

# **PUBLIC DISCLOSURE**

**August 3, 2009**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Union Bank  
FDIC Certificate Number: 19582**

**9300 Blue Ridge Boulevard  
Kansas City, Missouri 64138**

**Federal Deposit Insurance Corporation  
2345 Grand Boulevard, Suite 1200  
Kansas City, Missouri 64108**

**NOTE: 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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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Union Bank, Kansas City, Missouri**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **August 3, 2009**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

The bank's performance in the Intermediate Small Institution Examination Procedures performance criteria is discussed below.

### **The Lending Test is rated: "Satisfactory"**

- The bank's average net loan-to-deposit (NLTD) ratio, which is a key measure of the bank's overall level of willingness to lend, is more than reasonable given the institution's asset size and financial condition. The bank's NLTD ratio has averaged 115 percent since the prior Performance Evaluation dated February 27, 2006. This ratio is also considered more than reasonable when compared to the average NLTD ratios of similarly situated institutions.
- A substantial majority of small business and home mortgage loans were extended within the bank's assessment area (AA), illustrating a commitment to meet the credit needs of the bank's AA. Examiners reviewed small business and home mortgage loans, as these two loan categories represent a majority of the bank's outstanding loan portfolio. The review revealed 93 percent of the number and 85 percent of the dollar volume of the reviewed small business and home mortgage loans originated by the bank were originated within the bank's AA.
- The bank's geographic distribution of lending reflects a reasonable dispersion throughout the bank's AA. The loan distribution also appears reasonable when considering the bank's office locations relative to the specific geographies and banking competition in the bank's AA.
- A review of small business and home mortgage loans reveals reasonable penetration among businesses of different revenue sizes and individuals of different income levels.

### **The Community Development Test is rated "Outstanding"**

- The bank's community development performance demonstrates excellent responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Specifically, the bank extended 585 community development loans totaling \$155,598,000 and made 42 qualified investments and donations totaling \$635,000. In addition, the bank has a number of qualified community development services that further demonstrate the bank's commitment to its AA.

In addition to the factors discussed above, there have been no complaints regarding the bank's CRA performance. Furthermore, examiners identified no substantive fair lending concerns during this evaluation.

## **SCOPE OF EVALUATION**

This CRA evaluation was conducted using Intermediate Small Institution Examination Procedures. The evaluation covers the bank's CRA performance since the bank's previous CRA evaluation dated February 27, 2006, through August 3, 2009, the date of this evaluation.

## **DESCRIPTION OF INSTITUTION**

Union Bank is a financial institution chartered in Kansas City, Missouri, with \$643,612,000 in total assets, as of March 31, 2009. Bannister Bancshares, Inc., Kansas City, Missouri, owns a majority of the bank's stock.

Union Bank operates from its main facility in Kansas City, Missouri, and eleven branch facilities located in the Kansas City metropolitan area. The bank's main facility is located in Jackson County moderate-income census tract (CT) 130.02. Of the remaining eleven branches, three are located in moderate-income CTs, four are located in middle-income CTs, and four are located in upper-income CTs. For definitions of low-, moderate-, middle-, and upper-income CTs, see "Description of the Assessment Area" on page 5.

As of March 31, 2009, the bank had net loans of \$558,586,000, and total deposits of \$511,891,000, resulting in a net loan-to-deposit (NLTD) ratio of 109 percent. Table 1, which depicts the bank's loan distribution, indicates a strong commercial lending focus. Commercial and industrial loans, including commercial real estate, represent 44 percent of the bank's outstanding loan portfolio. Residential real estate loans represent 14 percent of the dollar volume of outstanding loans. However, this residential figure does not fully represent the bank's residential lending activity since it does not include a mortgage subsidiary's activity; the bank purchased an interest in a mortgage loan company called Union Home Mortgage, LLC (UHM) in November, 2005 that assists the bank in originating residential real estate loans that can be sold on the secondary market. UHM meets residential credit needs in the community but is not reflected in Table 1. Refer to Table 1 for more details concerning the bank's loan portfolio.

