



## **PUBLIC DISCLOSURE**

JULY 20, 2009

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**PREMIER BANK  
RSSD# 36858**

**15301 WEST 87TH STREET PARKWAY  
LENEXA, KANSAS 66285-5956**

**Federal Reserve Bank of Kansas City  
1 Memorial Drive  
Kansas City, Missouri 64198**

**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.

**TABLE OF CONTENTS**

Institution's CRA Rating .....	2
Scope of Examination .....	2
Description of Institution .....	3
Description of the Bank's Assessment Area .....	4
Conclusions with Respect to Performance Criteria .....	6
Glossary .....	11

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

Premier Bank (the bank) has a satisfactory record of helping to meet the credit needs of its entire assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources, operating philosophy, and credit needs of the community. Four of the five criteria used in evaluating small bank lending performance were relevant to this review and are as follows:

- Net Loan-to-Deposit (NLTD) Ratio,
- Lending Inside the AA,
- Lending to Businesses and Farms of Different Revenue Sizes,
- Geographic Distribution of Loans.

The bank's responsiveness to complaints under the Community Reinvestment Act (CRA), the fifth core criteria used to assess small bank performance, was not evaluated because the bank has not received any such complaints.

Conclusions about the four performance criteria were based on data compiled for each major product line. The major product lines were determined through discussions with bank management, a review of the Report of Condition and Income (Call Report), and a review of the number of loan originations since the bank's last CRA examination in July 2005. The two loan types selected for review were commercial loans and Home Mortgage Disclosure Act (HMDA) related residential real estate loans.

The bank's NLTD ratio indicated a reasonable effort to extend credit in a competitive lending market. The bank's distribution of loans among businesses of different revenue sizes and borrowers with different income levels were reasonable, and the bank's geographic distribution of loans reflected a reasonable dispersion throughout its AA.

**SCOPE OF EXAMINATION**

The performance of the bank was assessed using the Federal Financial Institutions Examinations Council's (FFIEC) Examination Procedures for Small Institutions. The analysis considered the bank's financial capacity, local economic conditions and demographics, including the competitive environment in which it operates. The bank's net average loan-to-deposit ratios since the last CRA examination and over the most recent eight-quarters ending March 31, 2009, were averaged to minimize the effects of seasonal fluctuations. The bank's eight-quarter average was then compared to six area competitor banks. Conclusions for the remaining performance criteria were based on data compiled from a statistically-derived sample of commercial loans and all HMDA-related residential real estate loans. The commercial loan sample consisted of 31 loans selected from a universe of 80 loans originated between April 30, 2008 and April 29, 2009, and the HMDA-related residential real estate loans consisted of all 1,070 loans originated in calendar years 2007 and 2008.

Interviews were conducted during the evaluation with members of the community to ascertain the credit needs of the bank's AA, the availability of community development opportunities, and local economic conditions. Additional community contacts previously conducted in the AA by other regulatory agencies were also referenced. Community contacts included representatives from housing agencies, economic development entities, and a local chamber of commerce.

**DESCRIPTION OF INSTITUTION**

The bank, with assets of \$232 million as of March 31, 2009, is headquartered in Lenexa, Kansas. The bank has three additional full-service branches in Johnson County, Kansas, one in Fairway, one in Overland Park, and one in Lenexa, as well as a fourth branch in North Kansas City, Missouri. In addition, the bank owns four automated teller machines (ATMs), which are located at bank branches and provide 24-hour service.

The city of Lenexa is located in Johnson County, Kansas, an affluent area within the southwest portion of the Kansas City, MO-KS Metropolitan Statistical Area (MSA). With the one exception, bank offices are concentrated in Johnson County, Kansas. The four bank offices located in Johnson County, which include the main office and three branch offices, are within relatively close proximity of each other and are readily accessible to the community.

The bank offers a variety of lending and deposit products at each of its full-service locations. Product offerings do not vary by branch. According to bank management, the bank's primary business focus is commercial lending. Commercial and real estate loans represented almost 99 percent of the bank's loan portfolio by dollar volume. In November 2007, the bank closed its secondary market real estate department, which had previously offered loans via their Internet website. Bank management stated that this department was closed due to the declining real estate market and the tightening of credit standards from investors, which limited the department's financial profitability.

Table 1 represents the composition of the bank's loan portfolio as a percentage of average gross loans and leases, as of March 31, 2009.

