

PUBLIC DISCLOSURE

June 5, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank of Pleasant Hill
Certificate Number: 58423

2401 North Highway 7
Pleasant Hill, Missouri 64080

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

1100 Walnut St, 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 overall rating was determined by evaluating the bank's Community Reinvestment Act (CRA) performance under the applicable performance criteria. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of small business loans reviewed were located within the assessment area.
- The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects a poor penetration of lending among businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Community Bank of Pleasant Hill (CBPH) is a full-service community bank operating from its headquarters in Pleasant Hill, Missouri. The institution does not have any other branches, but it does have another facility solely for trust services in St. Joseph, Missouri. CBPH received a Satisfactory rating at its previous FDIC Performance Evaluation dated July 17, 2017, based on Small Institution Examination Procedures. The institution has not opened or closed any offices, and has not been involved in any mergers or acquisitions since the previous evaluation.

CBPH is majority-owned by Arcadia Financial Corporation, Raymore, Missouri, a one-bank holding company. Lolyn Financial Corporation, Raymore, Missouri, a top-tier holding company, owned Arcadia Financial Corporation until its divestiture in 2021. CBPH continues to be affiliated with Lolyn Financial Corporation and its subsidiary bank, Community Bank of Raymore, Raymore, Missouri, through common ownership.

CBPH offers commercial, home mortgage, consumer, and agricultural loans. Commercial loans continue to be the bank's primary lending focus. The bank does not offer typical closed-end, consumer-purpose home loans; therefore, home mortgage lending is comprised primarily of home

equity lines of credit and loans secured by investment properties. The bank offers loans guaranteed through the Small Business Administration, and also participated in the Small Business Administration’s Paycheck Protection Program (PPP), which was established in 2020 to provide relief financing to small businesses and farms during the Coronavirus Disease 2019 (COVID-19) pandemic. CBPH made 176 PPP loans totaling \$10.6 million in 2020, and 136 PPP loans totaling \$4.2 million in 2021.

The bank’s deposit products include checking, savings, money market, certificates of deposit, and individual retirement accounts, and the bank also offers investment management and trust services. Alternative banking services include online banking, bill pay, mobile banking, mobile deposit, and telephone banking. Additionally, the bank has one ATM, which is located at its headquarters.

According to the March 31, 2023 Reports of Condition and Income, the institution reported total assets of \$135.5 million, total loans of \$29.0 million, and total deposits of \$132.5 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,601	5.5
Secured by Farmland	115	0.4
Secured by 1-4 Family Residential Properties	6,765	23.4
Secured by Multi-family (5 or more) Residential Properties	-	-
Secured by Non-farm Non-Residential Properties	7,603	26.2
Total Real Estate Loans	16,084	55.5
Commercial and Industrial Loans	9,671	33.4
Agricultural Production and Other Loans to Farmers	-	-
Consumer	2,920	10.1
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	278	1.0
Lease Financing Receivables (net of unearned income)	-	-
Less: Unearned Income	-	-
Total Loans	28,953	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would affect the bank’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. The bank designated all of Cass and Jackson counties in the Kansas City, Missouri-Kansas (MO-KS) Metropolitan Statistical Area (MSA). The bank expanded the assessment area since the prior evaluation to include full counties. The following shows demographic and economic information from 2020 U.S. Census and 2022 D&B data for the assessment area.

Economic and Demographic Data

The bank’s assessment area consists of 251 census tracts, including 38 low-income tracts, 77 moderate-income tracts, 85 middle-income tracts, 41 upper-income tracts, and 10 tracts in which an income designation was not assigned. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	251	15.1	30.7	33.9	16.3	4.0
Population by Geography	825,028	11.1	32.7	38.5	16.3	1.5
Housing Units by Geography	368,071	12.4	33.7	37.0	15.1	1.8
Owner-Occupied Units by Geography	200,875	7.0	28.7	43.7	19.6	0.9
Occupied Rental Units by Geography	131,054	17.7	39.7	30.0	10.0	2.7
Vacant Units by Geography	36,142	22.7	39.8	24.7	9.0	3.8
Businesses by Geography	129,708	8.5	30.2	34.7	23.7	2.9
Farms by Geography	3,107	5.7	27.4	45.8	19.8	1.4
Family Distribution by Income Level	196,541	25.2	19.7	21.9	33.3	-
Household Distribution by Income Level	331,929	29.3	17.8	18.1	34.8	-
Median Family Income MSA - 28140 Kansas City, MO-KS MSA		\$86,562	Median Housing Value			\$163,350
Families Below Poverty Level		9.20%	Median Gross Rent			\$949
<i>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The 2022 D&B data indicates that non-classifiable establishments represent the largest portion of businesses and farms at 33.5 percent; followed by services at 29.9 percent; and finance, insurance, and real estate at 11.3 percent. Farming operations comprise 2.3 percent of assessment area businesses. The data also indicates that a notable number of area businesses are relatively small, with 94.7 percent having 9 or fewer employees, and 94.6 percent operating from a single location.

