



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 09, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Landmark National Bank  
Charter Number 23038

701 Poyntz Avenue  
Manhattan, KS 66502

Office of the Comptroller of the Currency

7101 College Boulevard, 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 Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding**

The major factors supporting the institution's rating:

- Landmark National Bank's (LNB) record of lending to businesses of different sizes in the Manhattan assessment area (AA) is excellent. Lending to borrowers of different income levels is reasonable in the non-MA AA.
- LNB's geographic distribution of mortgage loans is reasonable in the non-MA AA. The geographic distribution of small business loans in the Manhattan AA is also reasonable.
- LNB's performance under the Community Development (CD) Test is excellent. The dollar volume of CD loans and qualified investments totals \$14 million.

## **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. We performed a full-scope review in the non-metropolitan area (MA) AA and Manhattan AA. Home mortgage loans are the primary product in both AAs. Commercial lending is also a primary product in the Manhattan AA. These loan products are consistent with the bank's business strategy. For home mortgage loan products, primary weight was given to home purchase and refinance loans in both AAs since these products had the most volume by both number and dollar volume. We performed limited-scope reviews in the Lawrence AA, Topeka AA, and Miami County AA.

During the examination, we performed a data integrity review of loans reported under the Home Mortgage Disclosure Act (HMDA) and loan data collected and maintained by LNB regarding small businesses. We found the bank's data to be accurate and reliable. Therefore we reviewed 100% of these loans originated and purchased during the evaluation period.

We used 2011 peer mortgage and updated 2000 census data to assist with analyzing LNB's CRA performance. The evaluation period for the Lending Test is January 1, 2010 – December 31, 2011. The evaluation period for the Community Development Test is June 16, 2008 – October 9, 2012.

## Description of Institution

LNB is a \$659 million intrastate financial institution headquartered in Manhattan, Kansas. The bank is a wholly-owned subsidiary of Landmark Bancorp, Inc. (LBI), a one-bank holding company that is also headquartered in Manhattan, Kansas. 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 lending.

The bank operates twenty-one offices in within the state of Kansas. On May 8, 2009, LNB acquired one facility in Lawrence in an upper-income tract. On November 1, 2010, LNB closed a facility in Lacrosse and opened a new facility. Both were in middle-income tracts.

On January 17, 2012, LNB acquired a bank in Wellsville, Kansas. This facility is in a middle-income tract in Franklin County. This county was not included in our performance evaluation since our review under the Lending Test did not include loan originations after December 31, 2011.

As of June 30, 2012, the loan portfolio comprised of 50 percent commercial and commercial real estate, 34 percent residential real estate, 11 percent agriculture, 2 percent consumer, and 3 percent other loans. Net loans represent 58 percent of total deposits and 47 percent of total assets. Tier 1 capital is \$61 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 an "Outstanding" rating on its last CRA evaluation dated June 16, 2008.

## Description of Assessment Area(S)

For CRA evaluation purposes, we reviewed the bank's performance in five different assessment areas. The combined assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

### **Full-Scope AAs:**

#### **Non-MA AA:**

The Non-MA AA is comprised census tracts in the following counties: Ford, Finney, Barton, Rush, and Bourbon. There are eight branches and six deposit-taking ATMs in this AA. During the evaluation period, LNB closed one branch and opened one branch in middle-income tracts. This AA has 41 percent of deposits (by dollar) as of June 30, 2011 and 41 percent of loans (by number) originated and purchased during the evaluation period.

Competition from other financial institutions is strong. There are 28 institutions in this AA. As of June 30, 2011, LNB ranks third with a deposit market share of 8.28 percent. The bank's primary competitors are several local community banks and branches of large regional institutions including Farmer's Bank & Trust, Commerce Bank, The Western State Bank and American State Bank & Trust.

The updated 2011 median family income is \$53,700. There are no low-income, five moderate-income, fifteen middle-income, and two upper-income tracts in the AA. The percent of low-income, moderate-income, middle-income and upper-income families is 18.97 percent, 20.90 percent, 24.44 percent, and 35.69 percent, respectively.