<b>TABLE 1 BANK'S LOAN PORTFOLIO</b>		
<b>Loan Type</b>	<b>Amount (\$000)</b>	<b>Percent of Total</b>
Agricultural	245	0.2
Commercial	133,721	88.6
Consumer	2,046	1.4
Real Estate	15,067	9.8
Other	36	< 0.1
<b>Total Gross Loans</b>	<b>151,115</b>	<b>100.0</b>

The bank's CRA performance is considered in the context of its financial capacity, legal impediments, local economic conditions and demographics, including the competitive environment in which it operates. Although the bank is subject to a high level of competition from a number of financial institutions within its AA, there are no legal or financial impediments that affect the bank's ability to lend. The bank received a satisfactory rating at the previous CRA evaluation conducted by the Federal Reserve Bank of Kansas City (Reserve Bank) as of July 18, 2005.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

The bank's CRA AA is unchanged since the last CRA examination and includes all of Clay, Jackson, and Platte Counties in Missouri, and, Johnson and Wyandotte Counties in Kansas. These counties contain the major part of the Kansas City MSA population, housing, and businesses. According to the June 30, 2008 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank held only a small 0.50 percent share of the AA deposits, ranking 34 in deposit market share among the 155 FDIC-insured institutions with offices in the AA.

While social-demographic and economic characteristics largely mirror that of the MSA, Jackson County, Missouri, and Wyandotte County, Kansas possess unique demographic, economic, and housing characteristics. These characteristics affect financial institutions' ability to effectively lend in these areas, outside of special or targeted credit programs. The bank, with only one office in Clay County and no offices in Wyandotte, Jackson, or Platte Counties faces additional challenges due to its limited exposure in these markets. Many competing financial institutions have a prominent presence in Jackson and Wyandotte Counties, capturing the majority of the deposit and loan market shares in these areas.

The bank's AA contains the most populous parts of the Kansas City MSA. Most of the MSA population lived in the AA. Thus, its population trends and demographic characteristics were highly comparable to those in the MSA as a whole. In 2000, the area contained 82.9 percent of the total MSA population, 82.3 percent of MSA families, and 83.7 percent of MSA housing units.

The AA was a middle-income area overall with a median family income (MFI) of \$56,314 that was 102.3 percent of the MSA-wide MFI of \$55,031. Because a substantial portion of the MSA population lived in the bank's AA, the overall income distribution for the area was comparable to the MSA. In addition, its concentrations of low-income families and families living below poverty were comparable to the MSA as a whole. However, AA income distribution varied substantially by county. In 2000, the MFI of Wyandotte County was \$40,333, the lowest of all area counties at only 72.3 percent of the MSA MFI. Furthermore, 31.7 percent of the families in Wyandotte County were designated as low-income and 23.8 percent of the families in this area were designated as moderate-income.

Similarly, Jackson County also contained higher populations of LMI families, compared to the

overall AA and the MSA. Approximately 23.7 percent of families in Jackson County were designated as low-income and 20.9 percent of the families in the county were designated as moderate-income. In contrast, the MFI for Johnson County at \$72,987 was the highest of all area counties and was 132.6 percent of the MSA's MFI. Only 8.3 percent of the families in Johnson County were designated as low-income, and 12.7 percent of the families were designated as moderate-income.

The MSA economy was diverse with service, government, and retail industries serving as its primary employment sectors. Sprint Corporation, HCA Midwest Health System, McDonald's, Saint Luke's Health Systems, Ford Motor Company, DST Systems, United Parcel Service, and Cerner Corporation employed the largest number of area residents. With few exceptions, primarily in education and health services, most industries have contracted and unemployment grew to 6.7 percent in 2007, which was the highest since 1990.

Banking competition is also strong in the AA, with 155 banking institutions operating out of 783 banking offices. The bank competes with national and regional institutions, community banks, credit unions, and savings and loans. There are also numerous mortgage companies and finance companies competing for loan customers in the AA.

