

SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 11, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust Co. of Leavenworth
Charter Number 182**

**630 Delaware Street
Leavenworth, KS 66048**

**Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road, Suite 450
Merriam, KS 66204**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	1
<u>DESCRIPTION OF INSTITUTION</u>	2
<u>DESCRIPTION OF LEAVENWORTH COUNTY</u>	3
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	4

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

First National Bank & Trust Co. of Leavenworth's overall CRA rating is based on the following factors:

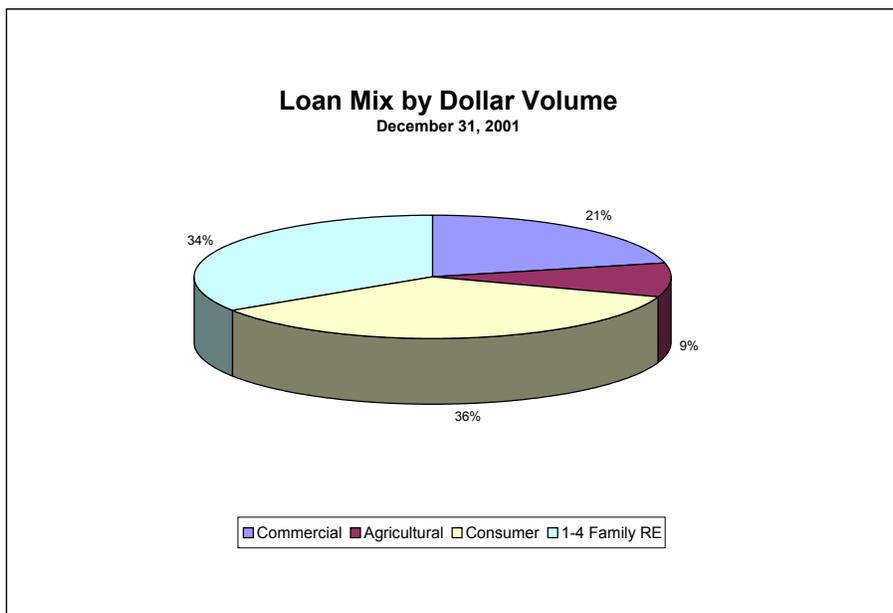
- The bank's record of lending to borrowers of different income levels and businesses of different sizes within its assessment areas is excellent.
- The geographic distribution of loans originated by the bank reflects excellent dispersion throughout the assessment area.
- A majority of the bank's loan originations are extended to borrowers living within the assessment area.
- The bank's quarterly loan-to-deposit ratio of 88 percent is excellent, and ranks highest among similarly situated area institutions.

DESCRIPTION OF INSTITUTION

First National Bank & Trust Co. of Leavenworth (FNB) is an \$86 million institution headquartered in Leavenworth, the county seat of Leavenworth County, Kansas. The bank is a subsidiary of Exchange Bankshares Corp. of Atchison, Kansas, a two-bank holding company with total assets of \$250 million as of December 31, 2001.

As an intrastate bank, all of FNB’s locations are in Kansas. In addition to its main office, FNB offers a full service branch and a drive-up facility in Leavenworth. Another full service branch is located in Easton. The bank has four automated teller machines (ATM), two of which accept deposits. No-fee ATM services are also available at four affiliate locations, and through the Shazam network. No legal constraints, financial conditions, or other factors inhibit the bank’s ability to help meet the credit needs of its assessment area. The institution received a “Satisfactory Record of Meeting Community Credit Needs” rating at its last CRA examination dated March 10, 1997.

FNB’s net loans total \$64 million as of December 31, 2001, and represent 74 percent of its total assets. The bank’s primary credit products by dollar volume and number of loans are consumer, residential real estate (RRE), and commercial. The bank actively participates in indirect lending, which represents 52 percent of the number of consumer loans. The following chart shows the bank’s loan portfolio composition as a percentage of gross loans:



DESCRIPTION OF ASSESSMENT AREA

FNB has designated all of Leavenworth County as its assessment area (AA). Leavenworth County is included in the Kansas City MO-KS Metropolitan Statistical Area (MSA) 3760. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. Financial institutions within Leavenworth County are competitive for deposits and loans. Competition includes the main office of two other national banks, one state bank, two savings and loan associations, and four credit unions, as well as branches of four other banks.

The AA's 2001 MSA updated median family income is \$62,200. The 1990 U.S. Census data of the AA reflects total population of 64,371; median housing value of \$57,607; median year for housing of 1963; median family income of \$37,652; and 15,235 families. Six percent of these families have income below the poverty level. Approximately 16 percent of the families are low-income, 20 percent are moderate-income, 29 percent are middle-income, and 35 percent are upper-income.

