

# **PUBLIC DISCLOSURE**

April 10, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Alva State Bank & Trust Company  
Certificate Number: 9465

518 College Avenue  
Alva, Oklahoma 73717

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

600 North Pearl Street, Suite 700  
Dallas, Texas 75201

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 areas (AAs), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Alva State Bank & Trust Company's satisfactory Lending Test rating and its outstanding Community Development Test rating support the overall Community Reinvestment Act (CRA) rating. The following points summarize conclusions regarding the applicable tests, discussed in detail elsewhere.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio (LTD) is reasonable (considering seasonal variations and taking into account lending-related activities), given the institution's size, financial condition, and AAs' credit needs.
- A majority of loans are in the institution's AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AAs through CD loans, qualified investments (QIs), and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs.

## DESCRIPTION OF INSTITUTION

Alva State Bank & Trust Company maintains its headquarters in Alva, Oklahoma. Grace Investment Company, Inc., a one-bank holding company also located in Alva, wholly owns the bank. The bank received a Satisfactory rating at its prior March 16, 2020 FDIC Performance Evaluation based on Intermediate Small Bank Procedures.

Alva State Bank & Trust Company functions as a retail bank operating four full-service offices in Oklahoma and one full-service office in Kansas. The bank did not open or close any branches or participate in any merger or acquisition activity since the previous evaluation.

The bank offers various loan products including commercial, home mortgage, agricultural, and consumer loans, primarily focusing on agricultural lending followed by commercial lending. The institution also offered loans through the Small Business Administration (SBA) Paycheck Protection Program (PPP) and originated 785 PPP loans totaling approximately \$29.1 million during the evaluation period. The SBA, with support from the Department of the Treasury, implemented the PPP, which provides loans to encourage qualified businesses that meet certain standards established by the SBA to retain employees through the COVID-19 pandemic. The program includes loan forgiveness subject to certain conditions.

The bank provides a variety of deposit services including checking, savings, and certificate of deposit accounts. Alternative banking services include internet and mobile banking, electronic bill pay, and five bank-owned automated teller machines (ATMs).

As of December 31, 2022, the institution's assets totaled approximately \$453.3 million, total loans equaled \$242.6 million, and total deposits equaled \$361.7 million. Since the prior evaluation, total assets increased by 10.3 percent, total loans decreased by 20.4 percent, and total deposits increased by 5.9 percent.

The following table illustrates the outstanding loan portfolio as of December 31, 2022, reflecting a distribution supportive of the institution's business focus, with agricultural loans representing the largest portion of the loan portfolio followed by commercial lending.

<b>Loan Portfolio Distribution as of 12/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	670	0.3
Secured by Farmland	43,184	17.8
Secured by 1-4 Family Residential Properties	6,452	2.6
Secured by Multifamily (5 or more) Residential Properties	109	0.1
Secured by Nonfarm Nonresidential Properties	70,649	29.1
<b>Total Real Estate Loans</b>	<b>121,064</b>	<b>49.9</b>
Commercial and Industrial Loans	29,486	12.2
Agricultural Production and Other Loans to Farmers	88,895	36.6
Consumer Loans	3,162	1.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	15	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>242,622</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

Examiners did not identify any financial, legal, or other impediments that affected the institution's ability to meet its AAs' credit needs.

## **DESCRIPTION OF ASSESSMENT AREAS**

As seen in the following table, Alva State Bank & Trust Company defined two AAs in the State of Oklahoma and one AA in the State of Kansas. The bank's AAs meet the technical requirements of the CRA. Refer to the individual AAs' sections within each rated area for additional details.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Oklahoma Non-MSA AA	Alfalfa and Woods	7	3
Enid MSA AA	Garfield	17	1
Kansas Non-MSA AA	Barber	2	1
<i>Source: Bank Data; 2020 U.S. Census Data.</i>			

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated March 16, 2020, to the current evaluation dated April 10, 2023. Examiners used Intermediate Small Bank Procedures to evaluate Alva State Bank & Trust Company's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. The appendix lists each tests' criteria.

Examiners assigned ratings for both the State of Oklahoma and the State of Kansas since the bank maintains full-service offices in each state. The following table shows that the bank engages in notably more activity in the State of Oklahoma. Consequently, examiners placed more weight on the bank’s performance in the State of Oklahoma in determining the bank’s overall rating.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Oklahoma						
Oklahoma Non-MSA AA	99,191	68.1	268,109	72.7	3	60.0
Enid MSA AA	25,170	17.3	45,518	12.3	1	20.0
<b>Oklahoma Subtotal</b>	<b>124,361</b>	<b>85.4</b>	<b>313,627</b>	<b>85.0</b>	<b>4</b>	<b>80.0</b>
Kansas						
<b>Kansas Non-MSA AA</b>	<b>21,371</b>	<b>14.6</b>	<b>55,173</b>	<b>15.0</b>	<b>1</b>	<b>20.0</b>
<b>Total</b>	<b>145,732</b>	<b>100.0</b>	<b>368,800</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

*Source: 2022 Bank Data; FDIC Summary of Deposits (6/30/2022). Due to rounding, totals may not equal 100.0.*

Examiners applied full-scope procedures to assess the bank’s performance in its Oklahoma Non MSA AA since this area contains the greatest portion of all bank activities, and a minimum of one AA from each rated area must be reviewed using full-scope procedures. Examiners also applied full-scope procedures to the Kansas Non-MSA AA. Examiners applied limited-scope procedures to the Enid MSA AA since full-scope procedures were used for this AA at the prior evaluation. Please refer to the rated areas’ sections for additional details.

