



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 16, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Landmark National Bank
Charter Number: 23038

800 Poyntz Avenue
Manhattan, KS 66502

Office of the Comptroller of the Currency

Kansas City North Field Office
7101 College Blvd, Suite 1600
Overland Park, KS 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 CRA RATING: This institution is rated "Outstanding".

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors supporting this rating are:

- Landmark National Bank's (LNB) record of lending to businesses of different sizes and to borrowers of different income levels are excellent. The bank's primary lending products consist of commercial related loans and home mortgage loans by number and dollar of loans originated during the evaluation period.
- The geographic distribution of loans is excellent. For commercial loans, LNB's performance significantly exceeds demographic data in all assessment areas (AAs). For home mortgage loans, LNB's performance is favorable in the full-scope AA and significantly exceeds demographic data in the limited-scope AAs for all mortgage products.
- LNB's performance under the Community Development Test is excellent. LNB is responsive to community development needs in the AAs. The bank's community development activities primarily help to address affordable housing, the revitalization of distressed middle-income areas, and targeted social services for low- and moderate-income individuals in the AAs.

SCOPE OF EXAMINATION

We conducted this CRA examination using the Intermediate Small Bank performance evaluation procedures. The procedures use two tests (Lending and Community Development) to evaluate the bank's CRA performance. The Lending Test covered a review of the bank's portfolios of residential real estate (home mortgages: purchase, refinance, and home improvement) and small loans to businesses. These products are consistent with the bank's business strategy. Our analysis does not include multifamily home mortgages or small farm lending, as the bank did not originate a sufficient volume of these loan products for a meaningful analysis. We used 2005 peer lending data and updated 2008 demographic data to assist with analyzing LNB's CRA performance. The evaluation period for the Lending Test is January 1, 2005 – December 31, 2007. The evaluation period for the Community Development Test is October 4, 2004 – June 16, 2008.

DESCRIPTION OF INSTITUTION

LNB is a \$603 million intrastate financial institution located in Manhattan, Kansas. The bank is a wholly-owned subsidiary of Landmark Bancorp, Inc. (LBI), a one-bank holding company. LNB is a full-service banking institution offering a wide range of products for individuals and businesses. The bank's primary business focus is commercial, including commercial real estate, and residential real estate lending. The bank operates twenty offices in sixteen communities within the state of Kansas.

On August 19, 2005, LNB acquired two UMB facilities in Great Bend. They closed and relocated their existing facility to one of the new locations. On January 1, 2006, the bank acquired four First Savings Bank facilities located in Manhattan, Junction City, and Lawrence, Kansas. The bank closed and relocated its main office and branch locations in Manhattan to one of the new facilities. On August 11, 2007, the bank opened a de novo facility in Topeka, Kansas.

As of September 30, 2008, the loan portfolio totaled \$377 million and is comprised of 37 percent residential real estate loans, 49 percent commercial and commercial real estate loans, 12 percent agriculture loans, and 2 percent loans to individuals. Net loans represent 86 percent of total deposits and 63 percent of total assets. Tier 1 capital is \$55.9 million.

LNB has the financial capacity to assist in meeting the credit needs of its AAs. There are no known legal or financial constraints that impede its CRA efforts. The bank received a "Satisfactory" rating on its last CRA evaluation dated October 4, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

For CRA evaluation purposes, we combined the lending activity from the bank's Manhattan/Wamego AA, Fort Scott AA, and Southwest Kansas AAs. The combined AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. **The three AA descriptions are below, followed by a chart that combines the demographic data of the AAs and is titled the Expanded Manhattan nonMSA AA throughout the remainder of the PE.**

The Manhattan/Wamego non-MSA AA is comprised of all of Riley County, two tracts of Pottawatomie County, and five tracts of Geary County. The AA services the towns of Manhattan, Wamego, and Junction City. LNB's main office is located in Riley County along with one branch and two stand-alone ATMs. There is one branch and one stand-alone ATM in Pottawatomie County, and one branch and two stand-alone ATMs in Geary County. There are no low-income census tracts in this AA.

On January 1, 2006, the bank acquired three new branch facilities in Manhattan (2) and Junction City (1), Kansas. LNB closed and relocated their main office and branch to one of the new facilities. LNB closed three stand-alone ATMs during the evaluation period.

Competition from other financial institutions is strong. There are 20 institutions in this market area. LNB ranks fourth with a market share of 9%. The bank's primary competitors are several local community banks and branches of large regional institutions including Kansas State Bank of Manhattan, Capital Federal Savings Bank, Commerce, and Central National Bank.

