

# **PUBLIC DISCLOSURE**

March 8, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Denton  
Certificate Number: 17569

510 Main Street  
Denton, Kansas 66017

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 ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the home mortgage and small farm loans are within the institution's assessment area.
- Geographic Distribution of loans was not performed, as the assessment area does not include any low- or moderate-income census tracts. Therefore, a review of this criterion would not have resulted in meaningful conclusions.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms of different revenue sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

Bank of Denton operates from a single facility in Denton, Kansas and does not have a holding company. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated April 13, 2015, based on Interagency Small Institution Examination Procedures.

Bank of Denton provides traditional deposit and loan products. Deposit products include checking, saving, money market, certificates of deposit, NOW accounts, and individual retirement accounts. Lending products include home mortgage, agricultural, commercial, and consumer lending. Alternative banking services include online banking.

According to the December 31, 2020, Report of Condition and Income, the institution reported total assets of \$19.7 million, total loans of \$11.7 million, and total deposits of \$16.2 million. The largest categories of loans by dollar volume include home mortgage loans (49.5 percent) and agricultural loans (29.0 percent). The following table shows the distribution for each loan category by dollar volume.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	1,745	14.9
Secured by 1-4 Family Residential Properties	5,800	49.5
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	162	1.4
<b>Total Real Estate Loans</b>	<b>7,707</b>	<b>65.8</b>
Commercial and Industrial Loans	658	5.6
Agricultural Production and Other Loans to Farmers	1,648	14.1
Consumer Loans	1,697	14.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>11,710</b>	<b>100</b>
<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 assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Bank of Denton has designated Doniphan County, Kansas as its sole assessment area. Doniphan County is located in the St. Joseph MO-KS Metropolitan Statistical Area (St. Joseph MSA). There have been no changes in the bank's assessment area or income designations since the previous evaluation.

### **Economic and Demographic Data**

According to the 2015 American Community Survey (ACS) data, the assessment area includes three census tracts in Doniphan County, Kansas, which are all middle-income census tracts. The following table illustrates the select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	7,859	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,556	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,241	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	868	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	447	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	384	0.0	0.0	100.0	0.0	0.0
Farms by Geography	109	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,144	19.7	18.5	25.2	36.6	0.0
Household Distribution by Income Level	3,109	20.6	17.9	20.2	41.3	0.0
Median Family Income MSA - St. Joseph, MO-KS MSA		\$59,820	Median Housing Value			\$86,864
			Median Gross Rent			\$584
			Families Below Poverty Level			10.2%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Services and agriculture industries represent the largest portions of businesses with 28.4 percent and 22.1 percent, respectively. These industries are followed by retail trade 9.3 percent; finance, insurance 9.0 percent; and public administration 7.0 percent.

Unemployment rates continued to decline in Doniphan County and in the majority of the State of Kansas during the evaluation period. However, the State of Kansas saw an increase in 2020 due to the COVID-19 Pandemic. Bank management indicated that the pandemic had not adversely impacted Doniphan County or the City of Denton, as this area is predominately farming land. Further, Denton, Kansas and other small towns are not home to retail businesses that were affected by the government mandated business closures beginning in March 2020 to limit the spread of the virus. The following table illustrates unemployment levels in Doniphan County and in the State of Kansas since the previous evaluation.

<b>Unemployment Rates – Assessment Area</b>						
<b>Area</b>	<b>2015 %</b>	<b>2016 %</b>	<b>2017 %</b>	<b>2018 %</b>	<b>2019 %</b>	<b>2020 %</b>
Doniphan County	3.5	3.2	3.1	3.2	2.8	2.1
Kansas	3.6	3.6	3.1	3.0	2.8	4.2
<i>Source: Bureau of Labor Statistics</i>						

The FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the St. Joseph MSA are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2019 (\$64,300)	<\$32,150	\$32,150 to <\$51,440	\$51,440 to <\$77,160	≥\$77,160
2020 (\$64,300)	<\$32,150	\$32,150 to <\$51,440	\$51,440 to <\$77,160	≥\$77,160
<i>Source: FFIEC</i>				

### **Competition**

Bank of Denton operates in a moderately competitive environment. According to the FDIC Deposit Market Share data, as of June 30, 2020, there are five financial institutions, which operate seven locations in the assessment area of Doniphan County. Bank of Denton ranked 5<sup>th</sup> with 7.2 percent of the deposit market share.

### **Community Contact(s)**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs. This information assists in determining whether local financial institutions are responsive to those needs. Examiners conducted a new contact with a local cooperative business with knowledge of the assessment area and its credit needs. The contact stated that the economic conditions in Doniphan County, Kansas are relatively stable including local businesses. The largest employers in the area include rural farming operations and a local college. The college is 11 miles from the Bank of Denton. Further, the contact indicated that housing stock within the county is very limited. Houses are quickly purchased for investment property or owner occupied housing. Bank management concurred with the contact regarding the limited housing stock. The contact indicated that the credit needs include home mortgage and agricultural loans.