**Activities Reviewed**

Intermediate Small Bank Procedures require examiners to determine the bank’s major product lines from which to review. Examiners may select from the same loan categories used for Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows the bank’s lending activity for 2022.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	1,667	1.1	1	0.2
Secured by Farmland	4,833	3.3	16	3.2
Secured by 1-4 Family Residential Properties	1,002	0.7	14	2.8
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	20,515	14.1	25	5.0
Commercial and Industrial Loans	24,390	16.7	91	18.0
Agricultural Loans	91,321	62.7	241	47.8
Consumer Loans	2,004	1.4	116	23.0
Other Loans	0	0.0	0	0.0
<b>Total Loans</b>	<b>145,732</b>	<b>100.0</b>	<b>504</b>	<b>100.0</b>
<i>Source: 2022 Bank Data.</i>				

Considering the dollar volume and number of loans originated, as well as management's stated business strategy, examiners determined that the bank's major product lines consist of agricultural and commercial lending. Since the other categories typically reviewed for CRA do not represent major product lines and thus would not materially affect any conclusions or ratings, this evaluation does not include a review of them. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period.

For the Lending Test, this evaluation includes a review of all 215 small farm loans totaling \$23.2 million that were originated or purchased in 2022, which represents the most recent completed calendar year of available data. This evaluation also includes a review of all 104 small business loans totaling \$12.4 million originated or purchased during the same timeframe. D&B data for 2022 provided a standard comparison for small farm and small business loans.

Examiners considered the universe of small farm and small business loans when determining loan product weighting. The following table shows that small farm loans represent a majority by number and dollar of the loan categories reviewed. Therefore, small farm loans received more weight when drawing conclusions.

Loan Products Reviewed				
Loan Category	Universe			
	#	%	\$(000s)	%
Small Farm	215	67.4	23,188	65.2
Small Business	104	32.6	12,378	34.8
<b>Total Loans</b>	<b>319</b>	<b>100.0</b>	<b>35,566</b>	<b>100.0</b>
<i>Source: 2022 Bank Data.</i>				

While the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans when arriving at conclusions for the performance factors because the number of loans better indicates the number of businesses and farms served.

For the Community Development Test, the scope of the evaluation includes data provided by management on CD loans, QIs, and CD services since the prior evaluation. The evaluation of QIs also considers the book value of prior period QIs that remain outstanding as of this evaluation's date.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Alva State Bank & Trust Company demonstrated satisfactory performance regarding the Lending Test. A reasonable LTD ratio, reasonable geographic distribution, excellent borrower profile, and a majority of loans originated inside the AAs support this conclusion. Performance remained consistent in the State of Oklahoma and performance was inconsistent in the State of Kansas.

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

The LTD ratio is reasonable given the institution's size, financial condition, and AAs' credit needs. The LTD ratio, calculated from Call Report data averaged 69.6 percent over the past 12 calendar quarters from March 31, 2020, to December 31, 2022, which decreased from the 94.3 percent average net LTD ratio reported at the previous evaluation. The ratio ranged from a low of 54.8 percent as of June 30, 2022, to a high of 82.9 percent as of March 31, 2020.

Examiners identified and listed in the following table comparable institutions operating in similar areas, with comparable asset sizes and lending emphases. As illustrated, Alva State Bank & Trust Company reported a LTD ratio within a reasonable range of the similarly situated institutions

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2022 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Alva State Bank &amp; Trust Company, Alva, Oklahoma</b>	<b>453,317</b>	<b>69.6</b>
BancCentral National Association, Alva, Oklahoma	377,319	57.7
The Bank of Kremlin, Kremlin, Oklahoma	368,346	82.7
The Peoples Bank, Pratt, Kansas	490,849	55.4
<i>Source: Reports of Condition and Income 3/31/2020 – 12/31/2022.</i>		

#### **Assessment Area Concentration**

A majority of loans are in the institution's AAs. The following table shows that Alva State Bank & Trust Company originated a majority of small farm and small business loans, by number and dollar volume, in the AAs.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	150	69.8	65	30.2	215	15,566	67.1	7,622	32.9	23,188
Small Business	87	83.7	17	16.3	104	8,159	65.9	4,219	34.1	12,378
<i>Source: 2022 Bank Data.</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Performance in the State of Oklahoma supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts within the AA when arriving at conclusions for this performance factor. The State of Oklahoma includes details of the bank's geographic distribution performance. Examiners did not conduct a geographic distribution review for the State of Kansas since the sole AA does not contain any low- or moderate-income census tracts.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among farms and businesses of different sizes. Consistent performance in the State of Oklahoma and the State of Kansas supports this conclusion. Examiners focused on the percentage by number of loans to farms and businesses in the AA with gross annual revenue of \$1 million or less when arriving at conclusions for this performance factor. Each rated area includes a more detailed discussion of the bank's borrower profile performance.

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

Alva State Bank & Trust Company demonstrated outstanding performance regarding the Community Development Test. The institution's CD performance demonstrates excellent responsiveness to CD needs in its AAs through CD loans, QIs, and CD services as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs. The State of Oklahoma demonstrated inconsistent performance, and the State of Kansas demonstrated consistent performance.