The local economy expanded in recent years due to the expansion of Fort Riley Military Base. The economy slowed in 2008 with the decline in the housing market, but it remains fairly stable due to the presence of Kansas State University and Fort Riley. These are the largest employers in the area with Kansas State University at 5,500 employees and Fort Riley at 4,100 civilian employees. The unemployment rate for the AA as of October 2008 was 3.6%. This is below the Kansas rate at 4.9% and well below the national rate at 6.5%. In conducting the evaluation of the bank's performance, we contacted a local community organization for this AA. The contact indicated a credit need in the community for affordable housing. The contact stated that the banks in the community do a good job of supporting the community and meeting the credit needs of the community.

The Fort Scott, Kansas AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. This AA is comprised of three tracts of Bourbon County. The AA services the town of Fort Scott. LNB has one branch in Bourbon County. This is a fairly new market for the bank. They acquired this branch facility April 1, 2004 with the Eastern Kansas branches. There are no low-income census tracts in this AA.

There are six financial institutions in this market area. This represents strong competition with a population of around 8,000.. LNB ranks fifth with a market share of 7%. The bank's competitors include several local community banks and branches of large regional institutions. The top competitors for LNB in this market are

Citizens National Bank and UMB.

Fort Scott's economy is based on the service industries of medical, insurance, and technology as well as the manufacture of printed forms, aluminum products, garments, and a thriving tourism industry. Major employers are Mercy Health System with 570 employees, Cigna with 410, and Ward/Kraft with 330. The unemployment rate for the AA as of October 2008 was 4.2%. This is slightly below the Kansas state rate of 4.9% and well below the national rate of 6.5%. In conducting the evaluation of the bank's performance, we contacted a local community organization for this AA. The contact indicated a credit need in the community for residential real estate construction loans and business loans. The contact stated that all the banks do a good job of supporting the community and that bank employees are actively involved in projects which benefit the community.

The Southwest Kansas non-MSA AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. This AA is comprised of all of Finney County, four tracts of Ford County, eight tracts of Barton County, and one tract of Rush County. The AA services the towns of Garden City, Dodge City, Great Bend, Hoisington, and LaCrosse. LNB has one branch in Finney County, two branches in Ford County, three branches in Barton County, and one branch in Rush County. On August 19, 2005, the bank acquired two new branch facilities in Great Bend. LNB closed the existing Great Bend location and relocated to one of the new facilities. There are no low-income tracts in this AA. Competition from other financial institutions is high. There are 18 institutions in this market area. LNB ranks second with a market share of 11%. The bank's competitors include several local community banks and branches of large regional institutions. The top competitors for LNB in the market are Farmers Bank and Trust, American State Bank and Trust, Bank of America, and Western State Bank.

The local economy is doing well and is primarily agriculture driven. The area is well-known for its meat-packing facilities which are the largest employers in the area. Excel Corporation employs over 2,700, and National Beef employs over 2,600. The unemployment rate for the AA as of October 2008 was 3.5%. This is below the Kansas rate at 4.9% and the national rate at 6.5%. In conducting the assessment of the bank's performance, we contacted a local community organization for this AA. The contact indicated a credit need in the community for residential construction loans. The contact stated that all the banks in the community do a good job of supporting the community

For additional information on the combined AAs refer to the chart below:

| Demographic Information for Full Scope Area: Expanded Manhattan nonMSA AA | | | | | | |
|---|---------|------------|----------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 41 | 0.00 | 26.83 | 56.10 | 17.07 | 0.00 |
| Population by Geography | 200,573 | 0.00 | 22.32 | 56.37 | 21.30 | 0.00 |
| Owner-Occupied Housing by Geography | 43,153 | 0.00 | 16.28 | 58.08 | 25.64 | 0.00 |
| Business by Geography | 15,175 | 0.00 | 22.23 | 55.47 | 22.31 | 0.00 |
| Farms by Geography | 1,068 | 0.00 | 8.52 | 61.80 | 29.68 | 0.00 |
| Family Distribution by Income Level | 47,705 | 18.99 | 20.06 | 23.17 | 37.78 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 18,628 | 0.00 | 29.31 | 55.55 | 15.15 | 0.00 |
| Census Median Family Income | | 41,637 | Median Housing Value | | 70,376 | |
| HUD Updated Median Family Income for 2008 | | 50,100 | Unemployment Rate (October 2008) | | 3.6% | |
| Households Below Poverty Level | | 15% | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2008 HUD updated MFI

The Topeka AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. This AA is comprised of eight tracts of Shawnee County, one tract of Wabaunsee County, and three tracts of Osage County. These tracts are all a part of the Topeka Metropolitan Statistical Area (MSA). The AA services the city of Topeka, and the towns of Auburn and Osage City. LNB has three branches in Shawnee County and one branch in Osage County. On August 11, 2007, the bank opened a de novo branch in Topeka, giving the bank two branch locations in the city. There are no low-income census tracts in this AA.

