

PUBLIC DISCLOSURE

October 25, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens State Bank
Certificate Number: 15111

410 Main Street
Gridley, Kansas 66852

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 group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the assessment area's credit needs.
- A majority of home mortgage, small business, and small farm loans reviewed were located in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels.
- The bank did not receive any Community Reinvestment Act (CRA)-related complaints since the prior evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

The Citizens State Bank is headquartered in Gridley, Kansas, which is located in eastern Kansas. The bank is wholly owned by Flint Hills Bancshares, Inc., Gridley, Kansas, a one-bank holding company. The bank has no lending affiliates. A Satisfactory rating was assigned at the previous FDIC Performance Evaluation, dated November 2, 2015, based on Interagency Small Institution Examination Procedures.

The Citizens State Bank operates eight of its nine offices in the small rural Kansas communities of Gridley, Burlington, Cottonwood Falls, Hamilton, Le Roy, Lyndon, Madison, and New Strawn, which range in population from 242 to 2,543. The other bank office is in the larger community of Emporia (population 24,598). Population data is based on 2019 US Census Bureau estimates. The bank has not opened or closed any offices nor had any merger or acquisition activity since the prior evaluation.

The institution offers traditional loan products for agricultural, commercial, residential, and consumer loan purposes. Agricultural lending continues to be the banks primary business focus. The bank also offers a variety of deposit services including checking, savings, money market accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit capture, and nine cash dispensing ATMs.

Assets totaled \$255.9 million as of June 30, 2021 and included total loans of \$129.4 million and total securities of \$54.7 million. Total deposits were \$231.3 million. Portfolio concentrations have remained generally consistent during the review period. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of June 30, 2021		
Loan Category	\$(000s)	%
Construction and Land Development	2,226	1.7
Secured by Farmland	25,514	19.7
Secured by 1-4 Family Residential Properties	26,257	20.3
Secured by Multifamily (5 or more) Residential Properties	631	0.5
Secured by Nonfarm Nonresidential Properties	5,690	4.4
Total Real Estate Loans	60,318	46.6
Commercial and Industrial Loans	20,405	15.8
Agricultural Loans	42,101	32.5
Consumer Loans	5,488	4.2
Other Loans	232	0.2
Lease Financing Receivables (net of unearned income)	877	0.7
Less: Unearned Income	0	0.0
Total Loans	129,421	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The Citizens State Bank operates in five contiguous Kansas counties, which have also been designated as the banks assessment area. For CRA evaluation purposes, this five-county area is considered two separate assessment areas with Coffey, Chase, Greenwood, and Lyon counties in the Four-county Non-metropolitan assessment area. Osage County is presented as a separate assessment area because it is part of the Topeka Metropolitan Statistical Area. Refer to the discussion regarding each assessment area for detailed information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 2, 2015, to the current evaluation dated October 25, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. Examiners conducted full-scope reviews of both of the bank's assessment areas to evaluate performance. The majority of the bank's offices, loans, and deposits are located in the Four-county Non-metropolitan assessment area. Therefore, examiners placed greater weight on the bank's performance in this assessment area.

Activities Reviewed

Examiners determined the bank's major product lines include agricultural, commercial, and residential real estate loans, with the primary lending focus on agricultural lending. This is based on the bank's business strategy and the composition of the loan portfolio. Therefore, examiners reviewed small farm, small business and home mortgage lending at the current evaluation, with greatest weight given to small farm lending due to the bank's focus on agricultural lending.

For all three loan categories reviewed, examiners focused on loans originated in 2020. The number and volume of the bank's lending increased in 2020 with the addition of the Small Business Administration's Payroll Protection Program loans. However, bank management stated that the bank's 2020 lending patterns for the location and revenue and income of its borrowers would be representative of overall lending patterns since the previous evaluation.

Examiners reviewed all small farm, small business, and home mortgage loans originated in 2020 to conduct the Assessment Area Concentration analysis. Bank data shows loans originated in 2020 of 270 small farm loans totaling \$19.7 million, 389 small business loans totaling \$18.8 million, and 132 home mortgage loans totaling \$13.3 million.