## Community Development Loans

The following table shows that since the prior evaluation, the bank originated 22 CD loans totaling approximately \$26.1 million. The total dollar amount equates to 6.1 percent of average total assets of \$427.3 million since the previous evaluation and 10.4 percent of average net loans of \$251.7 million for the same period. These levels reflect a slight decrease from the 7.0 percent of average total assets and an increase from the 9.0 percent average net loans reported at the previous evaluation.

The CD loans proved very responsive to the areas' needs given a majority of the activities revitalized or stabilized qualifying geographies, which demonstrates the bank's excellent responsiveness to an identified CD need in both rated areas. The remaining CD loans provided for community services, which represents the other identified need in both rated areas. The following tables illustrate the bank's CD lending activity by rated area, purpose, and year.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Oklahoma	0	0	1	2,000	0	0	8	9,438	9	11,438
State of Kansas	0	0	0	0	0	0	13	14,661	13	14,661
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>24,099</b>	<b>22</b>	<b>26,099</b>

Source: Bank Data.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020*	0	0	0	0	0	0	6	7,100	6	7,100
2021	0	0	1	2,000	0	0	3	2,800	4	4,800
2022	0	0	0	0	0	0	11	9,199	11	9,199
YTD 2023	0	0	0	0	0	0	1	5,000	1	5,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>24,099</b>	<b>22</b>	<b>26,099</b>

Source: Bank Data. \*Since prior evaluation.

## Qualified Investments

The following table shows that the bank made use of 382 QIs totaling \$13.9 million. The total dollar amount of QIs equates to 3.2 percent of average total assets since the previous evaluation and 13.1 percent of average securities of \$106.3 million for the same time period. This reflects a decrease from the 6.1 percent of average total assets and 42.2 percent of average securities reported at the previous evaluation; however, the current level still remains notable.

As reflected in the following tables, by dollar volume, although the QIs primarily benefited economic development efforts, they also benefited community services and revitalization and stabilization efforts. Community services and revitalization and stabilization were identified needs

of the rated areas and this shows the bank's responsive in addressing CD needs of the areas. The following tables illustrate the bank's QIs by rated area, purpose, and year.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Oklahoma	0	0	303	3,779	1	83	3	1,371	307	5,233
State of Kansas	0	0	50	880	4	1,413	1	300	55	2,593
Nationwide Activities	0	0	0	0	20	6,061	0	0	20	6,061
<b>Total</b>	<b>0</b>	<b>0</b>	<b>353</b>	<b>4,659</b>	<b>25</b>	<b>7,557</b>	<b>4</b>	<b>1,671</b>	<b>382</b>	<b>13,887</b>

Source: Bank Data.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	310	18	3,928	2	550	21	4,788
2020*	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	10	4,149	7	3,629	2	1,121	19	8,899
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>4,459</b>	<b>25</b>	<b>7,557</b>	<b>4</b>	<b>1,671</b>	<b>40</b>	<b>13,687</b>
Qualified Grants & Donations	0	0	342	200	0	0	0	0	342	200
<b>Total</b>	<b>0</b>	<b>0</b>	<b>353</b>	<b>4,659</b>	<b>25</b>	<b>7,557</b>	<b>4</b>	<b>1,671</b>	<b>382</b>	<b>13,887</b>

Source: Bank Data. \*Since prior evaluation.

The following point highlights an example of a nationwide QI:

- Economic Development** – The bank made a \$423,000 thousand investment to a Small Business Investment Company with the purpose, mandate, or function of the fund supporting small businesses, creating jobs for low- and moderate-income individuals, and building an environment for entrepreneurs to prosper. This investment benefited a nationwide area that includes the institution's AAs.

**Community Development Services**

The following table shows that the bank provided 74 CD services since the prior evaluation. This level reflects an increase over the 65 CD services at the prior evaluation. The services involve bank personnel's use of their technical expertise to benefit organizations or projects in the AAs with a primary purpose of CD, as defined by the CRA regulation. The CD services all benefited community service organizations that provide services to low- and moderate-income individuals, which demonstrates the bank's responsiveness to an identified CD need in both rated areas. The following tables detail the bank's CD services by rated area, purpose, and year.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of Oklahoma	0	66	0	0	66
State of Kansas	0	8	0	0	8
<b>Total</b>	<b>0</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>74</b>

Source: Bank Data.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020*	0	15	0	0	15
2021	0	17	0	0	17
2022	0	20	0	0	20
YTD 2023	0	22	0	0	22
<b>Total</b>	<b>0</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>74</b>

Source: Bank Data. \*Since prior evaluation.

Regarding the availability of services, the bank operates one branch in an underserved middle-income census tract. Additionally, the bank provides alternative delivery systems such as internet and mobile banking as well as electronic bill pay that help avail the bank's services to low- and moderate-income individuals or geographies across all AAs.

### **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.

## STATE OF OKLAHOMA

CRA RATING FOR STATE OF OKLAHOMA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN STATE OF OKLAHOMA

As noted at the institution level, Alva State Bank & Trust Company operates four branches among two AAs in the State of Oklahoma: the Oklahoma Non-MSA AA and the Enid MSA AA. Refer to the individual AAs' sections for additional details.

