



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 31, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Exchange National Bank and Trust Company of Atchison  
Charter Number 2758

600 Commercial Street  
Atchison, KS 66002-0000

Office of the Comptroller of the Currency

Kansas City South Field Office  
7101 College Boulevard, Suite 1600  
Overland Park, KS 66210-2077

**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 Exchange National Bank and Trust Company (Exchange) is helping meet the community needs of its assessment area.

- The bank has a record of satisfactory lending to borrowers of different income levels.
- The bank has an excellent record of lending within the assessment area.
- The bank's loan-to-deposit ratio is satisfactory based on the competitive environment and the opportunities for loan growth within the assessment area.
- The bank has received no consumer complaints concerning its performance in meeting the community's credit needs.

## SCOPE OF EXAMINATION

Our objectives were to assess the bank's ability to serve and meet the community's needs within their assessment area. The bank remains intrastate with no branches outside of Kansas and is not located in a metropolitan statistical area (MSA). We used loan originations ranging from January 2005 to December 2007 in our evaluation. We identified the bank's primary products as 1-4 family residential real estate and consumer loans by the number of loans originated. We reviewed a random loan sample of 42 1-4 family residential real estate and 51 consumer credits.

## DESCRIPTION OF INSTITUTION

Exchange has \$166 million in total assets, with net loans representing \$126 million (76% of total assets), according to the December 31, 2007 Report of Condition. The bank has a main office, two limited service branches, and four automated teller machines, two of which accept deposits, located in Atchison, Kansas. Exchange also operates one full service branch in Effingham, Kansas. The bank is a wholly owned subsidiary of Exchange Bankshares Corporation of Kansas, Atchison, Kansas. The bank offers a full range of traditional personal and commercial banking services. Exchange faces competition from branches of several larger financial institutions. There are two smaller individual banks in the AA. Financial institutions located in surrounding communities aggressively compete for loans and deposits. There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs of its assessment area.

Exchange received a rating of satisfactory at its last CRA examination dated August 25, 2003. The bank is not required to file Home Mortgage Disclosure information. Please refer to the bank's Public File for more details.

During the evaluation, we made one community contact with a government supported community based agency. According to the contact, the area's primary need is affordable housing. The contact stated financial institutions in the area are meeting the needs of the community.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of four census tracts and encompasses all of Atchison County. The AA is not located in a MSA and consists of only middle-income designated tracts. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geography. The county's major employers include manufacturing, education, retail trade, and service industries. The reported unemployment rate for the county is 4.3%, which is comparable to the state's 2007 average of 4.4%.

Total population of the AA according to the 2000 U.S. Census is 16,774. While there are no low-income tracts in the AA, low and moderate families represent 18% and 19% of the AA's population. Middle and upper-income families represent 28% and 35%, respectively. Current income designations are based on the 2007 non-metropolitan median family income figure of \$49,800. The 2007 census indicates that 14% of the households were below poverty level.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

As the only locally owned institution, Exchange's loan-to-deposit ratio is satisfactory. From the FDIC deposit market share information, there are five institutions in the bank's AA, which includes Exchange. Two institutions have multi-state operations. The remaining two institutions are significantly smaller than Exchange, but offer similar products and services. Since the last CRA examination, the bank's quarterly loan-to-deposit averaged 85.82% based on eighteen quarters and was reasonably comparable to the average ratio of the two smaller institutions with similar products.

### **Lending in Assessment Area**

The bank's level of lending within the AA is excellent. A majority of loans the bank originated were located within the bank's AA. For the loans evaluated, we found that management originated 87.22% by dollar amount within its AA.

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

Exchange is appropriately lending to all categories of borrowers by income and household distribution. From a distribution of loans by borrower income, we did not identify any categories of borrowers by income for which there is little or no loan penetration. We expanded our sample in consumer loans and found that the bank made 6 loans (16% of sample) to low-income borrowers and 12 loans (32% of sample) to moderate-income borrowers within the AA. While below demographic data for the AA (low-income households are 23% and moderate-income households are 16%), the bank's performance is satisfactory given 14% of the households in the AA are below the poverty level.

Residential real estate lending to borrowers of different income levels is acceptable. For 1-4 family real estate loans sampled, we found 4 loans (11% of sample) to low-income borrowers and 7 loans (19% of sample) to moderate-income borrowers. The lower percentage of residential real estate loans to the low-income group reflects that 8% of the families in the AA are below the poverty level. Demographic data for the AA shows low-income families represent 19% and moderate-income families represent 20%.

### **Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of loans as it is not meaningful given the bank's AA is designated entirely as middle-income.

### **Responses to Complaints**

Exchange has not received any consumer complaints regarding its CRA performance during the evaluation period.

### **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.