level of Geographies

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts, with emphasis placed on lending in LMI census tracts. For evaluative purposes, the bank's HMDA lending was compared to the percent of owner-occupied units in each census tract income category, while the bank's small business lending was compared to

the percent of businesses operating in each census tract income category. In addition, the bank's HMDA lending was compared to 2016 and 2017 aggregate data reported by all HMDA reporters operating in the bank's AA.

Table 4 displays the bank's HMDA lending performance by geographic income level, whereas Table 5 shows the bank's distribution of small business lending by geographic income level. Overall, the bank's geographic distribution of HMDA loans and small business loans is considered reasonable.

Due to the low volume of home improvement and multifamily loans, these products were not evaluated as it would not provide for a meaningful analysis.

Total HMDA Loans

The geographic distribution of total HMDA lending is reasonable. The bank's lending in low-income tracts, at 2.6 percent by number (1.9 percent by dollar), was lower than the demographic figure of 4.6 percent of owner-occupied units; however, the bank's performance was comparable to aggregate HMDA data, at 1.6 percent by number (2.9 percent by dollar). The bank's lending in moderate-income census tracts, at 10.3 percent by number (6.6 percent by dollar), was below the percent of owner-occupied units, at 15.3 percent, and aggregate HMDA data, at 12.6 percent by number (9.0 percent by dollar).

The bank's lending performance in middle-income tracts, at 36.2 percent by number (27.1 percent by dollar), was below the demographic figure and aggregate HMDA data, at 39.1 percent and 40.3 percent by number (34.8 percent by dollar), respectively. Lending in upper-income census tracts was 50.9 percent by number (64.3 percent by dollar), which exceeded the demographic and aggregate HMDA data of 41.0 percent and 45.5 percent by number (53.2 percent by dollar), respectively.

The bank's 2016 geographic distribution of total HMDA loans was generally consistent with 2017 performance; however, the bank's lending in moderate-income census tracts exceeded aggregate HMDA data performance.

Home Purchase Loans

The geographic distribution of home purchase lending is reasonable. While the bank's lending in low-income tracts, at 2.3 percent by number (1.3 percent by dollar), was below the demographic figure of 4.6 percent, it was comparable to the aggregate HMDA data of 1.6 percent by number (0.8 percent by dollar). Home purchase loans originated within moderate-income census tracts accounted for 6.8 percent by number (4.1 percent by dollar), which was below aggregate HMDA data and the percentage of owner-occupied units, at 12.7 percent by number (7.1 percent by dollar) and 15.3 percent, respectively. As noted previously, the older housing stock requiring renovations in the LMI areas may impact the demand for loans in these areas. Additionally, as noted above, the bank's AA is highly competitive, with the presence of several national and regional lenders, as well as local banks and credit unions.

The bank's home purchase loans originated in middle-income census tracts reflected 38.6 percent by number (27.1 percent by dollar), and was comparable to the demographic figure of 39.1 percent of owner-occupied units, but below aggregate HMDA data, at 42.9 percent by number (36.8 percent by dollar). The bank's home purchase lending in upper-income tracts was 52.3 percent by number (67.6 percent by dollar), which exceeded both demographic and aggregate HMDA data, at 41.0 percent and 42.8 percent by number (55.4 percent by dollar), respectively.

The 2016 geographic distribution of the bank's home purchase loans reflected no loans that were originated within low-income census tracts. The bank's lending in moderate-income tracts was comparable to demographic data and exceeded aggregate HMDA data.

Home Refinance Loans

The geographic distribution of home refinance lending is reasonable. The bank's lending performance in low-income census tracts for refinance loans was 4.5 percent by number (4.9 percent by dollar), which was similar to the percent of owner-occupied units, at 4.6 percent, and exceeded aggregate HMDA data, at 1.4 percent by number (0.8 percent by dollar). Home refinance loans in moderate-income tracts reflected 22.7 percent by number (17.3 percent by dollar); this lending performance exceeded the demographic figure and aggregate HMDA data, at 15.3 percent and 12.7 percent by number (6.9 percent by dollar), respectively.

