

# **PUBLIC DISCLOSURE**

May 5, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Farmers State Bank of Aliceville, Kansas  
Certificate Number: 18120

305 Dobell Street  
Westphalia, Kansas 66093

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 the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size and financial condition, as well as the assessment area's credit needs.
- The bank made a majority of its small farm, home mortgage, and small business loans inside 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, and individuals of different income levels.
- 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 Farmers State Bank of Aliceville, Kansas (FSBA) is a community bank headquartered in Westphalia, Kansas. The bank operates two additional locations in Lebo and Burlington, Kansas. The bank has not opened or closed any branches, or had any merger or acquisition activities since the previous CRA evaluation. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated June 3, 2019, based on Interagency Small Institution Examination Procedures.

FSBA offers traditional loan products including agricultural, home mortgage, commercial, and consumer loans. Agricultural lending continues to be the bank's primary lending focus, followed by home mortgage and commercial lending. The institution provides a variety of deposit services including checking accounts, savings accounts, money market accounts, and certificates of deposit. Online banking is an alternative banking service.

According to the December 31, 2024 Reports of Condition and Income, the bank reported total assets of \$169.3 million, total deposits of \$136.3 million, and total loans of \$121.3 million. The following table shows the distribution for each loan category by dollar volume.

<b>Loan Portfolio Distribution as of December 31, 2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	700	0.6
Secured by Farmland	32,484	26.8
Secured by 1-4 Family Residential Properties	30,447	25.1
Secured by Multifamily (5 or more) Residential Properties	153	0.1
Secured by Nonfarm Nonresidential Properties	7,918	6.5
<b>Total Real Estate Loans</b>	<b>71,702</b>	<b>59.1</b>
Commercial and Industrial Loans	6,787	5.6
Agricultural Production and Other Loans to Farmers	35,993	29.7
Consumer Loans	6,812	5.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	10	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>121,304</b>	<b>100.0</b>
<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. FSBA designated one assessment area, which is comprised of Coffey and Anderson counties in the nonmetropolitan area of Kansas. The assessment area is unchanged from the prior evaluation, although one census tract was re-classified from upper-income to middle-income because of 2020 U.S. Census changes.

### **Economic and Demographic Data**

The assessment area includes four middle- and one upper-income census tract. The following table illustrates 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>
Geographies (Census Tracts)	5	0.0	0.0	80.0	20.0
Population by Geography	16,196	0.0	0.0	82.4	17.6
Housing Units by Geography	7,856	0.0	0.0	83.1	16.9
Owner-Occupied Units by Geography	5,066	0.0	0.0	80.4	19.6
Occupied Rental Units by Geography	1,736	0.0	0.0	87.4	12.6
Vacant Units by Geography	1,054	0.0	0.0	89.4	10.6
Businesses by Geography	1,559	0.0	0.0	81.9	18.1
Farms by Geography	225	0.0	0.0	77.3	22.7
Family Distribution by Income Level	4,662	21.6	11.6	22.4	44.4
Household Distribution by Income Level	6,802	23.8	15.2	14.6	46.4
Median Family Income Nonmetropolitan Kansas		\$65,183	Median Housing Value		\$113,730
Families Below Poverty Level		10.5%	Median Gross Rent		\$687
<i>Source: 2020 U.S. Census and 2024 D&amp;B Data</i>					

The Federal Financial Institutions Examination Council (FFIEC) provides updated median family income levels that are used to analyze home mortgage loans under the Borrower Profile criterion. The 2024 low-, moderate-, middle-, and upper-income categories for the nonmetropolitan area of Kansas 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>
2024 (\$80,900)	<\$40,450	\$40,450 to <\$64,720	\$64,720 to <\$97,080	≥\$97,080
<i>Source: FFIEC</i>				

**Competition**

The assessment area has significant competition for financial services. According to the June 30, 2024 FDIC Deposit Market Share data, 9 financial institutions operate 18 locations in the assessment area. These institutions range from small community banks to moderately sized regional banks. FSBA ranked first with 20.8 percent of the deposit market share. In addition to the financial institutions included in the market share report, the bank faces competition from other lenders, such as credit unions and Farm Credit Associations.

**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 contacted a member of the community knowledgeable about the economic conditions in the assessment area. The contact indicated that the economy is generally stable, although the

livestock sector is showing signs of stress due to high input prices. The population demographics in the area include a mix of ages and income levels. The contact noted that the largest employer in the area continues to be the Wolf Creek Nuclear Plant. The contact stated that more childcare and housing are the primary needs in the assessment area. Lastly, the contact indicated that financial institutions are generally meeting the credit needs of the community.