<b>Table 1 - Loan Distribution</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	\$140,850	25%
Secured by Farmland	\$0	0%
1-4 Family Residential	\$80,205	14%
Multi-Family (5 or more) Residential	\$90,422	16%
Commercial	\$174,153	30%
<b>Total Real Estate Loans</b>	<b>\$485,630</b>	<b>85%</b>
Agricultural	\$0	0%
Commercial and Industrial	\$82,932	14%
Consumer	\$3,991	1%
Other	\$129	*
Less: Unearned Income	\$349	*
<b>Total Loans</b>	<b>\$572,333</b>	<b>100%</b>

Source: Report of Condition (03/31/2009); \* Less than 1 percent

Aside from statutory lending limits, Union Bank has no legal or financial impediments that would prevent it from meeting the credit needs of its AA. The bank operates in a competitive environment, with a wide array of products available from competing institutions. The bank received a CRA rating of “Outstanding” in the prior Performance Evaluation dated February 27, 2006, which utilized Intermediate Small Institution Examination Procedures.

As stated earlier, the bank purchased an interest in UHM that assists the bank in originating residential real estate loans that can be sold on the secondary market. Loans from UHM are included in the home mortgage data submitted throughout this report; the loans from UHM are not given CRA consideration at any other financial institution.

## DESCRIPTION OF THE ASSESSMENT AREA

*The Community Reinvestment Act of 1977, as amended, requires banks to identify one or more AAs within which its regulatory agency will evaluate the bank's performance. The area(s) defined by the bank must include its main office, branches, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. The AA must always consist of one or more whole geographies normally identified as CTs. These CTs represent statistical subdivisions of a county.*

### **Kansas City MO-KS Metropolitan Statistical Area (MSA):**

The 2000 Median Family Income (MFI) figures for metropolitan areas of Missouri and Kansas were adjusted in 2004 when the Office of Management and Budget modified MSA boundaries in Missouri and Kansas.

### **How Median Family Income Is Used Throughout This Analysis for the Kansas City MO-KS MSA:**

The 2000 MFI for the Kansas City MO-KS MSA (that includes the bank's AA) using the 2004-adjusted boundaries is \$55,031. This figure will be used to determine the income levels of the CTs in the AA in conjunction with Criterion 3 (Geographic Distribution Analysis). Based on the 2007 and 2008 estimates by the Department of Housing and Urban Development (HUD), the adjusted MFI figures for the Kansas City MO-KS MSA are \$65,700 and \$67,800, respectively. These adjusted figures will be used to determine the income level of the AA borrowers under Criterion 4 (Borrower Profile Analysis).

### **Definition of Income Groups:**

- Low-income* - Less than 50 percent of the MFI for the Kansas City MO-KS MSA.
- Moderate-income* - 50 percent to less than 80 percent of the MFI for the Kansas City MO-KS MSA.
- Middle-income* - 80 percent to less than 120 percent of the MFI for the Kansas City MO-KS MSA.
- Upper-income* - 120 percent or higher of the MFI for the Kansas City MO-KS MSA.

The bank's AA is located in the Kansas City MO-KS MSA and includes Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray Counties in Missouri, and Johnson, Leavenworth, Miami, and Wyandotte Counties in Kansas.

A total of 503 CTs comprise the bank's AA; of these 503 CTs, 46 are designated as low-income, 125 as moderate-income, 199 as middle-income, and 121 as upper-income geographies. In addition, 12 of these CTs were not assigned an income classification as they consist of industrial sites with little population reported. Since the AA is entirely included in the Kansas City MO-KS MSA, there are no distressed or underserved nonmetropolitan middle-income geographies in the designated AA. Eligible nonmetropolitan middle-income geographies are those designated by the federal agencies as being in distress or that could have difficulty meeting essential community needs (underserved).

The population in the AA was 1,776,062, based on 2000 Census data, and the population of the bank's AA grew by 12 percent from 1990 to 2000. For purposes of comparison, during the same time period, the population of Kansas City, Missouri increased by only one percent.

Examiners reviewed two recent contacts made within the bank's AA to obtain a profile of the community, identify community development opportunities and general credit needs of the AA, and assess opportunities for participation by local financial institutions. According to one community contact made within the bank's AA, the economy of the area is relatively stable but shows some declining business revenues. The contact noted that although businesses are

downsizing, few are closing. The contact stated that there is sufficient affordable housing in the area around Belton, Missouri, due to ample manufactured housing choices. The contact further stated that area banks offer special financing programs, such as Small Business Administration (SBA) loans. Another contact stated that community development needs are increasing; this contact stated that there are waiting lists of individuals and families wanting financial assistance. The contact stated that there were community development opportunities for banks primarily in the form of community services targeted at LMI individuals and affordable housing. The contact stated that the United States Department of Agriculture programs have been helpful in making housing more affordable, as well as state and federal grants. The contacts further stated that the local lending environment is competitive. Neither individual contacted was aware of any illegal discrimination or unmet credit needs.