The bank's refinance lending in middle-income tracts, at 27.3 percent by number (19.7 percent by dollar), was below both the demographic and aggregate HMDA data. Lending in upper-income tracts of 45.5 percent by number (58.2 percent by dollar) was comparable to the demographic and aggregate HMDA data.

The bank's 2016 geographic distribution of home refinance loans was consistent with 2017 performance and loans in LMI tracts exceeded aggregate HMDA data.

**TABLE 4
DISTRIBUTION OF 2017 HMDA LOANS
BY INCOME LEVEL OF GEOGRAPHY
SHAWNEE COUNTY METROPOLITAN AA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	3	273	2.6	1.9	1.6	2.9	4.6
Moderate	12	951	10.3	6.6	12.6	9.0	15.3
Middle	42	3,886	36.2	27.1	40.3	34.8	39.1
Upper	59	9,221	50.9	64.3	45.5	53.2	41.0
Home Purchase Loans							
Low	2	144	2.3	1.3	1.6	0.8	4.6
Moderate	6	448	6.8	4.1	12.7	7.1	15.3
Middle	34	2,992	38.6	27.1	42.9	36.8	39.1
Upper	46	7,472	52.3	67.6	42.8	55.4	41.0
Home Refinance Loans							
Low	1	129	4.5	4.9	1.4	0.8	4.6
Moderate	5	459	22.7	17.3	12.7	6.9	15.3
Middle	6	523	27.3	19.7	37.1	29.8	39.1
Upper	10	1,548	45.5	58.2	48.7	62.5	41.0
Home Improvement Loans							
Low	0	0	0.0	0.0	1.1	0.5	4.6
Moderate	1	44	20.0	15.1	10.1	6.6	15.3
Middle	1	46	20.0	15.8	32.4	24.8	39.1
Upper	3	201	60.0	69.1	56.4	68.1	41.0
Multifamily Loans							% of Multifamily Units ²
Low	0	0	0.0	0.0	20.0	27.2	13.6
Moderate	0	0	0.0	0.0	30.0	31.2	26.4
Middle	1	325	100.0	100.0	40.0	40.2	49.9
Upper	0	0	0.0	0.0	10.0	1.4	10.1

¹ Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

² The percentage of owner-occupied housing and multifamily units by tract are based on 2017 FFIEC census tract definitions and 2015 ACS five-year estimate data.

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

Small Business Loans

The geographic distribution of small business lending is reasonable. The bank's lending in low-income tracts of 14.5 percent by number (7.5 percent by dollar) was similar to the demographic figure of 15.9 percent of the AA's businesses in those areas. The bank's small business lending in moderate-income tracts reflected 9.1 percent by number (18.8 percent by dollar), which was below the demographic figure of 18.9 percent of businesses. As noted above, a community contact stated that there are fewer small businesses in the LMI areas of Topeka because affordability is a challenge due to the older properties that often require additional funds for renovations. Bank management also noted that there is high competition in the AA, particularly

from other Small Business Administration (SBA) lenders. Of the 22 financial institutions in the AA from the June 30, 2018 FDIC Deposit Market Share Report, 9 institutions were SBA Express Lenders and 5 institutions were both SBA Express and Preferred Lenders.

The bank's small business lending in middle-income tracts, at 56.4 percent by number (58.7 percent by dollar), significantly exceeded the demographic figure of 38.6 percent, while loans in upper-income tracts represented 20.0 percent by number (14.9 percent by dollar), and was below the demographic of 26.5 percent of businesses in those areas.