Competition

CBPH operates in a highly competitive environment. According to June 30, 2022 FDIC Deposit Market Share data, there are 54 institutions operating from 207 offices in the assessment area. CBPH ranked 25th with 0.3 percent of the deposit market share. In addition to the banks reflected in the FDIC Deposit Market Share reports, the bank also faces competition from other institutions, such as government lenders and credit unions.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the community’s credit needs. This information helps determine whether local financial institutions are responsive to these needs. Further, these discussions reveal indications of the credit opportunities available.

Examiners contacted a community official knowledgeable of the assessment area, including Pleasant Hill and the surrounding area nearby. The individual indicated that the economy around Pleasant Hill had been growing, but that the growth leveled off because of the COVID-19 pandemic. Most of the businesses in the area weathered the pandemic well with minimal business closures. Local businesses are primarily one or two person “mom and pop” style businesses. Larger employers include the school district and two manufacturers. There is housing demand for both single-family and multi-family properties, but housing stock is insufficient and has had limited growth.

The credit needs include all types of business and residential loans according to the contact. The individual felt the local banks are active in the community, and have a reputation for working with local borrowers as best they can to provide credit. According to the contact, people in Pleasant Hill primarily bank at one of the two area institutions. Overall, the individual had a positive view of the local financial institutions, and felt they were doing a good job of meeting local banking needs.

Credit Needs

Considering information from economic and demographic data, the community contact, and bank management, the primary credit needs in the assessment area are loans to businesses of all sizes, and home mortgage loans. The area demographics regarding the number of businesses and housing units in the assessment area, as well as data from lenders that report home mortgage and small business loan information supports this conclusion.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 17, 2017, to the current evaluation dated June 5, 2023. 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 line continues to be commercial loans; therefore, small business loans were reviewed for this evaluation. 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 purchased during the evaluation period. Examiners did not review home mortgage loans because lending was limited to home equity lines of credit and loans secured by investment properties, and neither product type had a significant volume of lending. Additionally, examiners did not review small farm lending as agricultural-related loans represent a nominal portion of the loan portfolio. The bank’s commercial lending focus was consistent throughout the evaluation period.

For the Lending Test, examiners reviewed small business loans originated in 2021 and 2022 as management indicated the bank’s lending patterns in these two calendar years would be generally representative of the entire evaluation period. For the Assessment Area Concentration criterion, examiners reviewed all small business loans originated or purchased during 2021 and 2022,

including paid off loans originated since April 1, 2021. The review included 134 small business loans totaling \$12.5 million in 2021, and 55 small business loans totaling \$9.1 million in 2022. The reviewed loans in 2021 included 56 PPP loans totaling \$1.6 million originated on or after April 1, 2021. Examiners reviewed all small business loans originated in the assessment area to analyze the Geographic Distribution and Borrower Profile criteria.

The 2021 and 2022 D&B data provided a standard of comparison for the bank's small business lending performance. Although loans are analyzed by both number and dollar volume, examiners emphasized performance by number of loans, as it is a better indicator of the number of businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CBPH demonstrated satisfactory performance under the Lending Test. Reasonable performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Geographic Distribution criteria supports this conclusion.

Loan-to-Deposit Ratio

CBPH's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's performance was evaluated based on the average of its quarterly net loan-to-deposit ratios since the previous evaluation (23 quarters), which ranged from a high of 62.3 percent as of June 30, 2018, to a low of 21.6 percent as of March 31, 2023. As shown in the following table, the bank's average loan-to-deposit ratio for the evaluation period is on the low-end of the range of ratios when compared to other institutions that were considered similarly-situated based on their asset size, geographic location, and lending focus.