Competition from other financial institutions is high. There are 21 institutions in this market area. LNB ranks thirteenth with a market share of 1%. The bank's competitors include several local community banks and branches of large regional institutions. The top competitors for LNB in the market are US Bank, UMB, and Core First.

The local economy has stayed relatively stable due to Topeka being the state capital. There have not been any significant business closings, and housing prices have remained reasonable compared to national averages. Topeka's largest employer is the State of Kansas employing 8,400 people. The educational, health, and social services industry makes up the largest proportion of the working population. The four school districts employ approximately 4,700 people, and Washburn University employs about 1,650. Three of the largest health care employers are Stormont-Vail HealthCare with about 3,100 employees, St. Francis Health Center with 1,800, and Colmery-O'Neil VA Hospital with 900. The unemployment rate for the AA as of October 2008 was 5%. This is comparable to the Kansas state rate of 4.9%, but below the national rate of 6.5%.

In conducting the assessment of the bank's performance, we contacted a local community organization for this AA. The contact indicated a credit need in the community for real estate rehabilitation loans and small business loans. The contact stated that the local banks do a great job of supporting the community. He stated that he's worked in five different communities, and the banks in this community are the most service-oriented that he has seen.

For additional information on the AA refer to the chart below:

| Demographic Information for Limited Scope Area: Topeka AA | | | | | | |
|---|--------|------------|----------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 12 | 0.00 | 8.33 | 41.67 | 50.00 | 0.00 |
| Population by Geography | 50,983 | 0.00 | 6.14 | 35.50 | 58.36 | 0.00 |
| Owner-Occupied Housing by Geography | 14,774 | 0.00 | 5.91 | 34.18 | 59.91 | 0.00 |
| Business by Geography | 4,140 | 0.00 | 6.57 | 39.81 | 53.62 | 0.00 |
| Farms by Geography | 301 | 0.00 | 2.99 | 68.44 | 28.57 | 0.00 |
| Family Distribution by Income Level | 14,289 | 8.80 | 12.44 | 18.74 | 60.02 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 3,035 | 0.00 | 10.58 | 48.30 | 41.12 | 0.00 |
| Census Median Family Income | | 50,488 | Median Housing Value | | 104,919 | |
| HUD Updated Median Family Income for 2008 | | 59,200 | Unemployment Rate (October 2008) | | 4.9% | |
| Households Below Poverty Level | | 6% | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2008 HUD updated MFI

The Osawatomie / Paola / Louisburg nonMSA AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. This AA is comprised of seven tracts in Miami County. These seven tracts are included in the Kansas City Missouri-Kansas MSA. The AA services the towns of Osawatomie, Paola, and Louisburg. The bank has three branches in Miami County, one in each town. This is a fairly new market for the bank. They acquired these branches April 1, 2004. There are no low-income census tracts in this AA.

Competition within Kansas City is high. However, these towns are well outside the more populous part of the metropolitan area. Competition from other financial institutions in this market is lower and considered to be average. There are six institutions in this market area. LNB ranks fourth with a market share of 10%. The bank's competitors include several local community banks and branches of large regional institutions. The top competitors for LNB in this AA are Teambank, First Option Bank, and First National Bank of Louisburg.

The local economy is good and expanding. The area continues to develop as the Kansas City Metro area expands its boundaries. The unemployment rate for the AA as of October 2008 was 4.4%. This is below the Kansas state rate of 4.9% and the national rate of 6.5%.

In conducting the assessment of the bank's performance, we contacted a local community organization for this AA. The contact indicated a credit need in the community for real estate rehabilitation and new construction loans. The contact stated that banks are all doing a good job of supporting the community.