For the Geographic Distribution analysis, examiners reviewed all small farm, small business, and home mortgage loans originated in 2020 that were within the Four-county Non-metropolitan assessment area. This consisted of 200 small farm loans totaling \$16.1 million, 273 small business loans totaling \$13.0 million, and 93 home mortgage loans totaling \$8.7 million. No review was performed in the Osage County assessment area due to no low- and moderate-income census tracts being present.

For the Borrower Distribution analysis, examiners reviewed a sample of the small farm, small business, and home mortgage loans originated within the assessment areas in 2020. The sample for the Four-county Non-metropolitan assessment area consisted of 39 small farm loans totaling \$2.8 million, 41 small business loans totaling \$2.1 million, and 35 home mortgage loans totaling \$3.0 million. The sample for the Osage County assessment area consisted of 16 small farm loans totaling \$0.6 million, 17 small business loans totaling \$1.3 million, and 12 home mortgage loans totaling \$0.9 million.

While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans in the Geographic Distribution and Borrower Profile analysis because it is a better indicator of the number of farms, businesses, and individuals served. D&B data for 2020 provided a standard of comparison for the small farm and small business reviews. American Community Survey (ACS) data for 2015 provided a standard of comparison for the home mortgage reviews.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Citizens State Bank demonstrates reasonable performance under the Lending Test. This conclusion is supported by reasonable performance in the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria.

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 Call Report data of the average quarterly loan-to-deposit ratios over the past 23 quarters since the previous evaluation. The bank’s average loan-to-deposit ratio was then compared to the ratio of institutions that are considered to be similarly-situated. The similarly-situation banks were determined based on one or more factors, including asset size, product mix, or geographic location. The following table shows the bank reasonably compares to the similarly-situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2021 (\$000s)	Average Net LTD Ratio (%)
The Citizens State Bank, Gridley, Kansas	255,885	71.0
The Farmers State Bank of Aliceville, Kansas, Westphalia, Kansas	171,675	82.3
The Lyon County State Bank, Emporia, Kansas	176,247	41.4
Goppert State Service Bank, Garnett, Kansas	244,143	81.8
ESB Financial, Emporia, Kansas	338,883	75.7
<i>Source: Reports of Condition and Income 12/31/15 through 06/30/21</i>		

Assessment Area Concentration

A majority of reviewed loans, both by number and dollar volume, are to borrowers within the assessment area. See the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	317	81.5	72	18.5	389	16,145	85.7	2,697	14.3	18,842
Small Farm	226	83.7	44	16.3	270	17,222	87.5	2,464	12.5	19,686
Home Mortgage	111	84.1	21	15.9	132	10,066	75.3	3,305	24.7	13,371

Source: 1/1/2020 to 12/31/2020 Bank Data

Geographic Distribution

The geographic distribution of loans is reasonable. This conclusion is supported by the bank's reasonable performance in the Four-county Non-metropolitan Assessment Area, the only assessment area analyzed. A complete discussion of the bank's performance can be found in the Four-county Assessment Area section of this evaluation.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Performance is consistent between the assessment areas. A complete discussion of the bank's performance can be found in the applicable assessment area sections of this evaluation.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation: therefore, this criterion did not affect the rating.

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 practice

FOUR-COUNTY NON-METROPOLITAN ASSESSMENT AREA Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE FOUR-COUNTY NON-METROPOLITAN ASSESSMENT AREA

The Four-county Non-metropolitan Assessment Area continues to consist of the eastern Kansas counties of Coffey, Chase, Greenwood, and Lyon.

Economic and Demographic Data

There are 15 census tracts in the Four-county Non-metropolitan assessment area: two moderate-income geographies (located in Lyon County), ten middle-income geographies, and three upper-income geographies according to the 2015 American Community Survey (ACS). This is a slight change from the previous evaluation where there were four moderate-income, ten middle-income, and one upper-income census tracts. Census tracts were designated by the FFIEC as distressed due to population loss in Chase, Greenwood, and Lyon counties during the review period and one census tract in Chase County was designated as underserved during the review period. The following table illustrates selected demographic characteristics of the Four-county Non-metropolitan Assessment Area.