### SCOPE OF EVALUATION – STATE OF OKLAHOMA

The scope of the evaluation for the State of Oklahoma remains consistent with that discussed for the institution as a whole. Refer to the institution level Scope of Evaluation Section for details. The following table shows that the Oklahoma Non-MSA AA generated a significant percentage of the bank's loans and deposits in the State of Oklahoma. Consequently, examiners weighed performance in the Oklahoma Non-MSA AA heaviest when arriving at applicable conclusions and ratings for this rated area.

Assessment Area Breakdown of Loans, Deposits, and Branches State of Oklahoma						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Oklahoma Non-MSA	99,191	79.8	268,109	85.5	3	75.0
Enid MSA	25,170	20.2	45,518	14.5	1	25.0
<b>Total</b>	<b>124,361</b>	<b>100.0</b>	<b>313,627</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: 2022 Bank Data; FDIC Summary of Deposits (6/30/2022).  
Due to rounding, totals may not equal 100.0.*

### CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF OKLAHOMA

#### LENDING TEST

Alva State Bank & Trust Company demonstrated a satisfactory Lending Test record in the State of Oklahoma. A reasonable record regarding geographic distribution and an excellent borrower profile support this conclusion. The Oklahoma Non-MSA AA demonstrated inconsistent performance while the Enid MSA AA demonstrated consistent performance.

## Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Reasonable performance in the Enid MSA AA supports this conclusion. Examiners did not conduct a geographic distribution analysis for the Oklahoma Non-MSA since it does not include any low- or moderate-income geographies.

## Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among farms and businesses of different sizes in the State of Oklahoma. Consistent performance in both the Oklahoma Non-MSA AA and Enid MSA AA supports this conclusion.

## **COMMUNITY DEVELOPMENT TEST**

Alva State Bank & Trust Company demonstrated a satisfactory Community Development Test record in the State of Oklahoma. The institution's CD performance demonstrates adequate responsiveness to CD needs in the State of Oklahoma through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs. Both the Oklahoma Non-MSA AA and the Enid MSA AA demonstrated consistent performance.

## Community Development Loans

The following table shows that since the prior evaluation, the bank originated 9 CD loans totaling over \$11.4 million in the State of Oklahoma. These levels reflect a decrease in number, but an increase in dollar amount over the 17 loans totaling \$8.9 million in this rated area at the prior evaluation. The current dollar amount equates to 43.8 percent of the bank's total CD loans compared to this rated area contributing 85.4 percent of the dollar volume of the bank's total loans. A large portion of the CD loans revitalized or stabilized designated areas, which demonstrates appropriate responsiveness to identified CD needs in both AAs.

Community Development Lending by Assessment Area State of Oklahoma										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Oklahoma Non-MSA	0	0	1	2,000	0	0	6	1,838	7	3,838
Enid MSA	0	0	0	0	0	0	2	7,600	2	7,600
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>9,438</b>	<b>9</b>	<b>11,438</b>

Source: Bank Data.

## Qualified Investments

The following table shows that the bank made use of 307 QIs totaling nearly \$5.2 million in the State of Oklahoma. These levels reflect a decrease over the 390 QIs totaling \$9.0 million noted in the prior evaluation. The current dollar amount represents 37.7 percent of the bank's total QIs, or

66.7 percent of total QIs within the AAs (excluding nationwide activities), compared to 85.0 percent of the bank's total deposits in this rated area. A majority of the QIs supported community services, which proves responsive to an identified CD needs in both AAs.

Qualified Investments by Assessment Area State of Oklahoma										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Oklahoma Non-MSA	0	0	162	745	1	83	0	0	163	828
Enid MSA	0	0	133	51	0	0	0	0	133	51
Statewide Activities	0	0	8	2,983	0	0	3	1,371	11	4,354
<b>Total</b>	<b>0</b>	<b>0</b>	<b>303</b>	<b>3,779</b>	<b>1</b>	<b>83</b>	<b>3</b>	<b>1,371</b>	<b>307</b>	<b>5,233</b>

Source: Bank Data.

The following point highlights an example of a statewide QI:

- **Community Services** – The bank originated a \$431,000 loan to a school district in the statewide area where a majority of the students receive free or reduced lunches. The funds addressed specific infrastructure needs, such as building renovations and construction of an educational facility.

### Community Development Services

The following table shows that the bank provided 66 CD services in this rated area since the prior evaluation. The current figure represents 89.2 percent of the bank's total CD services compared to this rated area containing 80.0 percent of the bank's total branches. The figure reflects an increase from the 60 CD services in this AA noted at the prior evaluation. The CD services proved responsive to the community services needs in both AAs.

Community Development Services by Assessment Area State of Oklahoma					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Oklahoma Non-MSA	0	57	0	0	57
Enid MSA	0	9	0	0	9
<b>Total</b>	<b>0</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>66</b>

Source: Bank Data

Alternative delivery systems in the State of Oklahoma remain consistent with that discussed at the institution level.

## OKLAHOMA NON-MSA AA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN OKLAHOMA NON-MSA AA

The Oklahoma Non-MSA AA includes all of Alfalfa and Woods counties. The 2020 U.S. Census Data reflects an increase of one census tract in this AA. The bank operates three full-service branches and ATMs within this AA. The branch maintain hours consistent with the area and the industry. The delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution Section of this performance evaluation.