**TABLE 2  
BANK'S ASSESSMENT AREA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	45	10.0	19,704	4.9	6,064	30.8	71,906	18.0
Moderate-income	117	26.1	76,113	19.0	10,177	13.4	72,684	18.2
Middle-income	160	35.6	171,120	42.8	6,943	4.1	92,101	23.0
Upper-income	115	25.6	133,087	33.3	2,043	1.5	163,333	40.8
Unknown-income	12	2.7	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>449</b>	<b>100.0</b>	<b>400,024</b>	<b>100.0</b>	<b>25,227</b>	<b>6.3</b>	<b>400,024</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low-income	37,878	14,165	3.5	37.4	17,808	47.0	5,905	15.6
Moderate-income	144,634	68,813	17.1	47.6	61,627	42.6	14,194	9.8
Middle-income	276,812	147,695	43.5	63.1	89,032	32.2	13,085	4.7
Upper-income	183,537	144,547	35.9	78.8	31,707	17.3	7,283	4.0
Unknown-income	6	3	0.0	50.0	3	50.0	0	0.0
<b>Total Assessment Area</b>	<b>642,867</b>	<b>402,223</b>	<b>100.0</b>	<b>62.6</b>	<b>200,177</b>	<b>31.1</b>	<b>40,467</b>	<b>6.3</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	2,731	4.3	2,337	4.2	309	4.9	85	5.3
Moderate-income	11,411	17.8	9,662	17.2	1,444	22.7	305	18.8
Middle-income	25,993	40.6	23,048	41.0	2,230	35.1	715	44.2
Upper-income	23,176	36.2	20,539	36.6	2,138	33.7	499	30.8
Unknown-income	732	1.1	489	0.9	228	3.6	15	0.9
<b>Total Assessment Area</b>	<b>64,043</b>	<b>100.0</b>	<b>56,075</b>	<b>100.0</b>	<b>6,349</b>	<b>100.0</b>	<b>1,619</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>87.6</b>		<b>9.9</b>		<b>2.5</b>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's overall record of meeting the credit needs of its AAs is satisfactory. The bank's overall rating was based on its cumulative performance for the bank's two main loan products. The bank discontinued its Internet mortgage lending department in November 2007. Consequently, greater weight was given to the bank's commercial lending performance.

**Loan-to-Deposit Ratio**

The bank's average NLTD ratio was considered reasonable in view of the bank's size, financial condition, and AA credit needs. Since the previous CRA examination, the bank's NLTD ratio averaged 88.7 percent. During that 16-quarter period, its NLTD ratios showed a stable, but slightly decreasing trend. The bank's most recent 8-quarter NLTD of 84.5 percent compares favorably to the 77.0 percent average NLTD of six peer banks located throughout the MSA and to the MSA and national peer groups.



**Summary of Lending Performance**

**TABLE 3  
SUMMARY OF LENDING PERFORMANCE**

Lending within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
HMDA home purchase	80	69.6	9,842	49.7	35	30.4	9,948	50.3
HMDA refinancings	70	10.7	11,035	9.0	584	89.3	111,163	91.0
HMDA home improvement	8	2.7	495	1.0	292	97.3	47,488	99.0
HMDA multifamily	1	100.0	538	100.0	0	0.0	0	0.0
<b>Total HMDA Related</b>	<b>159</b>	<b>14.9</b>	<b>21,910</b>	<b>11.5</b>	<b>911</b>	<b>85.1</b>	<b>168,599</b>	<b>88.5</b>
<b>Small Business</b>	<b>27</b>	<b>87.1</b>	<b>3,385</b>	<b>45.2</b>	<b>4</b>	<b>12.9</b>	<b>4,109</b>	<b>54.8</b>
<b>TOTAL</b>	<b>186</b>	<b>16.9</b>	<b>25,295</b>	<b>12.8</b>	<b>915</b>	<b>83.1</b>	<b>172,708</b>	<b>87.2</b>
Distribution by Income Level of Geographies								
	% of Bank Loans				% of Owner-Occupied Units			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Total HMDA related	2.5	12.6	37.7	46.5	3.5	17.1	43.4	35.9
2007 HMDA aggregate lending data in AA <sup>1</sup>	2.3	13.3	41.4	42.9				
	% of Bank Loans				% of Small Businesses			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Small Business	0.0	22.2	25.9	44.4	4.3	17.8	40.6	36.2
2008 aggregate CRA loans by income level of geographies <sup>2</sup>	2.4	13.7	35.7	45.3				
Distribution by Borrower Income Level and Revenue Size of Business								
	% of Bank Loans				% of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Residential Real Estate	7.5	9.4	19.5	37.6	18.0	18.2	23.0	40.8
2007 HMDA aggregate lending data in AA <sup>1</sup>	7.6	20.2	22.8	36.4				
	% of Bank Loans				% of Small Businesses			
	59.3				87.6			
2008 aggregate CRA loans to small businesses in the AA <sup>2</sup>	30.8							

<sup>1</sup> Aggregate data reflects all loans originated in the bank's AA reported by all HMDA filers. Annual incomes were not reported for 13.1 percent of the borrowers.

<sup>2</sup> Aggregate data reflects all loans originated in the bank's AA reported by all institutions that report CRA data.

### **Lending in the Bank's Assessment Area**

Table 3 illustrates the bank's lending activity within its AA for the product types reviewed. As illustrated, a low percentage of HMDA related loans was extended to borrowers within the bank's AA while a majority of the bank's small business loans were originated inside its AA.

