

PUBLIC DISCLOSURE

April 20, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Kaw Valley Bank
Certificate Number: 9665**

**1110 North Kansas Avenue
Topeka, Kansas 66608**

**Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office**

**1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small business and home mortgage loans reviewed were located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the CRA rating.

DESCRIPTION OF INSTITUTION

Kaw Valley Bank is a full-service financial institution located in Shawnee County, Kansas. The bank has a total of eight office locations, all in Topeka. Since the previous evaluation, the bank closed one branch located in one of Topeka's upper-income census tracts. Topeka Bancorp, Inc., a one-bank holding company, owns the institution. Kaw Valley Bank is affiliated with seven other financial institutions in Illinois, Missouri, Nebraska, and Nevada via common ownership of the holding company. Kaw Valley Bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated April 30, 2018, based on Interagency Intermediate Small Bank Examination Procedures.

The bank offers a wide variety of lending products, including commercial, home mortgage, agricultural, construction, and consumer loans, primarily focusing on commercial lending. The bank is a Small Business Administration approved lender. Additionally, the bank offers multiple deposit products including checking, savings, and money market accounts, as well as certificates of deposit. Online banking and trust services are also available.

The bank's December 31, 2020 Reports of Condition and Income reflected total assets of \$329.7 million, total loans of \$246.2 million, and total deposits of \$284.3 million. The following table reflects Kaw Valley Bank's loan portfolio distribution.

Loan Portfolio Distribution as of December 31, 2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	14,131	5.7
Secured by Farmland	9,924	4.0
Secured by 1-4 Family Residential Properties	62,928	25.6
Secured by Multi-family (5 or more) Residential Properties	2,554	1.0
Secured by Non-farm Non-Residential Properties	98,145	39.9
Total Real Estate Loans	187,682	76.2
Commercial and Industrial Loans	49,448	20.1
Agricultural Production and Other Loans to Farmers	1,956	0.8
Consumer	7,310	3.0
Other Loans	221	0.1
LESS: Unearned Income on Loans	463	0.2
Total Loans	246,154	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments affecting the institution's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Kaw Valley Bank designated Shawnee County, Kansas as its sole assessment area. Shawnee County is the heart of the 5-county Topeka, Kansas Metropolitan Statistical Area (MSA).

Economic and Demographic Data

According to the 2015 American Community Survey (ACS), Shawnee County contains 5 low-, 10 moderate-, 17 middle-, and 11 upper-income census tracts. The following table provides demographic information on the bank's assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	43	11.6	23.3	39.5	25.6
Population by Geography	178,792	8.2	18.8	39.7	33.3
Housing Units by Geography	79,425	9.0	20.6	41.1	29.3
Owner-Occupied Units by Geography	45,873	4.6	15.3	39.1	41.0
Occupied Rental Units by Geography	25,495	14.2	26.6	45.9	13.3
Vacant Units by Geography	8,057	18.0	31.1	37.2	13.7
Businesses by Geography	10,049	16.1	18.8	40.5	24.7
Farms by Geography	321	4.4	9.3	25.5	60.7
Family Distribution by Income Level	44,654	20.8	17.2	21.8	40.3
Household Distribution by Income Level	71,368	24.0	17.2	18.1	40.7
Median Family Income for Topeka, KS MSA	\$64,984	Median Housing Value			\$116,437
Families Below Poverty Level	10.5%	Median Gross Rent			\$752

Source: 2015 ACS; 2020 D&B Data. Due to rounding, totals may not equal 100.0.

Examiners used the Federal Financial Institutions Examination Council's estimated 2019 median family income for the Topeka, Kansas MSA to analyze home mortgage loans presented under the Borrower Profile criterion. The following table details this figure along with the respective income categories.

