

PUBLIC DISCLOSURE

April 7, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Security State Bank
Certificate Number: 12422

101 North Washington Avenue
Wellington, Kansas 67152

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 bank's Community Reinvestment Act (CRA) performance under the applicable criteria supports the overall rating. The following points summarize this performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area.
- The bank originated a majority of the reviewed small farm loans within the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes in the assessment area.
- The geographic distribution of loans was not analyzed because the bank's assessment area does not include any low- or moderate-income census tracts.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

The Security State Bank (SSB) is a full-service financial institution headquartered in Wellington, Kansas, which is in south central Kansas. The institution is owned by SSB Holdings, Inc., a one-bank holding company that is also in Wellington. The institution received a Satisfactory rating at its previous FDIC CRA Evaluation dated April 15, 2019, based on Interagency Small Institution Examination Procedures.

The bank continues to operate from its main office in Wellington, Kansas, and a detached drive-through branch facility one block away. The bank has not opened or closed any branches or had any merger or acquisition activities since the previous CRA evaluation.

SSB offers agricultural, commercial, residential, and consumer loans. Agriculture lending is the bank's primary lending focus. The bank also originated loans under the Small Business Administration's Paycheck Protection Program. This program was established in 2020 to provide relief to small businesses during the Coronavirus Disease 2019 pandemic. The bank's deposit products include checking accounts, savings accounts, and certificates of deposit. Alternative banking services include online banking, bill pay, mobile banking, and one ATM.

According to the December 31, 2024 Reports of Condition and Income, the bank reported total assets of \$50.8 million, total deposits of \$44.7 million, and total loans of \$19.0 million. The following table illustrates the loan portfolio composition as of December 31, 2024, based on dollar volume.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	193	1.0
Secured by Farmland	5,718	30.1
Secured by 1-4 Family Residential Properties	3,638	19.2
Secured by Non-farm Non-Residential Properties	2,064	10.9
Total Real Estate Loans	11,613	61.2
Commercial and Industrial Loans	3,118	16.4
Agricultural Production and Other Loans to Farmers	3,757	19.8
Consumer	477	2.5
Other Loans	-	-
Lease Financing Receivables (net of unearned income)	-	-
Less: Unearned Income	-	-
Total Loans	18,965	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0.</i>		

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

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. SSB continues to designate all of Sumner County as its assessment area. Sumner County is part of the Wichita, Kansas Metropolitan Statistical Area (MSA). The following shows demographic and economic information from the 2020 U.S. Census and 2024 D&B data for the assessment area.

Economic and Demographic Data

This assessment area includes five middle-income tracts and one upper-income tract. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	6	0.0	0.0	83.3	16.7
Population by Geography	22,382	0.0	0.0	78.8	21.2
Housing Units by Geography	11,014	0.0	0.0	80.2	19.8
Owner-Occupied Units by Geography	6,730	0.0	0.0	78.2	21.8
Occupied Rental Units by Geography	2,732	0.0	0.0	82.8	17.2
Vacant Units by Geography	1,552	0.0	0.0	84.3	15.7
Businesses by Geography	1,749	0.0	0.0	80.7	19.3
Farms by Geography	266	0.0	0.0	92.1	7.9
Family Distribution by Income Level	6,225	23.3	16.7	24.2	35.8
Household Distribution by Income Level	9,462	25.8	18.4	18.0	37.9
Median Family Income - 48620 Wichita, Kansas MSA		\$74,120	Median Housing Value		\$100,021
Families Below Poverty Level		9.5%	Median Gross Rent		\$741
<i>Source: 2020 U.S. Census and 2024 D&B Data Due to rounding, totals may not equal 100.0%.</i>					

The 2024 D&B data indicates that the services industry represents the largest portion of businesses and farms at 32.1 percent; followed by non-classifiable establishments at 18.4 percent; agriculture, forestry, and fishing at 13.2 percent; and retail trade at 8.9 percent. The data also indicates that area farms and businesses are relatively small with 93.0 percent having 9 or fewer employees, and 88.4 percent operating from a single location.

Competition

Sumner County has significant competition for financial services. According to June 30, 2024 FDIC Deposit Market Share data, there are 10 institutions operating 15 locations in the assessment area. SSB ranked 7th with 7.3 percent of the deposit market share. The bank also faces competition from other lenders such as government agencies and credit unions.

