



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**Armed Forces Bank, National Association
Charter Number: 8796**

**300 Kansas Avenue
Fort Leavenworth, KS 66027**

Office of the Comptroller of the Currency

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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, and should not 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.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The following table indicates the performance level of **Armed Forces Bank, National Association** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Armed Forces Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending activity reflects good responsiveness to the primary credit needs of AFB's assessment area.
- AFB's distribution of consumer loans, its primary loan product, is excellent.
- AFB makes use of innovative and flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income military personnel.
- AFB provides an outstanding level of qualified investments considering limited opportunities for investments on military installations.
- The level of retail banking services provided to military personnel is outstanding.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. The U.S. Census Bureau has established BNAs in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the U.S. Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the lending, investment, and service tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the lending, investment, and service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50 percent of the median family income.

Median Family Income (MFI) - The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the director of the U.S. Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80 percent and less than 120 percent of the MFI.

Moderate-Income - Income levels that are at least 50 percent and less than 80 percent of the MFI.

Small Loans to Businesses - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Loans to Farms - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120 percent or more of the MFI.

Description of Institution

Armed Forces Bank, National Association (AFB), an interstate bank, is headquartered in Fort Leavenworth, Kansas. AFB is a wholly owned subsidiary of Dickinson Financial Corporation (DFC), a \$3.2 billion multi-bank holding company headquartered in Kansas City, Missouri. As of December 31, 2001, AFB reported total assets of \$438 million. AFB has 38 branches operating in the following states: Arizona, California, Colorado, Illinois, Kansas, Kentucky, Missouri, North Dakota, New Jersey, Nevada, Texas, Virginia, and Washington. A majority of branch locations are spread across 19 different military installations. The bank has two off-post branches in Leavenworth, Kansas. AFB also operates service centers in Florida and Virginia.

Since the last CRA examination, AFB added the following start-up branches to its network:

BRANCH	STATE	DATE OPENED
Fort Lewis Exchange	Washington	8-19-98
McChord AFB* Exchange	Washington	8-19-98
Nellis AFB* Exchange	Nevada	10-7-98
Grand Forks AFB* Exchange	North Dakota	10-29-99
Fairchild AFB*	Washington	2-7-00
NTC** Great Lakes Exchange	Illinois	7-27-00
Travis AFB*	California	8-16-00
McGuire AFB Exchange	New Jersey	1-18-01

* Air Force Base = AFB

** Naval Training Center = NTC

AFB is a full service institution offering various loan and deposit products. The bank's primary business strategy is to serve the needs of current and former military personnel throughout the world. The primary loan product for AFB is non real estate consumer loans, which is consistent with the primary credit need in military communities. AFB specializes in providing banking services on Army, Air Force, Navy, and Marine installations. As of December 31, 2000, net loans represented 20 percent of total assets. Consumer loans represent 99 percent by number and 38 percent by dollar volume of loans originated during our evaluation period. Real estate loans are 50 percent and commercial loans are 12 percent of the dollar amount of loans originated during this time period. The real estate loan category includes one loan for \$5.4 million to finance several single-family home developments.

As a percent of the total dollar amount of loans outstanding, the loan portfolio consists of real estate loans (73 percent), consumer loans (15 percent), and commercial loans (9 percent). The remaining portion includes various other loan types. Tier 1 capital is \$41 million, which represents 9 percent of total assets.

There are no legal, financial, or other factors impeding AFB's ability to help meet the credit needs of its assessment area. AFB's performance was rated "Satisfactory" at its last CRA evaluation dated August 25, 1998. This examination only considered information through June 30, 1998.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test (except CD loans, and Product Innovation and Flexibility) is July 1, 1998 through December 31, 2000. For CD Loans, Product Innovation and Flexibility, the Investment Test, and the Service Test, the evaluation period is July 1, 1998 through May 31, 2001.

For the lending test, we evaluated consumer, small business, and HMDA origination/purchase loans. The bank did not originate or purchase any small farm loans during the evaluation period.