Leavenworth County is divided into fourteen census tracts (CT). None of the CTs within the County are low-income. Three CTs, representing 21 percent of the AA, are moderate-income. Ten CTs, representing 72 percent, are middle-income, and one CT, representing seven percent, is upper-income.

FNB's main office and its drive-up facility are located in CT 701, a moderate-income tract. One branch is located in each of CTs 706 and 709; both are middle-income tracts. The drive-up facility and the Leavenworth branch both have ATMs. A third ATM is located in CT 711.98, a middle income tract, and a fourth is outside the AA in an adjacent county.

The economy of the bank's AA is stable. County Road 8 divides Leavenworth County into northern and southern sections. The northern section is heavily dependent upon its large public sector. The cities of Leavenworth and Lansing are home to five prisons and Fort Leavenworth, a military base. A majority of the private sector provides goods and services to these governmental entities. Southern Leavenworth County is primarily a bedroom community to adjacent Johnson County and the City of Lawrence, Kansas. Many businesses have opened along U.S. Highway 73, the main thoroughfare connecting the County to the southwestern portion of the Kansas City MSA. Major employers include Fort Leavenworth, Hallmark Cards, Inc., Leavenworth Public Schools, Eisenhower Veterans Affairs Medical Center, Lansing Correctional Facility, U.S. Federal Penitentiary, and Logicon, Inc. Various local governmental entities, service, and retail sectors provide additional opportunities for employment. The U.S. Department of Labor, Bureau of Labor Statistics, reports the December 2001 preliminary unemployment rate for Leavenworth County at 4.1%. This compares favorably to that of the State of Kansas at 4.4%, and the national rate of 5.8%.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual represented a department of city government. Our contact stated owner-occupied home mortgages, small business development, and consumer loans as ongoing credit needs in the area. The contact further stated that all financial institutions in the area do a good job of meeting those needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our analyses and conclusions are based upon data provided by the bank, which we verified during our review. The consumer and commercial samples were taken from loans originated between January 1, 1997 and December 31, 2001. Due to constraints of the bank’s computer software, these originations include only loans with balances outstanding, or paid in full after December 31, 2000. We reviewed the information reported on the Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs) filed by the bank for reporting years 1997 through 2001.

Primary credit needs, as identified by the community contact, include home mortgages, small business, and consumer loans. FNB is meeting the needs of the community in each of these categories.

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

FNB has an outstanding record of lending to borrowers of different incomes and businesses of different sizes.

Consumer Lending:

FNB has an excellent record of lending to borrowers of different income levels within its AA. We reviewed the revenue distribution of 20 consumer borrowers and found 25 percent were low-income, and 40 percent were moderate-income, which exceeds the AA demographics of both categories. The table below shows a more detailed analysis of the consumer borrower income distribution.

Consumer Loan Customer Income Distribution				
Sample of 20 Consumer Loan Customers with Loan Originations Between 1/1/97 and 12/31/01				
Income Category	Distribution of FNB Consumer Loan Customers		Income Distribution of Households in AA	
	No. of Customers	Percentage	No. of Households	Percentage
Low	5	25%	3,926	20%
Moderate	8	40%	3,205	16%
Middle	4	20%	4,615	24%
Upper	3	15%	7,904	40%
Totals	20	100%	19,650	100%

Commercial Lending:

FNB has a good record of lending to businesses with revenues of less than \$1 million within its AA. We reviewed the revenue distribution of 20 commercial borrowers, and found 80 percent of FNB’s commercial loan customers had gross annual revenues of less than \$1 million. We compared the revenue distribution of FNB’s commercial loan customers to area demographic information as compiled by Dun & Bradstreet. The 2001 Dun & Bradstreet demographic

information shows 88 percent of the businesses in Leavenworth County had revenues of less than \$1 million. The table below shows a more detailed analysis of the commercial borrower revenue distribution.

Commercial Loan Customer Revenue Distribution				
Sample of 20 Commercial Loan Customers with Loan Originations Between 1/1/97 and 12/31/01				
Revenue Category	Distribution of FNB Commercial Loan Customers		Income Distribution of Businesses and Farms in AA	
	Number	Percentage	Number	Percentage
\$0 - \$500,000	16	80%	1,843	88%
\$500,000 - \$1,000,000	0	0%		
> \$1,000,000	4	20%	118	6%
Revenue Not Reported	—	—	123	6%
Totals	20	100%	2,084	100%

HMDA Reportable Loans:

FNB has a good record of originating residential real estate (RRE) loans to borrowers of different income levels within its AA. Our analysis is based on the income distribution of all RRE borrowers as reported on the bank’s HMDA LARs.

