

PUBLIC DISCLOSURE

August 4, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens State Bank
Certificate Number: 15261

601 South Main Street
Hugoton, Kansas 67951

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 small farm and small business loans within the assessment area.
- The bank does not have any low- or moderate-income census tracts within its assessment area; therefore, this factor did not affect the rating.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes.
- 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 Citizens State Bank is headquartered in Hugoton, Kansas. The bank operates from its only office in Stevens County, Kansas. The Citizens State Bank is owned by Hugoton Bancshares, Inc., Hugoton, Kansas, a one-bank holding company. The bank has not opened or closed any branches since the previous CRA evaluation. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 19, 2019, based on Interagency Small Institution Examination Procedures.

The Citizens State Bank offers traditional loan products including home mortgage, commercial, agricultural, and consumer loans. Agricultural lending continues to represent the bank's primary lending focus, followed by commercial lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, and two bank-owned ATMs.

According to the March 31, 2025 Reports of Condition and Income, the bank reported total assets of \$138.3 million, total deposits of \$120.8 million, and total loans of \$70.2 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of 3/31/2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	424	0.6
Secured by Farmland	33,308	47.4
Secured by 1-4 Family Residential Properties	4,291	6.1
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	4,495	6.4
Total Real Estate Loans	42,518	60.5
Commercial and Industrial Loans	8,704	12.4
Agricultural Production and Other Loans to Farmers	17,832	25.4
Consumer Loans	954	1.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	3	0.0
Lease Financing Receivable (net of unearned income)	224	0.3
Less: Unearned Income	0	0.0
Total Loans	70,235	100.0
<i>Source: Reports of Condition and Income</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. The Citizens State Bank designated one assessment area. The assessment area is made up of the entirety of Stevens County, which is located in a nonmetropolitan area in southwestern Kansas. The assessment area is unchanged from the previous examination.

Economic and Demographic Data

The assessment area includes one middle- and one upper-income census 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)	2	0.0	0.0	50.0	50.0
Population by Geography	5,250	0.0	0.0	74.6	25.4
Housing Units by Geography	2,329	0.0	0.0	73.3	26.7
Owner-Occupied Units by Geography	1,208	0.0	0.0	73.0	27.0
Occupied Rental Units by Geography	562	0.0	0.0	84.2	15.8
Vacant Units by Geography	559	0.0	0.0	63.0	37.0
Businesses by Geography	465	0.0	0.0	77.6	22.4
Farms by Geography	105	0.0	0.0	36.2	63.8
Family Distribution by Income Level	1,316	18.5	21.0	19.5	41.0
Household Distribution by Income Level	1,770	18.9	18.8	14.3	48.0
Kansas Non-MSA Median Family Income	\$65,183	Median Housing Value			\$ 105,898
Families Below Poverty Level	11.6%	Median Gross Rent			\$747
<i>Source: 2020 Census and 2024 D&B Data</i>					

Competition

The competition for financial services in the assessment area is low. According to the June 30, 2024 FDIC Deposit Market Share data, there are three institutions operating three locations in the assessment area. These institutions range from small community to moderately-sized regional banks. The Citizens State Bank ranked first with 68.2 percent of the deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area's credit needs. This information helps determine whether local financial institutions are responsive to those needs. Further, these discussions reveal indications of the credit opportunities available.

Examiners relied on an existing community contact with a member of the community familiar with the economic conditions in the assessment area. The contact indicated that economic conditions in the area were suboptimal. The contact indicated that commodity prices have decreased and operational costs, such as equipment, have increased. The contact also indicated that agricultural lending was the primary credit need in the area.

Credit Needs

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that agricultural lending represents the largest credit need of the assessment area

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 19, 2019, to the current evaluation dated August 4, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance.

Activities Reviewed

Examiners determined that the bank's major product lines are agricultural and commercial lending; therefore, small farm and small business loans were reviewed for this evaluation. Examiners selected these products based on the bank's strategy, loan portfolio composition, and the volume of loans originated during the evaluation period. Examiners did not review home mortgage lending, as it makes up a very small percentage of the loan portfolio. Agricultural lending is the institution's primary focus; therefore, small farm loans received the most weight when determining overall conclusions.

Examiners reviewed all small farm and small business loans originated or renewed in calendar year 2024 for this evaluation. Bank officials confirmed this time period was representative of the bank's lending activities for the entire review period. According to the bank's 2024 loan records, The Citizens State Bank originated 83 small farm loans totaling \$10.3 million, and 31 small business loans totaling \$2.4 million.

For the Lending Test, examiners reviewed the entire universe of 2024 small farm and small business loans to evaluate the Assessment Area Concentration criterion. Additionally, examiners reviewed a sample of 36 small farm loans totaling \$5.9 million, and all small business loans made inside the assessment area to evaluate the Borrower Profile criterion.

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

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Citizens State Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion.

Loan-to-Deposit Ratio

The Citizens State Bank's average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs and economic condition of the assessment area. As shown in the following table, the bank's net loan-to-deposit ratio averaged 62.6 percent over the past 23 calendar

quarters. This ratio is within the range of the other institutions that were considered comparable based on their asset size, geographic location, and/or lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2025 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The Citizens State Bank, Hugoton, Kansas	138,253	62.6
The First State Bank of Ransom, Ransom, Kansas	48,219	41.8
The First State Bank, Ness City, Kansas	80,223	37.4
The Stockgrowers State Bank of Ashland, Kansas, Ashland, Kansas	192,838	64.7

Source: Reports of Condition and Income 6/30/2019 – 3/31/2025

Assessment Area Concentration

The Citizens State Bank originated a majority of the reviewed small farm and small business 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 \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	63	75.9	20	24.1	83	8,396	81.2	1,943	18.8	10,339
Small Business	29	93.5	2	6.5	31	2,334	97.8	52	2.2	2,386
Total	92	80.7	22	19.3	114	10,730	84.3	1,995	15.7	12,725

Source: Bank Data

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. The Citizens State Bank’s reasonable small farm and small business lending performance supports this conclusion. For this criterion, examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of borrowers reflects reasonable lending penetration to farms with revenues of \$1 million or less. As shown in the following table, the bank’s lending performance to farms with revenues of \$1 million or less lags comparable demographic data. However, according to the 2022 U.S. Agricultural Census, 65.6 percent of farms in the bank’s assessment area do not report interest expense, and 63.6 percent are considered hobby farmers and do not farm as their primary occupation. This performance context indicates a sizeable percentage of farms appear to have little or no need for credit; thus, the bank’s performance is considered reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<= \$1,000,000	97.1	26	72.2	2,710	45.9
> \$1,000,000	1.9	10	27.8	3,200	54.1
Revenue Not Available	1.0	0	0.0	0	0.0
Total	100.0	36	100.0	5,910	100.0
<i>Source: 2024 D&B Data, Bank Data</i>					

Small Business Loans

The distribution of borrowers reflects reasonable lending penetration to businesses with revenues of \$1 million or less. As shown in the following table, the bank’s lending performance to businesses with revenues of \$1 million or less is reasonably proportionate to demographic data in this same revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<= \$1,000,000	76.8	21	72.4	318	13.6
> \$1,000,000	5.6	8	27.6	2,016	86.4
Revenue Not Available	17.6	0	0.0	0	0.0
Total	100.0	29	100.0	2,334	100.0
<i>Source: 2024 D&B Data, Bank Data</i>					

Response to Complaints

The Citizens State 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 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: 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.