Median Family Income Ranges				
Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$75,400)	<\$37,700	\$37,700 to <\$60,320	\$60,320 to <\$90,480	≥\$90,480

Source: Federal Financial Institutions Examination Council

Competition

Kaw Valley Bank's assessment area is highly competitive for financial products and services. According to the FDIC's June 30, 2020 deposit data, Shawnee County contains 19 financial institutions operating from 68 locations. Kaw Valley Bank ranked 5th in terms of deposit market share, with 6.2 percent of the deposits.

Kaw Valley Bank also faces significant competition for small business and home mortgage loans in their assessment area. Aggregate CRA data for 2019 shows 66 lenders reporting 2,475 small business loans in the assessment area. Although Kaw Valley Bank was not required to report CRA loan data in 2019, this information provides insight regarding the competition the bank faces in the assessment area. Further, 2019 aggregate Home Mortgage Disclosure Act (HMDA) data shows 239 lenders reporting 6,575 home mortgage loans. Kaw Valley Bank ranked 15th in terms of lending market share, with 1.6 percent of the reported loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs and to determine whether local financial institutions are responsive to these needs. It also helps determine what credit opportunities are available.

Examiners reviewed information from a recent contact with a non-profit organization in the assessment area. The contact stated that economic conditions are historically stable; however, employment is a concern with many low- and moderate-income individuals because of the COVID-19 pandemic. According to the contact, affordable housing continues to be a significant credit need, especially giving low- and moderate-income borrowers opportunities for home ownership. The contact stated that area financial institutions are meeting the community's credit needs.

Credit Needs

Based on the information from the community contact, bank management, and demographic and economic data, examiners concluded that the assessment area's primary credit needs are home mortgage and small business loans.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 30, 2018, to the current evaluation dated April 20, 2021. Examiners used Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. This evaluation does not include any affiliate lending activities.

Activities Reviewed

Examiners determined the bank's major product lines are commercial and residential real estate loans. This conclusion was based on the bank's business strategy, loan portfolio distribution, and bank records regarding the number and dollar volume of loans originated or renewed during the evaluation period. Therefore, examiners reviewed small business and home mortgage lending at the current evaluation. Overall, small business loans received the greatest weight in determining conclusions due to Kaw Valley Bank's business focus on commercial lending. Bank records indicate that its lending focus remained consistent throughout the evaluation period.

Examiners reviewed all small business loans originated, renewed, extended, or purchased in 2019 and 2020. Bank records showed 125 small business loans totaling \$16.9 million in 2019 and 282 small business loans totaling \$28.4 million in 2020. Examiners reviewed the entire universe of small business loans for the Assessment Area Concentration and Geographic Distribution analyses. Examiners reviewed and selected a random sample for the Borrower Profile analysis. The random sample included 47 small business loans totaling \$6.6 million in 2019 and 55 small business loans totaling \$4.5 million in 2020. The bank's small business lending performance in 2020 was consistent with the bank's performance during the entire evaluation period. As such, examiners only presented the bank's 2020 small business lending performance for the Geographic Distribution and Borrower Profile analyses.

Further, examiners reviewed all home mortgage loans reported pursuant to HMDA requirements for 2019 and 2020. Kaw Valley Bank reported 137 home mortgage loans totaling \$10.4 million in 2019 and 159 home mortgage loans totaling 18.1 million in 2020. Examiners reviewed the entire universe of home mortgage loans for the Assessment Area Concentration, Geographic Distribution, and Borrower Profile analyses. Aggregate lending data for 2020 was not available for comparison

purposes as of the date of this evaluation. As such, examiners only presented the bank's 2019 home mortgage lending performance for the Geographic Distribution and Borrower Profile analyses.

D&B data for 2020 provided a standard of comparison for small business loans presented. Aggregate HMDA data for 2019 and 2015 ACS data provided a standard of comparison for the home mortgage loans presented. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans. When conducting the Borrower Profile and Geographic Distribution analyses, examiners placed greater weight on the number (rather than the dollar volume) of loans, as the number of loans is considered a better indicator of the number of businesses and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Kaw Valley Bank demonstrated satisfactory performance under the Lending Test. Reasonable performance under each criterion supports this conclusion.