**TABLE 5
DISTRIBUTION OF 2017 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
SHAWNEE COUNTY METROPOLITAN AA**

Census Tract Income Level	Small Business Loans				% of Businesses ¹
	#	\$(000)	#%	\$%	
Low	8	448	14.5	7.5	15.9
Moderate	5	1,120	9.1	18.8	18.9
Middle	31	3,495	56.4	58.7	38.6
Upper	11	887	20.0	14.9	26.5
Unknown ²	0	0	0.0	0.0	0.0

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

² Includes census tracts where the income level is unknown.

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

Distribution by Borrower Income and Revenue Size of Businesses:

This performance criterion evaluates the bank's lending to borrowers of different income levels with emphasis placed on lending to LMI individuals, as well as to businesses of different revenue sizes, with emphasis placed on lending to those with gross annual revenues of \$1MM or less.

For evaluative purposes, the bank's HMDA lending was compared to the percentage of families within the AA by income level, while the bank's small business lending was compared to the percent of businesses within the AA by revenue size. In addition, the bank's HMDA lending was compared to 2016 and 2017 aggregate data reported by all HMDA reporters operating in the bank's AA. While the bank is not required to report small business data as a small institution, aggregate data reported by all large bank CRA-filers in the AA was also utilized for additional insight into the credit demand of the area.

Multifamily loans were not evaluated under the HMDA loan borrower distribution analysis as HMDA-reporters are not required to report borrower incomes for loans with a commercial or investment purpose. Due to the low volume of home improvement loans, this product was also not evaluated as it would not provide for a meaningful analysis.

Overall, the bank's borrower distribution is reasonable. While the bank's HMDA lending reflected poor penetration among individuals of different income levels, lending to businesses of different revenue sizes represented reasonable penetration. Further, performance context information

noted below for both loan products demonstrates the bank's efforts to increase lending activity and meet the credit needs of the community.

Total HMDA Loans

The borrower distribution of total HMDA lending is poor. The bank's lending to low-income borrowers, at 2.6 percent by number (1.0 percent by dollar), was below aggregate HMDA data, at 9.1 percent by number (4.7 percent by dollar), as well as the percentage of low-income families in the AA, at 20.8 percent. The bank's lending to moderate-income borrowers represented 14.7 percent by number (7.3 percent by dollar), which was below the 17.2 percent of moderate-income families in the AA, and also below the aggregate HMDA data, at 21.0 percent by number (15.1 percent by dollar).

A community contact stated that it is often challenging for LMI borrowers to qualify for credit due to affordability constraints and insufficient collateral. The bank participates as an approved lender in the Topeka Opportunity to Own Program that helps residents become homeowners by providing education, financing, and home rehabilitation. The bank also has a longstanding relationship with Cornerstone of Topeka, Inc., Topeka, Kansas, to provide financing for properties to be used for the organization's transitional housing and affordable housing programs. Additionally, the bank has recently started offering U.S. Federal Housing Administration loans, Veterans Administration loans, and other loan programs through its secondary market channel. While these efforts have not resulted in a significant number of originations, it demonstrates actions the bank has taken to assist LMI residents in Topeka.

The bank's total home mortgage lending to middle-income borrowers represented 12.9 percent by number (11.5 percent by dollar), which was below both aggregate HMDA data and area demographics. Lending to upper-income borrowers, at 50.9 percent by number (66.4 percent by dollar), exceeded both aggregate data and the demographic figure.

The bank's 2016 borrower distribution of total HMDA loans was similar to 2017 performance in that lending to LMI borrowers was below both the aggregate HMDA data and area demographics.

Home Purchase Loans

The borrower distribution of home purchase lending is poor. The bank's home purchase loans to low-income borrowers represented 3.4 percent by number (1.3 percent by dollar), which was below the aggregate HMDA data, at 9.9 percent by number (5.4 percent by dollar), and the demographic figure of 20.8 percent of low-income families in the AA. Lending to moderate-income borrowers, at 15.9 percent by number (8.3 percent by dollar), was comparable to the area demographic figure of 17.2 percent moderate-income families in the AA; however, the bank's lending was below the aggregate HMDA data performance to moderate-income borrowers, at 22.7 percent by number (17.6 percent by dollar).