For additional information on the AA refer to the chart below:

| Demographic Information for Full Scope Area: Osawatomie / Paola / Louisburg nonMSA AA | | | | | | |
|---|--------|------------|----------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 7 | 0.00 | 14.29 | 85.71 | 0.00 | 0.00 |
| Population by Geography | 24,903 | 0.00 | 23.93 | 76.07 | 0.00 | 0.00 |
| Owner-Occupied Housing by Geography | 7,025 | 0.00 | 21.55 | 78.45 | 0.00 | 0.00 |
| Business by Geography | 2,399 | 0.00 | 14.92 | 85.08 | 0.00 | 0.00 |
| Farms by Geography | 195 | 0.00 | 7.18 | 92.82 | 0.00 | 0.00 |
| Family Distribution by Income Level | 6,784 | 16.14 | 22.23 | 26.81 | 34.82 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 2,603 | 0.00 | 33.46 | 66.54 | 0.00 | 0.00 |
| Census Median Family Income | | 55,031 | Median Housing Value | | 104,935 | |
| HUD Adjusted Median Family Income for 2008 | | 67,800 | Unemployment Rate (October 2008) | | 4.4% | |
| Households Below Poverty Level | | 8% | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2008 HUD updated MFI

The Lawrence AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. This AA is comprised of seven tracts of Douglas County. These tracts are all a part of the Lawrence MSA. The AA services the city of Lawrence. LNB has one branch and one stand-alone ATM in Douglas County. This is a fairly new market for the bank. They acquired this branch facility January 1, 2006. There is one low-income census tract in this AA. The University of Kansas campus occupies a majority of the tract.

Competition from other financial institutions is strong. There are 20 institutions in this market area. LNB ranks seventeenth with a market share of 1%. The bank's competitors include several local community banks and branches of large regional institutions. The top competitors for LNB in the market are US Bank, Capital Federal Savings Bank, Commerce, and Douglas County Bank.

The local economy stayed relatively stable due to the presence of the University of Kansas. Lawrence has lost some of its manufacturing and professional jobs due to consolidation of businesses. There are a limited amount of salaried professional job opportunities in the community. A majority of the jobs are low hourly wage positions due to the large student population. Lawrence's largest employer is the University of Kansas employing 9,400 people. The School District and the City of Lawrence are the next largest employers with approximately 1,500 employees. The unemployment rate for the AA as of October 2008 was 3.8%. This is below the Kansas state rate of 4.9% and well below the national rate of 6.5%.

In conducting the assessment of the bank's performance, we contacted a local community organization for this AA. That contact was not aware of any projects or programs available for the bank to participate in. She stated that the banks in the community do a good job of supporting and meeting the credit needs of the community.

For additional information on the AA refer to the chart below:

| Demographic Information for Limited Scope Area: Lawrence AA | | | | | | |
|---|--------|------------|----------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 7 | 14.29 | 28.57 | 57.14 | 0.00 | 0.00 |
| Population by Geography | 38,635 | 15.41 | 33.28 | 51.31 | 0.00 | 0.00 |
| Owner-Occupied Housing by Geography | 4,798 | 0.44 | 22.99 | 76.57 | 0.00 | 0.00 |
| Business by Geography | 2,479 | 6.62 | 29.65 | 63.74 | 0.00 | 0.00 |
| Farms by Geography | 44 | 0.00 | 15.91 | 84.09 | 0.00 | 0.00 |
| Family Distribution by Income Level | 5,743 | 25.02 | 19.19 | 24.20 | 31.59 | 0.00 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 2,539 | 6.58 | 36.08 | 57.35 | 0.00 | 0.00 |
| Census Median Family Income | | 53,609 | Median Housing Value | | 111,540 | |
| HUD Adjusted Median Family Income for 2008 | | 63,700 | Unemployment Rate (October 2008) | | 4.17% | |
| Households Below Poverty Level | | 28% | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 US Census and 2008 HUD updated MFI

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall performance under the Lending Test is rated "Outstanding." LNB's lending performance to individuals of different income levels and to businesses of different sizes is excellent.

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

Conclusions for Full-Scope AA

Based on the full-scope review for the expanded nonMSA Manhattan AA, the bank's performance for lending to borrowers of different income levels and to businesses of different sizes is excellent.

LNB's lending level represents 80 percent or more or exceeds area demographics data for lending to moderate-income borrowers for home mortgage loans and businesses with revenues less than \$1 million. Although LNB's level of lending to low-income borrowers is less than demographic data for home mortgage products, we consider it reasonable given the highly competitive environment of the AA and the current economic environment.

A review of home mortgage market share information indicates LNB performance shows favorable lending trends. For home purchase loans, LNB has 9.6 percent of the overall market share, 20.3 percent of the market share for low-income borrowers and 11 percent of the market share for moderate-income borrowers. For refinance loans, LNB has 6.8 percent of the overall market share, 4.7 percent of the market share for low-income borrowers and 5.8 percent of the market share for moderate-income borrowers. For home improvement loans, LNB has 8.4 percent of the overall market share, 16.7 percent of the market share for low-income borrowers and 9 percent of the market share for moderate-income borrowers.