### **Credit Needs**

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that agricultural and home mortgage loans represent the primary credit needs in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated June 3, 2019, to the current evaluation dated May 5, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance.

### **Activities Reviewed**

Examiners reviewed small farm, home mortgage, and small business lending to evaluate the bank's overall CRA performance. Examiners selected these products based on the bank's strategy, loan portfolio composition, and the volume of loans originated during the evaluation period. Because agricultural lending is the institution's primary focus, small farm loans received the most weight when determining overall conclusions, followed by home mortgage and small business loans.

Examiners reviewed all small farm, home mortgage, and small business loans originated or renewed in 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, FSBA originated 516 small farm loans totaling \$49.3 million, 124 home mortgage loans totaling \$9.6 million, and 116 small business loans totaling \$14.9 million.

For the Lending Test, examiners reviewed the entire universe of small farm, home mortgage, and small business loans to evaluate the Assessment Area Concentration criterion. A random sample of small farm, home mortgage, and small business loans made inside the assessment area were reviewed to evaluate the Borrower Profile criterion. The sample included 58 small farm loans totaling \$4.9 million, 41 home mortgage loans totaling \$3.7 million, and 41 small business loans totaling \$6.7 million.

The 2020 U.S. Census data provided the standard of comparison for the bank's home mortgage lending performance, and 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, businesses, and individuals served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

FSBA demonstrated satisfactory performance under the Lending Test. The performance under all applicable criteria supports this conclusion.

#### Loan-to-Deposit Ratio

FSBA’s average net loan-to-deposit ratio is reasonable given the institution’s size and financial condition, as well as the credit needs of the assessment area. As shown in the following table, the bank’s net loan-to-deposit ratio averaged 81.6 percent over the past 23 calendar quarters. This ratio is within the range of similarly situated institutions. Examiners selected these institutions based on their asset size, geographic location, and portfolio composition.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The Farmers State Bank of Aliceville, Kansas, Westphalia, Kansas	169,339	81.6
Goppert State Service Bank, Garnett, Kansas	302,670	86.8
The Kansas State Bank Overbrook Kansas, Overbrook, Kansas	89,795	61.0
The Exchange State Bank of St. Paul, Kansas, Saint Paul, Kansas	100,964	62.0
<i>Source: Reports of Condition and Income June 30, 2019 – December 31, 2024</i>		

#### Assessment Area Concentration

FSBA originated a majority of the reviewed small farm, home mortgage, 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 (000s)				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	356	69.0	160	31.0	516	30,604	62.1	18,683	37.9	49,287
Home Mortgage	88	71.0	36	29.0	124	6,014	62.8	3,557	37.2	9,571
Small Business	81	69.8	35	30.2	116	12,125	81.6	2,737	18.4	14,862
<i>Source: 2024 Bank Data</i>										

#### Geographic Distribution

The assessment area does not include any low- or 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

Overall, the distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. Although the home mortgage lending performance was excellent, FSBA’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, and the percentage of home mortgage loans to low- and moderate-income borrowers.

***Small Farm Loans***

The distribution of small farm loans reflects reasonable lending penetration. As shown in the following table, the bank’s lending performance to farms with revenues of \$1 million or less is commensurate with demographic data in this revenue category.

<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	97.8	55	94.8	4,627	93.6
>\$1,000,000	2.2	3	5.2	317	6.4
<b>Total</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>4,944</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data, 2024 Bank Data</i>					

***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. The bank’s level of lending to low-income borrowers lagged demographic data; however, the performance is still considered reasonable given that 10.5 percent of low-income families in the area are below the poverty line and unlikely to qualify for traditional financing. In addition, the bank’s level of lending to moderate-income borrowers significantly exceeded demographic data, raising the bank’s overall home mortgage performance to excellent. See the following table for details.

<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>
Low	21.6	4	9.8	93	2.5
Moderate	11.6	15	36.6	766	20.8
Middle	22.4	15	36.6	849	23.0
Upper	44.4	7	17.0	1,976	53.7
<b>Total</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>3,684</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census, 2024 Bank Data</i>					

***Small Business Loans***

The distribution of small business loans reflects reasonable lending penetration. As shown in the following table, the bank’s lending performance to businesses with revenues of \$1 million or less lagged comparable demographic data in this revenue category. However, the performance is still considered reasonable given that all 12 loans in the over \$1 million revenue category were made to one company, and 21 of the 22 customers represented in the sample had revenues of \$1 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	83.6	29	70.7	1,490	22.2
>\$1,000,000	3.9	12	29.3	5,211	77.8
Revenue Not Available	12.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>6,701</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data, 2024 Bank Data</i>					

**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.