Home purchase loans to middle-income borrowers represented 12.5 percent by number (12.3 percent by dollar), which was below both aggregate HMDA data and area demographics. The bank's lending to upper-income borrowers accounted for 50.0 percent by number (66.1 percent by dollar), which exceeded both aggregate HMDA data and the demographic figure.

In 2016, lending performance was consistent with 2017, as lending to LMI borrowers was below the demographic figures and aggregate HMDA data.

Home Refinance Loans

The borrower distribution of home refinance lending is poor. The bank did not originate any home refinance loans to low-income borrowers, whereas aggregate HMDA data reflected 8.2 percent by number (4.3 percent by dollar) and area demographics indicate that 20.8 percent of families in the AA are low-income. The bank's lending to moderate-income borrowers represented 4.5 percent by number (1.8 percent by dollar), which was below the 17.2 percent of moderate-income families in the AA and aggregate HMDA data, at 20.9 percent by number (18.2 percent by dollar).

The bank's home refinance lending to middle-income borrowers represented 13.6 percent by number (9.5 percent by dollar), which was below both aggregate HMDA data and the percentage of middle-income borrowers in the AA. Lending to upper-income borrowers, at 59.1 percent by number (76.6 percent by dollar), exceeded both aggregate HMDA data and the demographic figure.

The bank's 2016 borrower distribution of home refinance loans was comparable to 2017, as lending to LMI borrowers was below both the aggregate HMDA data and area demographics.

TABLE 6
DISTRIBUTION OF 2017 HMDA LOANS
BY BORROWER INCOME LEVELS
SHAWNEE COUNTY METROPOLITAN AA

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	3	143	2.6	1.0	9.1	4.7	20.8
Moderate	17	1,048	14.7	7.3	21.0	15.1	17.2
Middle	15	1,653	12.9	11.5	19.8	17.1	21.8
Upper	59	9,512	50.9	66.4	31.1	39.3	40.3
Unknown	22	1,975	19.0	13.8	18.9	23.9	0.0
Home Purchase Loans							
Low	3	143	3.4	1.3	9.9	5.4	20.8
Moderate	14	922	15.9	8.3	22.7	17.6	17.2
Middle	11	1,356	12.5	12.3	18.6	18.5	21.8
Upper	44	7,306	50.0	66.1	30.4	42.9	40.3
Unknown	16	1,329	18.2	12.0	18.4	15.5	0.0
Home Refinance Loans							
Low	0	0	0.0	0.0	8.2	4.3	20.8
Moderate	1	48	4.5	1.8	18.3	14.0	17.2
Middle	3	253	13.6	9.5	20.9	18.2	21.8
Upper	13	2,037	59.1	76.6	30.2	41.4	40.3
Unknown	5	321	22.7	12.1	22.4	22.0	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	7.7	4.6	20.8
Moderate	2	78	40.0	26.8	19.1	13.2	17.2
Middle	1	44	20.0	15.1	25.8	23.6	21.8
Upper	2	169	40.0	58.1	41.8	52.4	40.3
Unknown	0	0	0.0	0.0	5.6	6.2	0.0
Multifamily Loans							
Low	0	0	0.0	0.0	0.0	0.0	20.8
Moderate	0	0	0.0	0.0	0.0	0.0	17.2
Middle	0	0	0.0	0.0	0.0	0.0	21.8
Upper	0	0	0.0	0.0	0.0	0.0	40.3
Unknown	1	325	100.0	100.0	100.0	100.0	0.0

¹ Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

² The percentage of families and households are based on 2015 ACS five-year estimate data.