Statistics from the Missouri Department of Economic Development show that the unemployment rate for the Kansas City MO-KS MSA was 8.3 percent for the first quarter of 2009. This statistic is slightly below the nationwide unemployment rate of 8.8 percent for the same time period.

Areas of Jackson County, Missouri, and Wyandotte County, Kansas, are part of an Enhanced Enterprise Community (EEC). The goal of the EEC is to direct funding toward those areas of Kansas City which are currently experiencing economic or social distress. Jackson County, Missouri, and Wyandotte County, Kansas, have the highest unemployment rates in the metropolitan area. For the first quarter of 2009, the unemployment rate for Jackson County was 9.5 percent. Jackson County contains the majority of the LMI CTs in the bank's AA (38 of the 46 low-income CTs and 73 of the 125 moderate-income CTs). For the first quarter of 2009, the unemployment rate for Wyandotte County was 11.3 percent. Wyandotte County also contains a large percentage of the LMI CTs in the bank's AA (7 low-income CTs and 35 moderate-income CTs).

According to 2000 Census data, six percent of the population in the bank's AA was considered to be below the poverty level. "Poverty level" is an established dollar threshold rather than a percentage based calculation of the MFI. Specifically, for a family of four, the 2000 poverty level threshold was \$17,603; therefore, a family earning less than \$17,603 was below the poverty level. The U.S. Department of Health and Human Services lists the poverty level threshold in 2008 for a family of four as \$21,200. This figure is determined on a national basis and is not adjusted regionally.

The largest industry in the Kansas City MO-KS MSA is services, followed by retail trade, finance, insurance, and real estate. Top employers in the area include: DST Systems, Ford Motor Company, Hallmark Cards, Inc., Health Midwest, St. Luke's-Shawnee Mission Health Systems, and Sprint Nextel Corporation.

The 2000 Census data reveals the housing stock in the bank's AA totals 740,884 units, with owner-occupied homes comprising 64 percent, occupied rental units comprising 30 percent, and vacant units comprising 6 percent. In the bank's AA, 5 percent of the households are located in low-income geographies, 21 percent of the households are located in moderate-income geographies, 48 percent in middle-, and 26 percent of the households are located in upper-income geographies. Table 2 provides selected housing information relative to geography

income levels within the bank's AA. The median home value in the bank's AA in 2000 was \$114,452, and the median age of a home was 30 years. The median gross rent level was \$578 per month. This information was considered in evaluating the bank's CRA performance.

<b>Table 2 - 2000 Census – Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geography Income Category</b>	<b>Number (percentage)</b>						<b>Median</b>		
	<b>Percent of Geographies in AA</b>	<b>House -holds</b>	<b>Housing Units</b>	<b>Owner- Occupied</b>	<b>1-4 Units</b>	<b>5 or More Units</b>	<i>Age</i> *	<b>Home Value*</b>	<b>Gross Rent**</b>
<b>Low</b>	9%	5%	5%	3%	5%	7%	51	\$38,202	\$413
<b>Moderate</b>	25%	21%	22%	17%	20%	28%	45	\$56,563	\$493
<b>Middle</b>	40%	48%	47%	48%	47%	46%	30	\$98,550	\$598
<b>Upper</b>	24%	26%	26%	32%	28%	19%	20	\$172,402	\$788
<b>No Income Category Assigned</b>	2%	***	***	***	***	***	25	\$162,500	\$575
<b>Total or Median</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>30</b>	<b>\$114,452</b>	<b>\$578</b>

Source: U.S. Census (2000), \*Owner-Occupied Units, \*\*Renter-Occupied Units; \*\*\* less than 1 percent

Additionally, the 2000 Census shows that the AA includes 469,243 households that are families. Table 3 provides a breakdown of the stratification of families within the AA using 2000 Census data and the 2007 and 2008 income ranges for the Kansas City MO-KS MSA.

