

PUBLIC DISCLOSURE

May 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northland National Bank
Charter Number 21071**

**99 N.E. 72nd Street
Gladstone, Missouri 64118**

**Office of the Comptroller of the Currency
Kansas City South Field Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1200**

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.

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 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 Northland National Bank prepared by The Office of the Currency, the institution's supervisory agency, as of May 7, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 § C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

Northland National Bank (NNB) is helping to meet the credit needs of its assessment area. The bank's distribution of loans originated since the last examination reflects good distribution among businesses of different sizes and borrowers of different income levels. The geographic distribution of NNB's commercial and consumer loans reflects reasonable penetration throughout the assessment area.

DESCRIPTION OF INSTITUTION

NNB is a \$35 million independently-owned community bank located in Gladstone, Missouri. The bank does not have a holding company or any affiliates. The bank's business focus is primarily commercial and commercial real estate loans. The bank targets commercial customers in the northern part of the Kansas City metropolitan area. Consumer customers are generally from a smaller area around the Gladstone community, where officers and employees are particularly involved.

NNB offers a full range of commercial, real estate, and consumer credit products, in addition to traditional deposit services. The bank's net loans represent 60% of total assets. There are no legal or financial factors which might impede the bank's ability to help meet the credit needs in its assessment area. NNB received a "Satisfactory" rating during its last CRA exam dated August 1997. The table below represents the break down of loan originations since the date of the last exam.

Loan Portfolio Breakdown

Loan Type	% By Dollar	% By Number
Commercial/Commercial RE/ Commercial Construction	65%	32%
Installment	14%	52%
RE 1-4 family	17%	8%
CD secured	3%	5%
Other	2%	2%

DESCRIPTION OF ASSESSMENT AREA

NNB's assessment area (AA) meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas.

The bank's AA consists of Clay, Platte, and Jackson Counties in the Kansas City Metropolitan Statistical Area in Missouri. The AA has 251 census tracts, 36 in Clay, 16 in Platte and 199 in Jackson County. Clay and Platte Counties are north of the Missouri river and consist of bedroom communities which commute to Kansas City for jobs. Jackson County is south of the river and includes the urban core of Kansas City, and the largest portion of the low- or moderate-income census tracts. Of the 92 low- or moderate-income census tracts in the AA, only four are in Clay or Platte Counties. The 88 low- or moderate- income tracts in Jackson County are a significant distance from the bank.

According to the 1990 census, the total population of the bank's AA is 844 thousand. The 1998 HUD Metropolitan Statistical Area median family income is \$52,600. The average housing cost in the AA is \$61,347 and 57% of the housing units are owner-occupied. Numerous employers offer diverse employment opportunities throughout the area. Unemployment is at record lows and the economy is growing.

Examiners conducted one community contact during the examination with an individual representing community and economic development in Gladstone. Community credit needs include small business loans and loans for commercial renovation. NNB was specifically mentioned for its work in helping the Gladstone community.

Significant competition exists in the AA not only from numerous community banks but from branches of large multi-state banks. The table below gives demographic data about the AA from the 1990 census.

Assessment Area Demographic Data Distribution by Census Tract Income Level												
	Low		Moderate		Middle		Upper		NA		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Census Tracts	29	12	63	25	107	43	45	18	7	%	251	100
Families	45,890	20	41,870	19	57,841	26	79,274	35	0	nil	224,875	100
Households	17,659	5	72,460	22	180,272	54	62,732	19	193	nil	333,316	100
Population	47,012	6	174,799	21	456,518	54	164,931	20	12	nil	844,510	100

Source: 1990 Census

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

To reach our conclusions about NNB's CRA performance, we focused our sample on originations since the last examination for commercial loans and consumer auto loans. Our conclusions were weighed more heavily toward the commercial loans, since they represent the largest part of the bank's lending.

Lending to borrowers of different income levels and to businesses of different sizes

The distribution of loans originated since the last examination reflects good distribution among businesses of different sizes and borrowers of different income levels.

Business Lending

NNB has good penetration to the assessment area’s smallest businesses. Twenty-five percent by number and 45 percent by dollar of the bank’s loans were to businesses with revenue less than \$100 thousand. While demographic information was not available for comparison, businesses with revenue less than \$100 thousand are generally very small businesses. The table below shows the bank’s distribution of small business loans by revenue size. Examiners had difficulty identifying a larger sample because many files did not contain financial information.