Demographic Information of the Four-county Non-metropolitan Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	0.0	13.3	66.7	20.0	0.0
Population by Geography	51,035	0.0	15.7	68.5	15.8	0.0
Housing Units by Geography	24,765	0.0	13.8	70.7	15.5	0.0
Owner-Occupied Units by Geography	13,646	0.0	11.1	68.8	20.1	0.0
Occupied Rental Units by Geography	7,129	0.0	21.2	70.4	8.4	0.0
Vacant Units by Geography	3,990	0.0	10.2	77.3	12.5	0.0
Businesses by Geography	2,734	0.0	13.8	71.3	14.9	0.0
Farms by Geography	332	0.0	1.8	66.0	32.2	0.0
Family Distribution by Income Level	12,998	22.1	18.8	21.7	37.4	0.0
Household Distribution by Income Level	20,775	25.4	17.1	19.4	38.2	0.0
Median Family Income Non-MSAs - KS		\$57,229	Median Housing Value			\$91,826
			Median Gross Rent			\$597
			Families Below Poverty Level			12.9%

*Source: 2015 ACS and 2020 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 2020 indicates that farming operations make up 10.8 percent of all assessment area businesses. Service industries represent the largest portion of the non-farm businesses at 36.8

percent; followed by retail trade at 14.4 percent, and finance, insurance, and real estate at 8.0 percent. D&B data also shows that 85.9 percent of the assessment area’s businesses and farms have nine or fewer employees, and 83.0 percent operate from a single location.

The following table presents the FFIEC-estimated median family income levels for non-metropolitan areas of Kansas for 2020.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
<i>Source: FFIEC</i>				

Competition

There is notable competition for financial services in the Four-county Non-metropolitan assessment area. According to FDIC Deposit Market Share data as of June 30, 2020, there were 18 banks operating 34 offices in this assessment area. Of these institutions, The Citizens State Bank ranked first in deposit market share, at 13.7 percent.

There is significant competition for home mortgage loans among area lenders. In 2020, aggregate Home Mortgage Disclosure Act (HMDA) data indicates 160 lenders reported 1,640 home mortgage loan originations and purchases in the assessment area. Although the bank is not reporting home mortgage data, this information provides insight regarding competition in the assessment area.

There is notable competition for small farm and small business loans among lenders in the assessment area. In 2019, aggregate CRA data indicates 40 lenders reported 439 small business loans in the assessment area, and 13 lenders reported 109 small farm loans. Although the bank does not report small business or small farm data, this information provides insight regarding competition in the assessment area.

Community Contact(s)

As part of the evaluation process, examiners may contact third parties that are knowledgeable of the assessment area to help gain insight into the area’s economy, demographic trends, and business environment. The 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.

Information obtained from an individual contacted in the assessment area in June 2021 was used for this evaluation. The community contact indicated that agriculture is the primary economic driver in the area and the economy overall is stable. Farm program payments have benefited the agricultural economy and allowed many farmers to pay off carry over debt and operate more on cash. Financing needs may have eased slightly, impacted by the farm program payments. The contact indicated that area financial institutions are actively serving the needs of the community and understand how they can provide support.

Credit Needs

Examiners identify the credit needs of the assessment area based on information from the community contact, bank management, and demographic and economic data. Accordingly, examiners determined that agriculture-related loans are the primary credit need in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE FOUR-COUNTY NON-METROPOLITAN ASSESSMENT AREA

LENDING TEST

The Citizens State Bank demonstrates reasonable performance under the Lending Test in the Four-County Non-metropolitan Assessment Area. This conclusion is supported by reasonable performance under Geographic Distribution and Borrower Profile.

Geographic Distribution

The Citizens State Bank geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance in small farm, small business, and home mortgage lending supports this conclusion. This review focuses on the lending performance in the two moderate-income census tracts located in the central and southeastern areas of the Lyon County, the city of Emporia. The Citizens State Bank operates one branch location in Lyon County, located in the western part of Emporia and a notable distance from the two moderate-income census tracts. The bank's sole Lyon County office ranks tenth in size, based on deposit share, out of eleven banks operating offices in the county. Additionally, the two largest banks in the county operate out of main offices located in the central Emporia moderate-income census tract. These factors indicate there is significant competition for the lending within moderate-income census tracts in Lyon County.

Small Farm

Although the bank's performance is slightly below the comparable demographic data in the moderate-income census tract category, the geographic distribution of the bank's small farm loans is reasonable. This is based on the comparable demographic data of 1.8 percent of farms located in moderate-income census tracts represents just six farms and on the competition considerations described above. Refer to the following table for details.