<b>Table 3 - Assessment Area Stratification of Families by Income Category</b>				
<b>Income Category</b>	<b>Number of Families</b>	<b>Percentage of Families</b>	<b>Kansas City MO-KS</b>	
			<b>2007 Income Range</b>	<b>2008 Income Range</b>
Low	85,377	18%	<\$32,850	<\$33,900
Moderate	87,834	19%	\$32,850 - <\$52,560	\$33,900 - <\$54,240
Middle	111,253	24%	\$52,560 - <\$78,840	\$54,240 - <\$81,360
Upper	184,779	39%	≤\$78,840	≤\$81,360
<b>Total</b>	<b>469,243</b>	<b>100%</b>		

Source: U.S. Census (2000) and HUD-adjusted MFI information (2007 and 2008)

In 2008, 137,619 non-farm businesses from the AA reported information to D&B (formerly known as Dun & Bradstreet). Of these, 63 percent reported gross annual revenues of \$1 million or less. Table 4 summarizes the AA's non-farm business according to gross annual revenues and by CT income category. This information will be used to evaluate the bank's small business lending under Criterion 3 (Geographic Distribution Analysis) and Criterion 4 (Borrower Profile Analysis).

<b>Table 4 - Stratification of Non-Farm Businesses by Gross Annual Revenues and Geography</b>					
<b>Income Category</b>					
<b>Gross Annual Revenues</b>		<b>≤ \$1 million Number</b>	<b>&gt; \$1 million Number</b>	<b>*Gross Revenue Not Reported</b>	<b>Total Number</b>
<b>Income Category</b>	Low-Income Geographies	3,676	363	1,641	5,680
<b>Income Category</b>	Moderate-Income Geographies	15,288	1,684	7,522	24,494
<b>Income Category</b>	Middle-Income Geographies	38,949	2,859	19,850	61,658
<b>Income Category</b>	Upper-Income Geographies	28,577	2,472	13,409	44,458
<b>Income Category</b>	Geographies where no income category was assigned	650	237	442	1,329
	<b>Total Non-Farm Businesses</b>	<b>87,140</b>	<b>7,615</b>	<b>42,864</b>	<b>137,619</b>

Source: D&B 2008 data (using 2000 Census boundaries and income designations)

\* While the business reported some information to D&B, it did not report gross revenues.

The bank's immediate competition ranges from smaller state and regional banks, to branches of some of the largest national banks in the country. Discussions with bank management indicate that the bank's primary competitors for loan products include: Bank of Blue Valley, Bank Midwest N.A., Blue Ridge Bank and Trust, Commerce Bank, Gold Bank, and UMB Bank N.A. All of these banks are headquartered or have branches located in the Kansas City MO-KS MSA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

#### **Criterion 1: Loan to Deposit Ratio**

Union Bank's average NLTD ratio is more than reasonable given the bank's asset size and financial condition. For the thirteen quarters from March 31, 2006, through March 31, 2009, the NLTD ratio for Union Bank has averaged 115 percent. The bank's NLTD ratio has ranged from a low of 98 percent, as of March 31, 2009, to a high of 122 percent, as of March 31, 2006. As previously discussed, the NLTD ratio does not fully reflect the bank's lending activity as the bank's residential real estate originations through UHM are not included.

The bank’s average NLTD ratio is more than reasonable when compared to the average NLTD ratio of “similarly situated lenders,” as outlined in Table 5. When available and relevant, the lending performance of similarly situated lenders serves as an additional method of assessing the adequacy of a bank’s average NLTD ratio. Similarly situated lenders are defined as financial institutions that are located in or near the bank’s AA and are comparable to the bank based on asset size, market served, product offerings, loan portfolio composition, and branching structure. The similarly situated lenders used in this analysis are listed in descending order of the average NLTD ratio.