For this AA, 9.5 percent of the families live below the poverty level. This percentage is higher than the state's average of 6.7 percent. With the 2008 HUD updated median family-income level at \$50,100, a low-income borrower would have income of \$25,050 or less, which would make it difficult to qualify for a home loan. This analysis is based on area demographic data and information from community contacts.

The following tables illustrate the bank's distribution of home mortgage loans and loans to businesses based on a review of the bank's loan portfolio.

| Borrower Distribution of Residential RE Loans in the expanded nonMSA Manhattan AA | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | |
| | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Residential Real Estate Loans: | | | | | | | | |
| Home Purchase | 18.99% | 8.51% | 20.06% | 23.38% | 23.17% | 27.06% | 37.78% | 49.17% |
| Refinance | | 7.26% | | 16.50% | | 20.51% | | 46.15% |
| Home Improvement | | 9.20% | | 20.11% | | 23.85% | | 46.84% |

Source: 2000 US Census; bank and examiner generated reports

LNB's lending to businesses of different sizes is excellent and exceeds area demographic data. The table below illustrates the bank's distribution of small loans to businesses by revenue category compared to business establishments in the AA that reported revenue information.

| Borrow Distribution of Loans to Businesses in the expanded nonMSA Manhattan AA | | | | |
|--|---------------|--------------|-------------------------|---------|
| Business Revenues/Sales | < \$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses by # | 57.36 | 4.16% | 38.47% | 100.00% |
| % of Bank Loans in AA by # | 73.14% | 26.86% | n/a | 100.00% |

Source: Based on 2008 Business Geo-demographic Data; bank and examiner generated reports

In addition, a further review of the bank's small loans to businesses data shows that the bank originated a significant volume of loans at loan amounts of \$100 thousand or less. The bank originated 78 percent of the loans in this category at loan amounts of \$100 thousand or less.

Conclusions for Limited-Scope AAs

Based on the limited-scope reviews, LNB's borrower distribution of home mortgage loans in the Topeka AA, Osawatomie / Paola / Louisburg nonMSA AA and the Lawrence AA is not inconsistent with the bank's overall excellent performance under the Lending Test. The bank's limited-scope Lawrence AA showed weaker performance than the bank's full-scope AA for the home improvement product. This is a low-volume product for the bank due to market conditions and did not adversely impact the bank's overall Lending Test rating. The tables below illustrate the bank's performance in the limited-scope AAs.

| Borrower Distribution of Residential RE Loans in the Topeka AA | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | |
| | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Residential Real Estate Loans: | | | | | | | | |
| Home Purchase | 8.80% | 10.87% | 12.44% | 15.22% | 18.74% | 23.91% | 60.02% | 50.00% |
| Refinance | | 13.33% | | 23.33% | | 16.67% | | 46.67% |
| Home Improvement | | 11.76% | | 23.53% | | 41.18% | | 23.53% |

Source: 2000 US Census; bank and examiner generated reports

| Borrower Distribution of Residential RE Loans in the Osawatomie / Paola / Louisburg nonMSA AA | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | |
| | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Residential Real Estate Loans: | | | | | | | | |
| Home Purchase | 16.14% | 20.69% | 22.23% | 48.28% | 26.81% | 10.34% | 34.82% | 20.69% |
| Refinance | | 17.24% | | 24.14% | | 37.93% | | 20.69% |
| Home Improvement | | 39.29% | | 25.00% | | 17.86% | | 17.86% |

Source: 2000 US Census; bank and examiner generated reports

| Borrower Distribution of Residential RE Loans in the Lawrence AA | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | |
| Residential Real Estate Loans: | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase | 25.02% | 10.34% | 19.19% | 27.59% | 24.20% | 17.24% | 31.59% | 44.83% |
| Refinance | | 0.00% | | 31.58% | | 42.11% | | 26.32% |
| Home Improvement | | 0.00% | | 0.00% | | 25.00% | | 75.00% |

Source: 2000 US Census; bank and examiner generated reports

For commercial loans, LNB’s distribution of small loans to businesses under the Lending Test in Osawatomie / Paola / Louisburg nonMSA AA and the Lawrence AA is not inconsistent with the bank’s overall excellent performance under the Lending Test. The bank’s limited-scope Topeka AA showed weaker performance than the bank’s full-scope AA in comparison to reported business revenue information of entities in the AA. This did not adversely impact the bank’s overall Lending Test rating. A further review of LNB’s small loans to businesses data shows that the bank originated 86 percent of the loans for this category at loan amounts of \$100 thousand or less. In addition, 41% of the businesses in the AA did not report revenue information. This percentage is high and limits the significance of using revenue information to form conclusions regarding the bank’s performance.