Primary businesses within the AA are related to manufacturing and healthcare services. The public school system is also a major employer. The September 2012 average unemployment rate for the AA is 4.3 percent compared to 5.9 percent in the state of Kansas.

During the examination, we did not perform a community contact in this AA. However, identified credit needs from prior contacts include small business and affordable housing loans. Opportunities for community development lending and investments are limited.

#### Manhattan AA:

The Manhattan AA is comprised of census tracts in the following counties: Riley, Pottawatomie, and Geary, which are part of the Manhattan, KS Metropolitan Statistical Area (MSA). LNB's main office is located in Riley County. The AA includes four branches, four deposit-taking ATMs and two non-deposit taking ATMs. This AA has 36 percent of deposits (by dollar) as of June 30, 2011 and 31 percent of loans (by number) originated and purchased during the evaluation period.

Competition from other financial institutions is strong. There are 25 institutions in this AA. As of June 30, 2011, LNB ranks fifth with a market share of 7.05 percent. The bank's primary competitors are several local community banks and branches of large regional institutions including Kansas State Bank of Manhattan, Capitol Federal Savings Bank, Commerce Bank, and Central National Bank.

The updated 2011 median family income is \$59,000. There are no low-income, eight moderate-income, eight middle-income, and three upper-income tracts in the AA. The percent of low-income, moderate-income, middle-income and upper-income families is 19.01 percent, 18.91 percent, 21.45 percent, and 40.63 percent, respectively. The economy in the Manhattan AA has remained stable, with fewer and less frequent fluctuations in the unemployment rate, which is primarily due to the presence of Kansas State University and Fort Riley. The student and military populations bolster the retail and entertainment economies with the student base providing a large population to draw from for employment. Major employers include the government, healthcare, and

retail. The September 2012 average unemployment rate for the AA is 4.9 percent compared to 5.9 percent in the state of Kansas

During the examination, we performed one community contact with a small business development organization. Lending to small businesses is a primary credit need. A moderate level of opportunities for community development lending and investments is available.

**Limited-Scope AAs:**

The Topeka AA is comprised of census tracts in the following counties: Shawnee, Wabaunsee, and Osage, which are part of the Topeka, KS MSA. There are four branches and four deposit-taking ATMs in this AA. This AA has 11 percent of deposits (by dollar) as of June 30, 2011. In January 2012, LNB acquired a bank in the AA that is located in a middle-income census tract.

Competition is strong with 33 other financial institutions in the AA. As of June 30, 2011, LNB ranks 17<sup>th</sup> with 0.98 percent of the market share. Primary competitors include several local community banks and branches of large regional institutions.

The updated 2011 median family income is \$63,300. The AA includes one low-income, 13 moderate-income, 16 middle-income, and 11 upper-income tracts. The percent of low-income, moderate-income, middle-income and upper-income families is 8.8 percent, 12.44 percent, 18.74 percent, and 60.02 percent, respectively.

The economy has remained relatively stable due to Topeka being the capital city of the state of Kansas. Major employers include the government, healthcare, insurance, banking, and railroads.

The Miami County AA is comprised of six census tracts and is part of the Kansas City, MO-KS MSA. The AA includes the cities of Osawatomie, Paola and Louisburg. There are three branches and three deposit-taking ATMs in this AA, which has nine percent of deposits (by dollar) as of June 30, 2011.

Competition is moderate with seven other financial institutions in the AA. As of June 30, 2011, LNB ranks fifth with a market share of 9.13 percent. The bank's primary competitors are a regional bank and local community banks.

The updated 2011 median family income is \$72,300. There are no low-income tracts, one moderate-income, six middle-income, and no upper-income tracts in the AA. The percent of low-income, moderate-income, middle-income and upper-income families is 16.14 percent, 22.23 percent, 26.81 percent, and 34.82 percent, respectively.