<b>Table 5—Data on Similarly Situated Institutions</b>		
<b>Institution</b>	<b>Total Assets (000s)*</b>	<b>Average NLTD Ratio</b>
<b>Union Bank Kansas City, Missouri</b>	<b>\$643,612</b>	<b>115%</b>
Bank of Blue Valley Overland Park, Kansas	\$842,283	104%
First Community Bank Lee’s Summit, Missouri	\$617,118	100%
Metcalf Bank Lee’s Summit, Missouri	\$857,057	88%
Blue Ridge Bank & Trust Independence, Missouri	\$501,060	82%
Valley View State Bank Overland Park, Kansas	\$723,768	79%

\*Report of Condition (03/31/2009)

#### **Loan Review Procedures for Performance Criteria 2, 3, and 4**

The following pages discuss performance Criterion 2 (Assessment Area Concentration), Criterion 3 (Geographic Distribution Analysis), and Criterion 4 (Borrower Profile Analysis). Regarding small business loans, the bank supplied its own data for this review. The small business loan review consisted of a statistically valid sampling of 39 loans totaling \$5,030,889 out of a universe of 298 small business loans totaling \$47,116,410 since the last evaluation. Regarding home mortgage loans, the bank is subject to the Home Mortgage Disclosure Act (HMDA) that requires institutions to report information regarding certain home mortgage loans. The home mortgage loan review consisted of all 542 loans totaling \$104,853,000 for 2007 and 2008 from the bank itself as well as the bank's mortgage company UHM. Therefore, conclusions are based on an analysis of 1) a statistically valid sample of all small business loans originated since the last evaluation, and 2) all HMDA-reportable home mortgage loans for 2007 and 2008 for the bank and UHM.

The analysis focused on small business and home mortgage loan products as they represent a majority (58 percent) of the bank's loan portfolio, based on dollar volume. In addition, an analysis of these loan products will likely provide the most meaningful insight into the bank's CRA performance because of the availability of pertinent demographic data. Examples of this demographic data include: stratification of small businesses in the AA based on gross annual revenues, percentage of the owner-occupied housing units in the AA by CT, and stratification of families in the AA based on income. The analysis of these loans was conducted within the context of the AA's economy, credit needs, and competition among financial institutions. Agricultural and consumer loans were not reviewed during this evaluation since they are not emphasized by the bank's business strategy.

For Geographic Distribution Analysis, particular focus was given to the dispersion of loans across the LMI CTs in the AA. For Borrower Profile Analysis, particular focus was given to lending to small businesses (gross annual revenues of \$1 million or less) and lending to LMI families in the AA. For an explanation of how the income designation of borrowers is determined, refer to the discussions titled *How Median Family Income is Used Throughout This Analysis* and *Definition of Income Groups* on page 5 of this evaluation.

The bank's home mortgage lending performance is compared to aggregate lending data, which details the performance of other HMDA-reporting institutions located in the bank's AA. In addition, U.S Census data and data from D&B is also utilized for comparison when analyzing the bank's small business and home mortgage lending performance.

In drawing conclusions, lending activity based on the number of loans, rather than on the dollar volume, is emphasized. This is because the number of loans more clearly represents the distribution of the bank's lending efforts, and the dollar volume results do not materially alter conclusions. Generally, loans to smaller businesses and lower-income individuals are for smaller dollar amounts than loans to larger businesses or upper-income individuals. Therefore, an analysis using the dollar volume of loans would not provide a representative assessment of the bank's lending efforts.

Small business lending was given the most weight in this analysis, as commercial loans are the focus of the bank's business strategy.

## Criterion 2: Assessment Area Concentration

A substantial majority of Union Bank’s small business and home mortgage loans were originated in the AA. The calculations reflect that 93 percent of the number and 85 percent of the dollar volume of small business and home mortgage loans were originated within the AA. Table 6 details the bank’s record of lending within its AA.

<b>Table 6 – Assessment Area Concentration*</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollar Volume of Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>(000s)</b>	<b>%</b>	<b>(000s)</b>	<b>%</b>	
<b>Small Business</b>	38	97%	1	3%	39	\$4,689	93%	\$342	7%	\$5,031
<b>Home Mortgage</b>	505	93%	37	7%	542	\$88,330	84%	\$16,523	16%	\$104,853
<b>Total</b>	<b>543</b>	<b>93%</b>	<b>38</b>	<b>7%</b>	<b>581</b>	<b>\$93,019</b>	<b>85%</b>	<b>\$16,865</b>	<b>15%</b>	<b>\$109,884</b>

Source: Bank records, HMDA data (2007 and 2008)

\*Small business loans are a statistically valid sample, and HMDA loans represent the universe of all 2007 and 2008 originations through the bank and UHM.

## Criterion 3: Geographic Distribution Analysis

Overall, the bank’s geographic distribution of lending reflects a reasonable dispersion throughout its AA.