Distribution of Small Business Loans by Revenue				
Revenue (000)	Originations since last exam			
	#	%	\$(000)	%
<= \$100	5	25%	697	45%
> \$100 <= \$250	3	15%	65	5%
> \$250 <= \$500	3	15%	129	8%
> \$500 <= \$1 mil	3	15%	132	9%
>\$1 mil	6	30%	510	33%
Total	18	100%	1,533	100%

Consumer Lending

NNB’s consumer lending reflects good distribution among individuals of different income levels. Lending performance to low- or moderate-income borrowers compares favorably to the area demographics. Twenty-nine percent of the bank’s loans by number were to low-income individuals compared to twenty percent of the families in the area are low-income. Lending to moderate-income individuals also compares favorably to the area demographics with 29 percent by number of the bank’s loans to moderate-income individuals compared to the demographics of the 19 percent.

The table below reflects the bank’s lending performance to all income categories by dollar and number of loans. Examiners had difficulty identifying a larger sample because many files did not have financial information.

Borrower Distribution of Consumer Loans					
Tract Income Level	% of Families	Originations since last exam			
		#	%	\$(000)	%
Low Income	20%	5	29%	22,228	19%
Moderate Income	19%	5	29%	40,628	35%
Middle Income	26%	4	24%	15,919	14%
Upper Income	35%	3	18%	38,113	33%
Total	100%	18	100%	116,888	100%

Geographic Distribution of Loans

The geographic distribution of NNB's commercial and consumer loans reflects reasonable penetration throughout the assessment area. While only one loan was originated in a low-income tract, this is outweighed by the good penetration to moderate-income tracts. NNB made 30 percent by number and 20 percent by dollar to moderate-income tracts compared to only 21% of the businesses located in moderate-income tracts. The bank's ability to closely approximate the demographics for loan distribution in moderate-income tracts is better than average. The table below shows the bank's distribution of small business loans originated since the last examination.

Distribution of Small Business Loans in Assessment Area					
Tract Income Level	% of Businesses	Distribution of Small Business Loans Originated since last exam			
		#	# (%)	\$	\$ (%)
Low Income	11%	1	5%	129,654	8%
Moderate Income	21%	6	30%	341,511	20%
Middle Income	29%	10	50%	865,793	50%
Upper Income	39%	3	15%	379,234	22%
Total	100%	20	100%	1,716,192	100%

NNB's geographic distribution for consumer loans is reasonable. For consumer loans, examiners compared the bank's penetration to low-or moderate-income tracts to the percent of the population living in those tracts. While the bank's penetration of low- and moderate-income tracts is low, this is reasonable because only four low- or moderate-income tracts are within a reasonable distance from the bank.

Furthermore, the four census tracts border the Missouri River and consist primarily of vacant land or commercial businesses.

The table below shows the bank’s geographic distribution of consumer loans originated since the last examination.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Population	Originations since last examination			
		#	%	\$(000)	%
Low Income	6%	1	6%	15,033	13%
Moderate Income	21%	1	6%	6,479	6%
Middle Income	54%	8	44%	42,605	37%
Upper Income	19%	8	44%	51,801	44%
Total	100	18	100%	115,918	100%

Loan-to-Deposit Ratio

NNB’s loan-to-deposit ratio (LTD) is reasonable and reflects satisfactory lending levels by the institution. The bank’s quarterly LTD ratio since the last examination is 67.17%. The quarterly average LTD ratio for ten similarly situated institutions in the assessment area ranged from 31% to 77% and averaged 65%. We compared NNB to other independent community banks in the AA.

Lending in the Assessment Area

The bank’s lending within its assessment area is adequate. The bank originated a majority of its loans within its assessment area based on originations since the last exam. According to a bank prepared report for all loan originations since the last examination, NNB originated 51% of its loans by dollar and 79% by number within its AA. Examiners verified the bank report.

Compliance with Antidiscrimination Laws and Regulations

Examiners did not identify any substantive violations of Antidiscrimination laws or regulations. Based on a review of consumer loans to males and females, we did not note any practices intended to discourage any applications or treat loan applicants unfairly.

Responses to Complaints

NNB has not received any complaints during this evaluation period.