Major industries in the AA include healthcare and social assistance, retail trade, and education.

The Lawrence AA is comprised of eight census tracts in Douglas County and is part of the Lawrence, KS MSA. There are two branches, two deposit-taking ATMs and one non deposit-taking ATM in the AA. This AA has three percent of deposits (by dollar) as of June 30, 2011. In May 2009, LNB acquired one branch in this AA that is located in an upper-income census tract.

Competition is strong with 24 other financial institutions in the AA. As of June 30, 2011, LNB ranks 18<sup>th</sup> with 0.81 percent of the market share. The bank's primary competitors are several local community banks and branches of large regional institutions.

The updated 2011 median family income is \$70,600. The AA includes one low-income, two moderate-income, four middle-income, and one upper-income census tracts. The percent of low-income, moderate-income, middle-income and upper-income families is 21.81 percent, 17.43 percent, 22.90 percent, and 37.86 percent, respectively.

The economy is centered on population from the University of Kansas. Major industries include education, industrial, agricultural, government, finance and scientific research.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

LNB's performance under the Lending Test is rated Satisfactory. LNB's geographic distribution of loans is reasonable in both the non-MA and Manhattan MA AAs. LNB's performance to borrowers of different income levels is reasonable in the non-MA; however, performance is not reasonable in the Manhattan MA. The percentage of loans to businesses of different sizes in the Manhattan MA is more than reasonable.

### **Loan-to-Deposit Ratio**

The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable. The LTD ratio averaged 75 percent since the last CRA examination. This compares to an average LTD ratio of 76 percent for competitor banks. The range of LTD ratios for these banks is between 39 percent and 118 percent.

### **Lending in Assessment Area**

LNB's makes the majority of its loans inside its assessment areas. We performed an analysis of the percentage of all HMDA and small loans to businesses that were originated and/or purchased during 2010 and 2011. LNB originated 62.92 percent by number and 60.70 percent by dollar of these loans in its assessment areas.

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

**Conclusion for Full-Scope AAs**

Overall, the borrower distribution of loans is reasonable. Primary weight is placed on the non-MA AA since it contains the largest percentage of both deposits and loans originated and/or purchased during the evaluation period.

Non-MA AA:

*Home Mortgage Loans*

The overall distribution of home mortgage loans to borrowers of different income levels reflects reasonable penetration. Primary weight is given to home purchase and home refinance loans which represent 56 percent and 36 percent, respectively, of loans originated and/or purchased during the evaluation period. The percent of families below poverty is 10.03 percent.

Given the percentage of families below poverty, LNB’s distribution of home purchase to low-income borrowers is reasonable. The percentage of loans to moderate-income borrowers is excellent and exceeds demographics.

The distribution of home refinance loans to low-income borrowers is reasonable given the percentage of families below poverty. The percentage of these loans to moderate-income borrowers is also reasonable.

The distribution of home improvement loans to low-income borrowers is excellent given the percentage of families below poverty. The percentage of these loans to moderate-income borrowers reflects poor penetration and is significantly below demographics.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-MA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	18.97	7.93	20.90	27.76	24.44	32.01	35.69	32.29
Home Refinance	18.97	3.45	20.90	16.38	24.44	25.43	35.69	54.74
Home Improvement	18.97	11.76	20.90	11.76	24.44	19.61	35.69	56.86

*Source: HMDA data for 2010-2011 and HUD-updated 2000 U.S. Census data*

Manhattan MA AA:

The overall borrower distribution of loans is reasonable. Business loans are given more weight since the volume of these loans (by dollar) is significantly higher than residential mortgage loans and there is not a significant difference in the volume of loans by number.

*Home Mortgage Loans*

The overall distribution of home mortgage loans to borrowers reflects poor penetration among borrowers of different income levels. Primary weight is given to home purchase and home refinance loans which represent 44 percent and 41 percent, respectively, of loans originated and/or purchased during the evaluation period. The percent of families below poverty is 8.79 percent.

