



INTERMEDIATE SMALL BANK

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

PUBLIC DISCLOSURE

January 4, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**10700 Nall Avenue
Overland Park, Kansas 66211**

**Comptroller of the Currency
Kansas City South Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 66210**

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 and MULTI-STATE METROPOLITAN AREA CRA RATING: This institution is rated Satisfactory.

CRA Rating for the Kansas City, MO-KS Multistate MSA is Satisfactory.

The Lending Test is rated: **Satisfactory**

The Community Development Test is rated: **Satisfactory**

We based the bank's CRA rating on the following primary factors:

- National Bank of Kansas City's (NBKC) loan-to-deposit ratio reflects reasonable responsiveness towards meeting credit needs of the community.
- The bank's level of lending to borrowers of different incomes and to businesses of different sizes overall reflects reasonable penetration.
- The geographic distribution of both business and residential real estate loans shows reasonable dispersion.
- NBKC's performance under the Community Development test is adequate and generally responsive to community development needs.
- While a majority of NBKC's lending activities are outside the bank's assessment area, bank management originated a majority of its commercial loans within its assessment areas.

SCOPE OF EXAMINATION

We performed a full scope evaluation of NBKC's performance using Intermediate Small Bank Examination Procedures. Our objective was to assess the bank's ability to serve and meet the needs of the community within its assessment area (AA). Our loan sample included originations from January 1, 2007 to September 30, 2009. The bank's primary lending products using originations, by number and dollar amount, are 1-4 family residential real estate (RRE) and commercial, which includes commercial real estate (CRE) loans. For RRE loans, the bank's primary products were home purchase and refinance loans. Our lending analysis included the bank's 2007, 2008, and 2009 RRE and commercial loan portfolios. The evaluation period for community development activities was from January 2006 to December 2009.

DESCRIPTION OF INSTITUTION

NBKC is a \$711 million interstate financial institution headquartered in Overland Park, Kansas. NBKC is primarily owned by Jim Tinsman and Humbert Tinsman, with Jim Tinsman, Jr. also holding a 10 percent stake in the two-bank holding company. In addition to the main banking facility, NBKC has five branch locations and six deposit-taking ATMs within its AA. Since the last CRA examination, NBKC has not opened or closed any branch locations.

NBKC is a full-service bank located in a highly competitive area of Johnson County, Kansas. Besides traditional banking products, NBKC also offers mortgage products nationwide through its mortgage division. Loans originated by the mortgage division are sold on the secondary mortgage market. As of September 30, 2009, the outstanding loan portfolio balances consisted of 49 percent CRE loans, 35 percent RRE loans, 13 percent commercial loans, 2 percent agricultural loans, and less than 1 percent consumer loans. NBKC received a rating of “Satisfactory” at its last CRA examination dated December 19, 2005.

DESCRIPTION OF ASSESSMENT AREAS

NBKC has three distinct assessment areas (AAs). The AAs include only whole geographies where the branches and ATMs are located. The AAs consist of entire census tracts and do not arbitrarily exclude any low- or moderate-income areas. While all three AAs are located within the Kansas City, MO-KS Metropolitan Statistical Area (Kansas City MSA), they are within four different counties.

The Johnson County AA (AA#1) consists of all 107 census tracts located in Johnson County, Kansas. AA#1 has 2 moderate-income, 41 middle-income, and 64 upper-income census tracts. The Clay and Platte Counties AA (AA#2) consists of all 55 census tracts within these two contiguous counties in Missouri. AA#2 has 7 moderate-income, 29 middle-income, and 19 upper-income census tracts. The Jackson County AA (AA#3) consists of the census tracts within Lee’s Summit, Missouri and its surrounding areas. AA#3 is comprised of 36 census tracts including the area of Jackson County bordered by I-70 on the north, the county line on the east and south, and Blue Parkway/Raytown Road on the west, inclusive of any census tracts split by these borders. AA#3 is comprised of 1 moderate-income, 18 middle-income, and 17 upper-income census tracts.

We conducted community contacts during this examination. Our contacts did not indicate any problems with banks not meeting the credits needs within the Johnson County, Platte and Clay Counties, and sections of the Jackson County AAs. Our contacts in the Johnson County and Jackson County AAs stated bank involvement within the community is good. Reportedly participation in community development opportunities within the Johnson County AA is limited due to the strong competition from banks. Within Platte County, our contact stated the local economy shows some decline from the past, but it appears more favorable than the rest of the United States. Our contact offered that NBKC and its loan officers are integrated within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank is operating under a Formal Agreement (FA) imposed by the Office of the Comptroller of the Currency. The FA requires management and the Board to focus on improving risk management processes and restoring the bank to a safe and sound condition. Therefore, originations of new loans have been limited, especially in the commercial area. We considered CRA performance to be satisfactory given the limitations resulting from the bank's condition and the FA.