Data Integrity

As part of the CRA evaluation, AFB's publicly filed information on HMDA and small business loans was tested for accuracy. The test included an evaluation of the bank's processes to ensure data is reliable.

Significant errors were noted in the data for 2000 small business loans. However, the data was corrected and re-tested prior to analyzing the bank's CRA data. All data used to reach conclusions regarding the bank's CRA performance was accurate.

Information regarding CD loans, investments, and services was evaluated during the examination.

Selection of Areas for Full-Scope Review

The bank's entire assessment area received a full-scope review since it is not defined by geography.

AFB defines its assessment area as all active or reserve military personnel and their dependents, retired military personnel, persons enrolled in military academies, and persons participating in college ROTC programs throughout the world. The CRA regulation allows this option to banks whose business predominantly consists of serving the needs of military personnel or their dependents who are not located within a defined geographic area.

Ratings

The bank's overall rating is based on its performance in the entire assessment area.

Ratings are assigned to the bank as a whole with emphasis placed on loans to current and former military personnel. Consumer loan products are weighted more heavily followed by HMDA loans. Small business loans were given the least weight. Within the HMDA loan category, home purchase loans received the most weight, followed by refinanced loans. The least weight is placed on home improvement and multi-family loans. This weighting is reflective of the primary credit needs in the assessment area, as well as loan volumes by product type over the evaluation period.

Other

We conducted six community contacts during the evaluation. Four of the contacts were with persons working on behalf of military installations. Contacts identified the primary credit need as consumer loans and loan products to help establish credit. Housing for low- and moderate-income military individuals living off-post was identified as a secondary need. Community development opportunities are extremely limited as most needs are provided and controlled by the military government.

Two contacts were made in Leavenworth County with a government organization and a business group. The bank has two off-post branches in Leavenworth County. Contacts identified primary credit needs as housing loans for low- and moderate-income individuals, and training to obtain home-ownership and jobs. The ability for banks to participate in credit projects/programs in Leavenworth County is limited. A majority of the community development opportunities on military installations and in Leavenworth County are through donations, grants, or in-kind contributions to established organizations. In Leavenworth County, we did not identify any opportunities for the bank to participate in qualified investments.

Fair Lending Review

An analysis of three years public comments and consumer complaint information, HMDA, and small business lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in February 1998.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in its defined assessment area is good.

Lending Activity

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's lending activity.

Lending activity reflects good responsiveness to the primary credit needs of AFB's assessment area. Consumer credit is the most important credit need of military personnel and is weighed most heavily in evaluating the bank's CRA performance.

Since the bank defines its community as all active, reserve, and retired military personnel throughout the world, the deposit market rank and market share are not applicable. The bank's total volume of lending is low considering its loan/deposit ratio of 22 percent as of December 31, 2000. Low lending volumes are mitigated by the following internal factors:

- The primary credit need of military personnel is consumer loans, which are originated for lower dollar amounts.
- The bank must maintain high levels of liquidity to accommodate military paydays. The volume of military payroll deposits average \$116 million per month, which represents approximately 30 percent of total deposits as of December 31, 2000.

In addition, the following external factors affect loan volumes:

- Access on eleven of nineteen military installations is closed to the public (only assigned persons or those having official business on the installation can have access).
- All military installations restrict the distribution of promotional materials and the use of outdoor signs for advertising. Marketing efforts are further hampered since it is difficult to obtain accurate mailing lists for military persons.
- Four installations restrict access to new personnel.
- Post exchanges provide unsecured lines of credit up to \$5 thousand at each military installation.

The bank's loan/deposit ratio has increased since the last CRA examination. In 1999 and 2000, the ratio increased 61 percent and 60 percent, respectively. A majority of bank customers are young enlisted soldiers whose income is in the low- and moderate-income category.

The volume of consumer loans has increased significantly since the last CRA examination. From December 31, 1998 to December 31, 2000, consumer loans increased 133 percent by number and 97 percent by dollar volume. During this same time period, total assets increased 17 percent.