The distribution of home purchase loans to low-income borrowers is poor compared to demographics and considering the percentage of families below poverty. The distribution of these loans to moderate-income borrowers is reasonable.

The distribution of home refinance loans to low-income borrowers is poor compared to demographics and considering the percentage of families below poverty. The distribution of these loans to moderate-income borrowers is also poor.

The distribution of home improvement loans to low-income borrowers is reasonable given the percentage of families below poverty. The distribution of these loans to moderate-income borrowers is excellent and exceeds demographics.

Performance is somewhat mitigated by the difficulty a low-income borrower would have to qualify for a home loan considering current economic conditions and tighter credit requirements. Given the HUD updated median family-income of \$59,000, a low-income borrower would have income of \$29,500 or less. The average cost of a house in the AA is approximately \$80,000.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Manhattan AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	19.01	2.25	18.91	16.85	21.45	25.28	40.63	55.62
Home Refinance	19.01	1.72	18.91	9.77	21.45	16.67	40.63	71.84
Home Improvement	19.01	7.27	18.91	20.00	21.45	12.73	40.63	60.00

*Source: HMDA data for 2010-2011 and HUD-updated 2000 U.S. Census data*

**Small Loans to Businesses**

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The percentage of the bank’s loans to businesses with revenues of \$1 million or less exceeds demographics. In addition, 80 percent of loans are made to businesses with an original loan amount of \$100,000 or less.

The following table shows the distribution of small loans to businesses compared to demographics.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Manhattan AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.35	2.9	28.76	100%
% of Bank Loans in AA by #	68.73	31.27	0.00	100%
% of Bank Loans in AA by \$	37.08	62.92	0.00	100%

*Source: Business Loan Data Sampled for 2010-2011; Dun and Bradstreet data.*

**Conclusion for Limited-Scope AAs**

Based on the limited-scope reviews, LNB’s borrower distribution of loans in the Lawrence MA AA and Miami County AA is not inconsistent with the bank’s overall reasonable performance under the Lending Test.

In the Topeka MA AA, the bank’s performance is stronger than the bank’s overall performance regarding the distribution of loans to borrowers of different income levels. In this AA, home mortgage loans are the only primary product. Home purchase loans represent 62 percent of loans originated and purchased during the evaluation period in this AA. The distribution of these loans to low- income borrowers is excellent considering that 3.31 percent of families are below poverty. The distribution of loans to moderate-income borrowers is excellent and above demographics. The impact on the Investment Test rating is neutral.

Home mortgage loans are the only primary product in the Miami County AA; home refinance loans are given the most weight at 47 percent of loans originated and/or purchased. However, consideration is also given to the excellent performance in home purchase and home improvement lending to both low- and moderate-income borrowers. The percentage of families below poverty is 4.13 percent.

Primary products in the Lawrence AA are home mortgage loans by number and small loans to businesses by dollar volume. For mortgage loans, home refinance loans carry

the most weight at 68 percent of loans originated and purchased. The percentage of families below poverty is 8.26 percent.

The tables below illustrate the bank’s performance in the limited-scope AAs.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Topeka AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	8.80	8.50	12.44	18.00	18.74	24.50	60.02	49.00
Home Refinance	8.80	5.21	12.44	13.54	18.74	25.00	60.02	56.25
Home Improvement	8.80	15.79	12.44	10.53	18.74	26.32	60.02	47.37

Source: HMDA data for 2010-2011 and HUD-updated 2000 U.S. Census data

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Miami County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	16.14	18.75	22.23	25.00	26.81	31.25	34.82	25.00
Home Refinance	16.14	8.00	22.23	12.00	26.81	56.00	34.82	24.00
Home Improvement	16.14	23.08	22.23	23.08	26.81	46.15	34.82	7.69

