



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 30, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Business Bank of Kansas City, N.A.
Charter No. 21489**

**800 West 47th Street
Kansas City, Missouri 64112**

**Office of the Comptroller of the Currency
Kansas City Duty Station
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1277**

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 **First Business Bank of Kansas City, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 20, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

First Business Bank of Kansas City, N.A. (FBB), Kansas City, Missouri is actively meeting the commercial credit needs of small businesses within its community. FBB's lending reasonably penetrates all segments of the assessment area. Two-thirds of its lending relationships are to small businesses with revenues under \$1,000,000.

The following table indicates the performance level of First Business Bank of Kansas City, N.A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST BUSINESS BANK, N.A. PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

FBB is an \$83 million bank located in the Country Club Plaza section of Jackson County, Kansas City, Missouri. This section is located in an upper-income census tract dominated by an upscale shopping district, small businesses, retail stores, restaurants, and hotels. FBB has no branches or automated teller machines. The bank is owned by a one-bank holding company, First Business Bancshares of Kansas City, Inc.

Consistent with the bank's niche as a "business" bank, FBB specializes in services geared to small and mid-sized local businesses. Consumer and real estate lending services are available as an accommodation for its business customers. As of June 30, 1996, the composition of the bank's loan portfolio was as follows:

TYPE OF LOANS	DOLLAR AMOUNT	% OF TOTAL
COMMERCIAL	\$ 51,558,000	88%
INDIVIDUAL	\$ 2,436,000	4%
REAL ESTATE	\$ 4,028,000	7%
OTHER	\$ 836,000	1%
TOTAL	\$ 58,858,000	100.00%

To increase profitability and meet a credit need, FBB purchased a local commercial leasing company in November 1995. FBB continues to grow this leasing portfolio and commercial leases now represent 14% of commercial loans listed above. While most of these leases are outside of the bank's assessment area, FBB has increased lease financing within the area. As noted above, FBB is not an active home purchase lender. Numerous other competing financial institutions focus on meeting housing and other consumer credit needs.

There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation. The last CRA examination dated July 25, 1994 rated the bank's performance as "Needs to Improve."

DESCRIPTION OF ASSESSMENT AREA

FBB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income census tracts. The bank's assessment area consists of five counties. These include three counties in Missouri: Jackson County (199 census tracts); Clay County (36 census tracts); and Platte County (16 census tracts). The two counties in Kansas are Johnson County (75 census tracts) and Wyandotte County (75 census tracts). All the counties are located in the Kansas City, Kansas-Missouri MSA.

According to 1990 statistics, the total population of the bank's assessment area is 1,361,557. Within the assessment area, 11% of the tracts are low-income, 23% are moderate, 40% are middle, 23% are upper, and 3% have no designation.

The 1990 median family income for the MSA is \$37,652. Based on a 1990 study received from the Mid-America Regional Council, 11% of businesses are located in low-income census tracts, 17% in moderate-income tracts, 44% in middle-income tracts, and 28% in upper-income tracts. While the service industry leads the type of regional employment, no single employer dominates the area. Instead, numerous employers offer diverse employment opportunities.

We focused our analysis on commercial lending because the loan portfolio is heavily concentrated (88%) on this loan type. According to bank management, the primary credit needs of businesses are working capital lines of credit, inventory, receivables and equipment loans, construction and rehabilitation loans, and acquisition and expansion loans. Management also identified start-up business loans as a credit need. FBB helps to meet the needs of start-up businesses by participating in the Small Business Administration's loan programs and the First Step Fund. The First Step Fund provides technical expertise and micro loans for start-up businesses. Examiners verified these needs through several recent contacts with community groups representing local businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is comparable to similarly situated banks in the assessment area and in the country. The bank's average loan-to-deposit ratio for the past eight quarters was 76%. The ratio was 77% as of June 30, 1996. We compared FBB to the three other small banks in the assessment area that had commercial loans as a majority of their outstanding loans. The average ratio for these banks was 71% as of June 30, 1996 and ranged from 61% to 77%. Management identified 11 other banks in the country that are similarly situated business lenders. The average loan-to-deposit ratio for these banks was 75% as of June 30, 1996 and ranged from 52% to 88%.

LENDING IN ASSESSMENT AREA

The bank originates a majority of its loans within its assessment area. Management collected information on business locations for 91% of its commercial loan originations and 100% of leases made during our evaluation period. This analysis showed that 71% of the number and 86% of the dollar volume of loans were originated within the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of lending reflects a reasonable distribution among businesses of different sizes, with an emphasis on loans to smaller-sized businesses. Management collected revenue information on 57% of business relationships originated within the assessment area during our evaluation period. We verified the accuracy of this information and also reviewed revenues of commercial lease relationships within the assessment area. We also analyzed the size of all business loan relationships originated during the same period. We found a direct correlation between business revenues and loan size. The following charts illustrate the results of these analyses:

Distribution of Business Loans by Revenue of the Business (within the Assessment Area)		
Revenues	# of Businesses Reviewed	% of Businesses Reviewed
< \$100,000	40	26%
\$100,001 - \$300,000	28	18%
\$300,001 - \$500,000	15	10%
\$500,001 - \$1,000,000	19	13%
\$1,000,001 - \$2,000,000	16	11%
\$2,000,001 - \$3,000,000	13	9%
\$3,000,001 - \$6,000,000	12	8%
> \$6,000,001	8	5%
Total Businesses Reviewed	151	100%

Distribution of Business Loans by Size of the Lending Relationship (within the Assessment Area)		
Original Balance of Business Loans	# of Lending Relationships Reviewed	% of Lending Relationships Reviewed
< \$10,000	19	7%
\$10,001 - \$25,000	40	15%
\$25,001 - \$100,000	78	29%
\$100,001 - \$250,000	56	21%
\$250,001 - \$500,000	39	15%
\$500,001 - \$1,000,000	22	8%
> \$1,000,000	13	5%

Distribution of Business Loans by Size of the Lending Relationship (within the Assessment Area)		
Total Lending Relationships Reviewed	267	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of commercial loans reflects reasonable penetration throughout the assessment area. Management collected information on the location of 91% of its commercial loan originations since the last examination. Examiners verified the accuracy of this information. We compared the location of FBB's loans to the location of businesses in the assessment area based on available demographic data. Based on the number of loans originated, the percentage of FBB's originations in low- and moderate-income census tracts closely matches the demographics in these areas. Based on the dollar volume of originations, FBB's originations exceed the demographics in low- and moderate-income areas.

Sample of Commercial Loan Originations within the Assessment Area						
CENSUS TRACT:	# of loans		Dollar Volume (000's)		Demographics*	
	#	%	\$	%	#	%
Low	22	8%	\$8,741	13%	4,427	11%
Moderate	55	21%	\$18,575	28%	7,276	17%
Middle	81	31%	\$18,943	28%	18,249	44%
Upper	107	40%	\$20,899	31%	11,408	28%
Total	265	100%	\$67,158	100%	41,360	100%

* Based on 1990 demographic data received from the Mid-America Regional Council

RESPONSE TO COMPLAINTS

The bank did not receive any CRA-related complaints since the last examination in 1994.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

Examiners did not identify any violations of antidiscrimination laws or regulations, or disparate treatment of loan applicants.