For HMDA loans, significant growth is noted during 1999 as the volume increased 58 percent by number of loans and 159 percent by dollar volume. Lending volumes in 1998 and 2000 are similar. For

small business loans, the dollar volume of loans increased 197 percent from December 31, 1998 to December 31, 2000.

The number of HMDA and small business loans is small. These loans do not represent a primary credit need. Housing is provided by the military to enlisted personnel. There are no small business loan opportunities on military installations. In Leavenworth County, where the bank has two off-post branches, it is difficult for AFB to generate lending opportunities due to the perception by the local community that its sole purpose is to serve persons in the military.

Distribution of Loans by Income Level of the Geography

An analysis of the geographic distribution of loans is not meaningful since the bank's community is not defined by geography.

AFB makes a majority of its loans in its assessment area. For all loans combined, 95 percent by number and 68 percent by dollar volume were originated to military personnel during our evaluation period. There were no small business loans made to military personnel. Information on the other loan categories follows:

- 96 percent of the number and 90 percent of the dollar volume of consumer loans were made to military personnel.
- 66 percent of the number and 49 percent of the dollar volume of HMDA loans were made to military personnel.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 7, 8, and 9 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans is adequate given the extremely limited home loan needs of military personnel who live either in government provided housing or receive housing subsidies. AFB made a small number of loans subject to HMDA. These products are not a significant need for the bank's assessment area population. A majority of these loans are primarily made to either retired or more senior military personnel.

Small Loans to Businesses

Refer to Table 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The distribution of small loans to businesses is good. AFB's percent of small loans to businesses with annual revenues of \$1 million or less substantially meets the percent of businesses in geographies where bank branches are located with revenues of the same.

Small Loans to Farms

Refer to Table 11 in the appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

AFB did not originate small loans to farms during the evaluation period.

Consumer Loans

Refer to Table 14 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

AFB's distribution of consumer loans is excellent. The percent of the total number of consumer loans to low-income borrowers exceeds the percent of low-income households in geographies where bank branches are located. The percent of consumer loans to moderate-income borrowers is below demographics. However, the extremely high volume of consumer loans made to low-income borrowers mitigates this.

AFB shows the strongest penetration to low-income borrowers in unsecured consumer loan products. Loan products to help establish credit was identified as a primary credit need. To address this need, AFB began offering its own in-house credit card program. Applicants with no credit history and minimal income can obtain a credit card with a limit as low as \$300. During our evaluation period, the bank made over 1,000 credit card loans under \$500 totaling \$302 thousand. These loans are not included in the reported consumer loan numbers.

Community Development Lending

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's level of community development lending.

CD Lending performance is adequate. During the evaluation period, AFB made two CD loans totaling \$74 thousand. These loans were made to refinance mortgages on multi-family facilities used as domestic violence shelters in Leavenworth County. These loans are not considered complex or innovative. However, they do help meet a critical need in Leavenworth County, which is affordable housing for low- and moderate-income individuals. While providing shelter in emergency situations, the shelters also provide services to assist low- and moderate-income individuals to live independently.

In addition, AFB made the following affordable housing loans considered elsewhere in this evaluation:

- Loan to Kaw Valley Habitat for Humanity for \$73 thousand. This loan is already considered in the evaluation of small loans to businesses. However, it has a CD purpose since the funds were used as working capital to help build homes in Leavenworth for low- and moderate-income families.
- The bank purchased real estate mortgage loans totaling \$5.4 million. These HMDA reportable loans were for military housing developments that consist of one-to-four family units rented to military personnel. These units are located near Cannon Air Force Base, Pensacola Naval Air Station, and Ft. Bragg. A majority of the residents of the housing developments are primarily low- and moderate-income military personnel.

There are no CD lending opportunities on military installations. Based on community contact information, CD loan opportunities in Leavenworth County are limited. The County is highly dependent on funding from the federal government with major employers being the prisons, Veterans

Administration Hospital, and Ft. Leavenworth. Downtown Leavenworth is the only targeted area for redevelopment by the County, and there has been very little demand for business loans in this area.