Source: HMDA data for 2010-2011 and HUD-updated 2000 U.S. Census data

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Lawrence AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	21.81	11.11	17.43	22.22	22.90	22.22	37.86	22.22
Home Refinance	21.81	0.00	17.43	17.50	22.90	15.00	37.86	67.50
Home Improvement	21.81	0.00	17.43	0.00	22.90	33.33	37.86	66.67

Source: HMDA data for 2010-2011 and HUD-updated 2000 U.S. Census data

<b>Table 2A - Borrower Distribution of Loans to Businesses in Lawrence AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	65.29	3.21	31.49	100%
% of Bank Loans in AA by #	84.21	15.79	0.00	100%
% of Bank Loans in AA by \$	66.06	33.94	0.00	100%

Source: Business Loan Data Sampled for 2010-2011; Dun and Bradstreet data.

**Geographic Distribution of Loans**

Overall, LNB’s geographic distribution of loans is reasonable. There are no low-income census tracts in the full-scope AAs.

**Conclusion for Full-Scope AAs**

Non-MA AA:

*Home Loans*

LNB’s geographic distribution of loans in moderate-income census tracts is reasonable. The percentage of home purchase and home refinance loans in these tracts is reasonable compared to demographics. The distribution of home improvement loans in moderate-income tracts is poor.

The table below illustrates LNB’s geographic distribution of residential real estate loans compared to demographic data.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Non-MA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	0.00	0.00	19.19	13.39	66.54	67.21	14.27	19.40
Home Refinance	0.00	0.00	19.19	13.87	66.54	68.49	14.27	17.65
Home Improvement	0.00	0.00	19.19	9.09	66.54	83.64	14.27	7.27

Source: data reported under HMDA; 2000 U.S. Census data.

Manhattan MA AA:

The bank’s overall geographic distribution of loans in this AA is reasonable. Business loans are given more weight since the volume of these loans (by dollar) is significantly higher than residential mortgage loans and there is not a significant difference in the volume of loans by number.

*Home Loans*

LNB’s geographic distribution of home purchase, home refinance, and home improvement loans in moderate-income census tracts is poor.

The table below illustrates LNB’s geographic distribution of residential real estate loans compared to demographic data.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Manhattan AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	0.00	0.00	18.34	8.72	56.74	61.03	24.92	30.26
Home Refinance	0.00	0.00	18.34	6.49	56.74	53.51	24.92	40.00
Home Improvement	0.00	0.00	18.34	9.38	56.74	57.81	24.92	32.81

Source: data reported under HMDA; 2000 U.S. Census data.

### Business Loans

The bank’s geographic distribution of small loans to businesses is reasonable.

Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Manhattan AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	0.00	0.00	29.28	23.94	50.77	61.39	19.95	14.67

Source: data collected by bank; 2000 U.S. Census data.

### Conclusion for Limited-Scope AAs

Based on the limited-scope reviews, LNB’s geographic distribution of loans in the Miami County AA and Lawrence AA is stronger than the bank’s overall reasonable performance under the Lending Test. Performance in the Topeka AA is weaker than the bank’s overall performance in full-scope AAs. The impact on the Investment Test rating is neutral.

In the Miami County AA, performance is stronger than the bank’s overall reasonable performance regarding the geographic distribution of loans. Home refinance and home improvement lending in moderate-income census tracts exceeds demographics. The distribution of home improvement loans is reasonable. There are no low-income geographies in this AA.

In the Lawrence AA, performance is also stronger than the bank’s overall reasonable performance. Home refinance and home purchase lending in moderate-income census tracts is excellent and exceeds demographics. This AA has only one low-income tract with 0.35 percent of owner-occupied units. In the low-income tract, there were no home purchase loans and the percentage of home refinance lending is excellent. Only three home improvement loans were made during the evaluation period in middle- and upper-income tracts. Small business lending in moderate-income tracts is excellent. There were no small business loans in the low- income tract which has only 7 percent of businesses.