| Borrow Distribution of Small Loans to Businesses in the Topeka AA | | | | |
|---|---------------|--------------|---------------------|---------|
| Business Revenues/Sales | ≤ \$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses by # | 56.14% | 3.12% | 40.74% | 100.00% |
| % of Bank Loans in AA by # | 31.17% | 68.83% | n/a | 100.00% |

Source: Based on 2008 Business Geo-demographic Data; bank and examiner generated reports

| Borrow Distribution of Loans to Small Businesses in the Osawatomie / Paola / Louisburg nonMSA AA | | | | |
|--|---------------|--------------|---------------------|---------|
| Business Revenues/Sales | ≤ \$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses by # | 56.98% | 3.71% | 38.47% | 100.00% |
| % of Bank Loans in AA by # | 92.86% | 7.14% | n/a | 100.00% |

Source: Based on 2008 Business Geo-demographic Data; bank and examiner generated reports

| Borrow Distribution of Small Loans to Businesses in the Lawrence AA | | | | |
|---|---------------|--------------|---------------------|---------|
| Business Revenues/Sales | ≤ \$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses by # | 62.20% | 3.23% | 34.57% | 100.00% |
| % of Bank Loans in AA by # | 89.66% | 10.34% | n/a | 100.00% |

Source: Based on 2008 Business Geo-demographic Data; bank and examiner generated reports

Geographic Distribution of Loans

LNB's geographic distribution of loans is excellent for both commercial and residential real estate loans. The analysis focuses on the bank's performance in moderate-income geographies since there is only one low-income census tract within the boundaries of the bank's four AAs. The remaining tracts are as follows: 15 moderate-income, 38 middle-income, and 13 upper-income census tracts.

Conclusions for Full-Scope AA

Based on the full-scope review for the expanded nonMSA Manhattan AA, LNB's geographic distribution of loans in the moderate-income census tracts is excellent. This AA contains 11 moderate-income, 23 middle-income, and 7 upper-income census tracts. The table below illustrates LNB's geographic distribution of residential real estate loans compared to demographic data.

| Geographic Distribution of Loans to Residential Real Estate in the expanded nonMSA Manhattan AA | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Residential Real Estate | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Purchase | 0.00% | 0.00% | 16.28% | 14.62% | 58.08% | 52.58% | 25.64% | 32.80% |
| Refinance | | 0.00% | | 11.18% | | 56.18% | | 32.65% |
| Home Improvement | | 0.00% | | 17.93% | | 53.26% | | 28.80% |

Data Source: 2000 US Census; bank and examiner generated reports

LNB's geographic distribution of commercial loans is excellent and exceeds area demographic data for loans originated in moderate-income census tracts. The table below illustrates the bank's performance compared to area demographic data.

| Geographic Distribution of Small Loans to Businesses in the expanded nonMSA Manhattan AA | | | | | | | | |
|--|------------------------|----------------------|-----------------------------|----------------------|---------------------------|----------------------|--------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Loan Type | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans |
| Commercial | 0.00% | 0.00% | 22.23% | 35.52% | 55.47% | 45.14% | 22.31% | 19.33% |

Data Source: 2000 US Census; bank and examiner generated reports

Conclusions for Limited-Scope AAs

Based on the limited-scope reviews, LNB's geographic distribution of residential real estate loans and small loans to businesses in the Topeka, Osawatomie / Paola / Louisburg and the Lawrence AAs is not inconsistent with the bank's overall excellent performance under the Lending Test. LNB's geographic distribution significantly exceeds area demographic data for loans originated in moderate-income census tracts. The tables below illustrate LNB's distribution of residential real estate loans compared to area demographic data in the limited-scope AAs.

| Geographic Distribution of Loans to Residential Real Estate in the Topeka AA | | | | | | | | |
|--|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Residential Real Estate | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Purchase | 0.00% | 0.00% | 5.91% | 16.00% | 34.18% | 38.00% | 59.91% | 46.00% |
| Refinance | | 0.00% | | 20.59% | | 52.94% | | 26.47% |
| Home Improvement | | 0.00% | | 20.00% | | 70.00% | | 10.00% |

Data Source: 2000 US Census; bank and examiner generated reports

| Geographic Distribution of Loans to Residential Real Estate in the Osawatomie / Paola / Louisburg nonMSA AA | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Residential Real Estate | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Purchase | 0.00% | 0.00% | 21.55% | 30.00% | 78.45% | 70.00% | 0.00% | 0.00% |
| Refinance | | 0.00% | | 24.24% | | 71.43% | | 0.00% |
| Home Improvement | | 0.00% | | 28.57% | | 53.26% | | 28.80% |