### **Credit Needs**

Examiners identified the credit needs of the assessment area based on information from a community contact, bank management, and demographic and economic data. Accordingly, examiners determined that home mortgage and small farm loans are notable credit needs in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners conducted this CRA evaluation using Interagency Small Bank Evaluation Procedures. This evaluation covers the period from the prior evaluation dated April 13, 2015, to the current evaluation dated March 8, 2021. These procedures include the Lending Test, as outlined in the Small Bank Performance Criteria Appendix.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are agricultural and commercial. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Further, the December 31, 2020, Report of Condition and Income supports this conclusion with the composition of home mortgage (49.5 percent) and agricultural (29.0 percent) lending. The bank's lending focus and product mix remained consistent throughout the evaluation period. Commercial and consumer loans do not represent a major

product line and therefore, are not be presented in the evaluation. Based on the bank’s loan portfolio composition, more weight is placed on home mortgage lending performance when arriving at overall conclusions.

In order to get a larger number of loans to analyze, the home mortgage loan review included two years of data, 2019 and 2020. The Assessment Area Concentration review considered the universe of 2019 and 2020 home mortgage loans and the universe of 2020 small farm loans originated or renewed. The universe of home mortgage loans included 10 loans totaling \$1.8 million for 2019 and 13 loans totaling \$720 thousand for 2020. The universe of small farm loans included 22 loans totaling \$1.7 million. For Borrower Profile, the 2019 and 2020 home mortgage and the 2020 small farm loans originated or renewed within the designated assessment area was considered. For the Borrower Profile criterion, examiners considered home mortgage loans, 6 totaling \$1.2 million, and 10 totaling \$583 thousand for 2019 and 2020, respectively. Small farms represented 17 loans totaling \$1.5 million. Bank management stated the lending was consistent throughout the review period.

ACS data for 2015 provided a standard of comparison for home mortgages and 2020 D&B Data provided a standard of comparison for small farm loans reviewed. 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 individuals and farms served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Bank of Denton demonstrated reasonable performance under the Lending Test. Reasonable Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile performance supports this conclusion.

#### **Loan-to-Deposit Ratio**

Bank of Denton’s net loan-to-deposit ratio is reasonable when compared to the similarly-situated institution. The ratio, calculated from Reports of Condition and Income data over the previous 23 calendar quarters from June 30, 2015, to December 3, 2020, is presented in the following table.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Bank of Denton, Denton, Kansas</b>	<b>19,692</b>	<b>70.23</b>
The Farmers State Bank, Wathena, Kansas	70,887	53.88
<i>Source: Reports of Condition and Income 06/30/2015 – 12/31/2020</i>		

### **Assessment Area Concentration**

The institution made a majority of its home mortgage and small farm loans by number and dollar amount of loans within the assessment area, as illustrated in the following table.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2019	6	60.0	4	40.0	10	1,229	69.8	533	30.3	1,762
2020	10	76.9	3	23.1	13	583	81.0	137	19.0	720
<b>Subtotal</b>	<b>16</b>	<b>69.6</b>	<b>7</b>	<b>30.4</b>	<b>23</b>	<b>1,812</b>	<b>73.0</b>	<b>670</b>	<b>27.0</b>	<b>2,482</b>
Small Farm	17	77.3	5	22.7	22	1,549	90.9	156	9.1	1,705

*Source: Bank Data*

### **Geographic Distribution**

As previously mentioned, the assessment area consists entirely of middle-income geographies; therefore, review of the geographic distribution criterion would not result in meaningful conclusions and was not evaluated.

### **Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms of different sizes. Examiners focused on the percentage by number of loans to low- and moderate-income individuals and to farms with gross annual revenues of \$1 million or less in drawing conclusions.

### **Home Mortgage Loans**

The distribution of borrowers reflects a reasonable penetration among low- and moderate-income borrowers. The bank's home mortgage loan performance for 2019 and 2020, are generally consistent. The differences in the performance between the two years are for non-owner occupied home mortgage loans, which are typically investment property. The following table shows the bank's performance lags demographic data for both low- and moderate-income borrowers. However, this is still reasonable considering 10.2 percent of families in the assessment area are living below the poverty level. Further, as mentioned by the community contact, the availability of housing stock has been limited and what is available is quickly purchased as investment property. The bank's overall performance is reasonable given the similar performance by year, moderate level of competition, elevated poverty level, and limited housing stock available.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2019	19.7	1	16.7	30	2.4
2020	19.7	1	10.0	40	6.9
<b>Moderate</b>					
2019	18.5	0	0.0	0	0.0
2020	18.5	0	0.0	0	0.0
<b>Middle</b>					
2019	25.2	2	33.3	172	14.0
2020	25.2	2	20.0	251	43.1
<b>Upper</b>					
2019	36.6	2	33.3	585	47.6
2020	36.6	2	20.0	97	16.6
<b>Not Available</b>					
2019	0.0	1	16.7	442	36.0
2020	0.0	5	50.0	195	33.4
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>1,229</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>583</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data*

### ***Small Farm Loans***

The distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. The bank's performance is relatively comparable to D&B Data.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	99.1	15	88.2	1,164	75.1
>1,000,000	0.0	2	11.8	385	24.9
Revenue Not Available	0.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>1,549</b>	<b>100.0</b>

*Source: 2020 D&B Data, Bank Data.*

### **Response to Complaints**

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

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## 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 bank'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 bank under the requirements of the Community Reinvestment Act.

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

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

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**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.