



PUBLIC DISCLOSURE

FEBRUARY 6, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**COMMUNITY BANK OF PLEASANT HILL
RSSD# 3448425**

**2401 NORTH MISSOURI 7 HIGHWAY
PLEASANT HILL, MISSOURI 64080-0030**

**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.

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

Community Bank of Pleasant Hill (the bank) has a satisfactory record of meeting the credit needs of its assessment area (AA), including small businesses, in a manner consistent with its resources and operating philosophy. Four of the five criteria used to evaluate a small bank's lending performance under the Community Reinvestment Act (CRA) were relevant to this review and are listed as follows:

- Net Loan-to-Deposit (NLTD) Ratio
- Lending Inside the AA
- Lending to Geographies of Different Income Levels
- Lending to Businesses of Different Revenue Sizes

The bank's responsiveness to complaints, the fifth core criterion used to assess a small bank's performance, was not evaluated as the bank has not received any CRA-related complaints since its prior evaluation. The bank's loan-to-deposit (LTD) ratio indicated a reasonable effort to extend credit in a competitive lending market, given the bank's size, financial capacity, and market. In addition, a majority of the bank's lending activity occurred inside its AA. Finally, the bank's lending to small businesses and geographic dispersion of loans was reasonable given AA demographics.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council (FFIEC) Interagency Small Bank Examination Procedures. The examination included an evaluation of the bank's performance, with contextual consideration given, based on demographic information of the area in which the bank operates. Conclusions regarding the four applicable lending test criteria were based on data compiled from the bank's major product line of commercial loans. The major product line was determined through discussions with bank management, a review of the bank's Report of Condition and Income (Call Report), and a review of the number of loan originations since the bank's prior CRA examination in November 2007.

The CRA examination analyzed a statistical sample of 47 commercial loans from a universe of 62 loans originated since November 2007. The examination compared the bank's commercial lending results to AA demographic information and to 2010 Aggregate CRA data. Interviews conducted with local economic development officials were used to augment the evaluation, ascertain local market conditions, determine specific credit needs of the AA, and to assess the bank's responsiveness in helping to meet such needs. An additional community contact conducted in conjunction with other examinations of banks operating within the AA was also referenced.

DESCRIPTION OF INSTITUTION

The bank is headquartered in Pleasant Hill, Missouri, located approximately 24 miles east of Kansas City, Missouri. Arcadia Financial Corporation owns the bank and also owns Community Bank of Raymore, an affiliated institution located just outside of the bank's AA. Community Bank of Pleasant

Hill operates one location in Pleasant Hill that includes a drive-up facility and a full-service automated teller machine. The bank also has a transactional website offering customer account information and inter-account transfers and offers convenient business hours with Saturday lobby access.

Community Bank of Pleasant Hill opened in December 2006, and a large portion of its early lending activity involved participation loans with Community Bank of Raymore. Many of these participation loans were made to borrowers located outside of the bank's designated AA but remain in the bank's loan portfolio. The bank continues to participate in loans with Community Bank of Raymore, and other institutions located outside its AA, due to low credit demand inside its AA.

The CRA examination considered the bank's financial capacity, local economic conditions, area demographics, and the bank's competitive environment. The bank has the ability to meet the credit needs of its AA based on its asset size, financial condition, resources, and credit product offerings. Table 1 illustrates the bank's loan portfolio by dollar volume as of December 31, 2011.

Loan Type	Amount (\$000)	Percent of Total
Commercial	24,735	93.6
Real Estate	1,246	4.7
Consumer	434	1.6
Other	21	0.1
Total Gross Loans	26,436	100.0

The bank has no financial or legal impediments that prevent it from fulfilling its CRA responsibilities. The bank received a satisfactory rating at the previous CRA evaluation conducted by the Federal Reserve Bank of Kansas City (Reserve Bank) on November 13, 2007.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's AA is located at the southeastern edge of the Kansas City Metropolitan Statistical Area (KCMSA). Although the northern portion of the KCMSA is suburban, the southern area is largely rural in nature. The AA is comprised of three middle- and four upper-income tracts located in the southeastern portion of Jackson County and the northeastern portion of Cass County, Missouri.

Population & Economic Characteristics

The AA's total population was 26,943 according to 2000 Census data, which accounted for only 1.5 percent of the total KCMSA population. Overall, the AA is more homogenous than the rest of the KCMSA. At the 2000 Census, the AA had a significantly lower percentage of minority residents and similar percentage of residents over the age of 65.

The AA appeared more affluent than the entire KCMSA. The AA's estimated median family income (MFI), at \$65,980, was significantly higher than the entire KCMSA at \$55,031. Moreover, 24.5 percent of AA families were considered low- and moderate-income (LMI), whereas these families comprised 37.1 percent of all families in the KCMSA. Finally, the AA also had a significantly lower poverty rate than the KCMSA rate. According to 2000 Census numbers, the AA's poverty rate was 2.6 percent, whereas the poverty rate for the KCMSA was 6.2 percent.

The AA's economy is diversified; the northern portion contains a mix of service, industrial and retail businesses, while the southern region area is more reliant on agriculture. The AA has experienced robust growth from the southern expansion of the KCMSA since the 2000 Census, most apparent in the northern portion. One community member stated Cass County was one of the fastest growing counties in Missouri and was expected to continue expanding given infrastructure improvements. However, the primary growth of Cass County has been concentrated in the western portion near Belton and Raymore, Missouri, both of which are located outside the bank's AA. Although the AA has felt the effects of the recent economic recession, one member of the community stated the economy had recently stabilized as evidenced by a recent increase in building permits and fewer retail vacancies in Pleasant Hill.