In the Topeka AA, performance is weaker than the bank’s overall reasonable performance. Home purchase lending in moderate-income tracts is very poor. Home refinance lending is reasonable and home improvement lending is excellent. There are no low-income geographies in this AA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Topeka AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	0.00	0.00	5.91	0.99	34.18	21.78	59.91	77.23
Home Refinance	0.00	0.00	5.91	4.95	34.18	24.75	59.91	70.30
Home Improvement	0.00	0.00	5.91	22.73	34.18	54.55	59.91	22.73

Source: data reported under HMDA; 2000 U.S. Census data.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Miami County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	0.00	0.00	21.55	17.65	78.45	82.35	0.00	0.00
Home Refinance	0.00	0.00	21.55	22.22	78.45	77.78	0.00	0.00
Home Improvement	0.00	0.00	21.55	30.77	78.45	69.23	0.00	0.00

Source: data reported under HMDA; 2000 U.S. Census data.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Lawrence AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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

Home Purchase	0.35	0.00	18.63	33.33	62.07	44.44	18.94	22.22
Home Refinance	0.35	0.00	18.63	37.78	62.07	44.44	18.94	15.56
Home Improvement	0.35	0.00	18.63	0.00	62.07	66.67	18.94	33.33

Source: data reported under HMDA; 2000 U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in Lawrence AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	7.13	0.00	23.83	26.32	54.82	57.89	14.22	15.79

Source: data collected by bank; 2000 U.S. Census data.

### Responses 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 Manhattan AA and Non-MA AA is excellent. LNB provided CD loans, investments/donations, and services throughout the AAs. Bank officers and employees also provided community development services during the evaluation period.

### Conclusion for Full-Scope AAs

#### Non-MA AA

Responsiveness to CD needs is excellent. LNB has qualified investments of \$2.6 million in this AA. These investments were all originated during the prior evaluation period and remain outstanding. Investments totaling \$1.3 million continue to support a hospital located in a nearby county that serves and helps retain residents of Ford County, which is a middle-income geography with census tracts designated as distressed. Investments of \$750 thousand continue to support a community college in Barton County that helps attract and retain residents. Another investment of \$500 thousand helped improve infrastructure in Ford County, which helps retain and attract businesses and residents.

During the current period, LNB made donations to seven CD organizations totaling \$1,375. In addition, bank staff provided CD services to three organizations. Two of the organizations assist small businesses and one helps provide affordable housing.

LNB's percentage of branches in moderate-income tracts exceeds the percentage of population living in those tracts. Twenty-five percent of branches are in these tracts compared to 21.27 percent of the population.

### Manhattan MA AA

Responsiveness to CD needs is excellent. LNB originated three CD loans during the evaluation period totaling \$10.4 million. These loans were to businesses and promote economic development by providing permanent jobs to low- and moderate-income (LMI) individuals.

The bank made donations to four CD organizations totaling \$950. In addition, bank staff provided CD services to five organizations. Three of the organizations provide community services targeted to LMI and two organizations provide affordable housing.

### Statewide:

Investments in the Kansas Equity Fund remain outstanding and total \$848 thousand. These investments help provide affordable housing through the use of low-income housing tax credits. The Fund also helps provide technical assistance to organizations that develop affordable housing.

In addition, LNB provided CD services to an affordable housing organization that serves the state of Kansas.

### **Conclusion for Limited-Scope AAs**

Based on the limited-scope reviews, LNB's performance under the Community Development Test in the Topeka MA, Miami County MA and Lawrence MA AAs is weaker than the bank's overall excellent performance. The impact on the CD Test rating is neutral.

In the Topeka MA AA, LNB has qualified investments of \$214 thousand that were originated during the prior evaluation period. The bank made donations to CD organizations totaling \$2,150.

In the Miami County and Lawrence MA AAs, LNB made donations to CD organizations totaling \$250 and \$1,050, respectively.

### **Responsiveness to Community Development Needs**

The bank's performance under the Community Development Test shows an excellent level of responsiveness given performance in the full-scope AAs.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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