Loan-to-Deposit Ratio (LTD)

NBKC's average quarterly LTD ratio reflects reasonable responsiveness towards meeting the credit needs of the community. Since the last CRA examination, the bank's net LTD ratio averaged 86.89 percent for the past 16 quarters. NBKC's local competitors have average LTD ratios ranging from 88.48 percent to 103.88 percent with a majority of its competitors showing nearly 100 percent. Although slightly lower than its competitors, the bank continues to maintain a good LTD ratio in a credit market impacted by depressed and changing economic conditions.

Lending in Assessment Area

A majority of NBKC's lending activities are outside the bank's AAs. Although the average lending of the bank's primary products is below 50 percent, the bank's lending within its AAs is directly impacted by its Mortgage Division. This division originates local and nationwide mortgages through the Internet. For commercial loans originated within the evaluation period, management originated a majority by number and dollar within its AAs. Of the RRE loans, which include the bank's mortgage division, management originated a significant number outside the bank's AA. See Table 1 below.

Loan Type	Number of Loans				Total	Dollars of Loans				
	Inside		Outside			Inside		Outside		Total (000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
1-4 Family RRE	854	6.86%	11,602	93.14%	12,456	\$157,000	5.12%	\$2,910,000	94.88%	\$3,067,000
Commercial	14	70%	6	30%	20	\$2,430	66%	\$1,253	34%	\$3,683
Totals	868	38%	11,608	62%	12,476	\$159,430	35.56%	\$2,911,253	64.45%	\$3,070,683

Source: Loan sample and HMDA data

Fair Lending or Other Illegal Credit Practices Review

We did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

NBKC’s lending to borrowers of different income levels and to businesses of different sizes reflects reasonable penetration. From our loan sample, 38.6 percent of the loans were made to borrowers of low- to moderate-income levels as compared to the combined demographics of 26 percent. See table 2 below.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans	% of AA Families	% of # Bank Loans
Purchase	10.76%	4.91%	15.17%	19.63%	23.74%	26.64%	50.33%	41.82%
Refinances		1.67%		12.38%		17.62%		44.52%

Source: 2000 Census Demographic Data; Bank and examiner generated reports

Lending for home purchases and refinances within AA#1 reflects reasonable penetration. For home purchase loans, the bank’s performance exceeds demographic data for lending to moderate-income families but is below demographics for low-income families. The lower than demographics performance reflects in part the difficulty for poverty- level families to qualify for home purchase credit. In Johnson County, the average median-family home in Johnson County reportedly costs \$157 thousand and 4 percent of the population lives below the poverty level. For home refinances, the bank’s performance is below demographics for lending to both low- and moderate-income families. However, nearly 20 percent of refinanced loans have unknown reported income. This large percentage of borrowers with unknown income comes from the bank not reporting income information on VA, FHA, and employee loans.

RRE lending within AA#2 reflects reasonable penetration. For home purchase loans, the bank’s performance exceeds demographic data for lending to moderate-income families but is below demographics when lending to low-income families. Over 5 percent of the population has income below the poverty level, and an additional 7 percent of the loans have unknown income levels. For home refinances, the bank’s lending performance is below demographics for both low- and moderate-income families. However, over 22 percent of refinanced loans have unknown reported income. Again, the bank has a large percentage of unknown income because the bank does not report income information on VA, FHA, and employee loans.

Lending for home purchases and refinancing within AA#3 is reasonable. For home purchase loans, the bank’s performance is excellent for lending to moderate-income families but is below demographics when lending to low-income families. With just under 5 percent of families with income levels below poverty level and the median price for a house costing \$119 thousand, it is difficult to originate a significant amount of loans to low-income borrowers. For home refinance loans, the bank’s performance is below the demographics for moderate-income families and significantly below for low-income families. The bank’s performance record is again impacted by volume of loans with unknown income in that over 40 percent of the refinancing loans are VA, FHA, and employee loans with no income information reported.

Lending to businesses of different sizes reflects reasonable penetration. We found commercial lending to be reasonable as management originated 51 percent of the loans in our sample in the AA to businesses with revenues below \$1 million.

Based on the number of businesses that reported revenue information within AA#1, the bank's volume of small loans to small businesses is below demographic information. During our evaluation period, 60 percent of the bank's business loans were to businesses with revenues less than \$1 million. Demographic data shows 74 percent of the AA businesses have revenues less than \$1 million. Although below the demographics, NBKC had about 21 percent of its small business loans with unknown revenue.

Within AA#2, the bank's volume of small loans to small businesses is excellent. During our evaluation period, 80 percent of the bank's loan originations were to businesses with revenues less than \$1 million. Demographic data for the AA shows 76 percent of the businesses have revenues less than \$1 million.