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

Small Business Loans

The borrower distribution of small business lending is reasonable. The bank's lending to businesses with revenues of \$1MM or less, at 43.6 percent by number (37.6 percent by dollar), is significantly lower than the percentage of small businesses in the AA, at 86.4 percent. Although the bank's performance was well below the demographic figure, a review of 2017 lending performance by all CRA-reporting institutions within the bank's AA revealed similar lending performance data with 44.7 percent by number (36.8 percent by dollar), originated to

small businesses, which is comparable to the bank's performance. The bank's lending to businesses with revenues over \$1MM, at 40.0 percent by number (45.9 percent by dollar), is significantly higher than the percentage of businesses in the AA with revenues over \$1MM.

Further analysis of the loans within the sample revealed multiple loans were frequently made to the same borrowers. Excluding the 9 loans in which no business revenues were reported, a total of 24 loans were originated to 21 borrowers reporting revenues of \$1MM or less compared to 22 loans originated to 10 borrowers with gross annual revenues greater than \$1MM. This reflects that 67.7 percent of the borrowers within the sample of small business loans had revenues of \$1MM or less.

Additionally, approximately 89.1 percent of small business loans were originated in loan amounts of \$250,000 or less, indicating the bank's willingness to meet the credit needs of small businesses. Typically, smaller businesses do not have the need or the capacity to borrow large amounts; as such, smaller loan amounts are used as a proxy to estimate the support of small entities.

**TABLE 7
DISTRIBUTION OF 2017 SMALL BUSINESS LOANS
BY REVENUE SIZE OF BUSINESSES
SHAWNEE COUNTY METROPOLITAN AA**

Business Revenue	Small Business Loans				% of Businesses by Revenue ¹
	#	\$(000)	#%	\$%	
\$1MM or less	24	2,238	43.6	37.6	86.4
Over \$1MM	22	2,729	40.0	45.9	12.2
Unknown	9	983	16.4	16.5	1.4

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A

**TABLE A-1
SHAWNEE COUNTY METROPOLITAN AA 2016 DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	6	14.0	3,891	8.3	1,479	38.0	10,242	21.9
Moderate	11	25.6	9,732	20.9	1,798	18.5	7,717	16.5
Middle	15	34.9	17,217	36.9	1,455	8.5	10,383	22.2
Upper	11	25.6	15,836	33.9	437	2.8	18,334	39.3
Total AA	43	100.0	46,676	100.0	5,169	11.1	46,676	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	8,809	2,612	5.3	29.7	4,773	54.2	1,424	16.2
Moderate	18,885	9,618	19.7	50.9	7,417	39.3	1,850	9.8
Middle	28,971	18,715	38.3	64.6	8,655	29.9	1,601	5.5
Upper	21,986	17,893	36.6	81.4	3,383	15.4	710	3.2
Total AA	78,651	48,838	100.0	62.1	24,228	30.8	5,585	7.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,196	18.4	922	16.2	212	29.9	62	57.9
Moderate	1,121	17.3	967	17.0	148	20.9	6	5.6
Middle	2,434	37.5	2,168	38.2	246	34.7	20	18.7
Upper	1,739	26.8	1,617	28.5	103	14.5	19	17.8
Total AA	6,490	100.0	5,674	100.0	709	100.0	107	100.0
Percentage of Total Businesses:			87.4		10.9		1.6	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	2	1.4	2	1.4	0	0.0	0	0.0
Moderate	4	2.8	4	2.8	0	0.0	0	0.0
Middle	41	28.7	41	28.7	0	0.0	0	0.0
Upper	96	67.1	96	67.1	0	0.0	0	0.0
Total AA	143	100.0	143	100.0	0	0.0	0	0.0
Percentage of Total Farms:			100.0		0.0		0.0	
Based on 2016 FFIEC census tract definitions, 2010 ACS five-year estimate data, and 2016 D&B data. (NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)								