Product Innovation and Flexibility

AFB makes use of innovative and flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income military personnel. AFB offers the following products:

STARTER LOANS:

This loan product is considered flexible and primarily benefits new recruits with little or no credit history. These new recruits are all low- and moderate-income individuals. The product helps them establish credit history, which is a primary credit need. The borrower receives a \$500 unsecured loan with a 6-month term. The interest rate is the same as the bank's regular unsecured loan rate offered to customers with good credit history. To qualify, the applicant must maintain a direct deposit account with the bank for a minimum of 60 days with no return items. The applicant must also have a total debt to income ratio of 41% or below. From July 1, 1998 to December 31, 2000, the bank made 4,343 loans totaling \$2.2 million.

READY RESERVE LOANS:

This is a flexible loan product. It not only offers overdraft protection, but also provides a convenient and economical way to borrow money. The primary benefit is to low- and moderate-income individuals as that is a majority of the bank's deposit customer base. Under this program, customers obtain a pre-approved line of credit at a competitive interest rate and a minimal annual fee of \$18. Funds are automatically transferred from the line of credit to the deposit account when overdrafts occur. Customers can also transfer money from the line of credit to their deposit account by phone. Loan payments are automatically deducted from deposit accounts. In 1999 and 2000, the bank made 1,009 loans totaling \$1.5 million.

COLLEGE ROTC SPECIAL INCENTIVE LOANS:

This product is both innovative and flexible. ROTC Cadets are offered free deposit products and low rate loans to purchase automobiles and uniforms. Auto loan amounts are up to \$20 thousand for 48 months at 3.9 percent. Uniform loan amounts are up to \$1 thousand for 12 months at 4.9 percent. The bank began offering this product in May 1999. Loan originations are not tracked. However, as of March 2001, the bank has 108 loans outstanding that total \$1.3 million.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Outstanding". Based on full-scope reviews, the bank's performance in its defined assessment area is excellent.

Refer to Table 12 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

AFB provides an outstanding level of qualified investments despite limited opportunities for investments that primarily benefit military personnel.

Opportunities for investments are severely limited on military installations because the government provides housing and all required services for military personnel, and performs all maintenance and upkeep of those services. A majority of the community development opportunities in AFB's assessment area are through donations, grants, or in-kind contributions to established organizations. In Leavenworth County, we did not identify any opportunities for the bank to participate in qualified investments.

During the evaluation period, the bank's investments totaled in excess of \$1.2 million, representing 2.5 percent of Tier I capital. The bank invested more than \$200 thousand in donations in its assessment areas. The on-base donations assist low- and moderate-income military personnel and their families with financial crises, holiday food baskets, and scholarship programs. Off-base donations assist with elder care, youth programs, and food and shelter for low- and moderate-income people. The bank's only off-post branch locations are in Leavenworth County, Kansas, in which Fort Leavenworth is located. Of the \$200 thousand in donations made by AFB, 81 percent is in Leavenworth County.

Due to limited qualified investment opportunities, AFB, in its quest to provide more assistance to low- and moderate-income people, searched for investment opportunities in areas located near bank locations that also serve the military population. As a result, the bank invested \$1 million a CRA Qualified Investment Fund. This fund was initiated nationwide in June 1999 and is a complex, innovative concept that allows geographical areas with a limited supply of qualified investments to purchase shares in a CRA-dedicated mutual fund. The fund allows banks to specify direct underlying securities located in its AA. AFB invested in two municipal bonds that help provide affordable housing and CD programs to low- and moderate-income families. These bonds benefit cities with adjoining military bases. Specific information on these investments is as follows:

- \$330 thousand to finance the Community Development Block Grant (CDBG) program in Tacoma, Washington. The largest employer in this area is the military, which includes Fort Lewis Army Post, McChord Air Force Base, Bremerton Naval Shipyard, and Madigan Army Medical Center. AFB has branches at Fort Lewis Army Post and McChord Air Force Base. The CDBG program provides grants to help revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons. In Tacoma, funds will be used to develop affordable housing units, rehabilitate substandard homes, improve public facilities, repair streets and sidewalks, and make facilities accessible to disabled persons.
- \$670 thousand to finance 96 multi-family housing units for low- and moderate-income individuals. The property is a Low-Income Housing Tax Credit project in El Paso, Texas, where the AFB has a branch at Fort Bliss. At least 40 percent of all units must have restricted rents affordable to households earning no more than 60 percent of the area median income, adjusted for size.