#### Economic and Demographic Data

Based on 2020 U.S. Census Data, the AA’s 7 census tracts include the following income designations: 1 middle- and 6 upper-income census tracts. The following table provides select demographic characteristics for this AA.

Demographic Information of the Assessment Area Oklahoma Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	0.0	14.3	85.7	0.0
Population by Geography	14,323	0.0	0.0	20.3	79.7	0.0
Housing Units by Geography	7,136	0.0	0.0	13.8	86.2	0.0
Owner-Occupied Units by Geography	3,639	0.0	0.0	17.5	82.5	0.0
Occupied Rental Units by Geography	1,398	0.0	0.0	6.7	93.3	0.0
Vacant Units by Geography	2,099	0.0	0.0	12.1	87.9	0.0
Businesses by Geography	1,683	0.0	0.0	10.3	89.7	0.0
Farms by Geography	263	0.0	0.0	12.5	87.5	0.0
Family Distribution by Income Level	3,131	12.8	13.4	19.2	54.5	0.0
Household Distribution by Income Level	5,037	20.8	12.6	15.7	51.0	0.0
Median Family Income – OK Non-MSA	\$58,565		Median Housing Value			\$111,589
				Median Gross Rent		\$696
				Families Below Poverty Level		6.3%

*Source: 2020 U.S. Census Data and 2022 D&B Data. Due to rounding, totals may not equal 100.0.  
(\*) The NA category consists of geographies that have not been assigned an income classification.*

FEMA made a disaster declaration on April 5, 2020, affecting both counties due to the COVID-19 pandemic. On December 21, 2020, and February 24, 2021, FEMA made disaster declarations affecting Alfalfa County due to severe winter storms. Additionally, the AA contained both distressed and underserved census tracts during the evaluation period.

According to local data, the AA’s largest employers include: Northwestern Oklahoma State University, Share Medical Center, Chesapeake Energy Corporation, and SandRidge Energy Inc. The following tables show annual unemployment rates over the evaluation period for the AA, State of Oklahoma, and nationwide, which show a spike in 2020 for all areas as a result of the COVID-19 pandemic.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Alfalfa County	3.4	1.3	1.9
Woods County	2.9	1.0	1.4
State of Oklahoma	5.1	2.5	2.6
National Average	6.7	3.9	3.5

*Source: Bureau of Labor Statistics.*

### **Competition**

The AA reflects a high level of competition for financial services, considering the AA’s total population. According to the FDIC Deposit Market Share report as of June 30, 2022, 10 financial institutions operate 15 offices within the bank’s AA. Of these institutions, Alva State Bank & Trust Company ranked 2<sup>nd</sup> with a 20.3 percent deposit market share.

### **Community Contact**

As part of the evaluation process examiners obtain information from third parties knowledgeable of the AA to assist in identifying needs of the area. This information helps determine financial institutions’ responsiveness to these needs and shows available credit and CD opportunities. Examiners reviewed an existing community contact with a representative of a local government agency knowledgeable of the area’s business environment. The contact indicated a struggling local economy in rural areas of Oklahoma due to the lack of jobs. The contact noted that small farm loans represent the primary credit need of the community. The contact stated that local banks remain involved in the community and serve the credit needs.

### **Credit and Community Development Needs and Opportunities**

Considering information obtained from bank management, the community contact, as well as demographic and economic data, examiners determined the primary credit needs of the AA include small farm and small business loans. Regarding the area’s CD needs, demographic data shows 26.2 percent of the area’s families reported low or moderate incomes, which suggests a need for activities that provide community services to these families. The disaster declarations and distressed and underserved designations suggest a need for activities that revitalize or stabilize these geographies.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN OKLAHOMA NON-MSA AA

### LENDING TEST

Alva State Bank & Trust Company demonstrated an outstanding record in the Oklahoma Non-MSA AA regarding the Lending Test. An excellent record regarding borrower profile supports this conclusion.

### Geographic Distribution

The AA does not include any low- or moderate-income census tracts, 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, given the demographics of the AA, excellent penetration among farms and businesses of different sizes. Excellent performance regarding small farm lending outweighs reasonable performance regarding small business lending to support this conclusion.

### *Small Farm Loans*

The distribution of borrowers reflects excellent penetration among farms of different sizes. As shown in the following table, Alva State Bank & Trust Company originated more than nine out of every ten small farm loans to farms with gross annual revenue of \$1 million or less, which evidences excellent performance.

<b>Distribution of Small Farm Loans by Gross Annual Revenues Oklahoma Non-MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	72.2	61	54.0	3,190	28.2
\$100,000 - \$249,999	22.8	37	32.7	4,490	39.7
\$250,000 - \$499,999	2.3	11	9.7	3,105	27.4
\$500,000 - \$1,000,000	0.8	2	1.8	450	4.0
<b>Subtotal &lt;= \$1,000,000</b>	<b>98.1</b>	<b>111</b>	<b>98.2</b>	<b>11,235</b>	<b>99.3</b>
>\$1,000,000	1.5	2	1.8	0	0.0
Revenue Not Available	0.4	0	0.0	75	0.7
<b>Total</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>11,310</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, 2022 Bank Data. Due to rounding, totals may not equal 100.0.</i>					