Home Purchase:

FNB’s record of originating home purchase loans to low- and moderate-income borrowers is satisfactory. Our review indicates 12 percent of the home purchase borrowers are low-income, which approximates AA demographics, given the poverty rate in the AA. Thirteen percent of the home purchase borrowers are moderate-income, which is lower than AA demographics. The table below provides a more detailed analysis of the income distribution of these customers as compared to area demographics.

Home Purchase Loan Originations						
Loans Reported on HMDA-LARs 1997 - 2001						
Customer Income Designation	Loans to Purchase Homes				Families in Leavenworth Co.	
	No. of Loans	% of Loans	Loans \$ (000s)	% of \$ Loans	No. of Families	% of Families
Low	18	12%	\$398	4%	2,431	16%*
Moderate	19	13%	\$926	9%	3,033	20%
Middle	37	26%	\$2,918	28%	4,427	29%
Upper	71	49%	\$6,310	59%	5,344	35%
Total	145	100%	\$10,552	100%	15,235	100%

*Includes six percent of families below poverty level.

Home Improvement:

FNB's record of originating home improvement loans to low- and moderate-income borrowers is excellent. Our analysis shows 19 percent of the home improvement borrowers are low-income, and 21 percent are moderate-income, which exceeds the AA demographics in both categories. The table below provides a more detailed analysis of the comparison between the income distribution of these customers and area demographics.

Home Improvement Loan Originations						
Loans Reported on HMDA-LARs 1997 - 2001						
Customer Income Designation	Home Improvement				Families in Leavenworth Co.	
	No. of Loans	% of Loans	Loans \$ (000s)	% of \$ Loans	No. of Families	% of Families
Low	21	19%	\$156	11%	2,431	16%*
Moderate	23	21%	\$209	15%	3,033	20%
Middle	34	30%	\$467	32%	4,427	29%
Upper	34	30%	\$609	42%	5,344	35%
Total	112	100%	\$1,441	100%	15,235	100%

*Includes six percent of families below poverty level.

Home Refinance:

FNB's record of originating home-refinancing loans to low- and moderate-income borrowers is good. Our review indicates 12 percent of the home refinance customers are low-income, which approximates AA demographics, given the poverty rate in the AA. Twenty-four percent of the home refinance customers are moderate-income; this exceeds AA demographics. The table below provides a more detailed analysis of the income distribution of these customers as compared to area demographics.

Refinance Home Purchase/Improvement Loan Customers						
Loans Reported on HMDA-LARs 1997 - 2001						
Customer Income Designation	Refinanced Loans				Families in Leavenworth Co.	
	No. of Loans	% of Loans	Loans \$ (000s)	% of \$ Loans	No. of Families	% of Families
Low	25	12%	\$718	7%	2,431	16%*
Moderate	49	24%	\$2,093	19%	3,033	20%
Middle	52	25%	\$2,815	26%	4,427	29%
Upper	81	39%	\$5,168	48%	5,344	35%
Total	207	100%	\$10,794	100%	15,235	100%

*Includes six percent of families below poverty level.

Geographic Distribution of Loans

The geographic distribution of loans originated by the bank reflects outstanding dispersion throughout the AA. We reviewed the geographic distribution within the AA of 20 loans each of consumer and commercial borrowers with loan originations between January 1, 1997 and December 31, 2001. We also reviewed data on all loan originations reported on HMDA LARs filed by the bank for reporting years 1997 through 2001. Our review indicates the bank made loans to customers in most of the census tracts in the AA. We did not identify any unexplained gaps in the bank’s lending patterns.

Consumer Loans:

FNB’s lending performance to borrowers in the moderate-income CTs is good. Our loan sample revealed 15 percent by number and 20 percent by dollar volume of consumer loan originations were to borrowers in the moderate-income geographies of the AA. The percentage of loans originated in the moderate-income CTs is near AA demographics. The following table summarizes AA penetration.

Consumer Loan Customer Geographic Distribution						
Sample of 20 Consumer Loan Originations Between 1/1/97 and 12/31/01						
Census Tract Income Designation	Consumer Loan Customers				Distribution of Households	
	No. of Loans	Percentage of Loans	\$ Amount of Loans	Percentage of \$ Loans	No. of Households	Percentage of Households
Moderate	3	15%	\$48,262	20%	3,483	18%
Middle	15	75%	\$177,027	75%	15,386	78%
Upper	2	10%	\$10,997	5%	781	4%
Total	20	100%	\$236,286	100%	19,650	100%

Commercial Loans:

FNB’s record of lending to commercial loan customers in moderate-income tracts is excellent. The bank originated 50 percent by number and 45 percent by dollar volume of its commercial loans in moderate-income tracts; this penetration exceeds AA demographics. We compared the location of FNB’s commercial loan customers to area demographic information as compiled by Dun & Bradstreet. The 2001 Dun & Bradstreet demographic information shows 29 percent of the businesses in Leavenworth County operate in moderate-income census tracts. The table on the following page shows a more detailed analysis of the commercial borrower distribution.