NBKC's volume of small loans to small businesses is reasonable in AA#3. During our evaluation period, 60 percent by number of loans were made to businesses with revenues less than \$1 million. Demographic data shows 80 percent of AA#3 businesses have revenues less than \$1 million. Small business loans reported with unknown revenue represented 16 percent.

Geographic Distribution of Loans

NBKC's geographic distribution of credit reflects reasonable dispersion throughout the AAs. The bank's AAs do not have any low-income census tracts. The bank's distribution of loans to families and businesses within their AAs meets the performance standard for geographic distribution purposes.

RRE lending to families in moderate-income census tracts for AA#1 is reasonable. There are only two moderate-income census tracts within AA#1, which represents less than 1 percent of the owner-occupied housing in the AA. The bank's lending within those census tracts is reasonable with home refinances matching the level of owner-occupied housing.

Geographic distribution reflects poor dispersion throughout AA#2. This AA has seven moderate-income census tracts with 6.54 percent of owner-occupied housing in those moderate-income census tracts. RRE lending within AA#2 included 3.21 percent home purchase originations, but the bank did not have any refinances within AA#2. The bank's dispersion to the moderate-income census tracts was low, partly due to its branch locations within AA#3. Two of the bank's branches are in middle-income census tracts, and one branch is within an upper-income census tract. In addition, the branches are not in close proximity to the moderate-income census tracts.

RRE lending within AA#3 provided excellent dispersion within its moderate-income census tract and exceeded demographic data for the one moderate-income census tract. See Table 3 below.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Jackson County AA						
Census Tract Income Level	Moderate Tract		Middle Tract		Upper Tract	
Loan Type	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans	% Owner Occupied Housing	% of # Bank Loans
Purchase	2.17%	8.70%	48.33%	34.78%	49.50%	56.52%
Refinancing		3.08%		30.77%		66.15%

Source: 2000 Census Demographic Data; Bank and examiner generated reports

Lending to businesses within the AA#1 reflects excellent dispersion. Based on demographic data and a sample of the commercial loan portfolio, we found the bank exceeded the demographic data in moderate-income census tracts. NBKC made 5 percent of its commercial loans to businesses in moderate-income census tracts compared to the 2.35 percent of the businesses located within those census tracts.

Geographic distribution among businesses within AA#2 shows poor penetration. During this evaluation period, the bank did not make any loans to businesses in the moderate-income census tracts. Demographic data shows about 13.12 percent of businesses within AA#2 are in moderate-income census tracts. A possible explanation of this poor dispersion is the location of the bank’s branches in AA#2 as detailed in the comments under the RRE section.

The bank’s commercial geographic dispersion within AA#3 is reasonable. Although the bank did not make any commercial loans within the one moderate-income census tract of the AA, the demographic information shows only 4.14 percent of the businesses are in AA#3.

Responses to Complaints

NBKC has not received any complaints during this evaluation period directly related to CRA performance.

Community Development Test

NBKC’s community development performance is satisfactory. Bank management has adequately responded to the community’s needs through community development activities including investments and services that benefit low- and moderate-income families and geographies.

Qualified Investments

Since the last CRA examination in December 2005, NBKC purchased a GNMA bond for CRA purposes. This bond, which was issued December 1, 2008, consists of 11 RRE loans within the bank’s AAs. These loans are to low- and moderate-income families based on the HUD Median Family Income for 2008. This is the bank’s main qualified investment.

Since the last CRA examination, the bank's total qualified investments within its AAs, which include bank donations, were \$1.3 million. Donations were made to seven different organizations that primarily serve low- and moderate-income families. The bank also contributed to two regional organizations serving low- and moderate-income needs.

Community Development Services

Additional efforts by bank staff include presentations and participation in various organizations, such as United Community Services of Johnson County and Mid America Assistance Coalition. These organizations are targeted to groups that include individuals who are homeless or at risk of being homeless, and individuals who are uneducated about banking programs available to low- and moderate-income families.

Other Activities

The bank's activities also include various programs and presentations. These activities, while not meeting the regulatory definition of community development loans, qualified investments, or community development services, still assist with meeting the community's needs.

One of these programs includes the FDIC Small Dollar Loan program. The bank participated in this program to help the under banked access bank loan and deposit products. Presently, NBKC has \$20 thousand in loans outstanding under this program. While the program is designed to help low- and moderate-income families, the bank does not maintain documentation that supports the amount of loans specifically made to families who meet the low- and moderate-income qualification levels.

Another program is the FDIC's Money Smart Week where bank loan officers give presentations focused on First Time Home Buyers and Identify Theft Prevention. These are community efforts to provide financial education to all income levels, but based on surveys received from attendees, approximately 50 percent reported low- or moderate-income levels.