### **Small Business Loans**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, Alva State Bank & Trust Company originated more than eight out of ten small business loans to businesses with GARs of \$1 million or less and evidences reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenues Oklahoma Non-MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	63.0	30	47.6	1,808	29.9
\$100,000 - \$249,999	16.0	5	7.9	329	5.5
\$250,000 - \$499,999	4.2	8	12.7	814	13.4
\$500,000 - \$1,000,000	1.5	9	14.3	431	7.1
<b>Subtotal &lt;= \$1,000,000</b>	<b>84.7</b>	<b>52</b>	<b>82.5</b>	<b>3,382</b>	<b>55.9</b>
>\$1,000,000	3.6	11	17.5	2,669	44.1
Revenue Not Available	11.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>6,051</b>	<b>100.0</b>

*Source: 2022 D&B Data, 2022 Bank Data.  
Due to rounding, totals may not equal 100.0.*

### **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated a satisfactory record regarding the Community Development Test in the Oklahoma Non-MSA AA. The institution's CD performance demonstrates adequate responsiveness to CD needs in the Oklahoma Non-MSA AA through CD loans, CD services, and QIs, as appropriate considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

#### **Community Development Loans**

As noted within the rated area level, the bank originated 7 CD loans totaling \$3.8 million in the Oklahoma Non-MSA AA. This figure reflects a decrease from the 16 CD loans totaling approximately \$6.0 million reported at the prior evaluation. This level equates to 33.6 percent of the bank's total CD loans by dollar volume in the State of Oklahoma. As previously noted, this AA contained 79.8 percent of total loans in the State of Oklahoma.

The following point highlights an example of a CD loan in the Oklahoma Non-MSA AA.

- **Community Services** – The bank originated a \$2.0 million loan to a school district in the AA in which a majority of the students receive free or reduced lunches. The funds addressed specific infrastructure needs, such as building renovations and construction of an educational facility.

### **Qualified Investments**

As noted under the rated area level, the bank made use of 163 QIs totaling \$828,000 in this AA. This level reflects a decrease from the 243 QIs totaling \$8.9 million reported in the prior evaluation. The current dollar amount represents 15.8 percent of the bank's total QIs in the State of Oklahoma, or 94.2 percent of total QIs within the Oklahoma AAs (excluding statewide activities), compared to this AA containing 85.5 percent of the bank's deposits in the State of Oklahoma.

The following lists an example of a QI in the Oklahoma Non-MSA AA.

- *Community Services* – The bank invested \$610,000 in a school bond in a district in the AA in which a majority of the students receive free or reduced lunches. The funds addressed specific infrastructure needs, such as building renovations and construction of an educational facility.

### **Community Development Services**

As noted under the rated area level, the bank provided 57 CD services in the Oklahoma Non-MSA AA, which represents 86.4 percent of the bank's CD services in the State of Oklahoma. Comparatively, this AA contains 75.0 percent of the bank's total branches in the State of Oklahoma.

The following point highlights an example of a CD service in the Oklahoma Non-MSA AA.

- *Community Services* – A bank employee taught financial literacy classes at a school where the majority of students receive free or reduced lunches. Thus, the activity provides community services primarily to low- and moderate-income individuals.

The alternative delivery systems in the Oklahoma Non-MSA AA remain consistent with that discussed at the institution level.

## **ENID MSA AA – Limited-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN ENID MSA AA**

The Enid MSA AA includes all of Garfield County, which represents the only county that comprises the Enid MSA. The 2020 U.S. Census Data reflects an increase of five census tracts in this AA.

The bank operates one full-service branch and ATM within this AA. The branch maintains hours consistent with the area and the industry. The delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution Section of this performance evaluation.

The Enid MSA AA's 17 census tracts include the following income designations based on 2020 U.S. Census Data: 1 low-, 2 moderate-, 9 middle-, and 5 upper-income census tracts. The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area Enid OK MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	5.9	11.8	52.9	29.4	0.0
Population by Geography	62,846	5.1	10.1	56.2	28.7	0.0
Housing Units by Geography	26,776	6.4	10.4	54.7	28.6	0.0
Owner-Occupied Units by Geography	15,501	3.2	7.7	54.3	34.8	0.0
Occupied Rental Units by Geography	8,208	11.6	14.2	53.6	20.6	0.0
Vacant Units by Geography	3,067	8.2	13.8	59.4	18.7	0.0
Businesses by Geography	6,220	1.2	6.9	60.1	31.8	0.0
Farms by Geography	374	0.3	2.7	54.3	42.8	0.0
Family Distribution by Income Level	15,145	22.0	15.0	21.3	41.8	0.0
Household Distribution by Income Level	23,709	25.1	14.6	20.2	40.1	0.0
Median Family Income - Enid, OK MSA	\$65,663		Median Housing Value			\$120,483
			Median Gross Rent			\$832
			Families Below Poverty Level			12.2%
<i>Source: 2020 U.S. Census Data and 2022 D&amp;B Data. Due to rounding, totals may not equal 100.0.            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## CONCLUSIONS ON PERFORMANCE CRITERIA IN ENID MSA AA

### LENDING TEST

The institution's lending performance in Enid MSA AA is consistent with the institution's lending performance in the State of Oklahoma.

