



PUBLIC DISCLOSURE

March 23, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Argentine Federal Savings
Charter Number 701735

3004 Strong Ave
Kansas City, KS 66106

Office of the Comptroller of the Currency

7101 College Boulevard, Suite 1600
Overland Park, KS 66210

NOTE: 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.

INSTITUTION'S CRA RATING: This institution is rated Outstanding

Major factors that support this rating are:

- Argentine Federal Savings Bank (Argentine) originated a majority of loans within its assessment area (AA).
- The loan-to-deposit (LTD) ratio reflects excellent responsiveness toward meeting the credit needs of the community.
- The bank's distribution of home loans reflects excellent penetration among borrowers of different income levels.
- The bank's geographic distribution of home loans in the AA reflects excellent dispersion.

SCOPE OF EXAMINATION

We evaluated the bank's CRA performance using small bank CRA examination procedures. This primarily includes an assessment of the lending test. The bank has one AA that includes Johnson and Wyandotte counties in Kansas. Our objective was to assess the bank's ability to serve and meet the community credit needs within its AA. Argentine's primary loan product is residential real estate (RRE) loans, based on outstanding loans by dollar volume. The bank was able to provide data on loan originations and purchases during the evaluation period.

We used 2013 and 2014 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data to select our loan sample. We selected a sample of 40 loans to evaluate the bank's lending performance. All financial information and ratios referenced herein are as of December 31, 2014, unless otherwise stated.

DESCRIPTION OF INSTITUTION

Argentine is a \$51 million financial institution headquartered in Kansas City, Kansas. Kansas City is located in Wyandotte County in the northeast corner of Kansas. In addition to its main office, Argentine operates one full-service branch located in Johnson County, Kansas. The branch location has a deposit-taking ATM. No branches were opened or closed during the evaluation period.

The bank offers a full range of deposit and loan products and services. As of December 31, 2014, Argentine reported total loans of \$36.9 million, and had a loans and leases to average assets ratio of 72.17 percent. Residential mortgage lending is the primary business focus and comprises a majority of the loan portfolio. There are no legal or financial impediments to Argentine's ability to meet the credit needs of its AA. Argentine received an Outstanding rating at its last CRA examination as of March 31, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

Argentine has one AA, which includes all of Johnson and Wyandotte counties in the Kansas City, MO-KS metropolitan statistical area (MSA). The AA consists of 17 low-income tracts, 42 moderate-income tracts, 54 middle-income tracts, and 77 upper-income tracts, with a total population of 701,684. Demographic data shows the 2014 median family income is \$73,300 and the average median housing value is \$194,940. Approximately 6 percent of families are below poverty level. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition is strong. There are 66 other financial institutions in the market, including banks that serve larger regional and national markets. As of June 30, 2014, Argentine ranks 48th in the market with a deposit market share of 0.22 percent. Economic conditions vary between Wyandotte and Johnson County but both have seen improvement since the downturn in 2008. In January 2015, Wyandotte County has an unemployment rate of 7.6 percent while Johnson County's unemployment rate is 3.7 percent. The unemployment rate for the State of Kansas is 4.6 percent and the national unemployment rate is 5.7 percent.

Wyandotte County's major employers are University of Kansas Hospital, General Motors, Kansas City Kansas Public Schools, University of Kansas Medical Center and Unified Government of Wyandotte County/Kansas City KS. Johnson County major employers are Sprint, Shawnee Mission School District, Blue Valley School District, Johnson County Community College, and Black and Veatch.

We used two recently completed community contacts with business organizations during this examination. These contacts both identified affordable housing as a need in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable. Since the last CRA evaluation, the quarterly average LTD ratio is 109.97 percent, based on the last 28 quarters. We compared the bank's quarterly average LTD ratio to similarly situated institutions in the AA. During the same period, the average quarterly LTD ratio for similarly situated institutions was 73.43 percent ranging from 102.87 percent to 34.78 percent.

Lending in Assessment Area

Argentine's record of lending to borrowers in the AA is excellent. A substantial majority of the loans made are inside the AA. We reviewed single family (one-to-four) purchase, and refinance home loans. Our review found Argentine originated 85.00 percent of its residential loans by number and 80.52 percent by dollar volume inside the AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s distribution of home loans reflects excellent penetration among borrowers of different income levels.

The distribution of home purchase loans to low-income borrowers is excellent. The bank is involved in low-income loan programs (Community Housing Investment Program (CHIP) through Wyandotte County and HOME through Housing and Urban Development) that provides a no or low cost second mortgage (grant) to assist with the down payment to low-income borrowers.

The distribution of home refinance loans to low-income borrowers is reasonable. The AA reflects that 6.12 percent of families are below poverty level. The borrowers may not be able to gather necessary funds to refinance, or may be in one of the home purchase programs that limits their ability to refinance within the first five years of owning their home.

Loans to moderate-income borrowers for home purchase and home refinance loans is excellent and significantly exceeds demographics.

The following table details the distribution of home purchase and refinance loans among borrowers of different income levels for the period January 1, 2013 through December 31, 2014, as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Johnson and Wyandotte Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15.56	21.43	15.00	21.43	20.10	7.14	49.34	21.43
Home Refinance		5.00		25.00		15.00		55.00

Source: 2010 U.S. Census data.

Geographic Distribution of Loans

The bank’s geographic distribution of home loans in the AA reflects excellent dispersion.

The geographic distribution of home purchase and refinance loans significantly exceeds demographics in low- and moderate-income census tracts. The bank’s lending philosophy is to lend within 60 miles of the bank’s main branch that is located in a moderate-income census tract.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing in each census tract by income level.

Geographic Distribution of Residential Real Estate Loans in Johnson and Wyandotte Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.11	7.14	14.14	35.71	28.92	28.57	53.83	28.57
Home Refinance		5.00		55.00		30.00		10.00

Source: 2010 U.S. Census data.

Responses to Complaints

During the evaluation period, Argentine did not receive any written consumer complaints about its performance in helping to meet the credit needs of its AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.