The analysis focused on the number of loans originated, as it is a better indicator of the number of individuals benefiting from the loans. The low level of HMDA-related lending within the AA was due to the bank's large volume of Internet mortgage lending activity to borrowers residing outside of the AA. However, as mentioned previously, this product offering was discontinued in November of 2007. Furthermore, in 2008, the bank's performance for HMDA-related loans revealed 85.4 percent of originations were located within the bank's AA. Accordingly, the bank's lending performance under this criterion was adequate.

### **Geographic Distribution of Loans**

This performance criterion focuses on the bank's penetration of loans among geographies of different income levels, primarily in LMI geographies. Table 3 represents the bank's level of lending by geography in the AA compared with area demographic data. The bank's overall performance reflects reasonable penetration throughout the AA.

#### *HMDA-Related Loans*

The geographic distribution of HMDA-related loans in the AA was considered reasonable when compared to the performance of other competitors in the AA. The bank's performance in the area's low-income geographies (2.5 percent) and moderate-income geographies (12.6 percent) was less than demographics (3.5 percent and 17.1 percent, respectively), but it was comparable to the 2007 performance of other reporters in the AA (2.3 percent and 13.3 percent). The bank's ability to make HMDA-related-loans in LMI geographies was also challenged due to the locations of its branches. Four of the bank's five locations were located in upper income tracts in Johnson County, Kansas. As mentioned previously, the AA contained a large number of competitors, many of which were located in the LMI tracts and capture much of the loan market in those tracts.

#### *Small Business Loans*

Small business lending across geographies of different income levels reflected adequate penetration. Although the bank had no small business loans in low-income tracts, this was mitigated by the low proportion of small businesses in the AA in the low-income tracts (4.3 percent). The bank's penetration of business loans in moderate-income tracts (22.2 percent) was above the portion of AA businesses located in those tracts (17.8 percent) and well above the 2008 aggregate data (13.7 percent).

### **Distribution by Borrower Income and Revenue Size of the Business**

This performance criterion reviews the bank's residential mortgage lending distribution to borrowers of different income levels, with an emphasis on lending to LMI families. Also, the bank's level of lending to small businesses with gross annual revenues less than \$1 million is reviewed. The bank's overall performance was considered reasonable.

#### *HMDA-Related Loans*

The bank's distribution of HMDA-related loans to LMI borrowers was low. Table 3 shows the bank's performance compared with 2007 HMDA aggregate data and area demographics regarding the percentage of families in each income category. The bank's 2007 distribution to low-income borrowers (8.5 percent) was less than area demographics (18.0 percent) and just slightly above the aggregate (7.9 percent). The bank's distribution to moderate-income borrowers (9.4 percent) was below the area demographics (18.2 percent) and the aggregate lending (20.2 percent). The modest penetration to area LMI borrowers is attributed to the lack of affordable housing stock in the AA, which precludes home purchase loans, and to a lesser degree, home refinance loans. Community contacts indicated a need for affordable housing, particularly in the Johnson County, Kansas, the county in which all but one of the bank's branches are located. Additionally, the high level of competition in the area contributed to the bank's low lending distribution to LMI borrowers in this area.

#### *Small Business Loans*

The overall distribution of loans to businesses of different sizes was good and is illustrated in Table 6. The bank's performance (59.3 percent) was less than the percentage of businesses with gross annual revenues of \$1 million or less (87.6 percent) but greatly exceeded the aggregate lending data (30.8 percent). The bank's performance was further strengthened by the size of the loans that were originated. The bank originated 88.9 percent of the loans to businesses in amounts of \$250,000 or less, or those amounts typically requested by small businesses.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. Further, the bank has not engaged in other illegal practices inconsistent with helping to meet community credit needs.

## GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

**Assessment Area** – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Census Tracts** – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

**Consumer Loans** – Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

**Dun & Bradstreet Data** – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

**Geography** – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Income Level** – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median family income (MFI). In nonMSA areas, the level is based on the statewide, nonMSA median family income.

**Low-Income** – Less than 50 percent of the area median family income

**Moderate-Income** – At least 50 percent and less than 80 percent of the area median family income

**Middle-Income** – At least 80 percent and less than 120 percent of the area median family income

**Upper-Income** – At least 120 percent or more of the area median family income

**LMI** – Collectively, low- and moderate-income families or tracts.

**Metropolitan Statistical Area (MSA)** – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

**Small Business** – A business with gross annual revenues of \$1 million or less.

**Small Farm** – A farm with gross annual revenues of \$1 million or less.

**Small Loan(s) to Business(es)** – 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 typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s)** – A loan included in “loans to small farms” as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.