Data Source: 2000 US Census; bank and examiner generated reports

| Geographic Distribution of Loans to Residential Real Estate in the expanded Lawrence AA | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Residential Real Estate | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Purchase | 0.44% | 0.00% | 22.99% | 51.43% | 76.57% | 48.57% | 0.00% | 0.00% |
| Refinance | | 0.00% | | 63.64% | | 36.36% | | 0.00% |
| Home Improvement | | 0.00% | | 60.00% | | 40.00% | | 0.00% |

Data Source: 2000 US Census; bank and examiner generated reports

The table below illustrates LNB's geographic distribution of small loans to businesses compared to demographic data in the limited-scope AAs.

| Geographic Distribution of Small Loans to Businesses in the Topeka AA | | | | | | | | |
|---|------------------------|----------------------|-----------------------------|----------------------|---------------------------|----------------------|--------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Loan Type | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans |
| Commercial | 0.00% | 0.00% | 6.57% | 9.42% | 39.81% | 13.23% | 53.62% | 77.35% |

Data Source: 2000 US Census; bank and examiner generated reports

| Geographic Distribution of Small Loans to Businesses in the Osawatomie / Paola / Louisburg nonMSA AA | | | | | | | | |
|--|------------------------|----------------------|-----------------------------|----------------------|---------------------------|----------------------|--------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Loan Type | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans |
| Commercial | 0.00% | 0.00% | 14.92% | 16.67% | 85.08% | 83.33% | 0.00% | 0.00% |

Data Source: 2000 US Census; bank and examiner generated reports

| Geographic Distribution of Small Loans to Businesses in the Lawrence AA | | | | | | | | |
|---|------------------------|----------------------|-----------------------------|----------------------|---------------------------|----------------------|--------------------------|----------------------|
| Census Tract Income Level | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | |
| Loan Type | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans | % of Businesses | % of Number of Loans |
| Commercial | 6.62% | 0.00% | 29.65% | 51.72% | 63.74% | 48.28% | 0.00% | 0.00% |

Data Source: 2000 US Census; bank and examiner generated reports

Loan-to-Deposit Ratio

LNB's loan-to-deposit (LTD) ratio is more than reasonable and reflects excellent performance for a bank of this size and complexity. LNB's quarterly average LTD ratio calculated during the CRA Evaluation period of September 30, 2004 to September 30, 2008 is 86 percent. For informational purposes, we reviewed the LTD ratio of institutions similar in size and product offerings that have offices in the AAs.

Lending in Assessment Area

LNB's record of lending within its AAs is good. We performed an analysis at the bank level to determine the percentage of loans by number and dollar originated within LNB's AAs. The majority of LNB's loans by number and dollar are extended to individuals and businesses within the AA. LNB originated 73 percent by number and 68 percent by dollar of portfolio loans in the AA.

Response to Complaints

LNB has not received any complaints during the evaluation period in regards to its CRA performance.

COMMUNITY DEVELOPMENT TEST

We rated LNB's overall performance under the Community Development (CD) Test "Outstanding". Based on the analysis for the full-scope review, the bank's performance in the expanded nonMSA Manhattan AA is excellent. LNB provided CD loans, investments/donations, and services throughout the AAs. Of the 67 census tracts in the combined AAs, only one is designated low-income and fifteen are moderate-income. Bank officers and employees continue to provide financial expertise to organizations with targeted services for low- and moderate-income individuals within the AAs. LNB's delivery systems are accessible to geographies and individuals of different income levels throughout the AAs. During the evaluation period, LNB opened six branches, relocated four facilities, and closed the operation of three ATMs. General banking loan and deposit services include Internet banking, bill pay, and 24-hour telephone access. The bank also offers investment services.

Number and Amount of Community Development Loans

Conclusion for Full-Scope AA

LNB's dollar volume of CD loans represents an excellent level of responsiveness to opportunities in the expanded nonMSA Manhattan AA. During the evaluation period, the bank originated three community development loans totaling \$15.8 million. All three loans provided assistance to organizations and business entities to provide employment for low- and moderate-income individuals. Jobs created totaled approximately 474.

Conclusion for Limited-Scope AAs

LNB's performance in the limited-scope AAs is not consistent with the bank's overall performance. Although information was presented, we did not identify any qualifying CD loans within the Topeka / Auburn, Osawatomie / Paola / Louisburg nonMSA AA, and Lawrence limited-scope AAs.