### Small Business Loans

A review of the geographic distribution of the sampled small business loans reveals a reasonable dispersion of the bank’s lending efforts within its AA. Table 7 illustrates the geographic distribution of the bank’s small business lending by geography income level. This table also includes 2008 D&B data relative to the percentages of businesses in the AA by geography income level.

Based on data presented in Table 7, the bank’s small business lending in low-income CTs (3 percent) is just slightly below the percentage of businesses in low-income CTs (4 percent). However, the small business lending in moderate-income CTs (26 percent) is above the percentage of businesses in moderate-income CTs (18 percent). This data shows that the bank demonstrates a willingness to meet the small business credit needs of businesses located in LMI geographies.

<b>Table 7 - Distribution of Small Business Loans by Income Category of the Geography</b>			
<b>Geography Income Category</b>	<b>D&amp;B Data (% of #)</b>	<b>Bank Lending Data</b>	
		<b>#</b>	<b>%</b>
<b>Low</b>	4%	1	3%
<b>Moderate</b>	18%	10	26%
<b>Middle</b>	45%	14	37%
<b>Upper</b>	32%	13	34%
<b>No Income Category Assigned</b>	1%	0	0%
<b>Total</b>	<b>100%</b>	<b>38</b>	<b>100%</b>

Source: D&B 2008 data and bank records

### Home Mortgage Lending

A review of the geographic distribution of home mortgage loans reflects reasonable dispersion of the bank's lending efforts throughout its AA.

Table 8 illustrates the geographic distribution of the bank's home mortgage lending within the AA by number of loans originated. For comparison, the distribution of owner-occupied housing units for each geography income level is also shown in Table 8.

The bank's home mortgage lending percentages in low-income CTs (2 percent for 2007 and 0 percent for 2008) are somewhat below the percentage of owner-occupied units in low-income CTs (3 percent) but in line with the HMDA aggregate lending percentage (2 percent for 2007). In addition, the bank's home mortgage lending percentages in moderate-income CTs (14 percent for 2007 and 11 percent for 2008) are somewhat below the percentage of owner-occupied units in moderate-income CTs (17 percent) but in line with the HMDA aggregate lending percentage (13 percent for 2007). This data illustrates the bank's willingness to meet the home mortgage needs of individuals located in LMI geographies.

<b>Table 8 - Distribution of Home Mortgage Loans by Income Category of the Geography</b>							
<b>Geography Income Category</b>	<b>Owner- Occupied Units (% of #)</b>	<b>2007</b>			<b>2008</b>		
		<b>Bank Lending Data</b>		<b>Aggregate Lending Data (% of #)</b>	<b>Bank Lending Data</b>		<b>Aggregate Lending Data (% of #)</b>
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>	
<b>Low</b>	3%	6	2%	2%	1	0%	*
<b>Moderate</b>	17%	39	14%	13%	24	11%	*
<b>Middle</b>	48%	115	41%	46%	84	38%	*
<b>Upper</b>	32%	122	43%	39%	114	51%	*
<b>Total</b>	<b>100%</b>	<b>282</b>	<b>100%</b>	<b>100%</b>	<b>223</b>	<b>100%</b>	<b>*</b>

Source: U.S. Census (2000), HMDA data (2007 and 2008)

\*Aggregate HMDA data is not yet available for 2008

#### **Criterion 4: Borrower Profile Analysis**

Given the bank's business strategy and the demographics of the bank's AA, the overall lending distribution to borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels.

##### Lending to Businesses of Different Revenue Sizes

The bank's small business lending efforts reflect reasonable penetration among businesses of different revenue sizes. As shown in Table 9, the bank's small business lending in its AA to businesses with gross annual revenues of \$1 million or less (76 percent) somewhat exceeds the percentage of the number of AA businesses with gross annual revenues of \$1 million or less (63 percent). This data shows that the bank demonstrates a willingness to meet the small business credit needs in its AA.

