



SMALL BANK

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

PUBLIC DISCLOSURE

December 29, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Northland National Bank
Charter Number 21071**

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

**Comptroller of the Currency
Assistant Deputy Comptroller-Kansas City South
6700 Antioch Road Suite 450
Merriam, KS 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 CRA RATING

This institution is rated Satisfactory.

Northland National Bank (NNB) has a satisfactory record of lending to borrowers of different income levels.

- Examiners reviewed a sample of 20 loans for each of the bank's primary loan types originated in the assessment area in 2003. Consumer installment loans and commercial loans (including commercial real estate) are the bank's two primary loan types, representing approximately 94% of loans funded in 2003. Primary weight was given to commercial loans, as they represented a majority of loans funded by both number and dollar. The bank's performance is compared against demographics for the assessment area from 2000 U.S. Census data.
- The distribution of commercial loans reflects a reasonable penetration of small and large commercial borrowers. Small commercial borrowers are identified by revenues of less than \$1MM, and large commercial borrowers revenues greater than \$1MM. Our sample indicates lenders originated 55% by number and 24% by dollar to small businesses with revenues less than \$1MM. Demographic data indicates small businesses represent 72% of businesses by number. Although the bank is below demographics, the sample indicates more than half of commercial loans are funded to small businesses.
- The distribution of consumer installment loans reflects a good penetration of low- and moderate-income borrowers based on our sample, given 9% of households in the assessment area are below the poverty level. NNB originated 30% of consumer loans by number and 21% by dollar to low-income individuals, which is comparable to demographic data that indicates 21% of households are low-income. Consumer loans originated to moderate-income borrowers represented 25% by number and 17% by dollar, which is proportional to demographic data indicating 18% of households are moderate-income.

NNB's geographic distribution of loans within the assessment area is good.

- The geographic distribution of commercial loans is excellent. The bank exceeded demographics in lending to low- and moderate-income tracts by both number and dollar. The sample included 15% of loans by number and 7% by dollar to businesses in low-income tracts relative to demographic data indicating 5% of businesses located in low-income tracts. The sample included 35% of loans by number and 63% by dollar to businesses in moderate-income tracts relative to demographic data indicating 12% of businesses located in moderate-income tracts. The strong performance is partially due to the bank's involvement in financing several single-family home rehabilitation and new construction loans throughout the assessment area in low- to moderate-income tracts to be housed by low- to moderate-income individuals.

- The geographic distribution of consumer loans is reasonable. The sample did not include any loans to households in low-income tracts, even though demographic data indicates 5% of households are located in low-income tracts. This is reasonable as the bank's only branch is located in a county (Clay) that does not have any low-income tracts. Lending to moderate-income tracts represented 30% by number, which exceeded demographic data showing 23% of households located in moderate-income tracts.

NNB originated a majority of its loans in its assessment area.

- For consumer installment loans and commercial loans sampled, the bank originated 93% percent by number and 78% percent by dollar within the assessment area.

The bank's average quarterly loan-to-deposit ratio since the last examination is good.

- The bank's quarterly average loan to deposit ratio since the last CRA examination is 72%, which is significantly higher than a peer average of 61%. The peer average represents the combined average quarterly loan to deposit ratio for 15 similar sized independent community banks located within the assessment area.

Community Contact

We conducted a community contact during this examination. The contact indicated the primary credit needs of the community are capital, operating, and expansion funds for small businesses. Our contact noted an opportunity for local banks is to provide loan programs that assist in re-development of older businesses and homes. The contact stated several local institutions are meeting these needs through involvement in local organizations and events, and offering various financing programs to aid small businesses and home rehabilitation efforts. Although no institutions were mentioned specifically, NNB has been significantly involved in each of these areas.

NNB has not received any consumer complaints regarding its performance in helping to meet credit needs in the assessment area during the evaluation period.

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

DESCRIPTION OF INSTITUTION

Northland National Bank (NNB) is a community bank with total assets of \$58 million as of December 31, 2003, with net loans comprising 64% of total assets. The bank is independently owned and does not have a holding company or any affiliates. The main office of the bank is located in Gladstone, Missouri. The bank has one non-depository ATM and no branches. Consumer installment loans and commercial loans (including commercial real estate) are the bank's two primary loan types. There are no legal or financial constraints that impede the bank's CRA efforts. NNB received a "Satisfactory" rating at the last CRA examination dated May 7, 1999.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area, consisting of the contiguous counties of Clay, Jackson, and Platte in Missouri, and Johnson and Wyandotte in Kansas. The assessment area contains 449 census tracts, of which 111 are upper-income tracts, 158 middle-income tracts, 122 moderate-income tracts, 46 lower-income tracts, and 12 unclassified tracts. 2000 U.S. Census data indicates that 21% of families in the assessment area are low-income, 18% moderate-income, 20% middle-income, and 41% high-income. Current income designations are based on the 2003 MSA updated median family income figure of \$66,700. The FDIC market share report indicates the bank has a 0.20% share of deposits within the assessment area. The small percentage is due to the large number of banks in the assessment area, which total approximately 105. In addition, the 5 largest banks have a deposit market share of 47%.

Please refer to the bank's CRA Public File for more information.