**Geographic Distribution**

***Small Farm Loans***

Geographic Distribution of Small Farm Loans Enid MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.3	0	0.0	0	0.0
Moderate	2.7	0	0.0	0	0.0
Middle	54.3	6	75.0	425	88.5
Upper	42.8	2	25.0	55	11.5
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>480</b>	<b>100.0</b>

*Source: 2022 D&B Data, 2022 Bank Data.  
Due to rounding, totals may not equal 100.0.*

***Small Business Loans***

Geographic Distribution of Small Business Loans Enid MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	1.2	0	0.0	0	0.0
Moderate	6.9	0	0.0	0	0.0
Middle	60.1	4	33.3	576	39.7
Upper	31.8	8	66.7	875	60.3
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>1,451</b>	<b>100.0</b>

*Source: 2022 D&B Data, 2022 Bank Data.  
Due to rounding, totals may not equal 100.0.*

## Borrower Profile

### *Small Farm Loans*

Distribution of Small Farm Loans by Gross Annual Revenues Enid MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
< \$100,000	76.7	4	50.0	80	16.7
\$100,000 - \$249,999	17.9	2	25.0	50	10.4
\$250,000 - \$499,999	2.9	1	12.5	250	52.1
\$500,000 - \$1,000,000	1.6	1	12.5	100	20.8
<b>Subtotal &lt;= \$1,000,000</b>	<b>99.1</b>	<b>8</b>	<b>100.0</b>	<b>480</b>	<b>100.0</b>
>\$1,000,000	0.5	0	0.0	0	0.0
Revenue Not Available	0.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>480</b>	<b>100.0</b>

*Source: 2022 D&B Data, 2022 Bank Data.  
Due to rounding, totals may not equal 100.0.*

### *Small Business Loans*

Distribution of Small Business Loans by Gross Annual Revenues Enid MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	63.2	3	25.0	201	13.9
\$100,000 - \$249,999	15.8	3	25.0	98	6.8
\$250,000 - \$499,999	4.7	0	0.0	0	0.0
\$500,000 - \$1,000,000	3.0	0	0.0	0	0.0
<b>Subtotal &lt;= \$1,000,000</b>	<b>86.7</b>	<b>6</b>	<b>50.0</b>	<b>299</b>	<b>20.7</b>
>\$1,000,000	3.6	6	50.0	1,152	79.3
Revenue Not Available	9.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>1,451</b>	<b>100.0</b>

*Source: 2022 D&B Data, 2022 Bank Data.  
Due to rounding, totals may not equal 100.0.*

## COMMUNITY DEVELOPMENT TEST

The institution's CD performance in the Enid MSA AA is consistent with the institution's CD performance in the State of Oklahoma. Refer to the rated area Community Development Test section for details on CD activities in the Enid MSA AA.

## STATE OF KANSAS – Full-Scope Review

**CRA RATING FOR STATE OF KANSAS: OUTSTANDING**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Outstanding**

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN STATE OF KANSAS

Alva State Bank & Trust Company designated one AA in the State of Kansas: the Kansas Non-MSA AA. The Kansas Non-MSA AA consist of all of Barber County. The bank operates one full-service branch and ATM in this AA. The branch maintains hours consistent with the area and the industry. The delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution Section of this performance evaluation.

#### Economic and Demographic Data

Based on 2020 U.S. Census Data, the AA includes 2 middle-income census tracts. The following table provides select demographic characteristics for this AA.

Demographic Information of the Assessment Area Kansas Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0	0.0
Population by Geography	4,228	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	2,727	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	1,432	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	499	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	796	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	539	0.0	0.0	100.0	0.0	0.0
Farms by Geography	108	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,217	18.7	23.3	20.2	37.8	0.0
Household Distribution by Income Level	1,931	25.8	13.8	19.5	40.9	0.0
Median Family Income - KS Non-MSA	\$65,467		Median Housing Value			\$76,649
			Median Gross Rent			\$575
			Families Below Poverty Level			13.5%

Source: 2020 U.S. Census Data and 2022 D&B Data. Due to rounding, totals may not equal 100.0.  
(\*) The NA category consists of geographies that have not been assigned an income classification.

FEMA made a disaster declaration on March 29, 2020, affecting the AA due to the COVID-19 pandemic. Additionally, the AA contained both distressed and underserved census tracts during the evaluation period.

According to local data, the AA’s largest employers include: Barber County Independent School Districts; Kiowa District Hospital; and various independent mining, quarrying, and oil and gas extraction operations. The following tables show annual unemployment rates over the evaluation period for the AA, State of Kansas, and nationwide, which show a spike in 2020 for all areas as a result of the COVID-19 pandemic.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Barber County	2.2	1.3	1.9
State of Kansas	4.0	2.0	2.4
National Average	6.7	3.9	3.5

*Source: Bureau of Labor Statistics.*

**Competition**

The AA reflects a high level of competition for financial services. According to the FDIC Deposit Market Share report as of June 30, 2022, 3 financial institutions operate 4 offices within the AA. Of these institutions, Alva State Bank & Trust Company ranked 3<sup>rd</sup> with a 31.4 percent deposit market share.

**Credit and Community Development Needs and Opportunities**

Considering information obtained from bank management and demographic and economic data, examiners concluded the primary credit needs of the AA include small farm and small business loans.

Regarding the area’s CD needs, demographic data shows 42.0 percent of the area’s families reported LMIs, which suggests a high need for activities that provide community services to these families. The disaster declaration and distressed and underserved designation suggests a need for activities that revitalize or stabilize these geographies.