<b>Table 9 – Small Business Lending to Businesses of Different Revenue Sizes</b>			
<b>Gross Annual Revenues</b>	<b>D&amp;B Data (% of #)</b>	<b>Bank Lending Data</b>	
		<b>#</b>	<b>%</b>
<b>≤ \$1 million</b>	63%	29	76%
<b>&gt; \$1 million and Not Reported</b>	37%	9	24%
<b>Total</b>	<b>100%</b>	<b>38</b>	<b>100%</b>

Source: D&B 2008 data and bank records

## Lending to Individuals of Different Income Levels

The bank's home mortgage lending reflects reasonable penetration among individuals of different income levels.<sup>1</sup>

Table 10 illustrates the distribution of the bank's residential loans by borrower income compared to the distribution of families within the AA. The bank's home mortgage lending percentages to low-income borrowers (8 percent for 2007 and 12 percent for 2008) are below the percentage of families that are low-income (18 percent) but in line with the HMDA aggregate lending percentage (8 percent for 2007). In addition, the bank's home mortgage lending percentages to moderate-income borrowers (19 percent for 2007 and 20 percent for 2008) are in line with percentage of families that are moderate-income (19 percent) and also in line with the HMDA aggregate lending percentage (20 percent for 2007). This data illustrates the bank's willingness to meet the home mortgage needs of LMI individuals.

<b>Table 10 – Home Mortgage Lending to Individuals of Different Income Levels</b>							
<b>Income Level</b>	<b>Families by Income (% of #)</b>	<b>2007</b>			<b>2008</b>		
		<b>Bank Lending Data</b>		<b>Aggregate Lending Data (% of #)</b>	<b>Bank Lending Data</b>		<b>Aggregate Lending Data (% of #)</b>
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>	
<b>Low</b>	18%	23	8%	8%	26	12%	*
<b>Moderate</b>	19%	54	19%	20%	45	20%	*
<b>Middle</b>	24%	51	18%	23%	35	16%	*
<b>Upper</b>	39%	130	46%	36%	88	39%	*
<b>**No Income Reported</b>	0%	24	9%	13%	29	13%	*
<b>Total</b>	<b>100%</b>	<b>282</b>	<b>100%</b>	<b>100%</b>	<b>223</b>	<b>100%</b>	<b>*</b>

Source: U.S. Census (2000), HMDA data (2007 and 2008)

\*Aggregate HMDA data is not yet available for 2008

\*\* Per HMDA reporting guidelines, in some instances the bank is not required to report, or should not report, the income of the borrower(s). This could pertain to reportable home loans to bank employees, loans to businesses, or streamline types of loans where income may not have been used in the credit decision.

The bank's lending performance is further considered reasonable as the cost of owning and maintaining a home is more cost-prohibitive for lower-income families. Also, there are a good number of reportable home loans where no income was reported. Reporting guidelines for

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<sup>1</sup> The loan distribution is determined by comparing the borrower's income for a given year to the Department of Housing and Urban Development's adjusted MFI for the Kansas City MO-KS MSA. See Table 3 on page 7 for the breakdown of income levels that constitute low-, moderate-, middle-, and upper-income. As an example, in 2008 a borrower with an income of less than \$33,900 in the Kansas City MO-KS MSA would be considered low income. The distribution of AA families by income level is based on 2000 Census data.

HMDA state that in certain instances, income is not required to be obtained or should not be obtained by the bank. As Table 10 indicates, over 9 percent in 2007 reportable loans and 13 percent in 2008 reportable loans did not have income reported.

### **Criterion 5: Responses to CRA-Related Complaints**

Union Bank has not received any CRA-related complaints since the prior Performance Evaluation dated February 27, 2006.

## **COMMUNITY DEVELOPMENT TEST**

*Under the Intermediate Small Bank Community Development Test, an institution should appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacities, and take reasonable steps to apply its community development resources strategically to meet those needs.*

**Definition of Community Development:** An activity is considered to be a qualified community development activity if it meets one of following purposes: 1) affordable housing (including multifamily rental housing) for LMI individuals; 2) community services targeted to LMI individuals; 3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or 4) activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC, and Office of the Comptroller of the Currency.

Union Bank's community development performance demonstrates an excellent responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AA. The bank was also given credit for community development loans and investments made within the broader statewide area as the bank has adequately addressed the credit and community development needs of its AA.

## **COMMUNITY DEVELOPMENT LENDING**

As detailed in Table 11, the bank received consideration for 585 loans totaling \$155,598,000 since the previous evaluation for consideration under the community development test. This dollar volume of community development lending represents 27 percent of total loans and 24 percent of total assets as of March 31, 2009. Specifically, \$24,551,000 financed projects that would provide affordable housing to LMI individuals, \$3,006,000 financed projects that provide community services targeted to low- or moderate-income individuals, \$14,320,000 financed projects that promote economic development, and \$113,721,000 financed projects that would serve to revitalize or stabilize LMI geographies.