Discussions with community contacts indicate community needs are being met. Military-related contacts said that AFB leads the community in providing for the needs of low- and moderate-income personnel.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Outstanding". Based on full-scope reviews, the bank's performance in its defined assessment area is excellent.

Retail Banking Services

Refer to Table 13 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

AFB has tailored its services to fit the needs of military personnel. They offer products and services that allow their depositors extensive account access, extended banking hours, 24-hour customer service, and other benefits specifically for military personnel.

AFB's delivery systems are very accessible to essentially all of its military customers, with 36 branches located on 19 military installations in 13 states. Twenty-three of the 36 branches are in moderate-income areas. In addition, AFB has two off-post branches in Leavenworth, Kansas, both of which are in moderate-income areas. AFB has opened nine new branches since the last evaluation, of which eight are located in moderate-income tracts. AFB also opened two service centers in moderate-income areas to assist naval customers, which primarily consists of recruits assigned to their first duty station.

Hours of operation and services offered are excellent. Eighteen of the bank's branches are located inside the Main Exchange of military installations and are open seven days a week, evenings, and holidays. Hours of operation for other branch locations are tailored to the needs of the military installation and community. Lobby and drive-up hours are generally from 9:00 a.m. to 5:00 p.m. Monday through Friday, and from 9:00 a.m. to 1:00 p.m. on Saturdays. Special accommodations are made to stay open later on military paydays.

AFB has an extensive network of 124 ATMs, an increase of 35 percent since the last evaluation. Eighty-five of the 124 ATMs are in moderate-income areas. Based on 1990 Census information where all of the branches are located, 44 percent of the population is in moderate-income tracts. Three of these ATMs are located in remote, moderate-income areas that offer no other financial services. Only 3 of the ATMs accept deposits; however, because all military pay requires direct deposit, the need of deposit taking ATMs on military bases is limited. Customers can make deposits and send applications by mail.

AFB provides a full-service Web Site that allows users access to all bank services. In most situations, the military provides Internet access to its personnel. The bank began offering on-line services in 2000, at no charge to its customers. Bank customers can view their transaction statements, transfer funds, and perform other bank services. In 1999 and 2000, the number of bank responses to inquiries on the web site increased 84 percent and 75 percent, respectively.

AFB offers Telebanc, a toll-free number, available 24 hours a day, 7 days a week, accessible in the United State, Korea, and Germany. This service facilitates a majority of banking transactions by phone. There is no charge for this service. In 2000, AFB increased the number of incoming lines from 11 to 72. In 1999 and 2000, the number of calls increased 63 percent and 22 percent, respectively.

AFB began a 24-hour customer service program in January 2001. This program allows bank customers to have personal contact with a customer service representative to solve problems and answer questions. Bank tracking systems indicate more than 50,000 calls per month are being received, almost double the number of calls received prior to having 24-hour customer service access. This service has proven to be

especially beneficial to those military personnel stationed overseas and in different time zones. Enlisted personnel, a majority of who are low- or moderate-income individuals, initiate a majority of the calls received. Since offering this service, monthly calls increased 40 percent in 1999 and 11 percent in 2000.

AFB offers a low-cost checking account and debit card. Direct deposit customers are allowed to open checking accounts with a zero balance. The account has no monthly service charges or minimum balance requirements. There is also unlimited check writing privileges and overdraft assistance provided. Debit cards are provided at no charge and the number of cards issued increased 146 percent in 1999 and 38 percent in 2000.

Through December 1999, AFB cashed government checks at no charge. This service was available to both customers and non-customers. At post exchanges, AFB still cashes government checks at no charge in amounts up to \$500 for both customers and non-customers. At all other locations, non-customers are charged a fee for this service.