Geographic Distribution of Small Farm Loans Assessment Area: Four-county Non-metropolitan					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	1.8	1	0.5	175	1.1
Middle	66.0	89	44.5	7,682	47.5
Upper	32.2	110	55.0	8,313	51.4
Totals	100.0	200	100.0	16,170	100.0
<i>Source: 2020 D&B Data; Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Small Business

The geographic distribution of the bank’s small business loans, while lagging in comparison to the demographic data in the moderate-income category, is considered reasonable. This takes into consideration there is additional competition from financial institutions located outside of Lyon County, as evidence by six institutions from outside the county that each originated more than ten small business loans in Lyon County based on 2019 ACS data. This is in addition to the significant competition factors also described above. Refer to the following table for details.

Geographic Distribution of Small Business Loans Assessment Area: Four-county Non-metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	13.8	3	1.1	109	0.8
Middle	71.3	151	55.3	7,540	58.0
Upper	14.9	119	43.6	5,351	41.2
Totals	100.0	273	100.0	13,000	100.0
<i>Source: 2020 D&B Data; Bank Data.</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage

The bank's home mortgage lending performance shows that although no loans were originated in the moderate-income census tracts, the bank’s geographic distribution is reasonable. This reasonable performance is supported by 2015 ACS data that reports 30 percent of households are below poverty level in the two moderate-income census tracts. Households below poverty level are not likely to have the resources to meet down payment requirements to qualify for a home loan, reducing overall lending opportunities in these census tracts. This is in addition to the significant competition factors described above. Refer to the following table for details.

Geographic Distribution of Home Mortgage Loans Assessment Area: Four-county Non-metropolitan					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	11.1	0	0.0	0	0.0
Middle	68.8	56	60.2	4,528	52.3
Upper	20.1	37	39.8	4,137	47.7
Not Available					
Total	100.0	93	100.0	8,665	100.0
<i>Source: 2015 ACS, 1/1/2020 through 12/31/2020 Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes and individuals of different incomes throughout the assessment area. The bank's reasonable performance in small farm lending primarily supports this conclusion, along with the reasonable performance in home mortgage lending. While excellent performance was noted for small business lending, this performance did not elevate the overall conclusion.

Small Farm

The borrower distribution for small farm loans is reasonable since the percentage of loans to farms with gross annual revenues of \$1 million or less is proportionate to the percentage of farms in that revenue category. See the following table for details.

Distribution of Small Farm Loans by Gross Annual Revenue Category Assessment Area: Four-county Non-metropolitan					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.3	38	97.4	2,663	96.4
>1,000,000	1.5	1	2.6	100	3.6
Revenue Not Available	1.2	0	0.0	0	0.0
Total	100.0	39	100.0	2,763	100.0
<i>Source: 2020 D&B Data, Bank Data.</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Small Business

The borrower distribution for small business loans is excellent since the percentage of loans to businesses with gross annual revenues of \$1 million or less exceeds comparable D&B data. See the following table for details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Four-county Non-metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	74.7	32	78.0	516	24.0
>1,000,000	6.5	9	22.0	1,633	76.0
Revenue Not Available	18.8	0	0.0	0	0.0
Total	100.0	41	100.0	2,149	100.0
<i>Source: 2020 D&B Data, Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage

The borrower distribution for home mortgage loans is overall reasonable since the bank's lending levels are generally comparable to demographic levels. Specifically, the bank's level of performance in the low- income category is somewhat below comparable demographic data, but this is outweighed by the bank's percentage of moderate-income lending which exceeds the comparable demographic data. See the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Four-county Non-metropolitan					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	22.1	3	8.6	51	1.7
Moderate	18.8	9	25.7	368	12.1
Middle	21.7	12	34.3	813	26.8
Upper	37.4	11	31.4	1,803	59.4
Total	100.0	35	100.0	3,035	100.0
<i>Source: 2015 ACS; 1/1/2020 through 12/31/2020 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

OSAGE COUNTY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE OSAGE COUNTY ASSESSMENT AREA

The Osage County assessment area continues to consist of five middle-income geographies according to the 2015 ACS.