**Table 11 – Community Development Lending**

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalization and Stabilization		Grand Total*	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
<b>2006</b>	7	\$16,021	8	\$680	1	\$971	193	\$33,363	209	\$51,035
<b>2007</b>	4	\$678	5	\$334	2	\$1,943	186	\$38,173	197	\$41,128
<b>2008</b>	6	\$6,581	8	\$1,980	2	\$10,693	136	\$37,557	152	\$56,811
<b>YTD 2009</b>	2	\$1,271	1	\$12	1	\$713	23	\$4,628	27	\$6,624
<b>Totals</b>	<b>19</b>	<b>\$24,551</b>	<b>22</b>	<b>\$3,006</b>	<b>6</b>	<b>\$14,320</b>	<b>538</b>	<b>\$113,721</b>	<b>585</b>	<b>\$155,598</b>

Source: Bank records. 2006 activity is just since the previous evaluation.

\*Management has opted to move some of its small business loans that meet a community development purpose from the Lending Test data exclusively into the Community Development Test, as is allowed for an Intermediate Small Institution. The above table also includes some renewed community development loans; this is also allowed for this institution as long as consideration is given for only one community development loan renewal per year.

## **QUALIFIED INVESTMENTS**

As detailed in Table 12, the bank has 1 qualified investment security totaling \$550,000 and 41 qualified donations totaling \$85,000 that were considered in this evaluation.

The investments made by the bank met the community development purposes of affordable housing to LMI individuals, community services targeted to LMI individuals, or activities that revitalize or stabilize LMI geographies. The charitable donations made by the bank were primarily to organizations whose purposes were to provide community services to LMI individuals.

<b>Table 12– Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization and Stabilization</b>		<b>Grand Total</b>	
	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>
<b>Prior Period*</b>	0	\$0	0	\$0	0	\$0	1	\$550	1	\$550
<b>2006</b>	2	\$5	13	\$28	0	\$0	0	\$0	15	\$33
<b>2007</b>	0	\$0	13	\$28	0	\$0	0	\$0	13	\$28
<b>2008</b>	0	\$0	10	\$21	0	\$0	0	\$0	10	\$21
<b>YTD 2009</b>	0	\$0	3	\$3	0	\$0	0	\$0	3	\$3
<b>Totals</b>	<b>2</b>	<b>\$5</b>	<b>39</b>	<b>\$80</b>	<b>0</b>	<b>\$0</b>	<b>1</b>	<b>\$550</b>	<b>42</b>	<b>\$635</b>

Source: Bank records. 2006 activity is just since the previous evaluation.

\* Investments made before the last evaluation and still outstanding.

## **COMMUNITY DEVELOPMENT SERVICES**

As shown on Table 13, bank employees or officers were involved in a total of 28 qualified community development services since the previous evaluation. All of the services meet the definition of “community development” and also relate to the provision of financial services as required by the regulation for consideration under the CRA. Refer to Table 13 for details of these services.

As examples of significant community development services, the bank received community development service consideration for its sponsorship of three grants totaling \$985,000 by the Federal Home Loan Bank (FHLB) of Des Moines’ Affordable Housing Program, as well as five other applications that have not yet been awarded a grant amount. To apply for a FHLB grant, the application has to be sponsored by a member of the FHLB, such as Union Bank. All of the grants went toward LMI multi-family housing projects in the Kansas City MO-KS MSA.

The majority of the remainder of the bank’s community development services are in the form of bank employees providing financial expertise to organizations that serve a community development purpose. In addition, the bank has deposit services that are affordable for LMI individuals and participation in SBA programs that promote economic development by financing small businesses.

<b>Table 13 – Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalization and Stabilization</b>	<b>Grand Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
<b>2006</b>	2	1	1	0	4
<b>2007</b>	1	1	1	0	3
<b>2008</b>	0	3	1	2	6
<b>YTD 2009</b>	1	8	4	2	15
<b>Totals</b>	<b>4</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>28</b>

Source: Bank records. 2006 activity is just since the previous evaluation.

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

Examiners found no evidence of discriminatory or other illegal credit practices at the bank inconsistent with the bank's performance relative to meeting the credit needs of the AA.