**SCOPE OF EVALUATION – STATE OF KANSAS**

The scope of the evaluation for the State of Kansas remains consistent with that discussed for the institution as a whole. Refer to the institution level Scope of Evaluation Section for details.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF KANSAS**

**LENDING TEST**

Alva State Bank & Trust Company demonstrated an outstanding record in the State of Kansas regarding the Lending Test. An excellent record regarding borrower profile supports this conclusion.

## **Geographic Distribution**

The AA 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**

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among farms and businesses of different sizes. Excellent small farm and small business lending performance support this conclusion.

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

The distribution of borrowers reflects excellent penetration among farms of different sizes. As shown in the following table, Alva State Bank & Trust Company originated more than nine out of every ten small farm loans to farms with gross annual revenue of \$1 million or less, which evidences excellent performance.

<b>Distribution of Small Farm Loans by Gross Annual Revenues Kansas Non-MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	39.8	19	65.5	1,456	38.5
\$100,000 - \$249,999	46.3	1	3.5	100	2.7
\$250,000 - \$499,999	10.2	5	17.2	720	19.1
\$500,000 - \$1,000,000	2.8	3	10.3	1,000	26.5
<b>Subtotal &lt;= \$1,000,000</b>	<b>99.1</b>	<b>28</b>	<b>96.5</b>	<b>3,276</b>	<b>86.8</b>
>\$1,000,000	0.0	1	3.5	500	13.2
Revenue Not Available	0.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>3,776</b>	<b>0.0</b>

*Source: 2022 D&B Data, 2022 Bank Data.  
Due to rounding, totals may not equal 100.0.*

### ***Small Business Loans***

The distribution of borrowers reflects excellent penetration among businesses of different sizes. As shown in the following table, Alva State Bank & Trust Company originated more than nine out of every ten small business loans to businesses with gross annual revenue of \$1 million or less, which evidences excellent performance.

Distribution of Small Business Loans by Gross Annual Revenues Kansas Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	48.8	3	25.0	39	6.0
\$100,000 - \$249,999	21.7	5	41.7	441	67.2
\$250,000 - \$499,999	5.0	2	16.7	66	10.0
\$500,000 - \$1,000,000	3.2	1	8.3	35	5.3
<b>Subtotal &lt;= \$1,000,000</b>	<b>78.7</b>	<b>11</b>	<b>91.7</b>	<b>581</b>	<b>88.5</b>
>\$1,000,000	4.3	1	8.3	75	11.5
Revenue Not Available	17.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>656</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, 2022 Bank Data. Due to rounding, totals may not equal 100.0.</i>					

## COMMUNITY DEVELOPMENT TEST

The bank demonstrated an outstanding record regarding the Community Development Test in the State of Kansas. The institution's CD performance demonstrates excellent responsiveness to CD needs in the State of Kansas through CD loans, CD services, and QIs, as appropriate considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

### Community Development Loans

As noted in the institution level section, the bank originated 13 CD loans totaling \$14.7 million in the State of Kansas. This figure reflects a slight decrease from the 17 CD loans totaling approximately \$17.9 million reported for the prior evaluation. The current dollar amount equates to 56.2 percent of the bank's total CD loans, which reflects a significant level compared to this rated area contributing just 14.6 percent of the bank's total dollar volume of loans.

The following point highlights an example of a CD loan in the Kansas Non-MSA AA.

- **Revitalize/Stabilize** – The bank originated a \$1.0 million loan to a commercial entity for working capital allowing the business to provide employment opportunities in an underserved middle-income census tract. This activity revitalizes or stabilizes a qualifying geography by helping to attract new or retain existing businesses or residents.

### Qualified Investments

The bank made use of 55 QIs totaling \$2.6 million in the State of Kansas as noted in the institution level section. This reflects a decrease from the 87 CD loans totaling \$5.7 million in this AA at the prior evaluation. The current dollar amount equates to 18.7 percent of the bank's total QIs, or 33.1 percent of total QIs within the bank's AAs (excluding nationwide activities), compared to this rated area containing 15.0 percent of the bank's total deposits.

The following lists an example of a QI in the Kansas Non-MSA AA.

- **Community Services** – The bank invested \$556,000 in a school bond in a district in the AA in which a majority of the students receive free or reduced lunches. The funds addressed specific infrastructure needs, such as building renovations and construction of an educational facility.

### **Community Development Services**

As noted in the institution level, the bank provided 8 CD services in the State of Kansas. This figure reflects an increase from the 5 services at the prior evaluation. The current level represents 10.8 percent of the bank's total CD services compared to the State of Kansas containing 20.0 percent of the bank's total branches.

The following point highlights an example of a CD service in the Kansas Non-MSA AA.

- **Community Services** – A bank employee taught financial literacy classes at a school where the majority of students receive free or reduced lunches. Thus, the activity provides community services primarily to low- or moderate income individuals.

The bank operates one branch in an underserved middle-income census tract in this AA. The alternative delivery systems in this AA remain consistent with that discussed at the institution level.

## APPENDICES

### INTERMEDIATE 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).

#### Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
State of Oklahoma	Satisfactory	Satisfactory	Satisfactory
State of Kansas	Outstanding	Outstanding	Outstanding

## 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.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**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 Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**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.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**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.