Economic and Demographic Data

The following table illustrates the selected demographic characteristics of the Osage County Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Osage County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	16,080	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	7,501	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,910	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,595	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	996	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	769	0.0	0.0	100.0	0.0	0.0
Farms by Geography	104	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,436	20.8	18.3	25.4	35.4	0.0
Household Distribution by Income Level	6,505	24.6	16.2	20.3	38.9	0.0
Median Family Income MSA - 45820 Topeka, KS MSA		\$64,984	Median Housing Value			\$101,006
			Median Gross Rent			\$623
			Families Below Poverty Level			8.1%

*Source: 2015 ACS and 2020 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 2020 indicates that farming operations make up 11.9 percent of all assessment area businesses. Service industries represent the largest portion of the non-farm businesses at 32.2 percent; followed by retail trade at 13.1 percent, and construction at 8.7 percent. D&B data also shows that 90.8 percent of the assessment area’s businesses and farms have nine or fewer employees, and 85.1 percent operate from a single location.

The following table presents the FFIEC-estimated median family income levels for the Topeka, Kansas Metropolitan Statistical Area for 2020.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Topeka, KS MSA Median Family Income (45820)				
2020 (\$77,700)	<\$38,850	\$38,850 to <\$62,160	\$62,160 to <\$93,240	≥\$93,240
<i>Source: FFIEC</i>				

Competition

There is notable competition for financial services in the Osage County assessment area. According to FDIC Deposit Market Share data as of June 30, 2020, there are seven banks operating 11 offices in this assessment area. Of these institutions, The Citizens State Bank ranked sixth in deposit market share, at 7.5 percent.

There is also significant competition for home mortgage loans among area lenders. In 2020, aggregate HMDA data indicates 103 lenders reported 467 home mortgage loan originations and purchases in the assessment area. Although the bank did not report home mortgage data, this information provides insight regarding competition in the assessment area.

There is notable competition for small farm and small business loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2019, aggregate CRA data indicates 22 lenders reported 108 small business loans in the assessment area, and six lenders reported 18 small farm loans. Although the bank does not report small business or small farm data, this information provides insight regarding competition in the assessment area.

Credit Needs

Examiners identify the credit needs of the assessment area based on information from bank management and demographic and economic data. Accordingly, examiners determined that agriculture-related loans are the primary credit need in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE OSAGE COUNTY ASSESSMENT AREA

LENDING TEST

The Citizens State Bank demonstrates reasonable performance under the Lending Test in the Osage County Assessment Area. This conclusion is supported by reasonable performance in Borrower Profile analysis.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes and individuals of different incomes throughout the assessment area. The bank's reasonable performance in small farm, small business, and home mortgage lending supports this conclusion.

Small Farm

The distribution of loans to small farms is reasonable. Although commendable that all of the bank’s lending in this category are to farms with gross annual revenues of \$1 million or less, this is expected based on D&B data showing all farms in the assessment area are in that revenue category. See the following table for details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Osage County					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	100.0	16	100.0	596	100.0
>1,000,000	0.0	0	0.0	0	0.0
Revenue Not Available	0.0	0	0.0	0	0.0
Total	100.0	16	100.0	596	100.0

*Source: 2020 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%*

Small Business

The distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. Although the bank’s performance is slightly below the demographic data, it is reasonable in comparison to the D&B data in that revenue category. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Osage County					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	78.8	12	70.6	757	60.4
>1,000,000	3.5	5	29.4	497	39.6
Revenue Not Available	17.7	0	0.0	0	0.0
Total	100.0	17	100.0	1,254	100.0

*Source: 2020 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%*

Home Mortgage

The borrower distribution for home mortgage loans is overall reasonable since the bank’s lending levels are comparable to demographic levels. Specifically, the bank’s level of performance in the moderate-income category is somewhat below comparable demographic data, but this is outweighed by the bank’s percentage of low-income lending which exceeds the comparable demographic data. See the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Osage County					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	20.8	3	25.0	75	8.7
Moderate	18.4	1	8.3	43	5.0
Middle	25.4	5	41.7	393	45.6
Upper	35.4	3	25.0	352	40.7
Total	100.0	12	100.0	863	100.0
<i>Source: 2015 ACS; 1/1/2020 through 12/31/2020 Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

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.