Community Development Services

AFB's performance in providing CD services is good.

Every branch has bank personnel that provide training and assistance to newly enlisted or transferred personnel, who are primarily low- or moderate-income individuals. Assistance is given on financial matters regarding opening and using a checking account, financial management, and financial counseling. This training is offered at every military installation at least monthly. At Fort Knox, financial management classes are provided daily. At Nellis Air Force Base, a bi-weekly checkbook management class is offered. Weekly training is offered at Fort Bliss to address how to manage bank deposit accounts. In addition to this initial training and counseling, the AFB offers ongoing assistance to customers having financial difficulties.

Other areas where AFB offers financial expertise include:

- Serving on the board of directors of an organization that assists primarily low- and moderate-income people in the area;
- Serving as treasurer of an area hospital that mainly serves indigent people;
- Serving as a board member and on the budget committee of an organization that provides housing for low- and moderate-income people;
- President of a center, located in a moderate-income area that targets youth from low- and moderate-income families;
- Conducting first time home-buyers seminars;
- Providing family support and counseling to low- and moderate-income families and other services both to military and non-military organizations.

The bank donated in excess of 2000 hours of qualifying community services during the evaluation period.

One of the bank's branches was nominated for Bank of the Year in 2000, based primarily on its high level of community development and retail banking services. The Installation Commander made the nomination. AFB banks were named Bank of the Year in recent prior years.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered.

Time Period Reviewed	Lending Test (excludes CD Loans): 07/01/98 to 12/31/00 Investment and Service Tests and CD Loans: 07/01/98 to 05/31/01	
Financial Institution	Products Reviewed	
Armed Forces Bank, National Association (AFB) Fort Leavenworth, Kansas	HMDA Loans Small Loans to Businesses Consumer Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Entire bank	Full-Scope	AFB defines its assessment area as all active or reserve military personnel and their dependents, retired military personnel, persons enrolled in military academies, and persons participating in college ROTC programs throughout the world. The assessment area is not limited to geography.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.

- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME		State: NOT APPLICABLE						Evaluation Period: July 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	% of Rated Area Loans (#) in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MSA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Review:												
Entire bank	100%	175	25,272	37	3,508	0	0	2	74	214	28,854	100%
Limited-Review:												
Not applicable												

(*) Rated area refers to either the state or multistate MSA rating area.

(**) The evaluation period for Community Development Loans is 7/1/1998 to 5/31/2001.

(***) Deposit data as of December 31, 2000. Rated area refers to either the state or multistate MSA rating area.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		State: NOT APPLICABLE				Evaluation Period: July 1, 1998 TO December 31, 2000									
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Geographic distribution analysis was not applicable since the bank is not defined by geography.															

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		State: NOT APPLICABLE				Evaluation Period: July 1, 1998 TO December 31, 2000									
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Geographic distribution analysis was not applicable since the bank is not defined by geography.															

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE												State: NOT APPLICABLE					Evaluation Period: July 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Home Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***										
	#	% of Total*	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	% Owner OCC Units**	% BANK Loans	Over all	Low	Mod	Mid	Upp						
Full-Review:																					
Geographic distribution analysis was not applicable since the bank is not defined by geography.																					

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												State: NOT APPLICABLE					Evaluation Period: July 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Small Loans To Businesses		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***										
	#	% of Total*	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	Over all	Low	Mod	Mid	Upp						
Full-Review:																					
Geographic distribution analysis was not applicable since the bank is not defined by geography.																					

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		State: NOT APPLICABLE					Evaluation Period: July 1, 1998 TO December 31, 2000								
MSA/Assessment Area:	Total Small Loans To Farms		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full-Review:															
Geographic distribution analysis was not applicable since the bank is not defined by geography.															

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		State: NOT APPLICABLE					Evaluation Period: July 1, 1998 TO December 31, 2000								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Entire bank	82	100%	18%	1%	27%	13%	27%	28%	27%	58%	N/A				
Limited-Review:															
Not applicable															

(*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

(**) Percentage of Families is based on 1990 Census information. Information is based on information where bank branches are located.