The decline in the bank's loan-to-deposit ratio is attributed to a very substantial influx of deposits, which grew from \$56.4 million as of September 30, 2017, to \$132.5 million as of March 31, 2023. Management attributed the deposit growth primarily to unspent PPP funds, and a large increase in deposits for one account type that has been paying attractive yields. Aside from the addition of PPP loans in 2020 and 2021, which have since been paid off, the bank's loan volume has remained relatively consistent during the evaluation period. Overall, the bank's loan-to-deposit ratio is considered reasonable, particularly given these additional factors.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2023 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
Community Bank of Pleasant Hill, Pleasant Hill, Missouri	135,469	41.7
The Bank of Orrick, Orrick, Missouri	59,050	42.5
Kearney Trust Company, Kearney, Missouri	281,289	59.4
Goppert Financial Bank, Lathrop, Missouri	256,427	63.9
Clay County Savings Bank, Liberty, Missouri	158,794	70.7
<i>Source: Reports of Condition and Income 9/30/2017 through 3/31/2023</i>		

Assessment Area Concentration

A substantial majority of the small business loans reviewed were located inside the assessment area. The following table details this analysis.

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										
2021	122	91.0	12	9.0	134	10,759	86.2	1,722	13.8	12,481
2022	53	96.4	2	3.6	55	8,821	97.2	256	2.8	9,077
Total	175	92.6	14	7.4	189	19,580	90.8	1,978	9.2	21,558
<i>Source: Bank Data</i>										

Geographic Distribution

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, CBPH's lending in low-income census tracts slightly exceeded demographic data in 2022, but was below demographic data in 2021. The bank's lending in moderate-income census tracts was lower than the comparative demographic data for both years reviewed. However, after excluding multiple loans to the same borrower from the analysis, the bank's lending percentages in moderate-income tracts improved to 11.3 percent in 2021, and 15.8 percent in 2022.

While CBPH's lending in low- and moderate-income census tracts is generally below demographic data, it is considered reasonable as the bank is located a considerable distance from the low- and moderate-income tracts. Additionally, there are a significant number of competitors offering small business loans that are closer in proximity to those areas.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	#	%	\$(000s)	%	
Low						
2021	12.4	4	3.3	2,010	18.7	
2022	8.5	6	11.3	1,877	21.3	
Moderate						
2021	24.8	9	7.4	1,746	16.2	
2022	30.2	3	5.7	1,103	12.5	
Middle						
2021	38.0	101	82.8	6,943	64.5	
2022	34.7	39	73.6	5,233	59.3	
Upper						
2021	23.9	8	6.6	60	0.6	
2022	23.7	5	9.4	608	6.9	
Not Available						
2021	0.9	-	-	-	-	
2022	2.9	-	-	-	-	
Totals						
2021	100.0	122	100.0	10,759	100.0	
2022	100.0	53	100.0	8,821	100.0	
<i>Source: 2021 & 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of small business loans reflects a poor penetration of lending among businesses of different sizes. As shown in the following table, the bank's percentage of loans to businesses with revenues of \$1 million or less is considerably lower than the demographic data for this revenue category. When excluding multiple loans to the same borrower from the analysis in 2021, this results in 50 of 62 borrowers (80.6 percent) having revenues of \$1 million or less, in which many of these borrowers are PPP loan customers. After further excluding PPP loans from the analysis, only 6 of 15 borrowers (40.0 percent) had revenues of \$1 million or less. Using this same analysis for excluding multiple borrowers in 2022, 6 of 19 borrowers (31.6 percent) had revenues of \$1 million or less. While CBPH's considerable lending to small businesses through PPP loans reflects favorably, lending performance outside PPP loans is considered poor.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	86.0	51	41.8	1,458	13.6
2022	92.4	9	17.0	1,481	16.8
>\$1,000,000					
2021	4.8	71	58.2	9,301	86.4
2022	2.5	44	83.0	7,340	83.2
Revenue Not Available					
2021	9.3	-	-	-	-
2022	5.2	-	-	-	-
Totals					
2021	100.0	122	100.0	10,759	100.0
2022	100.0	53	100.0	8,821	100.0
<i>Source: 2021 & 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

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.