



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 19, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Kansas City
Charter Number 23748**

**3510 W. 95th Street
Leawood, Kansas 66206**

**Comptroller of the Currency
Kansas City South Field Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING

This institution is rated Satisfactory.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We selected residential real estate and commercial loans as the National Bank of Kansas City's (NBKC) primary loan types based on outstanding loans funded since the last CRA evaluation. As of September 30, 2005 gross loans totaled \$295 million, with a composition of: 37% general commercial, 29% commercial real estate, 32% residential real estate, and 3% installment loans. Examiners reviewed a sample of twenty loans for each of the bank's primary loan types originated in the assessment area (AA) from January 1, 2002 through September 30, 2005 to determine the bank's lending performance. We compared bank performance with demographics from 2000 U.S. Census data.

NBKC's geographic distribution of loans within the assessment area is excellent.

The distribution of loans among individuals and commercial operations, given the demographics of the AA, reflects very good penetration in moderate-income tracts. Our sample of loans for purchase money real estate loans reflected 20% by number and 15% by dollar in moderate-income tracts. The commercial loan sample included 18% of loans by number and 25% by dollar to businesses in moderate-income tracts. NBKC lending to moderate-income tracts exceeded demographics of the AA by both number and dollar. Demographic information from the 2000 census and 2005 business data indicate that 6% of businesses, 6% of households, and 3% of owner-occupied housing are located in moderate-income tracts.

We performed no additional analysis beyond lending in moderate-income tracts, as no census tracts in the bank's AA were designated as low-income tracts.

NBKC has a good record of lending to borrowers of different income levels and commercial businesses of different sizes.

The distribution of loans, given the demographics of the AA, reflects a reasonable penetration among individuals of different income levels, as well as businesses of different sizes. From our real estate sample, NBKC originated 5% by number and 3% by dollar to low-income borrowers and 15% by number and 10% by dollar to moderate-income individuals. Demographic data indicates 11% and 15% of households in the AA are designated as low- and moderate-income, respectively. The bank originated 50% by number and 34% by dollar to borrowers with gross revenues of less than \$1 million. Demographic data indicates that 62% of businesses within the AA have revenues less than \$1 million.

NBKC's record of lending within its AA is good.

A substantial majority of all loans originated are located in the AA. For commercial and real estate loan categories sampled, management originated 93% by number and 91% by dollar within the AA.

NBKC's average quarterly loan-to-deposit ratio is excellent.

The bank is a leader in lending as its loan-to-deposit (LTD) ratio leads similarly situated banks. The bank's quarterly LTD ratio since the last CRA examination has averaged 115.9%. The LTD ratios of similarly situated banks within the AA ranged from 80.1% to 108.2%, and averaged 93.6% during the same time period. For comparison, we used four independent banks with similar loan portfolios and total assets above \$600 million that were headquartered in the AA.

NBKC did not receive any consumer complaints regarding its performance in helping to meet credit needs in the AA during the evaluation period.

We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

NBKC is a full-service \$619 million financial institution with its headquarters in Leawood, Kansas. The institution has grown steadily since it opened for operation in 1999 with the majority of the growth occurring in 2005. Conforming and non-conforming mortgage products nationwide via the Internet comprised the majority of this growth. The recent growth in securities reflects management's embarking on a leverage investment program. Year-end 2004 total assets were at \$340 million with gross loans totaling \$202 million, and investments \$105 million. By year-end 2005, investments totaled \$344 million.

The bank has three Missouri branch offices located in Platte City, Lee's Summit, and Liberty. An ATM is located at each office, except for the Liberty location. The bank's mortgage loan production offices are located in Topeka, Kansas; Springfield, Missouri; and Tempe, Arizona. The bank's loan production offices are located in Blue Springs and Platte City, Missouri; Denver, Colorado, and Oklahoma City, Oklahoma.

There are no financial or legal constraints or other factors that prevent NBKC from helping to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of all census tracts located in Johnson County, Kansas; Clay County, Missouri; Platte County, Missouri, and all census tracts within the city limits of Lee's Summit, Missouri. This delineation consists of the sections in the Kansas City, Missouri-Kansas metropolitan statistical area that surround the bank's main and branch offices. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income census tracts. There are no legal or financial constraints that impede the bank's CRA efforts.

Demographic data for 2004 indicates ten tracts, or 5%, of the 195 tracts are moderate-income, compared to the 11 tracts so designated in 2003. The HUD updated MSA median family income for 2004 was \$64,900, which is a decrease from \$66,700 in 2003. In 2004, 69% of the housing units were owner-occupied. The recap of 2004 data on families shows the AA's composition as: 11% low-income, 15% moderate-income, 24% middle-income, and 50% upper-income. Four percent of the population lives below the poverty level.

The economy in the Kansas City area is very diverse. No one employer dominates the market. Area employers offer a variety of employment opportunities, as seen in the primary employment sectors of service industries (40%), retail trade (14%), finance/insurance/real estate (11%), and construction (8%). Approximately 62% of the reporting non-farm businesses have revenues of \$1 million or less.

Due to the highly competitive market, consumers have a large number of financial institutions to choose from. There is strong competition for loans and deposits among the financial institutions in the bank's AA and throughout the Kansas City, Missouri-Kansas MSA.

During the examination, we made one community contact. The contact indicated capital, operating, and expansion funds for small businesses are the primary credit needs of the community. The contact stated most institutions are meeting these needs through involvement in local organizations and events. The institutions also offer a number of programs to aid small businesses. According to the November 2005 Kansas City Business Journal, NBKC ranked as the sixth largest Small Business Administration lender within the Kansas City metro area.