(***) As a percentage of loans with borrower income information available.

(****) Market share information is not applicable since the bank is not defined by geography.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			State: NOT APPLICABLE				Evaluation Period: July 1, 1998 TO December 31, 2000								
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Entire bank	19	100%	18%	0	27%	11%	27%	26%	27%	63%	N/A				
Limited-Review:															
Not applicable															

(*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

(**) Percentage of Families is based on 1990 Census information. Information is based on information where bank branches are located.

(***) As a percentage of loans with borrower income information available.

(****) Market share information is not applicable since the bank is not defined by geography.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			State: NOT APPLICABLE				Evaluation Period: July 1, 1998 TO December 31, 2000								
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families **	% BANK Loans ***	% of Families **	% BANK Loans ***	% of Families **	% BANK Loans ***	% of Families **	% BANK Loans ***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Entire bank	69	100%	18%	0	27%	4%	27%	20%	27%	75%	N/A				
Limited-Review:															
Not applicable															

(*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

(**) Percentage of Families is based on 1990 Census information. Information is based on information where bank branches are located.

(***) As a percentage of loans with borrower income information available.

(****) Market share information is not applicable since the bank is not defined by geography.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES State: NOT APPLICABLE Evaluation Period: July 1, 1998 TO December 31, 2000									
	Total Small Loans to Businesses		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share****	
	#	% of Total*	% of Businesses **	% BANK Loans***	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less
Full-Review:									
Entire bank	37	100%	88%	86%	73%	16%	11%	N/A	
Limited-Review:									
Not applicable									

(*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.
 (**) Businesses with revenues of \$1 million or less as a percentage of all businesses.
 (***) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for [Percent] of small loans to businesses originated and purchased by the bank.
 (****) Based on [Year] Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS										State: NOT APPLICABLE		Evaluation Period: July 1, 1998 TO December 31, 2000	
	Total Small Loans to Farms		Farms with Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share****					
	#	% of Total*	% of Businesses**	% BANK Loans***	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less				
Full-Review:													
Not applicable. AFB did not make any small business loans.													

Table 12. Qualified Investments

QUALIFIED INVESTMENTS		State: NOT APPLICABLE		Evaluation Period: July 1, 1998 TO December 31, 2000					
MA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
Full-Review:									
Entire bank	0	0	149	1,205	149	1,205	100%	0	0
Limited-Review:									
Not applicable									

(*) "Prior Period Investments" means investments made in a previous evaluation period that are outstanding as of the examination date.

(**) "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				State: NOT APPLICABLE				Evaluation Period: July 1, 1998 TO December 31, 2000									
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography *			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Review:																	
Entire bank	100%	38	100%	0	25	13	0	0	9	0	+8	+1	0	0	44%	52%	3%
Limited-Review:																	
Not applicable																	

(**) Percentage of Population is based on 1990 Census information. Information is based on information where bank branches are located.

Table 14. Geographic and Borrower Distribution of Consumer Loans

Geographic and Borrower Distribution: CONSUMER LOANS										State: NOT APPLICABLE		Evaluation Period: July 1, 1988 TO December 31, 2000							
MSA/Assessment Area:	Total Consumer Loans		Geographic Distribution ***								Borrower Distribution								
			Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		
	#	% of Total**	% of Hhlds*	% BANK Loans	% of Hhlds*	% BANK Loans	% of Hhlds*	% BANK Loans	% of Hhlds*	% BANK Loans	% of Hhlds*	% BANK Loans ****	% of Hhlds*	% BANK Loans ****	% of Hhlds*	% BANK Loans ****	% of Hhlds*	% BANK Loans ****	
Full-Review:																			
Entire Bank	12,843	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17%	72%	23%	12%	27%	7%	34%	9%
Limited-Review:																			
Not Applicable																			

(*) Percentage of Households (Hhlds) is based on 1990 Census information.

(**) Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.

(***) Geographic Distribution is not applicable since the bank's assessment area is not defined by geography. Information is based on information where bank branches are located.

(****) As a percentage of loans with borrower income information available.