Number and Amount of Qualified Investments

Conclusion for Full-Scope AA

LNB's level of qualified investments demonstrates an excellent level of responsiveness for a bank of this size and complexity in the expanded nonMSA Manhattan AA. During the evaluation period, LNB made 12 qualified investments and donations totaling \$3.2 million of the \$12.5 million and \$29 thousand of the \$68 thousand respectively, submitted for review. In addition, prior period investments total \$1.4 million. The investments and donations benefit low- and moderate-income individuals in the local AAs, as well as on a regional and statewide basis within the state of Kansas. Approximately \$3 million of the investment total meets the CD definition in regards to revitalizing/stabilizing designated distressed nonmetropolitan middle-income areas. The remaining balance of \$1.6 million primarily provides affordable housing programs for low- and moderate-income individuals within the AAs. Several donations totaling \$23 thousand help to provide targeted social services for low- and moderate-income individuals.

Conclusion for Limited-Scope AAs

The limited-scope AAs of Topeka, Osawatomie / Paola / Louisburg, and Lawrence benefit from the regional and statewide investments included with the full-scope analysis totaling \$1.4 million. Qualified donations in the limited-scope AAs totaled \$6 thousand. The donations help to provide targeted social services for low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

Conclusion for Full-Scope AA

LNB's performance in the expanded nonMSA Manhattan full-scope AA is excellent. Bank officers and employees continue to provide their financial expertise by serving in various capacities with organizations that assist in meeting the social services, affordable housing, and/or economic development needs of low and moderate-income individuals in the community. There are no significant differences in services or hours of operations in branches located in low- and moderate-income geographies. Hours of operation at banking facilities are flexible and based on customer needs. LNB's percentage of branches and ATMs in moderate-income tracts exceeds the percentage of population living in those tracts. The table below illustrates LNB's distribution of branches and ATMs in the AA.

| Distribution of Branches and ATMs in the Expanded nonMSA Manhattan AA | | | | | |
|--|---------|----------|----------|-------------|------------|
| | Number | % of Low | % of Mod | % of Middle | % of Upper |
| Population by Geography | 200,573 | 0.00 | 22.32 | 56.37 | 21.30 |
| LNB's Branches | 13 | 0.00 | 31.00 | 46.00 | 23.00 |
| LNB's ATMs | 15 | 0.00 | 33.00 | 33.00 | 33.00 |

Conclusion for Limited-Scope AAs

LNB's performance in the Osawatomie / Paola / Louisburg nonMSA limited-scope AA is not inconsistent with the bank's excellent performance in the full-scope AA. The bank does not have branches or ATMs in the low- or moderate geographies in the Topeka and Lawrence AAs. This does not detract from the bank's overall performance. Bank officers and employees continue to provide financial expertise to organizations with services targeted to low- and moderate-income people throughout the AAs.

| Distribution of Branches and ATMs in the Topeka AA | | | | | |
|---|--------|----------|----------|-------------|------------|
| | Number | % of Low | % of Mod | % of Middle | % of Upper |
| Population by Geography | 50,983 | 0.00 | 6.14 | 35.50 | 58.36 |
| LNB's Branches | 3 | 0.00 | 0.00 | 67.00 | 33.00 |
| LNB's ATMs | 3 | 0.00 | 0.00 | 67.00 | 33.00 |

| Distribution of Branches and ATMs in the Osawatomie / Paola / Louisburg nonMSA AA | | | | | |
|--|--------|----------|----------|-------------|------------|
| | Number | % of Low | % of Mod | % of Middle | % of Upper |
| Population by Geography | 24,903 | 0.00 | 23.93 | 76.07 | 0.00 |
| LNB's Branches | 3 | 0.00 | 33.00 | 67.00 | 0.00 |
| LNB's ATMs | 3 | 0.00 | 33.00 | 67.00 | 0.00 |

| Distribution of Branches and ATMs in the Lawrence AA | | | | | |
|---|--------|----------|----------|-------------|------------|
| | Number | % of Low | % of Mod | % of Middle | % of Upper |
| Population by Geography | 38,635 | 15.41 | 33.28 | 51.31 | 0.00 |
| LNB's Branches | 1 | 0.00 | 0.00 | 100.00 | 0.00 |
| LNB's ATMs | 2 | 0.00 | 0.00 | 100.00 | 0.00 |

Responsiveness to Community Development Needs

The bank's performance under the CD Test shows an excellent level of responsiveness to meeting community development needs of the AAs through CD loans, investments, and services. LNB continues to demonstrate its responsive to CD needs by offering a network of services geographically accessible throughout the AAs.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.