Loan-to-Deposit Ratio

Kaw Valley Bank's average net LTD ratio is reasonable given the institution's size, financial condition, and the assessment area credit needs. Kaw Valley Bank's net LTD ratio, calculated from Reports of Condition and Income data, averaged 92.3 percent over the past 11 quarters from June 30, 2018, to December 31, 2020. During this period, the institution's net LTD ratio ranged from 84.9 percent to 97.3 percent. Examiners also compared the bank's average net LTD ratio to two similarly-situated institutions. The similarly-situated institutions were selected based on their asset size, geographic location, and lending focus. The following table provides details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2020 \$(000s)	Average Net LTD Ratio (%)
Kaw Valley Bank, Topeka, Kansas	329,690	92.3
Silver Lake Bank, Topeka, Kansas	343,522	94.7
VisionBank, Topeka, Kansas	220,430	101.6

Source: Reports of Condition and Income 6/30/2018 through 12/31/2020

Assessment Area Concentration

A majority of the small business and home mortgage loans reviewed were located inside the assessment area. The following table provides details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business 2019	113	90.4	12	9.6	125	15,746	93.1	1,160	6.9	16,905
Small Business 2020	236	83.7	46	16.3	282	22,268	78.5	6,101	21.5	28,369
Subtotal	349	85.7	58	14.3	407	38,014	84.0	7,261	16.0	45,274
Home Mortgage 2019	108	78.8	29	21.2	137	7,116	68.2	3,314	31.8	10,430
Home Mortgage 2020	133	83.6	26	16.4	159	13,291	73.4	4,814	26.6	18,105
Subtotal	241	81.4	55	18.6	296	20,407	71.5	8,128	28.5	28,535

Source: Bank Data

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout Kaw Valley Bank's assessment area. The geographic distribution of small business loans was reasonable, while the geographic distribution of home mortgage loans was excellent. Since small business loans received greater weight, the bank's performance is reasonable overall.

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank's performance in lending in the low- and moderate-income census tracts is comparable to demographic data. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	16.1	27	11.4	3,660	16.4
Moderate	18.8	40	16.9	4,104	18.4
Middle	40.5	97	41.1	7,339	33.0
Upper	24.7	72	30.5	7,166	32.2
Total	100.0	236	100.0	22,268	100.0

Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank's record of lending in both the low- and moderate-income categories exceeds aggregate data. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.6	2.0	4	3.7	120	1.7
Moderate	15.3	11.4	40	37.0	1,985	27.9
Middle	39.1	40.2	35	32.4	2,212	31.1
Upper	41.0	46.4	29	26.9	2,799	39.3
Total	100.0	100.0	108	100.0	7,116	100.0

Source: 2015 ACS, Bank Data, 2019 HMDA Aggregate Data.

Borrower Profile

The distribution of borrowers reflects a reasonable penetration among businesses of different sizes and individuals of different income levels. Reasonable small business and home mortgage lending performance supports this conclusion.

Small Business Lending

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Specifically, the percentage of loans to businesses in the smallest revenue category (gross annual revenues of \$1 million or less) was fairly consistent with the percentage of assessment area businesses in this category. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	77.2	44	80.0	2,414	53.1
>1,000,000	7.1	11	20.0	2,130	46.9
Revenue Not Available	15.8	0	0.0	0	0.0
Total	100.0	55	100.0	4,544	100.0

Source: 2020 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0.

Home Mortgage Lending

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels. The bank's lending levels are comparable to aggregate levels in both the low- and moderate-income categories. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.8	10.7	13	12.0	341	4.8
Moderate	17.2	22.8	18	16.7	1,198	16.8
Middle	21.8	20.7	23	21.3	1,111	15.6
Upper	40.3	28.9	22	20.4	2,062	29.0
Not Available	0.0	17.0	32	29.6	2,404	33.8
Total	100.0	100.0	108	100.0	7,116	100.0

Source: 2015 ACS, Bank Data, 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

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.