Major employers in the AA include the public school system, a long-term care and rehabilitation center, and a metal fabricator. A member of the community stated approximately 80 percent of AA residents commuted to Kansas City for employment opportunities. In addition, AA unemployment was significantly lower than the KCMSA as a whole at the 2000 Census. At that time, the AA's unemployment rate was 2.5 percent compared to the KCMSA unemployment rate of 4.3 percent.

Banking Characteristics

The bank has a limited deposit presence in the market for financial services, which is heavily competitive in the KCMSA. The bank had a 0.1 percent market share of the AA's Federal Deposit Insurance Corporation (FDIC)-insured deposits, which ranked it 101st out of 150 FDIC-insured financial institutions operating in the KCMSA as of June 30, 2011. One member of the community stated the area's largest credit need was new home loans, but acknowledged the challenges of providing this credit given the current economic conditions. While local financial institutions are willing to provide all types of credit to qualified borrowers, the community member stated that Pleasant Hill had a large inventory of vacant subdivision lots, which indicated a low level of loan demand from both builders and subsequent purchasers.

Table 3 summarizes the income-related demographic and economic characteristics of the bank's AA based on 2000 Census and 2010 Dun and Bradstreet (D&B) data.

TABLE 3
BANK'S ASSESSMENT AREA DEMOGRAPHICS
(Tracts in Cass and Jackson County, Missouri)

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	751	9.5
Moderate-income	0	0.0	0	0.0	0	0.0	1,178	14.9
Middle-income	3	42.9	2,500	31.7	87	3.5	1,909	24.2
Upper-income	4	57.1	5,384	68.3	114	2.1	4,046	51.4
Total Assessment Area	7	100.0	7,884	100.0	201	2.6	7,884	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Middle-income	3,470	2,556	30.1	73.7	734	21.2	180	5.2
Upper-income	6,733	5,942	69.9	88.3	473	7.0	318	4.7
Total Assessment Area	10,203	8,498	100.0	83.3	1,207	11.8	498	4.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Middle-income	445	32.8	408	32.5	20	36.4	17	37.0
Upper-income	912	67.2	848	67.5	35	63.6	29	63.0
Total Assessment Area	1,357	100.0	1,256	100.0	55	100.0	46	100.0
Percentage of Total Businesses			92.6			4.1		3.3

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average NLTD ratio is considered reasonable based on the institution's size, financial condition, the credit needs of its AA, and the competitive environment in which the bank operates. The bank's NLTD ratio averaged 80.6 percent for the 16 quarters since the prior examination. The bank's 16-quarter average was compared to that of four similarly-situated competitor banks located throughout the AA, whose average NLTD ratios ranged from 61.2 percent to 86.6 percent over the same time period. In addition, the bank's average NLTD ratio compared favorably to the KCMSA and national peer groups, which averaged 75.3 percent and 75.7 percent, respectively, over the same time frame. The bank's NLTD ratio reflected a reasonable effort to extend credit in a competitive lending market.

Lending Inside the Assessment Area

This performance criterion evaluates the volume of loans originated by the bank within its overall AA. As illustrated in Table 4, a majority of the bank's commercial loans, 55.3 percent, were originated to businesses within the AA. The bank's record of lending inside its AA has improved considerably since its prior CRA examination, when only 28.0 percent of its lending occurred inside its AA.

Although bank management actively solicited lending opportunities inside its AA, Pleasant Hill's low loan demand forced it to seek participation loans. A community member confirmed bank management's perspective indicating that Pleasant Hill's a large inventory of vacant subdivision lots further evidenced a low level of low demand from builders and subsequent purchasers.

Geographic Distribution of Loans

This core performance criterion evaluates the bank's distribution of loans among geographies of various income levels. The bank's commercial loans were compared to the percentage of all businesses located in each census tract level. As illustrated in Table 4, the bank's geographic distribution of commercial loans were heavily concentrated in the middle-income census tracts which exceeded area demographics and aggregate peer data.

Lending to Businesses of Different Revenue Sizes

This performance criterion evaluated the bank's distribution of lending to businesses of different revenue sizes, primarily those with gross annual revenues of \$1 million or less. As depicted in Table 4, the bank's level of lending to small businesses in the AA, at 69.2 percent, is below the percentage of small businesses in the AA at 95.8 percent. However, the bank's lending was significantly higher than its CRA aggregate peer group in 2010 at 32.7 percent. In addition, all of the loans to small businesses were for \$250,000 or less, which demonstrates the bank's willingness to lend to small businesses. The bank's performance is reasonable considering the relatively limited time the bank has been in operation. Also, a community member involved in economic development stated that local institutions willingly lend to qualified small businesses in the AA.

**TABLE 4
SUMMARY OF LENDING PERFORMANCE**

Lending within the Assessment Area

	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
Commercial	26	55.3	3,042	42.4	21	44.7	4,135	57.6

Loan Distribution by Income Level of Geography

	# and % of Commercial Bank Loans				% of All Businesses in AA	2010 CRA Aggregate Data
	#	%	\$(000)	%		
Middle	23	88.5	2,619	86.1	32.8	29.7
Upper	3	11.5	423	13.9	67.2	70.3

Distribution by Business Revenue Size

	# and % of Bank Loans to Small Businesses				% of Small Businesses in AA	2010 CRA Aggregate Data
	#	%	\$(000)	%		
Commercial	18	69.2	1,303	42.8	95.8	32.7

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of the antidiscrimination laws and regulations, including the ECOA and the FHA. A review of bank policies and procedures, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants. Further, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the credit needs of its community.