Commercial Loan Customer Geographic Distribution						
Sample of 20 Commercial Loan Originations Between 1/1/97 and 12/31/01						
Census Tract Income Designation	Commercial Loan Customers				Distribution of Businesses	
	No. of Loans	Percentage of Loans	\$ Amount of Loans	Percentage of \$ Loans	No. of Businesses	Percentage of Businesses
Moderate	10	50%	\$1,459,415	45%	598	29%
Middle	10	50%	\$1,748,912	55%	1,416	68%
Upper	0	0%	\$0	0%	70	3%
Total	20	100%	\$3,208,327	100%	2,084	100%

HMDA Reportable Loans:

FNB's geographic distribution of HMDA loans is excellent.

Home Purchase:

The bank originated 13 percent by number and 7 percent by dollar volume of its home purchase loans to borrowers in moderate-income tracts. The percentage of loans originated exceeds AA demographics that reflect 12 percent of owner occupied housing in moderate-income tracts and reflects excellent performance. The table below shows a more detailed analysis of the geographic distribution of home purchase borrowers.

Geographic Distribution of Home Purchase Loan Originations					
Home Purchase Loan Originations Reported on HMDA-LARs 1997 - 2001					
Census Tract Income Designation	Loans to Purchase Homes				% Owner Occupied Housing in Leavenworth Co.
	No. of Loans	% of Loans	Loans \$ (000s)	% of \$ Loans	
Moderate	19	13%	\$720	7%	12%
Middle	125	83%	\$ 9,541	88%	83%
Upper	6	4%	\$509	5%	5%
Total	150	100%	\$10,770	100%	100%

Home Improvement:

FNB originated 17 percent by number and 18 percent by dollar volume of home improvement loans to borrowers in moderate-income tracts. This penetration demonstrates excellent performance and exceeds AA demographics, as detailed by the table on the following page.

Geographic Distribution of Home Improvement Loan Originations					
Home Improvement Loan Originations Reported on HMDA-LARs 1997 - 2001					
Census Tract Income Designation	Home Improvement Loans				% Owner Occupied Housing in Leavenworth Co.
	No. of Loans	% of Loans	Loans \$ (000s)	% of \$ Loans	
Moderate	20	17%	\$251	18%	12%
Middle	92	81%	\$1,181	81%	83%
Upper	2	2%	\$20	1%	5%
Total	114	100%	\$1,452	100%	100%

Home Refinance:

The level of lending in the moderate-income tracts is satisfactory. FNB originated eight percent by number and five percent by dollar volume of its home refinancing loans to borrowers in moderate-income tracts. This is lower than AA demographics. We gave refinanced loans little weight in our overall geographic assessment of home mortgage lending activity. Given the low level of owner-occupied housing in the moderate-income CTs, coupled with the costs associated with loan refinancing, it is not unusual to have weaker performance for this loan type in low- or moderate-income areas. The table below provides details of these loans.

Geographic Distribution of Refinanced Home Purchase and Home Improvement Loan Originations					
Refinance Loan Originations Reported on HMDA-LARs 1997 - 2001					
Census Tract Income Designation	Refinanced Loans				% Owner Occupied Housing in Leavenworth Co.
	No. of Loans	% of Loans	Loans \$ (000s)	% of \$ Loans	
Moderate	17	8%	\$519	5%	12%
Middle	182	85%	\$10,183	90%	83%
Upper	14	7%	\$599	5%	5%
Total	213	100%	\$11,301	100%	100%

Lending in Assessment Area

The bank's record of lending to borrowers in the AA is satisfactory. We tested and verified bank-generated reports and the HMDA LAR information. We used this information to evaluate the level of lending inside the AA by both number and dollar volume of consumer and commercial loans, as well as RRE loans reported on the HMDA LAR. Our review found the bank originated 53 percent by number, and 67 percent by dollar volume, of these loans to borrowers inside the AA.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is excellent. We compared FNB's quarterly average LTD ratio to four similarly situated institutions in Leavenworth County. Each of the banks in our comparison had total assets of less than \$170 million and at least two branches. FNB's quarterly average LTD ratio for the past 20 quarters was 88 percent. Quarterly average LTD ratios of the similarly situated banks ranged from 51 percent to 86 percent. FNB's quarterly average LTD ratio was highest of all the banks we reviewed.

Responses to Complaints

FNB has not received any written complaints regarding its CRA performance since the previous examination dated March 10, 1997.

Fair Lending Review

An analysis of consumer complaint information 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 conjunction with the last CRA evaluation dated March 10, 1997.