Based on 2016 FFIEC census tract definitions, 2010 ACS five-year estimate data, and 2016 D&B data.
(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-2
DISTRIBUTION OF 2016 HMDA LOANS
BY INCOME LEVEL OF GEOGRAPHY
SHAWNEE COUNTY METROPOLITAN AA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner Occupied Units ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	1	207	1.0	1.4	2.3	3.2	5.3
Moderate	20	1,287	20.0	8.6	14.8	10.4	19.7
Middle	30	4,836	30.0	32.3	38.8	35.2	38.3
Upper	49	8,623	49.0	57.7	44.1	51.3	36.6
Home Purchase Loans							
Low	0	0	0.0	0.0	2.1	1.3	5.3
Moderate	13	743	20.6	8.4	15.6	9.7	19.7
Middle	20	2,677	31.7	30.4	40.1	35.7	38.3
Upper	30	5,373	47.6	61.1	42.1	53.3	36.6
Home Refinance Loans							
Low	1	207	3.1	3.8	2.4	1.4	5.3
Moderate	5	318	15.6	5.8	13.0	7.5	19.7
Middle	8	1,859	25.0	33.8	37.7	34.3	38.3
Upper	18	3,115	56.3	56.6	46.9	56.7	36.6
Home Improvement Loans							
Low	0	0	0.0	0.0	2.3	1.1	5.3
Moderate	1	6	33.3	3.0	16.0	7.6	19.7
Middle	1	60	33.3	29.9	35.0	35.0	38.3
Upper	1	135	33.3	67.2	46.7	56.3	36.6
Multifamily Loans							% of Multifamily Units ²
Low	0	0	0.0	0.0	33.3	31.4	20.7
Moderate	1	220	50.0	47.8	40.0	33.5	29.0
Middle	1	240	50.0	52.2	20.0	34.6	37.5
Upper	0	0	0.0	0.0	6.7	0.5	12.7

¹ Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

² The percentage of owner-occupied housing and multifamily units by tract are based on 2016 FFIEC census tract definitions and 2010 ACS five-year estimate data.

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

**TABLE A-3
DISTRIBUTION OF 2016 HMDA LOANS
BY BORROWER INCOME LEVELS
SHAWNEE COUNTY METROPOLITAN AA**

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	1	92	1.0	0.6	6.3	3.0	21.9
Moderate	10	786	10.0	5.3	18.9	12.7	16.5
Middle	12	1,253	12.0	8.4	21.0	18.1	22.2
Upper	50	10,303	50.0	68.9	36.3	44.3	39.3
Unknown	27	2,519	27.0	16.8	17.7	21.9	0.0
Home Purchase Loans							
Low	1	92	1.6	1.0	7.2	3.7	21.9
Moderate	7	548	11.1	6.2	21.6	15.9	16.5
Middle	4	586	6.3	6.7	21.6	20.9	22.2
Upper	29	5,781	46.0	65.7	33.1	46.3	39.3
Unknown	22	1,786	34.9	20.3	16.4	13.3	0.0
Home Refinance Loans							
Low	0	0	0.0	0.0	4.5	2.3	21.9
Moderate	3	238	9.4	4.3	15.1	9.9	16.5
Middle	8	667	25.0	12.1	20.2	17.0	22.2
Upper	20	4,387	62.5	79.8	38.8	47.7	39.3
Unknown	1	207	3.1	3.8	21.4	23.1	0.0
Home Improvement Loans							
Low	0	0	0.0	0.0	8.0	4.2	21.9
Moderate	0	0	0.0	0.0	17.4	11.9	16.5
Middle	0	0	0.0	0.0	20.5	15.6	22.2
Upper	1	135	33.3	67.2	49.9	61.2	39.3
Unknown	2	66	66.7	32.8	4.3	7.1	0.0
Multifamily Loans							
Low	0	0	0.0	0.0	0.0	0.0	21.9
Moderate	0	0	0.0	0.0	0.0	0.0	16.5
Middle	0	0	0.0	0.0	0.0	0.0	22.2
Upper	0	0	0.0	0.0	0.0	0.0	39.3
Unknown	2	460	100.0	100.0	100.0	100.0	0.0

¹ Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

² The percentage of families and households are based on 2010 ACS five-year estimate data.

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