Community Contact

To help gain insight into the area's economy, demographic trends, business environment, and credit needs within the community, examiners interview individuals that are familiar with the area. For this evaluation, examiners reviewed recent comments made by a community representative familiar with Sumner County.

The individual indicated that the economy in the area has been stable for the past few years. Several businesses also have plans that would create a considerable number of jobs over the next few years. Agriculture is an important part of the economy. Farmers have been hurt by drought conditions in recent years, but they seem to be doing fine now.

The contact indicated there is significant competition among financial institutions in the area given the limited population base. Agriculture, small business, and home mortgage loans are all primary credit needs in the area. The individual felt that the area banks support the community and are meeting the credit needs of the area.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm, small business, and home mortgage loans are all primary credit needs in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 15, 2019, to the current evaluation dated April 7, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance.

Activities Reviewed

Examiners determined the bank's major product line is agricultural lending, so small farm loans were reviewed for this evaluation. Examiners selected this product based on the bank's business strategy, loan portfolio composition, and the number and dollar volume of loans originated during the evaluation period. Small business loans were not reviewed because lending activity during the evaluation period was minimal, except for originations through the Paycheck Protection Program a few years ago. Home mortgage loans were not reviewed either because the lending activity was too limited to yield meaningful results or provide material support for conclusions.

Examiners reviewed all small farm loans originated in 2024. According to bank records, 28 small farm loans totaling \$2.7 million were originated in 2024. Bank officials confirmed lending activity in 2024 reasonably represents the institution's lending throughout the evaluation period. For the Lending Test, examiners reviewed the entire universe of these small farm loans to evaluate the Assessment Area Concentration criterion. For the Borrower Profile criterion, examiners reviewed all the small farm loans originated in the assessment area.

The 2024 D&B data provided a standard of comparison for the bank's small farm lending performance. When drawing conclusions, examiners placed greater weight on the number of loans, as opposed to the dollar volume, as the number of loans is considered a better indicator of the number of farms served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SSB demonstrated satisfactory performance under the Lending Test. The bank's performance under all evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

SSB's average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area. The bank's performance for this criterion was evaluated based on the average of the 23 quarterly net loan-to-deposit ratios since the previous

evaluation. The highest loan-to-deposit ratio reported by the bank was 49.4 percent as of September 30, 2020. The ratio subsequently dropped to a low of 29.5 percent on March 31, 2022, because of decreased lending and higher deposit levels during the pandemic. Since then, the bank’s loan volume has trended upward and the deposit volume has declined, resulting in an average net loan-to-deposit ratio of 41.1 percent. While SSB’s average net loan-to-deposit ratio is somewhat low, it is still reasonably comparable to the ratios of most of the similarly situated institutions. Examiners selected the similarly situated institutions based on their asset size, geographic location, and loan portfolio composition. See the following table for details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The Security State Bank, Wellington, Kansas	50,804	41.1
Ninnescah Valley Bank, Cunningham, Kansas	41,042	40.0
Bank of Commerce and Trust Company, Wellington, Kansas	111,451	53.3
The Stock Exchange Bank, Caldwell, Kansas	86,114	88.4

Source: Reports of Condition and Income 06/30/2019 – 12/31/2024

Assessment Area Concentration

SSB originated a majority of the reviewed small farm loans 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 (\$000)				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	18	64.3	10	35.7	28	1,563	57.3	1,163	42.7	2,726

Source: Bank Data

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes. Examiners focused on the percentage of small farm loans to operations with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s percentage of lending to farms with revenues of \$1 million or less is somewhat lower than the demographic data for this revenue category. However, the performance is still reasonable since the number of loans to farms with over \$1 million in revenues is very limited and only involves two different borrowers.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.6	15	83.3	1,028	65.8
>\$1,000,000	0.0	3	16.7	535	34.2
Revenue Not Available	0.4	0	0.0	0	0.0
Total	100.0	18	100.0	1,563	100.0

Source: 2024 D&B Data, Bank Data

Geographic Distribution

The bank's assessment area does not include any low- or moderate-income census tracts, so a review of this criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Response to Complaints

The institution 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 practices.

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.